COTA TASMANIA
for older Australians

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Submission: Private Health Sector Reform Consultation Paper 1

1. Overview

COTA Tasmania welcomes the opportunity to contribute to the Australian Government's first stage of private health sector reform.

Older Australians have a significant stake in the future of private health insurance. They are more likely to need hospital and specialist care, but many are also living on fixed or constrained incomes and have limited capacity to absorb further increases in premiums, excesses and out-of-pocket costs. For those who have maintained private health insurance over many years, affordability, certainty and continued access to meaningful cover are central concerns.

COTA Tasmania broadly supports reform that improves transparency, simplifies products, strengthens regional access and supports a sustainable private health system. However, sustainability must be considered from the consumer perspective as well as that of insurers and hospitals. Reform should not improve institutional finances by shifting costs, risks or responsibilities onto consumers, nor should Commonwealth savings be achieved by transferring additional demand and expenditure to state public health systems.

COTA Tasmania's principal concern in this consultation is the proposed change to the Private Health Insurance Rebate. We do not support replacing the current age- and income-related rebate with an income-only model where this would reduce the rebate available to older Australians and increase the effective cost of maintaining cover.

Recent Tasmanian evidence demonstrates the potential consequences. A St Lukes survey of more than 3,600 members aged 65 and over found that 71 per cent said the proposed changes would affect their ability to maintain private health insurance, while 90 per cent lacked confidence that they could access the care they need through the public system if they lost cover. More than three-quarters of respondents had incomes below $55,000.

The broader system impact is also significant. In the year ending December 2025, approximately 295,000 Tasmanians were covered by private health insurance, 108,909 hospital admissions were funded through PHI, and around $405 million in hospital benefits were paid, including support for more than 15,000 private-patient admissions in public hospitals.

COTA Tasmania is therefore concerned that reducing age-based PHI rebates could create a false economy: lowering Commonwealth expenditure while encouraging older people to downgrade or leave private cover, thereby shifting additional demand and costs to Tasmania's already constrained public hospital system.

Across the wider reform program, COTA Tasmania urges the Australian Government to apply a clear consumer test: **will the proposed change make health care more affordable, accessible, understandable and equitable for consumers, including older people and those living in regional and rural communities?**

That test should guide not only the proposals in Consultation Paper 1, but the subsequent stages of private health reform.

2. About COTA Tasmania

COTA Tasmania is the leading voice for older Tasmanians. We work to influence policy, promote positive ageing and ensure that the experiences and interests of older people are reflected in decisions affecting their lives.

COTA Tasmania welcomes the opportunity to comment on the Australian Government's *Private Health Sector Reform – Consultation Paper 1*.

Private health reform is particularly significant for older Australians. As people age, their likelihood of needing hospital and specialist care generally increases, while many experience reduced capacity to absorb continuing increases in insurance premiums and out-of-pocket health costs.

For older people who have maintained private health insurance over many years, the expectation is straightforward: that the cover they have paid for remains affordable, understandable and capable of delivering meaningful access to care when it is needed.

COTA Tasmania broadly supports reforms intended to improve the sustainability, efficiency and responsiveness of Australia's private health system. However, sustainability for hospitals and insurers cannot be considered separately from sustainability for consumers.

3. Summary of recommendations

COTA Tasmania recommends that the Australian Government:

1. make affordability, accessibility, transparency and consumer value explicit tests for all private health reforms;
2. retain the age component of the Australian Government Private Health Insurance Rebate and not replace it with an income-only model where this would reduce the rebate available to older Australians;
3. publish detailed modelling of the impact of any proposed rebate changes by age, income, jurisdiction and policy type before proceeding;
4. model the likely effect of rebate changes on policy downgrading and withdrawal from private health insurance, together with consequential demand and cost impacts on state public hospital systems;
5. ensure measures intended to improve hospital or insurer sustainability do not result in increased premiums, gaps, exclusions or other costs for consumers without demonstrable improvements in access, quality or consumer value;
6. proceed with genuine simplification and standardisation of private health insurance products, accompanied by strong consumer testing and accessible non-digital information and support;

7. support measures to improve the viability of regional private hospitals, provided additional funding produces demonstrable benefits for patients and communities;
8. support removal of unnecessary Type C certification requirements for people aged 75 and over, while avoiding assumptions that chronological age is itself synonymous with frailty or incapacity;
9. ensure mental health workforce initiatives do not improve metropolitan private hospital capacity at the expense of regional, rural or public mental health services;
10. include strong and diverse consumer and carer representation, including representation of older people, in any reconvened Private Mental Health Alliance;
11. preserve community rating and intergenerational risk sharing through any changes to risk equalisation arrangements; and
12. provide meaningful consumer representation throughout subsequent stages of the private health reform program.

