

29 June 2017

## Private health enquiries soar as Aussies rush to sort out cover by June 30

### *But more than 280,000 Australians risking future health insurance penalty*

Customer enquiries to health insurance experts [iSelect](#) have skyrocketed over the past month with **private health insurance enquiries up by almost 100 per cent** compared to the same week last month<sup>1</sup>. The end of financial year is one of the busiest times of year for private health insurers, as young Australians scramble to sort out private cover ahead of June 30.

But while iSelect has seen a sharp rise in the number of first-time customers over the past month, this June has also seen **more customers struggling with rising premiums looking for a better deal** before June 30.

This trend towards switching coincides with a recent IPSOS study commissioned by iSelect<sup>2</sup> which revealed that **60 per cent of privately insured Australians reviewed their policy in the last year**.

Laura Crowden, spokesperson, for iSelect, said that increased cost of living pressures have prompted many privately insured Australians to look for ways to reduce their premiums.

“Traditionally June has been all about first-time customers but this month we’ve seen more and more customers who already have cover simply looking for better value by switching providers,” Laura said.

“Energy bills are skyrocketing and house prices are at record levels. With private health premiums having risen by more than **50 per cent since 2010**, it’s not surprising that many Australians are reaching their limit in terms of private health insurance affordability and are looking for better value.”

Despite the overall increase in demand, iSelect has observed a steady and worrying drop in the number of customers taking out cover to avoid the Lifetime Health Cover loading (LHC) deadline. Over the past five years, the proportion of 30-31 year old customers taking out cover through iSelect has **declined by over a third**<sup>3</sup>.

Laura Crowden, spokesperson for iSelect, said this trend was concerning as it is these individuals who stand to be affected most by not securing cover by June.

“Australians without hospital cover on 1 July following their 31st birthday who decide to take it out later in life pay a **2 per cent loading** on top of their premium for every year they were without hospital cover over the age of 30, up to a maximum loading of 70 per cent, and have to pay it for 10 years,” Laura explained.

“According to the Federal Government, this year **more than 280,000 Australians** risked being burdened with LHC later in life unless they took out a policy with hospital cover before June 30<sup>4</sup>.”

Laura said these people should investigate their private health insurance options in the coming days or risk paying much more for health insurance later in life.

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<sup>1</sup> Based on iSelect health insurance customer enquiries 21-27 June 2017, compared with 21-27 May 2017.

<sup>2</sup> In May 2017 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.

<sup>3</sup> Based on customers sales to 30-31 year olds from 1 Jan – 25 June 2013 compared to 1 Jan – 25 June 2017.

<sup>4</sup> Department of Health 2017: <http://www.health.gov.au/internet/main/publishing.nsf/Content/health-phicircular2017-27>

“LHC compounds, so the longer you are without it the bigger the LHC hit. For example, if you take out cover for the first time at 40 you will pay **50 per cent more** for hospital cover which works out to around **\$500 a year more** for an average family policy and around **\$5000 extra over ten years**,” Laura said.

“If you are around 31 years of age and uninsured, not acting now could have significant financial consequences in the future when starting a family or health issues make private cover more important.”

Higher income earners who don’t have hospital cover also risk paying additional tax via the Medicare Levy Surcharge (MLS). The MLS is an **additional tax** (on top of the standard 2%<sup>5</sup> Medicare Levy) for those who earn over \$90,000 (single) or \$180,000 (couple/family) and don’t have private hospital cover.

“If you are earning over \$90,000, taking out private health insurance could make good financial sense. Paying the MLS for the entire year costs a minimum of \$900 and many budget policies are available for around the same cost,” said Laura.

The urgency comes despite growing concerns around health insurance affordability that has led **a quarter of insured Australians** to say they were likely to **drop or downgrade their private health insurance cover** in the next 12 months but Laura cautioned against simply taking out an extras only policy.

“Only hospital cover will help you avoid Lifetime Health Cover loading or the Medicare Levy Surcharge, along with invaluable peace of mind. While opting out of hospital cover might save money in the short term means, you could be risking extra tax or costs down the track,” said Laura.

Laura urged those considering purchasing a policy or switching their cover to seek expert advice to ensure they are navigating effectively through the various complexities and small print.

“A health insurance expert can help you understand your options quickly and recommend a policy with features that best suits your budget and circumstances... if you are in the firing line for the MLS or LHC, now is the time to weigh up your options before June 30,” said Laura.

<b>iSelect's top 5 tips for taking out Private Health Insurance ahead of June 30</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 MLS. 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. LHC only applies to hospital cover</b>	– LHC loading only applies to hospital cover, not extras. If you take out private hospital cover after 31 you only pay the additional loading on the hospital component of your premium and will pay the same for your extras as someone who took out extras before 31.
<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. Speak to an expert</b>	– MLS and LHC is very confusing so it's well worth speaking to a private health insurance expert who can help explain how they work and let you know whether or not you'll need to pay MLS or LHC, and if so, how much extra it will cost you.

**ENDS**

**For further information, please contact:**

**Laura Crowden**

<sup>5</sup> From 1 July 2019, the Medicare Levy will increase from 2% to 2.5%.

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## About iSelect

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At iSelect, we get that most people find insurance, utilities and personal finance boring. But we understand that it's really important to always get these things right. As Australia's life admin store, iSelect gives customers the confidence to make the right call on some of the things that matter most.

Last year, more than 9 million Australians visited our website and we provided recommendations to over 6 million customers. But we are much more than just another online comparison website. Our highly-trained experts at iSelect HQ help customers to choose and buy from thousands of available policies, products and plans. And we provide our advice at no cost to the customer.

We compare and sell some of Australia's biggest brands but are proud that, unlike other comparison sites, we are not owned by an insurance company. From health and life insurance through to energy and broadband, as well as car insurance and home loans, iSelect helps Australians take care of the boring but important stuff. [www.home.iselect](http://www.home.iselect)

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