

PRIVATE HEALTH INSURANCE LEGISLATION AMENDMENT BILL 2009

THE INQUIRY

1.1 In accordance with a Senate Order of 14 May 2009 to refer certain budget-related bills to Senate Committees, the provisions of the Private Health Insurance Legislation Amendment Bill 2009, introduced into the House of Representatives on 3 June 2009, have been referred to the Community Affairs Legislation Committee for inquiry and report by 16 June 2009.

1.2 The Selection of Bills Committee noted in Report No.7 Of 2009, dated 4 June 2009, that it had considered a proposal to not refer the Bill to the Community Affairs Legislation Committee but drew the Committee's attention to paragraph (4) of the Order of 14 May. The Selection of Bills Committee made no further recommendation in respect of the Bill.

1.3 Due to the inquiry timeframe the Committee sought comment from peak groups in relation to the Bill. Two submissions were received that commented only on the extended family policies amendments and these are listed at Appendix 1 and may be accessed through the Committee's website at http://www.aph.gov.au/senate_ca. Apart from these comments and in accordance with paragraph (4) of the Senate Order, the Committee has determined that there are no substantive matters that require examination.

THE BILL

1.4 The Bill provides amendments that will permanently allow private health insurers to offer extended family policies that cover people aged 18 to 24 (inclusive) who do not have a partner and are not receiving a full-time education at school, college or university, and where the fund rules of the private health insurer provide for this group.

1.5 The amendments will add a category of 'dependent child' under the *Private Health Insurance Act 2007* by inserting the definition of 'dependent child non-student'. This will allow insurers to charge a different premium for 'dependent child non-students' under a family policy. A 'dependent child non-student' is a person aged from 18 to 24 (inclusive), who does not have a partner, is not receiving a full time education at a school, college or university and is defined in a private health insurer's fund rules. The provision will allow insurers to include 'dependent child non-students' on a family policy (a policy with more than one person that includes a dependent child or children) at an additional premium rate.

1.6 In 2007, a number of private health insurers requested changes to the private health insurance law to allow private health insurers to offer family policies covering 'dependent child non-students' at rates higher than the premium for the same products

covering children aged under 18 and older students. Transitional arrangements allowing this practice were put into effect in late 2007. The Bill will allow this practice on a permanent basis.

1.7 The Bill also includes consequential amendments to the Private Health Insurance Act 2007, consistent with the introduction of the Private Health Insurance (National Joint Replacement Register Levy) Bill 2009¹, which impose a levy upon sponsors of joint replacement prostheses in order to recover the costs of maintaining the National Joint Replacement Register (NJRR). The consequential amendments to the Private Health Insurance Act 2007 allow for the administration of the NJRR levy.

ISSUES

1.8 The Australian Health Insurance Association supported the Bill commenting:

The AHIA endorses the proposed legislation and congratulates the Australian Government on the policy initiative. The legislation corrects an anomaly which arose from the implementation of the Private Health Insurance Act 2007.

This legislation will allow Private Health Funds the opportunity to continue to offer extended family policies on a permanent basis to accommodate dependents, including those who are not full-time students, aged between 18 and 24 years. This important policy change will allow funds to continue to support the health care needs of younger Australians.²

1.9 The Health Insurance Restricted Membership Association of Australia (HIRMAA) also supported the Bill. HIRMAA advised that it had written to the Minister about its concern at the impact that the cessation of the extended dependent coverage would have on people aged 18 to 25 being covered by private health insurance. HIRMAA submitted:

HIRMAA notes that the Private Health Insurance Legislation Amendment Bill 2009 amends certain community rating provisions to specify that insurers can offer policies covering children up to 25 (who do not have partners and are not students) at an increased premium.

HIRMAA welcomes the proposed amendments.³

1 This Bill is the subject of a separate inquiry by the Committee.

2 *Submission 1*, p.1 (AHIA).

3 *Submission 2*, p.3 (HIRMAA).

Recommendation

1.10 The Committee recommends that the Private Health Insurance Legislation Amendment Bill 2009 be passed.

Senator Claire Moore
Chair

June 2009

