



Senator
Steve Fielding
Leader of Family First



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Second Reading Speech

Fairer Private Health Insurance Incentives (Medicare Levy Surcharge-Fringe benefits) Bill 2009

9 September 2009

(6:38 PM) —Australian families are doing it tough. Thousands of workers are losing their jobs and those with jobs are being forced to tighten their belts. Many families have been left wondering how they will have enough money to pay their next bill and every additional expense now feels like an enormous burden. The Rudd government is now looking to deal families another devastating blow by cutting back on the 30 per cent private health insurance rebate.

Cutting back the health insurance rebate is not a decision of little consequence. It is not a decision which will affect only a marginal group of people and leave the rest of the population either untouched or better off. Cutting back the health insurance rebate is a decision which will affect thousands of families who rely on their private health insurance for peace of mind and as a necessity. It is a decision which will push more people into the public system and will therefore affect the millions of Australian families who depend on an already overburdened and broken public health system. In short, cutting back the health insurance rebate is a flawed policy.

Over 11 million people have some form of private health insurance. The number of Australians with health insurance has gone up significantly since the introduction of the 30 per cent rebate in 1999, and this has been widely been accepted as further evidence of the policy's tremendous success. Fortunately, for many Australians private health insurance is not something they are forced to rely on regularly. But health insurance is something they take out for peace of mind, because their health is too important to them to take any chances with an underfunded and overburdened public system that is clearly in disarray. Health

insurance is a big expense and places a strain on the family budget, but, in the eyes of many people, it is not only a worthwhile but a necessary expense.

Family First believe that we need a strong public health system and a strong private health system. The government is at risk of undermining both public and private systems by cutting back the health insurance rebate. The decision by the Rudd government to means-test the health rebate is likely to tip the balance—premiums will go up, which will mean that private health insurance will become an expense many people cannot afford. The government has claimed that, even with the increases, more than 99 per cent of people will continue to stay in the private health system. These numbers look like they have been taken from the back of a cereal box rather than from proper, rigorous analysis. They are based on the false assumption that private health insurance is relatively inelastic and, therefore, the price of health insurance is not likely to drive consumer behaviour.

Perhaps for the Prime Minister and the Treasurer several hundred dollars seems like small change. After all, they have excessive superannuation entitlements that will see them walk away from parliament with massive pension payments, guaranteed for the rest of their lives. But most Australians are not as fortunate. Several hundred dollars more each year is a large amount of money. It is enough to be the difference between continuing with private health insurance and letting a policy lapse. Either way, it is a lose-lose situation for everyone. It is bad for those people who will decide to stay in the private system and will need to find the extra money to cover their rising expenses. It is even worse in the case where people are forced to give up their private health insurance and place even greater strain on our overburdened public hospitals.

At the Senate inquiry we heard that over 200,000 people are expected to drop out of the private system under the proposed means-testing provisions. Also at the Senate inquiry we heard that 730,000 Australians are likely to downgrade their private hospital cover and an additional 775,000 Australians could exit their general treatment cover for matters such as dentistry as a consequence of the government's policy. How will our overburdened and broken public hospitals possibly cope with those Australians that exit the private system? It begs the question of whether the government has even considered this prospect before launching into this flawed policy. It is a further example of the government's short-sightedness. It is willing to save money now even if that means costing much more later on.

Family First supports a strong public and private system. In Australia we have a very delicate balance between the public and private systems, and any changes must be carefully crafted. The current changes, I think, are flawed. The current changes do not do enough to help working families. Remember that this is the same government that went to the last election promising to help working families. This is the government that said at the time that one of the biggest challenges was

offering help to working families under financial pressure. The government has now gone back on its word. It is a government that has once again betrayed the trust of the Australian people and cannot be believed. It is a government that has proven that what it says and what it actually does are two entirely different things.

