



21 August 2026

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To the Committee Secretary

Senate Inquiry into Proposed Changes to the Private Health Insurance Rebate for Australians Aged 65

Australian Unity welcomes the opportunity to provide a submission to the Senate Community Affairs Legislation Committee inquiry into the Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026.

About Australian Unity

Established in 1840, Australian Unity is Australia's oldest social enterprise and wellbeing company operating across the health continuum, including private health insurance as well as hospital in the home, home care, and residential aged care.

This unique scope provides a broad perspective on how affordability settings directly influence access to care, health outcomes, and downstream service demand. Australian Unity is focused on long-term member outcomes rather than short-term returns, giving us a unique perspective on the sustainability of policy settings over time.

Australian Unity supports a balanced public and private health system that is sustainable and delivers high-quality healthcare for all Australians.

Our Recommendation

Australian Unity recommends the proposed rebate reduction be withdrawn and alternative budget measures be considered that do not reduce access to private healthcare for older Australians.

Executive Summary

Australian Unity opposes the proposed reduction in the Private Health Insurance Rebate for Australians aged 65 and over. This reform is a material change to the affordability settings that support older Australians to stay privately insured, access timely care and remain independent for longer. For many older Australians, it would increase out-of-pocket health insurance costs at a time when healthcare needs are rising and household budgets are under increasing pressure.

The proposal raises four key concerns:

1. Affordability pressures for retirees on fixed or modest incomes;
2. Fairness for Australians who have contributed to the private health system over many decades and planned for retirement based on long-standing affordability settings;
3. Potential increased pressure on public hospitals if participation in private health insurance declines; and
4. Broader downstream consequences, including functional decline and increased demand for home care and aged care.

These are expanded further throughout our submission.

Affordability Pressures for Retirees

The Private Health Insurance Rebate has long supported a balanced health system by helping Australians maintain private cover and reducing pressure on public hospitals. Reducing the rebate for people aged 65 and over risks weakening that balance at precisely the stage of life when healthcare needs are likely to increase.

The policy question is not whether older Australians should contribute to healthcare costs. It is whether it is fair or sustainable to increase that burden when healthcare needs are most acute, household incomes are often fixed and the consequences of reducing or abandoning cover can extend well beyond the individual.

The proposed change disproportionately impacts pensioners and low-income earners on fixed and modest incomes, at a time when broader cost-of-living pressures remain elevated.

It is expected to increase the amount older Australians pay towards their private health insurance premiums by approximately 5-11 percent, depending on individual circumstances. For someone paying \$5,000 a year for cover, that represents an additional \$201 to \$402 annually, before the impact of future premium increases is taken into account.

Customer feedback suggests that many retirees view even relatively modest increases in health insurance costs as significant when combined with broader cost-of-living pressures. Customers consistently noted that private health insurance already represents a substantial household expense and expressed concern about the cumulative impact of further increases.

Older Australians are particularly exposed. They generally have higher healthcare needs, are more likely to hold comprehensive cover and often have less flexibility to absorb further increases in essential costs. Many are retired and living on fixed incomes, with limited capacity to adjust their household budgets.

Comprehensive cover is also more important for older Australians because it provides access to services they are more likely to need, including cataract surgery, joint replacement, cardiac procedures, cancer treatment and rehabilitation.

These policies can also attract higher premium increases. For example, CHOICE reported that the average increase for Gold cover in 2026 was around 13.3 percent¹. When the proposed rebate change is combined with annual premium increases, some older Australians could face materially higher costs simply to maintain the level of cover they currently rely on.

For many, private health insurance is not discretionary. It provides confidence that they can access care when they need it, choose their doctor, avoid extended delays and maintain their independence for longer.

¹ [Health insurance prices reach an all-time high - CHOICE](#)

The options available to those who can no longer afford their cover all have consequences. Some may cut back elsewhere to retain their policy but struggle to meet excesses and other out-of-pocket costs when care is required.

Others may downgrade their cover, reducing access to services they are more likely to need. Some may choose to self-fund treatment without adequate cover, exposing themselves to significant private healthcare costs. Others may delay or forgo treatment, while some may leave the private system altogether, increasing pressure on public hospitals.

A Fair System

Australians aged 65 and over have spent decades contributing to the sustainability of Australia's health system. They have paid private health insurance premiums throughout their working lives, participated in a community-rated model that supports all Australians regardless of health status, and helped relieve pressure on public hospitals by maintaining private cover.

Many have also maintained private health insurance throughout their working lives on the understanding that policy settings, including age-based rebate arrangements, would continue to support affordability in retirement.

While some analysis suggests relatively few older Australians may leave private health insurance altogether as a result of the proposed change, the impact may not be limited to whether a person retains or cancels their cover. Some may downgrade their cover, delay treatment or reconsider whether they can continue to afford private health insurance over time.

The consequences are likely to extend well beyond individual policyholders. Even modest changes in behaviour could increase pressure on public hospitals, contribute to longer waiting times for some elective procedures and increase demand for home care and aged care services over time.

Regional communities may be particularly exposed. Ultimately, costs are not removed from the health system. They are simply transferred elsewhere, often to parts of the system already under considerable strain.

