

Memorandum

To Report recipients

From Finity

Subject Lifetime Health Cover

In the final report on the Medicare Levy Surcharge (MLS), Private Health Insurance Rebate (PHI Rebate) and Lifetime Health Cover (LHC) (Final Report), reference is made to the earlier LHC Study.

In the period between these studies, significant additional stakeholder consultation was undertaken. In addition, the economic experiment was conducted which significantly increased the consumer voice and allowed for some model assumptions to be refined.

The main areas of development between the two documents are:

- The initial study proposed further analysis to investigate increasing the starting age to 35 (from 30). A number of stakeholders advocated for moving the starting age to 40. Both options were investigated, however only moving to age 40 is considered in depth in the final report.
- The initial LHC Study recommended that LHC should be considered holistically with the MLS and PHI Rebate. Various methods of integration or alignment were considered, however, as detailed in the final report, we concluded that further integration showed only marginal, if any, benefits.

In addition, such changes would lead to significant increases in complexity and potential unintended consequences. A strong message in industry consultation was that care should be taken to avoid unexpected, adverse outcomes. Therefore, further integration was not recommended in the Final Report.

- Refinement of the assumptions adopted for modelling LHC policy movements. In particular, the assumptions adopted in the Final Report for those aged below 31 were adjusted relative to those in the LHC Study following the results of the economic experiment. This assumption change was not material to the conclusions drawn from the analysis.