

**Date** 22 October 2012

**Subject** nib responds to proposed changes to Federal Government Rebate

nib Managing Director Mark Fitzgibbon said Monday that the Australian Government's announced changes to the private health insurance rebate proposed for FY14 are not expected to have a significant impact on the industry, including nib, given strong underlying demand.

"These changes are at the margin and don't come into force for some time. More importantly, we welcome the Government's announcement that the changes to the rebate will be accompanied by discussions over the setting of health insurance premiums," Mr Fitzgibbon said.

The Federal Government proposes from FY14 to effectively freeze, in real terms, its total budget allocation for the rebate on health insurance premiums. From 1 April 2014, the premium to which the rebate is applied will move in line with CPI or the commercial premium increase, whichever is lower. It also plans to remove the rebate on the proportion that relates to Lifetime Health Cover (LHC) loadings.

Mr Fitzgibbon said that the policy changes announced in the Mid-Year Economic and Fiscal Outlook were not a total surprise given the Government's difficult fiscal predicament.

"The escalating cost of the rebate has always been a concern for the Federal Government, even though it continues to achieve its policy objective of growing private health insurance participation and relieving the acute strain on the public hospital system."

"Private health cover remains high and now accounts for around two thirds of all elective surgery in Australia."

"Very importantly the decision to effectively freeze the rebate allocation in real terms opens the way for the Government to allow health insurers to set premiums independent of Government interference."

"Once its liability is capped there won't be any valid reason for the Government to control prices from 2014."

"With 34 insurers in the market, I expect the forces of competition will do a better job than Government in keeping premiums as low as possible. I've often argued that Government price control is a form of price fixing and not in the interests of consumers."

On the changes to the lifetime health cover loading, Mr Fitzgibbon said the impact on nib would be minimal given the loading accounts for less than 2% of nib's total premium revenue.

nib will actively seek to engage and consult with the Government in relation to the setting of health insurance premiums and the implementation of the policy changes announced today.

#### **MEDIA AND INVESTOR RELATIONS**

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