4. Detailed Comments

4.1 Affordability and consumer value must remain central

COTA Tasmania recognises the significant financial pressures affecting parts of the private hospital sector and the importance of maintaining a viable private health system.

However, financial sustainability must be considered from the perspective of consumers as well as institutions.

Older Australians can be particularly exposed to escalating health costs. Many have maintained private health insurance for decades precisely because they anticipate requiring greater access to health care as they age. At the same time, retirement can reduce their capacity to absorb repeated increases in premiums, excesses, co-payments and other out-of-pocket expenses.

This creates the potential for an inequitable outcome in which people contribute to private health insurance throughout their healthier working years but find it increasingly difficult to maintain appropriate cover when they are most likely to need it.

COTA Tasmania therefore considers that no reform should be judged successful where improved provider or insurer sustainability is principally achieved through:

- higher premiums;
- increased excesses or co-payments;
- greater out-of-pocket costs;
- reduced or less useful cover;
- increased uncertainty about costs; or
- reduced access to treatment.

This principle is particularly important in considering proposed changes to the Private Health Insurance Rebate.

4.2 Protecting the age-based Private Health Insurance Rebate

COTA Tasmania does not support replacing the current age- and income-related Private Health Insurance Rebate with an income-only model where this would reduce the rebate available to older Australians and increase the effective cost of their cover.

Income and age address different policy considerations.

Means testing appropriately recognises differences in capacity to pay. The age-based component recognises that health care needs and utilisation generally increase with age, while many older Australians have retired and have limited or no capacity to increase their income.

Removing that recognition would increase the effective cost of private health insurance for many older Australians precisely when they are more likely to need hospital and specialist care.

4.3 Tasmanian evidence suggests a significant behavioural response

Recent evidence from St Lukes, Tasmania's largest health insurer, demonstrates why this is of particular concern.

St Lukes surveyed more than 3,600 members aged 65 and over about the proposed changes to the PHI rebate.

The results show that:

- 96 per cent of respondents were concerned about the proposed rebate changes;
- 71 per cent said the changes would affect their ability to maintain private health insurance; and
- 90 per cent did not feel confident they could access the care they need through the public system if they lost their cover.

The income profile of respondents is equally important:

- 31 per cent had incomes below $30,000;
- 46 per cent had incomes between $30,000 and $55,000; and
- 23 per cent had incomes above $55,000.

More than three-quarters of respondents were therefore living on incomes below $55,000.

This challenges any assumption that age-based rebates primarily benefit affluent retirees.

For many older Tasmanians, private health insurance represents a significant household expense which is maintained by making choices elsewhere in the family budget. A reduction in the rebate therefore cannot simply be assumed to result in consumers absorbing a higher premium.

The St Lukes survey suggests a real risk that older policyholders will instead:

- downgrade their policy;
- increase their excess or other out-of-pocket exposure;
- remove particular forms of cover; or
- leave private health insurance altogether.

4.4 The consequences extend beyond individual policyholders

This is not solely an issue for people who currently hold private health insurance.

St Lukes reports that, for the year ending December 2025:

- approximately 295,000 Tasmanians were covered by private health insurance;
- 108,909 hospital admissions in Tasmania were funded through private health insurance; and
- approximately $405 million in hospital benefits were paid for private patients, including support for more than 15,000 admissions in public hospitals, representing around 14 per cent of the total.

Private health insurance therefore supports capacity across both Tasmania's private and public health systems.

If changes to the rebate cause significant numbers of older people to downgrade or leave private cover, some of that demand will inevitably transfer to the public system.

In Tasmania, where hospital capacity and waiting times are already major challenges, this is not a theoretical concern.

COTA Tasmania is particularly concerned that reducing age-based PHI rebates could produce a false economy: lowering Commonwealth rebate expenditure while driving older people from private cover and transferring additional demand and costs to Tasmania's already constrained public hospital system.

This creates the potential for a significant cost shift from the Commonwealth to the State, while simultaneously reducing access and increasing waiting times for the broader community.

Any assessment of the proposed rebate changes must therefore consider whole-of-system effects rather than Commonwealth expenditure in isolation.

4.5 Fairness and policy stability

There is also an important issue of fairness and legitimate consumer expectation.

Many older Australians have maintained private health insurance continuously for decades. They have contributed premiums throughout periods when their use of hospital services may have been relatively low, in the expectation that appropriate cover would remain available and affordable as their health needs increased.

