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## New research suggests tax the trigger to first take out private health cover

*But 70 per cent of insured Aussies keep private health insurance for 'peace of mind'*

New research by health insurance experts [iSelect](#) has revealed that the majority of Australians with private health insurance took it out before the age of 31, suggesting many are motivated by potential tax savings or a desire to avoid paying higher premiums later in life. The survey, commissioned in the lead up to June 30, also revealed that almost **9 out of 10** (88 per cent) insured Australians are satisfied with their policy.

The end of financial year is one of the busiest times for private health insurance as Federal Government incentives prompt many Australians to sign up for or review their policies.

A national Ipsos Research study commissioned by iSelect in June<sup>1</sup> revealed three quarters (**76 per cent**) of privately insured Australians first took out a policy before they turned 31, which is the age when Lifetime Health Cover (LHC) loading comes into effect.

LHC is a government incentive designed to encourage younger and healthier Australians to take out private insurance earlier in life. Customers without hospital cover by 1 July following their 31st birthday who decide to take it out later in life will have to pay 2% LHC loading on top of their premium for every year they were without cover.

Laura Crowden, spokesperson for iSelect, said that while younger Australians are more likely to nominate 'to save on tax' as a reason for having private health cover, **70 per cent** of insured Aussies say they hold a policy to 'protect their health'.

"While avoiding LHC or paying additional tax via the Medicare Levy Surcharge (MLS) is likely the reason younger customers initially choose to take out cover, most Australians say they keep it for peace of mind."

A government incentive designed to reduce the burden on the public health system, MLS is an additional tax (on top of the standard 2% Medicare Levy) for those who earn over \$90,000 (single) or \$180,000 (couple/family) and don't have private hospital cover. MLS ranges between 1-1.5% depending on income level.

Laura said that the focus on health insurance in the lead up to June 30 should encourage Australians with and without private health cover to make sure they properly understand potential tax implications.

"For higher income earners, taking out private health insurance can make good financial sense as you'll avoid the MLS, and paying the MLS for an entire year would cost a minimum of \$900."

But Laura warned against just taking out the cheapest policy to avoid paying extra tax, as they can end up costing a lot more in the long-run if the cover is insufficient when it comes time to claim.

"While budget policies are available for around the same cost as paying MLS (\$900 for the full year), for a few hundred dollars more you could get a basic level of cover that not only helps you avoid extra tax but will also cover you for over 20,000 different procedures listed on the Medicare Benefits Schedule (MBS)."

The Ipsos Research also found that while budget or basic policies are more popular among younger customers, **almost 70 per cent** of insured Australians currently hold a mid-range or top level policy.

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<sup>1</sup> In June 2016 iSelect commissioned a nationally representative consumer research study with Ipsos Australia to assess the attitudes of over 1,000 Australian adults towards private health insurance in the lead up to June 30 2016.

“The fact that top level policies with minimal exclusions are most popular (held by **40 per cent** of insured Australians) highlights the fact most customers prioritise value over price when it comes to finding the right private health policy,” Laura said.

Laura said the true value of private health insurance is knowing you’ll be covered in the event of a serious health issue.

“The vast majority (**87 per cent**) of Australians have made a claim on their policy since they turned 25, including more than half (**57 per cent**) claiming on in-hospital services,” Laura said.

“It’s great to see that people are actually using their policies for hospital treatments and extras and not just filing them for tax purposes.”

Laura said that while it’s often assumed that younger Australians take out cheaper policies purely to avoid tax, the Ipsos Research suggested this is not necessarily the case with **38 per cent** of those aged under 35 having made a hospital claim since turning 25 and a further **41 per cent** have claimed on extras.

“Contrary to popular belief, just **over 50 per cent** of 25-35 year olds have a mid or top level policy and more importantly, many are making the most of their insurance by claiming for services.”

Laura said it was worrying that a **quarter** of 18-24 year olds said they took out private health insurance ‘because their parents told them to.’

“You shouldn’t simply take out private health insurance because somebody told you to or you think you need to save on tax. Instead, speak to an expert well before June 30 who can talk you through potential tax implications and crunch the numbers on thousands of policies and match one to your individual or family’s needs, at a price you can afford.”

<b>iSelect's top 5 tips for taking out Private Health Insurance for the first time</b>	
<b>1. Think about your current and future health needs</b>	– consult a private health insurance expert to discuss your life stage. This ensures you take out the right policy that covers you for everything you need and so you are not paying for things you don't need.
<b>2. Only hospital cover delivers tax benefits</b>	– taking out an extras only policy will not deliver any tax benefits, such as excluding you from the Medicare Levy Surcharge. If you earn over \$90,000 (single) or \$180,000 (couple) and are looking to save on tax, make sure your private health insurance includes hospital cover.
<b>3. Review the extras</b>	– if you don't think you'll use them, why pay for them? Also consider flexible extras products that combine your separate extras limits into a single annual limit for you to use across different services.
<b>4. Make sure ambulance is covered</b>	– not all private health insurance policies include ambulance cover and it can also vary by state. Make sure your policy includes ambulance cover or you could be left significantly out-of-pocket after an emergency.
<b>5. Look for payment discounts</b>	- some providers offer a discount for paying by direct-debit. Similarly, paying 12 months of premiums upfront can see you avoid the annual premium increase.

**ENDS**

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## About iSelect

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iSelect is Australia's leading destination for personalised comparison and expert advice across a wide range of insurance, utilities and personal finance products. iSelect's team of highly-trained advisers give customers the confidence to make the right choice when it comes to some of life's most important financial decisions. To see how we help our customers always get it right, visit [www.iselect.com.au](http://www.iselect.com.au)

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