

Submission to the
Senate Community Affairs Committee
Inquiry into Private Health Insurance Bill 2006
[provisions] and related Bills

in respect of

Overseas Visitor Health Cover in Australia


Submitted by IMAN International Pty Limited

Executive Summary

This document discusses the various options available to overseas residents to insure their health while visiting Australia. It concludes that existing arrangements do not act in the best interests of Australia, its residents or its registered health insurers. It proposes that all health insured insurance in respect of overseas visitors to Australia should be restricted to Health Benefits Organisations registered under the National Health Act.

IMAN International Pty Ltd

IMAN International Pty Ltd has been involved in Health Insurance and Medical Repatriation Insurance since 1981, and since the introduction of the 457 visa, Health Insurance for Temporary Residents Working in Australia. We manage the Corporate

Overseas Visitor Policy on behalf of Australian Health Management  and believe we are one of the largest insurers of temporary residents in Australia.

Introduction

For some years now it has been a requirement that Overseas Student Health Cover (OSHC) may only be offered by Registered Health Benefits Organisations which have been approved for such purpose by the Minister for Health. For all intents and purposes this structure has operated both competitively and profitably for those funds concerned. The Minister is able to track and monitor the level of participation and costs to those eligible.

Over a much longer period health insurance cover has been available to Temporary Residents, Overseas Visitors and employees whilst in Australia. This cover has been variously offered by Registered Health Benefits Organisations, General Insurers and off shore operators of any ilk. The business is governed by the Department of Health and Ageing, APRA or not at all.

The Private Health Insurance Bill treats Overseas Visitors Cover and Overseas Student Health Cover under the same definition.

131-15 Meaning of *health-related business*

(1) *Health-related business* is business that is any one or more of the following:

- (a) a business of providing goods or services (or both) in order to manage or prevent diseases, injuries or conditions;
- (b) a business of undertaking liability, by way of insurance, to indemnify people who are *ineligible for Medicare for costs associated with providing treatment, goods or services that:
 - (i) are provided to those people in Australia; and
 - (ii) are provided to manage or prevent diseases, injuries or conditions:

This has the effect of allowing the inclusion of such activity within the scope of business which a fund may undertake, but does not prohibit the fund from excluding it, nor does it preclude non-health insurers from the same business.

This paper seeks to clarify how the business of insuring overseas visitors to Australia operates at present and proposes measures to rectify some of the problems identified.

How are Overseas Visitors to Australia insured?

There are four categories of visitors:

1. The Overseas Student

This segment of the market appears to operate well in a regulated environment and cover is only available where underwritten by a Registered Health Benefits Organisation in Australia.

2. The tourist in Australia on holidays

These people generally purchase health insurance as part of their travel insurance arrangements when booking their travel from their own country. This cover does not appear to pose a problem, other than perhaps the backpacker market, where it is expected a low level of insurance exists.

3. The family member visiting relatives in Australia and/or on holidays

This is the point at which the market splits. These people may:

- a) purchase health insurance as part of their travel insurance arrangements when booking their travel from their own country, or
- b) buy health insurance from a Registered Health Benefits Organisation in Australia, or
- c) buy health insurance from a registered general insurer in Australia.

4. The Temporary Resident on 457 or similar visa, who is in Australia to work and is sponsored by his employer.

Sponsoring a Temporary Resident into Australia involves paying all medical or hospital expenses for a sponsored person arising from treatment administered in a public hospital (other than expenses that are met by health insurance or reciprocal health care arrangements.) This undertaking continues until such expenses are paid¹.

¹ DIMIA Sponsorship Form 1196)

Again there are several options available here:

- a) The employer may underwrite any costs himself.
- b) The employer may insure against costs through:
 - A Registered Health Benefits Organisation
 - A General Insurer
 - in Australia
 - Overseas
 - An overseas operative set up to minimise cover and tax in Australia

What the foregoing intends to highlight is not only the multiple possibilities available to insure incoming visitors, but also the incongruity of regulation which applies to the regulation of the various channels.

Issues associated with Policies which might be offered:

- By a Registered Health Benefits Organisations

30% Government rebate and Medicare Levy Surcharge

A Registered Health Benefits Organisation might insure all of the above categories. Questions arise regarding eligibility for the 30% Government rebate and Medicare Levy Surcharge (MLS) Exemption eligibility.