The St Luke's material provides powerful examples.

One Launceston respondent, aged 66 and living with chronic illness, has maintained private health insurance for more than 40 years. St Lukes estimates the proposed changes could increase his costs by around $250 annually, leading him to consider downgrading or dropping cover.

A Hobart couple aged 69 and 68 have held private health insurance for more than 50 years. Now living on a government pension and modest superannuation, they face a potential increase of up to $1,600 a year and say they would have to consider downgrading or dropping their cover.

These examples highlight an important policy issue: retirees have limited capacity to respond to substantial and unexpected increases in recurring costs by increasing their income.

COTA Tasmania does not suggest that existing arrangements can never be reviewed. However, policy changes should not materially alter the financial basis on which people have made long-term decisions without compelling justification, careful modelling and appropriate safeguards.

COTA Tasmania recommends that the Australian Government:

- retain the age component of the Private Health Insurance Rebate and not replace it with an income-only model where this would reduce support available to older policyholders;
- publish detailed modelling of the impact of any proposed change by age, income, jurisdiction and policy type;
- model likely rates of policy downgrading and withdrawal from private health insurance;
- assess consequential demand and cost impacts on state public hospital systems; and
- undertake specific consultation with older consumers before making any substantive change to the rebate structure.

Private health insurance reform should improve affordability and sustainability. It should not make cover less affordable for the people most likely to need it.

4.6 Private health insurance product simplification

COTA Tasmania strongly supports the objective of making private health insurance easier for consumers to understand and compare.

Private health insurance remains unnecessarily complex for many consumers. Differences in exclusions, restrictions, excesses, co-payments and provider arrangements can make meaningful comparison difficult even for people who are confident navigating financial and health information.

Simplification should therefore mean genuine simplification for consumers, rather than simply reducing the number of products or creating administratively simpler arrangements for insurers.

Older consumers should be able to readily establish:

- what services their policy covers;
- what is excluded or restricted;
- what excesses and co-payments apply;
- whether particular hospitals or providers are covered;
- what their likely out-of-pocket costs will be;
- how their policy differs from comparable alternatives; and
- what will happen if an insurer changes or closes an existing product.

Consistent terminology and presentation across insurers would significantly improve consumer comparison.

COTA Tasmania also recommends that proposed simplified products and consumer information be tested with older consumers before implementation.

This should include people with lower literacy or digital literacy and people experiencing cognitive, sensory or communication barriers.

Digital information can improve accessibility for many people, but it must not become the only practical means of understanding, comparing or changing health cover. Consumers must continue to have access to telephone and other non-digital assistance.

Product simplification must also avoid leaving long-standing policyholders stranded in poor-value legacy products or effectively reducing existing levels of cover through product redesign.

4.7 Improving access to regional private hospitals

COTA Tasmania supports the proposed measures intended to improve the viability of regional private hospitals.

Access to private hospital services in regional communities matters not only to individual policyholders but also to the functioning of the broader health system.

This is particularly relevant in Tasmania.

Geographic disadvantage should not be considered solely in terms of kilometres from a metropolitan centre. In a small and dispersed population, relatively modest distances can involve significant barriers where public transport is limited, specialist services are concentrated in particular locations and patients may need to travel between regions for treatment.

These barriers can be especially significant for older people who no longer drive, experience mobility limitations or require another person to accompany them.

Regional hospital closures or reductions in services also undermine the value of private health insurance for regional policyholders. Consumers reasonably question the value of maintaining cover if the services for which they are insured are unavailable within practical reach.

COTA Tasmania therefore supports measures that improve the viability and range of services available through regional private hospitals.

However, additional funding intended to sustain regional hospitals should be accompanied by transparent consumer outcomes, including:

- maintenance or expansion of services;
- reasonable access and waiting times;
- continuity of services;
- protection against excessive out-of-pocket costs;
- retention of regional health workforce capacity; and
- clear information for consumers about participating hospitals and associated costs.

Public policy should not simply improve the financial position of institutions without being able to demonstrate a corresponding benefit for patients and communities.

4.8 Type C procedure certification

COTA Tasmania supports in principle the proposed exemption from Type C certification requirements where the patient is aged 75 years or older.

Removing unnecessary certification can reduce administrative barriers and provide consumers with greater certainty about access and costs.

However, COTA Tasmania encourages careful language around the rationale for the age threshold.

Chronological age should not itself be treated as synonymous with frailty, vulnerability or incapacity. Many people aged 75 and over live independently and enjoy good health, while significant complexity and frailty can occur at younger ages.