Family First is mindful of the current economic situation Australia finds itself in. We understand that these are tough times not only for the Australian people but also for the Australian government. We have seen tax revenues collapse, social security payments go up and a strong budget surplus be transformed into a \$57.6 billion deficit in the blink of an eye. Accordingly, we accept the idea that those who can afford it should shoulder some of the burden to make life easier for everyone else.

Family First certainly does not want to see multimillionaires running around with a 30 per cent rebate in their pockets either. However, the current thresholds set by the government in means-testing the health rebate are not fair. The thresholds are unfair because they focus too much on household or individual income and do not sufficiently take into account how many children there are in the household. As any parent knows only too well, the cost on families can increase significantly depending on the number of children cared for. Under the government's proposal, the thresholds will only increase by a stingy \$1,500 for every child in the household, and this does not even apply for the first child in the family. This means that a couple with three children will be allowed to earn just \$3,000 more each year between the two of them before they start to lose part of the 30 per cent government rebate.

Is the Rudd government living in fantasy land? Does anyone in the Labor Party have a real idea of how much it costs to raise children? Let me tell you, if the Rudd government thinks it costs nothing to raise one child and only \$1,500 for each child after that, they must be living on a different planet to the rest of Australia. Does the Rudd government have any idea of how much it costs to buy school uniforms, school books, clothes, extra food and more petrol so that you can drive your kids to sports training, and pay medical bills for sick kids, and the rest? Clearly it does not, because there is no way you can add up all those expenses and tell me that it makes sense to increase the thresholds by just \$1,500 per child.

Having children is one of the biggest joys in the world, but it costs a lot of money and the government needs to recognise this more with its policies. There is a huge list of expenses that families with children face every day. The list only grows longer the more children you have. Family First has been pressuring the government to increase the thresholds for means-testing. Family First have been pressuring the government to increase it by \$6,000 for each dependent child in the household. Even that is pretty light on for what it actually costs to raise a child. Increasing this amount takes into account more of the costs involved in caring for children, which families of no children do not face. Quite simply, increasing the

thresholds for dependent children is common sense and the government should support this threshold.

As I was saying before, this change is a serious issue that needs to be addressed. The government seem hell-bent on undermining the private health system in Australia. The Rudd government's undermining of the private health system is a very dangerous policy as it will leave many families worse off. The Rudd government have to be careful not to make the same mistake the Howard government made when they started to take families for granted. The Rudd government have overpromised and underdelivered on health—a very important issue. This is a mistake that the Rudd government will live to regret. Health is a touchstone issue for most Australians. They have overpromised and underdelivered on health. They gave the impression that they would not undermine the private health system and they are doing the exact opposite.

I believe in a strong public system; I believe in a strong private system as well. It is a big mistake to undermine either the private system or the public system, but the government seem hell-bent on doing both. They are penny-pinching. The Rudd government are most vulnerable on health because they have overpromised and underdelivered on health. No matter how much spin they use on health, they will get caught out in the end. I saw this with the Howard government when they took Australian families for granted, and this government is in danger of doing the same thing with health. They have broken another core election promise on health. They said they would take over the health system if it were not fixed. Blind Freddy, even with his cataracts, could tell you that the public health system is broken and that the government promised they would take it over. That was the impression and intent of their commitment. Go out to the suburbs and ask the Australian public. They know the government said they would take it over—they know the system is still broken—and they have not. The government squibbed on that. The government are undermining the public system and the private system by tinkering with it.

I am not confident that you folk know what you are doing. You are at risk of taking Australian families for granted. We all know what happened to the Howard government when they started doing this. It is a very serious issue. You are very vulnerable on health. Go out and talk to the people in the suburbs. You have overpromised and underdelivered. You should be careful. I saw this with the Howard government. When you start to take Australian families for granted, health is a touchstone issue. It is an issue that they hold very dear to their hearts. Most Australians believe in a strong public system and a strong private system. When you start to tinker and undermine them, you affect both.