1. A visitor might purchase an off the rack **domestic policy** and not be eligible for Medicare benefit (nor the top up). (A fund cannot refuse an overseas resident cover on the basis of where they are from) They are not entitled to a 30% rebate, but whether they receive it is open to conjecture.

2. A visitor might purchase an **overseas visitors policy** (with or without entitlement to a Reciprocal Medicare Card).

- Currently RHBOs state that there is no eligibility for the 30% Government rebate.
- Those with **no** entitlement to Medicare, may apply to the Minister for exemption from the Medicare Levy, and hence the Surcharge.
- Those entitled to a Reciprocal Medicare Card may be MLS exempt – a decision currently made by the ATO
- Specifically, some organisations offer a Default Table component with their cover which is intended to exempt the policy holder from the Medicare Levy Surcharge (applicable for those entitled to Reciprocal Medicare Benefits). Other funds do not do this: how this is handled by the ATO is anyone's guess.

Reinsurance

Some organisations offer a Default Table component with their overseas visitor cover. This entitles the member to the MLS exemption on that portion of the premium related to the Default benefit. It also means that that part of the product is an Applicable Benefit Arrangement and so the fund is required to pay one or two Single Equivalent Units into the Reinsurance Pool. This being the case one

would assume that claims or part thereof, related to those premiums would also go into the pool.

Community Rating

Overseas Visitor Cover sold by Registered Health Benefits Organisations is subject to Community Rating, so theoretically no application can be refused. This puts an additional burden onto RHBOs as they are required to accept those risks refused by non-registered insurers. It is anathema to allow risk rating to compete in a community rated environment.

Private Health Insurance Ombudsman

People purchasing Overseas Visitors Health Cover through a Registered fund may have access to the Private Health Insurance Ombudsman where required.

Conversely, Overseas Student Health Cover, whilst regulated under the National Health Act and available only through Registered Health Funds did not provide the Policy holder access to the Ombudsman. However passage of the Health Legislation Amendment (Private Health Insurance) Bill 2006 appears to have closed this loophole.

o By a General Insurer

General insurers may offer health insurance cover to non residents and do not need to be Registered Health Benefits Organisations. They are specifically exempted by Regulation 48 to the National Health Act.

Cover offered by general insurers is risk rated so is therefore much cheaper to the young and good risks. This has the effect of transferring the poorer risks on to Community Rated Registered Health Funds.

On the other hand people purchasing such cover have no access to the Governments 30% rebate nor to exemption from the Medicare Levy Surcharge.

It is generally irrelevant whether the insured purchases cover with his travel (Travel Insurance) or through a domestic (Australian) insurer as the covers are much the same. Domestic general insurers are regulated by APRA.

o Overseas Scam Operators

The current position is that anyone, RHBO, general insurer, individual or corporation may offer health insurance to overseas visitors not eligible for Medicare e.g. from a non-Reciprocal Agreement country.

One popular rort is for an employer to remit overseas, excessive premiums eg. \$5000 a month. The "policy" gives a 93% no claim bonus. This is not illegal if the 93% is returned to Australia and declared as income. The tax rort arises when the 93% is placed in an offshore bank account then returned to Australia via credit card withdrawals at any ATM.

This is an old rort used by Expatriates in Indonesia and similar developing economies to remit money overseas. Locally it works for groups of 457 visa employees from the Philippines and China.

Clearly a disincentive to claim is provided, and the individual while earning an income in Australia would have no chance of obtaining the 30% Rebate or Medicare Levy Surcharge Exemption

o Employees who self insure

It is a legitimate practice for employers to underwrite the health care costs of employees employed by them. Failures in the system occur when a large claim is incurred or when an employee changes work.

Conclusion

The existing framework allows health insurance for visitors to Australia to be sold by almost anyone. Many policies may or may not be Community Rated; may or may not be eligible for the Government's 30% rebate; may or may not be eligible for Medicare Levy Surcharge Exemption; may or may not be health related business; may or may not pay in and claim from the reinsurance pool.

Clearly, the foregoing creates a major problem for the Australian taxpayer with many bad debts incurred in the public hospital system because of inadequate or no health insurance.

Overseas visitor health cover for long term Temporary Residents needs to be regulated within the Australian Health Insurance system for the safeguarding of both the insured and the Australian taxpayer.

Therefore it is recommended that the underwriting of all Overseas Visitor Health insurance purchased in Australia, i.e. not including cover purchased by visitors in their country of origin, be limited to Registered Health Benefits Organisations.