

Means Testing of Private Health Insurance Rebate

INTRODUCTION

The private health insurance rebate currently reduces private health insurance premiums by 30% for those under 65, by 35% for those aged 65-69 and by 40% for those aged 70 and over.

Legislation to means test this rebate has now passed both houses of Parliament and means testing will commence from 1 July 2012.

HOW WILL THE MEANS TEST OPERATE?

The means test will affect single people on incomes of \$84,001 a year or more, and couples/families on incomes of \$168,001 a year or more.

Above these amounts, the rebate will decrease/cease, based on three income tiers.

The rebate will cut-out entirely for single people on incomes of \$130,001 or more, and for couples/families on incomes of \$260,001 or more.

At the same time, the Medicare Levy Surcharge will increase for those on incomes of more than \$84,001 (singles) or \$168,001 (couples/families) who choose not to take out private health cover.

The table below shows how the rebate will operate. The thresholds will increase every year, indexed by Average Weekly Ordinary Time Earnings, and increase by \$1,500 for every child after the first.

The family thresholds apply to single parent families.

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$84,000 or less	\$84,001 - 97,000	\$97,001 - 130,000	\$130,001 or more
Families	\$168,000 or less	\$168,001 - 194,00	\$194,001 - 260,000	\$260,001 or more
REBATE				
< Age 65	30%	20%	10%	0%
Age 65-69	35%	25%	15%	0%
Age 70+	40%	30%	20%	0%
MEDICARE LEVY SURCHARGE				
All ages	0.0%	1.0%	1.25%	1.5%

HOW DO I KNOW IF I WILL STILL QUALIFY FOR A REBATE?

The definition of income that will be used to determine eligibility for a rebate is the same definition that is currently used to determine whether a person has to pay the Medicare Levy Surcharge.

This counts your taxable income PLUS:

- reportable fringe benefits (shown on your payment summary)
- reportable superannuation contributions
 - this is the sum of both your reportable employer superannuation contributions – ie. the amount above the 9% superannuation guarantee contributions - and your deductible personal superannuation contributions
- net investment losses (the amount by which your financial investment deductions exceed your financial investment income, plus the amount by which your rental property deductions exceed your rental property income)
- the amount on which family trust distribution tax is paid, and
- exempt foreign employment income (if your taxable income is \$1 or more).

Any tax-free superannuation income is not included in the means test for the private health insurance rebate.

HOW CAN I CLAIM THE REBATE?

There are three options for receiving the rebate:

- as a premium reduction through your private health insurer
- as a tax offset when lodging your annual tax return (even if you do not have a tax liability), or
- as a direct payment from your local Medicare Australia office.

Disclaimer: This fact sheet has been prepared by National Seniors Australia to inform members of an important policy change. It was compiled in March 2013 and is based on our understanding of the legislation and how the Medicare Levy Surcharge operates and should not be relied on for making personal decisions.