

GROWN UP asks...

Image by Fabian Blank (via Unsplash)



DO YOU REALLY NEED HEALTH INSURANCE?

by Felicity Sutton

When I moved out of home in 2010, at the age of 23, I stepped out from under the umbrella of my parents' health insurance. Insurance wasn't something I'd ever really thought about – like many things, I took it for granted – but we used it for the dentist and the occasional pair of glasses or contact lenses. Also, because it was “free”, our whole family went to the chiropractor once a month where a nice practitioner realigned our spines, so that was fun.

I had never questioned the importance of health insurance, but I also wasn't keen to start paying for it myself. My mother insisted that I organise my own health cover by the time I turned 25; as well as wanting to protect my wonky eyes and teeth, which she and Dad had already invested in, she was worried about the penalties if I went too long without insurance. I didn't care enough to fight her on it, so in 2011 I took out the simplest policy I could find: a Basic Saver account with NIB that got me the optical and dental extras and some token hospital cover to keep the government – or Mum – off my back.

In hindsight, this strikes me as a bit unnecessary. I was only 24, and wasn't at risk of any penalties for several years; I could have waited until I was 30, or at least gotten a cheaper policy for just the extras. But at the time I wasn't interested in thinking about all that boring, lame adult stuff, so I signed up and then forgot about it.

In the seven years that I've been on the Basic Saver, I've used it once for a gastroscopy at a private day surgery (paying \$500 excess

and some additional fees), received 50% back on glasses and contact lenses, and been to a handful of dental check-ups. I actually get two free check-ups a year, but after the first couple of years I stopped going.

Meanwhile, my premiums, which started at \$23.91 a fortnight, steadily increased every year and now cost me \$40.82 a fortnight. 50% off glasses doesn't feel like such a great deal any more.

For a long time, I didn't think about my health cover. Moving out meant paying bills, and this was just another direct debit: expensive but necessary. But now I'm back at university and back on a budget, and insurance suddenly seems a lot more expensive and a lot less necessary than I thought. I started talking to the people around me. Did everyone my age have health insurance? Was it as important as Mum had said, or was it cheaper to cop the charges at tax time? Wouldn't my money be better off going to Medicare? Why the big push for health insurance – especially private hospital cover? I don't even like private hospitals. I've worked in the public health system and I think the care is excellent. Is the whole insurance thing a big scam?

There's a reason no one likes to talk about this stuff. It is SO boring. Even researching this article made me want to stab forks in my eyes. But now that I'm a full-time student, saving money is a top priority, and that was enough motivation to continue. That's the key – motivation. There's no motivation to give a toss about health



Rob, 28, full-time chef
 Insurance: HCF Platinum Family (comprehensive hospital + extras)
 Cost: \$176.37 per fortnight

We started out with couples cover, using it for basic optical and dental until 13 months were up and we could claim for pregnancy-related expenses. That's when we started trying for a baby.

Now we have a 2-year old and we use our family cover for hospital, dental and optical, and get reimbursed up to \$2000 in out-of-pocket expenses. I can claim discounts on my nutritional supplements, gym membership and myotherapy, and swimming lessons for our son. It probably wouldn't be worth the money if we didn't make the most of the extras. Insurance can be expensive if you don't know what you're covered for and or what you're entitled to claim. We also have peace of mind knowing that we're covered for other expenses like elective surgery or income support due to injury or illness.



Elis, 32, part-time nurse
 Insurance: None
 Cost: \$0

I chose not to get health insurance. The premiums are too expensive and I don't believe that my money should go to fund private companies. If there was a government-based insurance scheme then I would probably sign up for that. Australia has a great public health system and I would choose public over private. Also, an extra 1% on my income at tax time it still costs less than a year's worth of premiums.



Bron, 30, full-time chiropractor
 Insurance: AHM Light Flexi (basic hospital + medium-level extras)
 Cost: \$45.20 per fortnight

I've always had private health insurance, though I don't use it much and I'm not sure it's worth the money. I've previously had cardiac surgery, and I'm afraid to cancel my cover because if I rejoined at a later time it might be excluded as a pre-existing condition.



Kirby, 30, full-time IT technician
 Insurance: AHM Lifestyle (extras only)
 Cost: \$20.20 per fortnight

I have extras cover and I love it! I've used it many times for optical, dental and massage. I get a massage every 3 weeks, and with my natural therapies cover it ends up costing me about \$9.00. I chose to go with just extras, because the premiums for hospital and extras cover are way too expensive.



Kane, 30, full-time occupational therapist
 Insurance: none
 Cost: \$0

I've never had private health insurance - I've been treated in the public system and had no complaints. I work in mental health in a public hospital, and for some of our clients it can be very beneficial to have private cover, because private hospitals allow them to stay longer and they get more time to recuperate than we can often provide.



Jess, 31, full-time nurse
 Insurance: AHM (hospital + extras)
 Cost: \$55.25 per fortnight

I don't like how expensive my insurance is but I can't go without it. I need regular physio for my dodgy back and also use the optical benefits for glasses and contacts. It's worth it for me because I have no limit on my extras.



Emma, 31, part-time physiotherapist
 Insurance: HIF GoldVital (basic hospital + extras)
 Cost: \$23.24 per fortnight

My husband and I have a 'junk cover' that we keep it solely to avoid the LHC loading. We never use it and I think it's a total waste of money.

SOMEBODY CALL THE WAH-MBULANCE!



Medicare does NOT cover the cost of emergency transport or other ambulance services in Australia.

The last thing you want to think about in an emergency is paying thousands of dollars for a trip to the hospital.

If you do have private health insurance, check your policy to ensure that it includes EMERGENCY AMBULANCE at a minimum.

