Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026

Bupa Submission – Community Affairs Legislation Committee

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Hannah Barlow
Director of Public Affairs

Bupa Australia
33 Exhibition Street, Melbourne, 3000
E: hannah.barlow@bupa.com.au
W: www.bupa.com.au

About Bupa

Bupa is an international healthcare group which has been committed to a purpose of helping people live longer, healthier, happier lives and making a better world for more than 75 years.

Bupa Australia supports customers through a broad range of health and care services including health insurance, aged care, dental, medical, optical and hearing services.

Bupa Health Insurance has one of the largest hospital networks in Australia, providing high-value cover to 4.5 million members.

Bupa Health Services operates 32 medical centres (including four Urgent Care Clinics), 13 mental health clinics, over 170 dental clinics, and 49 optical and hearing stores. These health services are open to everyone, not just Bupa Health Insurance customers. We also partner with the Australian Government to deliver visa medical checks to migrants, and health services to Australian Defence Force personnel and veterans.

Bupa Villages and Aged Care is one of Australia's largest aged care providers offering a wide range of residential aged care services. As a trusted care provider, we currently operate 57 residential aged care homes across four states, employing around 7,000 team members and caring for more than 5,500 residents.

Executive Summary

Bupa welcomes the opportunity to provide a submission to the Senate Community Affairs Legislation Committee's (**the Committee**) inquiry into the *Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026* (**the Bill**). The Bill gives effect to the 2026-27 Budget commitment to remove the current higher private health insurance age-based rebate (**PHI age-based rebate**) for policy holders aged 65 years and over. The Government has stated that the reform is intended to improve intergenerational equity and better target public expenditure towards aged care funding.

Bupa supports the objective of maintaining a sustainable and equitable private health insurance system. At the same time, we are concerned that the proposed changes will have unintended consequences for older Australians, private health insurance participation, and place increased pressure on the public hospital system. The proposed approach risks creating significant affordability pressures for older Australians, many of whom are pensioners or retirees on fixed incomes. It may also contribute to policy downgrades, increased demand on public hospitals and reduced access to healthcare in regional communities.

Given these potential consequences, Bupa urges the Committee to carefully consider a more nuanced approach to the removal of the PHI age-based rebate, instituting a carve out for older Australians on low incomes. More broadly, we call on Government to consider comprehensive reform of PHI participation incentives that strengthens affordability and sustainability across the entire population.

Key considerations

1. The Bill disproportionately impacts older Australians on low and fixed incomes

Treasury modelling estimates indicate that approximately 3.1 million older Australians will be affected by the reduction in the PHI Rebate, including around 2.8 million people in the lowest income tier.[1] The average annual impact is estimated at approximately $225 for a single person aged 65-69 and $480 for a single person aged over 70.[2] The rebate removal is equivalent to an effective premium increase of approximately 6 per cent for people aged 65-69 and 12 per cent for people aged 70 and over.[3] For couples, the additional cost could exceed $1,100 per year, before accounting for future premium increases.[4]

Modelling undertaken by Bupa suggests the change could increase health insurance costs by around 2 per cent of the household budget for pensioner couples aged over 70. As outlined by Private Healthcare Australia (**PHA**) almost 40 per cent of Australians with private health insurance earn less than $50,000 per year.[5] Unlike working-age Australians, many retirees cannot increase workforce participation or earnings to absorb higher costs. Consequently, the reduction in the rebate is likely to create significant affordability pressures for older Australians on fixed incomes and may affect their ability to maintain appropriate levels of private health insurance cover. As such, we call on the committee to recommend that the PHI age based rebate is maintained for Australians over 65 on low incomes, including the Aged Pension.

Recommendation 1: That the Committee recommend that Clause 1 of the Bill is amended to a clause to maintain the PHI age-based rebate for Australians over 65 on low incomes, including the Aged Pension.

2. The Bill risks undermining private health insurance participation

The Government's impact analysis acknowledges that the reform will reduce PHI participation and result in increased demand for public hospital services.[6] Although Treasury expects the participation impact to be relatively modest, Bupa believes the behavioural response may be materially understated.