The proposed threshold is best understood as a practical administrative entitlement reflecting an increased population-level likelihood of clinical complexity, rather than as an assessment of an individual older person's capacity or health status.

4.9 Private mental health services and workforce

COTA Tasmania supports efforts to improve access to appropriate mental health care and recognises the workforce pressures affecting private hospital mental health services.

However, reform must not improve access to private psychiatric services in metropolitan areas by drawing scarce clinicians away from regional or rural communities or from already pressured public mental health services.

Any workforce changes should therefore be accompanied by close monitoring of:

- movement of psychiatrists between regions;
- movement between public and private sectors;
- regional and rural service availability;
- waiting times;
- continuity of post-discharge care; and
- access for population groups who already experience barriers to mental health care.

Mental health policy must also recognise older people explicitly. Mental ill-health does not cease at retirement age, yet older people can be poorly served by systems and programs designed primarily around younger and working-age populations.

4.10 Private Mental Health Alliance

COTA Tasmania supports reconvening a collaborative Private Mental Health Alliance, provided consumer participation is embedded in its structure.

Consumer and carer voices should not be peripheral.

Membership should include strong and diverse lived-experience representation, including older consumers, regional and rural consumers and carers.

The Alliance should also have an explicit role in assessing whether new models of care improve affordability, accessibility, continuity and patient outcomes rather than focusing primarily on provider and insurer arrangements.

4.11 Risk equalisation and intergenerational fairness

COTA Tasmania recognises that risk equalisation is technically complex and does not seek to prescribe the actuarial mechanism through this submission.

We do, however, have a strong interest in its purpose and consumer impacts.

Risk equalisation helps support community rating by redistributing costs associated with differing claims risks between insurers. This is important to older Australians because it helps ensure that increasing health needs with age do not translate directly into unaffordable age-based premiums.

COTA Tasmania does not oppose reforms intended to improve the affordability of maternity or mental health cover.

However, changes made to achieve those objectives must not inadvertently weaken intergenerational risk sharing or transfer disproportionate costs onto older policyholders.

Before implementing changes, the Australian Government should publish modelling showing impacts on:

- different age cohorts;
- product tiers;
- insurers and fund types;
- regional and rural consumers; and
- premiums ultimately paid by consumers.

The objective should not be to improve affordability for one group of policyholders by making another group less affordable to insure.

A sustainable system requires confidence that risk is shared fairly across generations and health circumstances.

4.12 Consumer involvement in the continuing reform program

COTA Tasmania notes that Consultation Paper 1 represents the first stage of a wider program of private health reform.

This provides an important opportunity to embed consumer involvement from the outset.

Consumers are not simply purchasers at the end of the private health system. They fund the system through premiums, taxation and out-of-pocket payments, and they bear the consequences when funding arrangements, product structures or service models fail.

Consumer organisations should therefore be involved in the detailed development and evaluation of reforms alongside insurers, hospitals and professional groups.

This should include organisations representing:

- older people;
- people with disability;
- carers;
- regional and rural communities; and
- people experiencing financial or digital exclusion.

Consumer involvement will be particularly important in subsequent consultation on information transparency, funding and performance information and measures intended to demonstrate or improve consumer value.

5. Conclusion

COTA Tasmania welcomes the Australian Government's willingness to undertake broader reform of the private health sector.

The pressures facing private hospitals and insurers are real, but institutional sustainability is only one component of a sustainable health system.

For consumers, sustainability means being able to afford appropriate insurance, understand what they are buying, know what costs they may face, access appropriate services when they need them and have confidence that cover maintained over many years will remain meaningful as their health needs change.

The proposed changes to the Private Health Insurance Rebate are therefore of particular concern.

Evidence from more than 3,600 older St Lukes members suggests that reducing age-based support could lead a substantial proportion of older policyholders to reconsider whether they can maintain private cover. More than three-quarters of those surveyed had incomes below $55,000, demonstrating that this is not simply an issue affecting wealthy retirees.

In Tasmania, the consequences would extend beyond those individuals. Private health insurance currently funds significant hospital activity across both the private and public systems. A policy that drives older people from private insurance therefore risks shifting costs and demand from the Commonwealth to Tasmania's already pressured public hospital system.

That would not represent genuine reform or savings. It would represent a transfer of cost and risk.

COTA Tasmania therefore urges the Australian Government to retain the age component of the Private Health Insurance Rebate, carefully model the whole-of-system impact of any proposed changes, and ensure that the interests and experiences of older consumers remain central throughout the wider private health reform program.

The success of private health reform should ultimately be measured not by whether financial flows between insurers and hospitals become more sustainable, but by whether the health system works better for the people it exists to serve.