11 June 2026

The Hon Anthony Albanese MP
Prime Minister of Australia
Via email: prime.minister@pm.gov.au
Cc: Minister.Butler@health.gov.au

Dear Prime Minister

Joint sector response: Removal of the age-based uplift to the Private Health Insurance Rebate

We write together as the peak bodies representing private health insurers, private and community hospitals, day hospitals, doctors, medical technology suppliers, and older Australians, to register our shared concern about the removal of the age-based uplift to the Private Health Insurance Rebate announced in the 2026-27 Budget.

We support the Government's investment in aged care. We agree that the rebate system should be considered as part of broader reforms to the private health system, including reforms that address health inflation. But the measure as currently designed will fall hardest on the older Australians least able to absorb it, will shift substantial cost to public hospitals already operating at capacity, and will compound an emerging viability crisis in private hospitals, particularly in regional Australia. We believe it warrants further consultation before it proceeds to legislation.

The Australians who will be hit hardest

The measure directly affects more than 3 million older Australians, including many older people on modest incomes. The premium impact, while presented as modest in average terms, is significant for this cohort.

The academic literature the Department itself cites (Liu and Zhang, 2023) finds that low-income older Australians are several times more price-responsive than the cohort average. The policy treats all over-65s identically. The cohort the Government is least intending to displace (pensioners and low-income retirees) is the cohort most likely to drop or downgrade their cover.

The shift to public hospitals is real and unfunded

The Government has acknowledged in the Impact Analysis that public hospital cost shift "cannot be reliably quantified." Independent actuarial analysis by Finity found the cost shift to public hospitals would

substantially offset the rebate saving. Sector analysis using more conservative assumptions reaches similar conclusions: most or all of the headline saving is returned to government as cost shift.

The cost shift falls disproportionately on state governments, who carry approximately 55% of the additional public hospital activity under the National Health Reform Agreement while receiving none of the rebate saving.

The Department's Impact Analysis acknowledges that downgrade behaviour, specifically patients moving from Gold to Silver or adding exclusions, was not included in the modelling, and that this could materially worsen the impact on public hospitals. Downgrades typically remove cover for cataracts, joint replacement and mental health, which are the services most needed by the 65+ years cohort.

The change will also impact the Government’s efforts to improve access to the public hospital system. While additional Commonwealth funding under the National Health Reform Agreement is welcome, this policy change will undermine the Government’s objectives. The Finity report shows that this measure will mean that more older people will end up in public hospitals and this will simply increase pressure on an already stretched system.

Private hospital viability is at a critical point

The Department's own Impact Analysis acknowledges that "the average profitability of the private hospital sector has declined" and that "several hospitals are at high risk of near-term exit." The Department’s 2024 Private Hospital Financial Viability Health Check found parts of the sector are not generating the returns needed for continued investment.

Against this backdrop, the rebate change introduces additional revenue pressure into a sector already absorbing significant cost increases including nursing award outcomes of up to 35%. The impact will not be evenly distributed. Standalone facilities, particularly those in regional and rural Australia, will bear it most acutely. These are the hospitals with the highest concentration of older patients, the thinnest margins, and the fewest options for absorbing volume loss. Several are the only private alternative in their catchment.

In 2023-24, 48.8% of all private hospital admissions in Australia were of people aged 65 and over. A behavioural response that materially affects this cohort affects almost half of private hospital activity. For regional facilities serving older catchments, the share is substantially higher.

Aged care residents will be directly affected

Approximately 78,000 permanent residential aged care residents currently hold private hospital cover, alongside a larger group of home care recipients. Sector analysis estimates 2,800 to 3,500 aged care residents per year will face delayed access to elective surgery as a result of this policy. The clinical literature on delayed cataract surgery, joint replacement, and cardiac procedures in this frail cohort is unambiguous: outcomes are materially worse, with documented increases in falls, fractures, loss of mobility and mortality.

This creates a self-defeating dynamic in the policy. Delayed elective surgery for home care recipients accelerates transitions into residential aged care — increasing demand on the same Aged Care Package the rebate saving is intended to fund.

What we are asking

We are asking the Government to consider the following:

1. **The effect on low-income older Australians:** Many older Australians live on lower and fixed incomes and are more likely to struggle with significant price increases.
2. **The impact on public hospitals:** The measure will see more older patients in public hospitals, increasing waiting times for essential care, and undermine the Government's efforts to improve access to our public hospital system.
3. **The impact on regional and rural access:** The measure is likely to have a greater impact on regional and rural communities, where private hospital cover is often the only practical pathway to timely care and where private hospital viability is most fragile.
4. **Publish the modelling to inform the debate:** On private health insurance product downgrades, the cost shift to public hospitals, the impact on private hospital viability, the impact on aged care residents, and the effect on regional facilities should all be quantified and published before legislation.

A constructive path forward

The sector is willing to work with the Government on the issues raised in this letter as well as broader private health reforms. Each of the signatories below has expertise and data that can support a more durable policy outcome. We would welcome the opportunity to meet with you and your office to discuss the issues raised in this letter and to assist in developing a workable solution that protects vulnerable Australians, protects regional access, and preserves the substantial majority of the fiscal saving.

Yours sincerely,

Chris Grice
CEO National Seniors Australia

Lisa Robins
CEO Patients Australia

Dr Danielle McMullen
President AMA

Ian Burgess
CEO MTAA

Brett Heffernan
CEO APHA

Dr Katharine Bassett
Interim CEO CHA

Dr Rachel David
CEO PHA

Matthew Koce
CEO Members Health Fund Alliance