

Are house prices excluding young Australians from health cover?

Decline in under 30s taking out health insurance increases pressure on public system

The number of younger Australians taking out private health insurance continues to decline, with recent research from health insurance experts [iSelect](#) suggesting housing affordability and government policies may be key factors.

A national Ipsos Australia Research study commissioned by iSelect¹ suggests that private health insurance simply isn't a priority for younger Australians. Instead, **most (57%) 18-30 year olds** described either 'saving to buy a home' or 'paying off a mortgage' as being one of their biggest financial priorities.

By contrast only **12 per cent** of 18-30 year olds said 'taking out or maintaining private health' was even among their financial priorities.

Laura Crowden, iSelect spokesperson, said the company had seen a sharp decline in recent years in the numbers of young people entering the private health insurance industry.

"Five years ago, just **under a third (31%)** of all iSelect customers were aged 30 or under. So far this year, this has halved to around **17 per cent**². If this trend continues, we may see the public health system stretched even further with a generation of young Australians increasingly relying on Medicare."

Laura said the decline in customers under 30 suggests that Lifetime Health Cover (LHC) loading – the government incentive designed to encourage younger Australians to take out private cover before 31 – may no longer be having the desired effect.

"LHC was introduced by the Howard government in 2000 to encourage young people into the health insurance market," said Laura, "but seventeen years later, it may in fact be keeping younger customers out of the industry."

LHC loading penalises Australians who wait until over the age of 31 to take out hospital cover. Australians without hospital cover on 1 July following their 31st birthday who decide to take it out later in life pay a two per cent LHC loading on top of their premium for every year they were without cover (up to a maximum loading of 70 per cent) and must pay the extra loading for 10 years.

Laura said it wasn't surprising that younger Australians have other priorities for their money, given record house prices and large university debts.

"The average age of first home buyers is now believed to be around mid-thirties³, which means many young Australians are firmly focused on saving a deposit when they reach the LHC deadline. As a result, private health is simply not a financial priority."

The Ipsos Research found that **sixty per cent** of 18-30 year olds without private health insurance weren't even aware of LHC.

¹ In May 2011 iSelect commissioned a nationally representative consumer research study with Ipsos Australia to assess the attitudes of over 1,500 Australian adults towards private health insurance and Lifetime Health Cover (LHC) loading.

² Based on iSelect sales data comparing customers under 30 from 2012 to 2017.

³ Home Start Finance (South Australian Government authority), 12 January 2017:

<http://www.homestart.com.au/MyStart/MyStart/Articles/Who-had-it-harder-buying-your-first-home>

Laura also pointed out that young Australians were also less likely to have started a family before they reached the LHC deadline. Since 2000, the average age of first-time mothers giving has increased, as has the number of women giving birth past the LHC deadline of 31.⁴

“Having your first child is a key reason for taking out private health insurance. It’s possible that more first time parents are opting against private cover due to the additional burden of having to pay LHC loading.”

When asked why they don’t have private health insurance, the Ipsos Research study found that **60 per cent** of 18-30 year olds said they simply couldn’t afford it, while **40 per cent** said saving for a home was a priority.

“We appreciate that not all young people want or can afford private health insurance but really it’s important they understand the implications of not having hospital cover by 31,” Laura said.

Laura said iSelect spoke to a lot of customers in their 40s and 50s who were forced to downgrade to a lower level of cover or were simply “locked out” of private health altogether because of the cost.

“Younger customers need to make an informed decision about private health or they risk being unknowingly stung by higher premiums later in life or simply unable to afford it at all.”

Laura encouraged young Australians approaching the LHC deadline to make sure they properly understand how LHC applies to them and weren’t unknowingly stung by higher premiums later in life. .

“Take the time to speak with a private health insurance expert who can explain how LHC impacts you and find you a policy that helps you avoid or at least help to reduce the burden with better value cover.”

iSelect's top 5 tips for taking out Private Health Insurance for the first time
1. Think about your current and future health needs – 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.
2. Only hospital cover delivers tax benefits – 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.
3. Review the extras – if you don't think you'll use them, why pay for them? Consider flexible extras products that combine your separate extras limits into a single annual limit or opt for an extras policy that guarantees a set percentage back (usually between 50-80% depending on how much you pay) up to an annual limit.
4. Make sure ambulance is covered – 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.
5. Look for payment discounts - 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.

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About iSelect

⁴ Australian Institute of Health and Welfare 2016. Australia’s mothers and babies 2014—in brief. Perinatal statistics series no. 32. Cat no. PER 87. Canberra: AIHW, pages 1-2: <http://www.aihw.gov.au/publication-detail/?id=60129557656>

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