Downstream Impacts on Healthcare and Aged Care Systems

The proposed reform risks shifting costs rather than reducing them. If older Australians leave private health insurance or reduce their cover, demand will move into the public system through elective surgery waiting lists, emergency departments, public hospital capacity and government funding.

The impact is likely to be most visible in services heavily used by older Australians, including cataract surgery, orthopaedics, cardiac care, cancer treatment and rehabilitation.

The downstream consequences are equally important and warrant careful consideration. A delayed cataract procedure can affect a person's ability to drive, read medication labels, move confidently through the home and participate in daily life. A delayed hip or knee replacement can reduce mobility, increase falls risk and accelerate muscle loss. Delayed cardiac care or rehabilitation can reduce resilience and recovery.

These are the practical pathways through which delayed healthcare can lead to increased reliance on family carers, increased home care needs and, in some cases, earlier entry into residential aged care.

A reform that increases the cost of private healthcare for older Australians may therefore create pressure well beyond the health portfolio, including across aged care and community support services – critical community care and social support systems that are already under strain.

Australian Unity knows that when older people delay acute or elective care, there is a high risk of functional decline, increased frailty, and higher complication rates. Once mobility or the ability to manage daily activities is lost to a treatable condition, recovery becomes difficult. We see how

affordability settings translate into treatment decisions, delayed care, functional decline, demand for home support and pressure across an already stretched health and aged care system.

Finity Consulting's modelling for the Department's 2023 Review of MLS, PHI Rebate and LHC estimated that savings achieved through reducing rebates for older Australians could be substantially offset by increased costs elsewhere in the public health system as treatment demand shifts from private to public care. It found that any fiscal savings from lowering the rebate for older Australians (estimated at around \$0.4 billion) would likely be offset by increased costs to the public system of approximately \$0.4–\$0.5 billion.

Customer Stories

Australian Unity undertook customer research to better understand how the proposed rebate changes may affect older Australians. The feedback consistently highlighted affordability concerns, particularly among retirees on fixed incomes, and offers useful insight into how the proposal may influence healthcare and insurance decisions.

Many customers acknowledged that the proposed rebate reduction may appear modest in isolation, but said the impact is significant when viewed alongside other cost-of-living pressures faced by retirees living on fixed incomes.

Bruce's story

One customer, Bruce, described the additional cost as equivalent to everyday essentials:

"Patients are there paying say \$4,000 a year between two adults. It's just lost \$250, which is registration for a car or the milk or the bread or whatever."

Bruce also noted that many Australians in his age group had limited access to compulsory superannuation during much of their working lives:

"Most of us that are in that age group over 65 never had super until the compulsory scheme came in."

"We retired before the compulsory super really paid off for us."

Robert's story

Another customer, Robert, emphasised how even relatively small increases can affect retired households reliant on savings rather than employment income:

"An extra \$300 when you don't have any income at all, you're just drawing down all the time. \$300 is quite a lot of money."

He explained that concessions and rebates become increasingly important later in life:

"It's very important when you're 77 years old, every little bit helps."

Robert also reflected on what he viewed as a lifetime of contribution and responsibility:

"We've been paying taxes and doing everything all these years."

For these customers, the issue was not simply the size of the increase, but a perception that support is being reduced after decades of contribution and responsibility.

Other Customer Feedback

Customers consistently recognised the value of private health insurance and the importance of maintaining access to timely care. Their concern was not whether private health insurance is worthwhile, but whether it will remain affordable enough to retain.

That distinction matters. It suggests the primary policy risk is not a lack of demand for private healthcare, but that the cost of maintaining access may become prohibitive for some of the Australians most likely to rely on it. Feedback included:

- Maintaining private health insurance throughout much of their adult lives and feeling the proposed changes would alter the expectations under which they had planned for retirement.
- Viewing the proposal not simply as a premium increase, but as a change to a long-standing affordability arrangement factored into decisions to maintain private health insurance throughout their working lives and into retirement.
- Concerns that reducing affordability may lead some people to downgrade or leave private health insurance altogether, increasing demand on public hospitals.
- Concerns that people will leave their health funds and be forced to rely on the public hospital system.

Conclusion

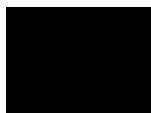
The proposed reduction in the Private Health Insurance Rebate would withdraw support at precisely the stage of life when healthcare needs are increasing and affordability pressures are most acute.

For many older Australians, particularly those on fixed or modest incomes, the choice may not be between maintaining the same level of cover at a higher price. Instead, it may be a choice between downgrading cover, leaving the system altogether, or foregoing timely access to healthcare. For many, the issue is not simply the additional cost.

The proposal changes a long-standing affordability setting that many older Australians have factored into decisions about maintaining private health insurance throughout their working lives and into retirement.

Australian Unity respectfully urges the Senate to reject the proposed reduction in the Private Health Insurance Rebate for Australians aged 65 and over. The proposal risks weakening affordability, increasing pressure on the public health system and creating downstream consequences across home care and aged care. Alternative approaches to budget repair should be considered that preserve affordability, maintain access to care and support the long-term sustainability of Australia's health system.

Yours sincerely



Rebecca Harwood
Group Executive & CEO – Health Insurance