The Government has estimated that approximately 44,000 Australians may leave private health insurance as a result of the reforms.[7] However, older Australians are generally more reluctant to completely discontinue cover because of their greater health needs and concerns about public hospital waiting times. A more likely outcome is widespread downgrading of cover. Bupa's experience suggests many members will seek to reduce premiums by moving to cheaper products with exclusions or restrictions. This is consistent with polling undertaken by RedBridge on behalf of PHA in July 2026. The Redbridge polling indicated that 39 per cent of people over 65 would drop their cover, indicating that government estimations are understated.[8]

[1] Private Healthcare Australia, 'Government Appears to Be Flying Blind on Health Insurance Rebate Cuts for Older Australians' (Web Page, 24 July 2026)
[2] Australian Government Department of Health, Disability and Ageing, *PHI Rebate Changes: Modernising the Private Health Insurance Rebate* (Factsheet, July 2026)
[3] National Seniors Australia, 'Private Health Insurance Rebate Estimator' (Web Page, 24 July 2026)
[4] Ibid.
[5] Private Healthcare Australia, 'Health insurers urge government to continue rebate discounts for Australians over 65s on low incomes, including aged pension' (Web Page, 23 April 2026)
[6] Department of Health, Disability and Ageing, *Modernising Private Health Insurance: Impact Analysis* (Impact Analysis, May 2026)
[7] Private Healthcare Australia, 'Older Australians among biggest Budget losers as health insurance rebate cut hits seniors' (Web Page, 12 May 2026)
[8] Private Healthcare Australia, *New Polling Reveals Strong Opposition to the Government's Health Insurance Rebate Cut* (Media Release, 31 July 2026).

Our members have expressed concern about how the rebate changes will impact seniors and pensioners, particularly as affordability pressures increase. Some are considering reducing or cancelling their cover as rebates decrease and premiums rise. Higher levels of discontinuances and downgrading activity could have flow-on implications for future premium increases across the broader insured population.

3. Reduced participation is likely to increase pressure on the public hospital system

Older Australians are the most frequent users of hospital services and generate significantly higher health expenditure than younger age groups. The PHI age-based rebate delivers strong value for money because average claims costs substantially exceed the rebate contribution. If participation declines, either through policy cancellations or downgrades that reduce access to private treatment, more patients will rely on publicly funded services. This creates several risks including:

- Increased demand for public hospital services and elective surgery waiting lists.
- Greater overall health system expenditure if care shifts from private to public funding sources.
- Reduced patient choice regarding doctor selection and treatment settings.

As noted by PHA, downgrading cover to Silver and Bronze will leave older Australians uncovered for procedures only covered by Gold hospital care including cataracts and joint replacements. The Government's policy rationale assumes that older Australians are less responsive to incentives.[9] While participation may remain relatively resilient, the Committee should not disregard the consequential changes in product choice and coverage levels that may still place additional pressure on the public system.

4. The proposed changes will disproportionally impact regional Australia

The effects of the proposed reforms are likely to be concentrated in regional and rural communities. Older Australians have particularly high rates of private health insurance participation outside metropolitan areas, and many regional private hospitals depend heavily on insured older patients.[10] Even modest reductions in insured patient numbers could affect the financial viability of regional health services and reduce local healthcare access. These regional impacts do not appear to have been fully explored in the policy development process. Bupa currently provides support to regional hospitals to assist in maintaining the availability of services in local communities. Further financial pressures associated with the proposed reforms are likely to increase demand for additional financial support, creating cost pressures that may ultimately be borne by private health insurance members through higher premiums.

5. The reform addresses equity concerns but does not address the broader sustainability challenge

Bupa acknowledges the Government's objective of addressing intergenerational inequity as part of this reform but focusing solely on removing support from older Australians does not address the underlying structural challenges facing private health insurance participation. The broader PHI incentive framework, including the PHI Rebate, Lifetime Health Cover arrangements and Medicare Levy Surcharge (MLS) was designed to operate together to support affordability and maintain a balanced risk pool. Reforms to any individual component, including the proposed changes to the PHI rebate for

[9] Department of Health, Disability and Ageing, *Modernising Private Health Insurance: Impact Analysis* (Impact Analysis, May 2026); Judith Liu and Yuting Zhang, 'Elderly Responses to Private Health Insurance Incentives: Evidence from Australia' (2023) 32(12) *Health Economics* 2730

[10] Private Healthcare Australia, 'Health insurers urge government to continue rebate discounts for Australians over 65s on low incomes, including aged pension' (Web Page, 23 April 2026)

people aged over 65, should therefore be considered as part of a holistic approach. Bupa has provided further detailed analysis on this issue in our response to the *Private Health Sector Reform – Consultation Paper 1* issued by the Department of Health, Disability and Ageing (**the Department**) on 2 July 2026.

Participation has become increasingly concentrated among older Australians, while younger Australians face growing cost-of-living pressures and often perceive limited value in PHI products. Without stronger participation among younger and healthier Australians, the risk pool will continue to age, increasing claims costs and premium growth over time. For this reason, Bupa considers that reform should focus on strengthening participation incentives for younger and working-age Australians rather than reducing support for cohorts already strongly engaged in the private health system.

Recommendation 2: That the Committee recommend that the Federal Government consider broader reform to restore the policy intent of PHI incentives including:

- Increasing the PHI rebate for lower-income Australians to 30% to directly improve affordability and support participation.
- Increasing the Medicare Levy Surcharge to 2% for high income earners strengthen incentives to take out PHI