If you don't, you will need to pay for ambulance subscription. This varies depending on the state you live in:

- **VIC:** Ambulance Victoria subscription or get free with a Healthcare Card.
- **SA:** South Australian Ambulance Service subscription.
- **WA & NT:** Sign up to St John's Ambulance Service for WA or NT and you'll be covered across the country.
- **TAS:** Ambulance costs are free within the state for Tasmanian residents.
- **QLD:** Congratulations! Queensland residents get free ambulance services Australia-wide.
- **NSW & ACT:** NSW residents pay 51% of ambulance costs or it's free with a concession card. For full cover you will actually need health insurance ... sorry.

insurance when you're young and healthy, so you either get it and ignore it or you don't get it at all.

Say you work full time and earn a reasonable income. Everyone tells you to get health insurance, so after some half-hearted research, you pick a policy – nothing fancy, just enough to stay under the radar. You might even use it from time to time. You do your best to ignore the payments leaking from your bank account; if anyone asks you which policy you picked, what kind of benefits you get, or even how much you're paying, you struggle to remember. But you stick to the same policy for years because it's not that bad, and you resent the need to spend any more time or effort checking the fine print and comparing other options. Unfortunately, health insurance is an industry that rewards people who do just that – you have to be prepared to shop around. Otherwise you could end up like me, seven years down the track and God knows how much money down the drain, with very little to show for it.

Young adults are an excellent source of income for the insurance industry: we pay a lot in premiums and don't make many claims. According to the latest Australian Prudential Regulation Authority (APRA) quarterly statistics, in March this year 11.3 million Australians had private hospital cover and 13.5

million had ancillary (extras) cover. Revenue from premiums increased from 22.8 to 23.75 billion dollars. Around 19 billion dollars was paid out in benefits, mostly for hospital procedures in the 60–79 age group.

The Howard government no doubt had the ageing population in mind when it introduced a range of incentives for younger adults to take out insurance. In 1997, the Medicare Levy Surcharge (MLS) was introduced, charging an extra 1% of taxable income for people without private health insurance who earn over \$90,000 a year. In 1999 they introduced a rebate which gives a 30% discount on insurance premiums for people under 65. Then, in July 2000, the Lifetime Health Cover (LHC) loading came into effect: for anyone taking up private hospital cover after the age of 31, an extra 2% gets added to their premiums for every year that they've gone without it, and lasts for ten years.

LHC loading is a bitch. It means that if you decide to sign up for health insurance (with hospital cover) at the age of 41, 2% will be added for each of the ten years that you waited after turning 31. This means paying an extra 20% on your premiums for the next decade. The good news is, if you never take out hospital insurance then you won't pay the loading, and it also doesn't apply to extras cover. But it does mean that if you expect to need private hospital

cover at some point later in life, it's risky to leave it too late.

On the other hand, in an article by Sydney Morning Herald's finance reporter Caitlin Fitzsimmons back in 2016, it can still work out cheaper to wait. Using an average singles premium of \$1200 per year as an example, Fitzsimmons calculated that a person who took out private health insurance at 30 and kept it until they were 75 would pay a total of \$54,000, but if they waited until they were 65 to get insurance, even with the maximum 70% LHC loading on the premiums it would only cost \$20,400 from the age of 65 to 75 (when they are most likely to use it). She points out that the ►

money spent on premiums is more beneficial for younger adults to use for other expenses like a mortgage, and that \$1200 a year could be invested into a savings account instead.

The government incentives obviously work, because millions of us have insurance, especially over 30. However, it's important to remember that health insurance is not compulsory in Australia, and we are lucky to have a great public health system. Many Australians are giving up on their insurance – the APRA statistics show that membership numbers dropped by 37,742 between March 2017 and March 2018. The results of an ongoing Roy Morgan survey also showed that 256,000 people who previously had health insurance (at any point in their lives) chose not to renew it in the past year. 53% said they did not renew because premiums were too expensive.

We all have different circumstances, healthwise and financially, but if I could encourage one thing it would be to do your research – whether that means working out if insurance is worth it for you, comparing funds, or examining your current policy to ensure you're making the most of your benefits. Personally I can't afford to keep

up the payments while I'm a student, so I'm planning to ditch my policy for at least a couple of years. There's a total of 1094 days – i.e. three years minus one day – that you can be cover-less before the dreaded LHC loading kicks in, so I'll reassess when I (hopefully) return to full-time work. I'm leaning towards an option many have suggested, which is to take the money I would spend on premiums and put it in a savings account, so I can use it for out-of-pocket medical expenses in the future. I wouldn't say no to taking up an extras policy, but not without doing the maths and carefully shopping around.

An even better solution would be if the billions and billions of dollars from the private health insurance industry was invested into our public health system instead, so then we could get rid of private insurance completely, expanding Medicare to include universal dental care and maybe subsidised optical care and – ok, that's enough. I think it's time for my nap now. **GU**

Author references:

- Australian Prudential Regulation Authority quarterly statistics: March 2018. Available online (download from <http://www.apra.gov.au/PHI/Publications>)
- *Private Health Insurance: a quick guide*, Amanda Biggs, Parliamentary Research Paper 4 Aug 2017. Available online (download from apo.org.au)
- *Don't be fooled by the private health insurance industry's pitch to 30-year-olds*, Caitlin Fitzsimmons, The Sydney Morning Herald, 19 July 2016. Available online (<https://www.smh.com.au/money>)



HELPFUL LINKS:

- doineedhealthinsurance.com.au
Take this simple quiz created by CHOICE to help you get started
- iselect.com.au, comparethemarket.com.au
Health fund comparison tools
- privatehealth.gov.au
Website of the Private Health Insurance Ombudsman - includes Lifetime Health Cover calculator