

EXPLANATORY STATEMENT

Issued by the Authority of the Minister for Health and Ageing

Private Health Insurance Act 2007

Private Health Insurance (Incentives) Rules 2007

Section 333-20 of the *Private Health Insurance Act 2007* (the Act) provides that the Minister may make *Private Health Insurance (Incentives) Rules* (the Rules) providing for matters required or permitted by Parts 2-2, 6-4 or section 206-1 of the Act, or necessary or convenient in order to carry out or give effect to Parts 2-2, 6-4 or section 206-1 of the Act.

As part of reforms to private health insurance announced by the Australian Government on 26 April 2006, regulation of private health insurance is moved from the *National Health Act 1953* (NHA) (and regulations under the NHA), and the *Private Health Insurance Incentives Act 1998*, into the new *Private Health Insurance Act 2007* (PHI) (and Private Health Insurance Rules made under the PHI).

Part 2-2 of the Act deals with private health insurance rebates in the form of premium reductions and incentive payments. Part 6-4 of the Act provides for administrative matters relating to private health insurance rebates. Section 206-1 of the Act deals with the revocation of the status of a private health insurer as an insurer who is able to participate in offering a private health insurance rebate as a premium reduction.

Parts 2-2 and 6-4 of the Act do not apply until the financial years beginning on or after 1 July 2007: sections 5 and 47, *Private Health Insurance (Transitional Provisions and Consequential Amendments) Act 2007* (T&C Act). The *Private Health Insurance Incentives Act 1998* continues to deal with private health insurance in the form of premiums reduction and incentive payments for financial years ending on or before 30 June 2007. The *Private Health Insurance Incentives Act 1998* will not be repealed until 30 June 2008: Schedules 1 and 3, T&C Act.

The Rules provide for matters relating to the premiums reduction scheme and the incentive payments scheme which give effect to the private health insurance rebate. They apply to financial years beginning on or after 1 July 2007. There are no significant changes to the existing arrangements but the Rules clarify and simplify the legislative framework that governs the private health insurance rebates.

Eligible people who participate in the premiums reduction scheme can receive a reduction of premiums payable for their complying health insurance policies. Alternatively, eligible people who participate in the incentives payment scheme can receive a payment in partial reimbursement for a payment of premiums for a complying health insurance policy.

Under these Rules it is a requirement, in order for a private health insurance rebate to be available, that all persons covered under the policy are eligible for Medicare.

The Rules provide for specific conditions of participation by an insurer in the premiums reduction scheme. The insurer must issue each participant with a written statement which outlines the details of their policy. The Rules also provide an illustration of the private health insurance Rebate logo.

The Act does not specify any conditions that need to be met before the power to make the Rules may be exercised.

Private health insurers were extensively consulted and provided with opportunities to comment upon the new Private Health Insurance legislative package. Draft Rules were published on the Departmental website for comment, and information sessions were held to provide industry stakeholders with the opportunity to be consulted on the making of the Rules.

Consultations were attended by representatives from individual private health insurers and peak industry bodies (the Australian Health Insurance Association and Health Insurance Restricted Membership Association members funds), private hospitals and their industry representatives (Australian Private Hospitals Association and Catholic Health Australia), the Australian Medical Association, the Private Health Insurance Administration Council, the Private Health Insurance Ombudsman, Consumers' Health Forum of Australia and central agencies. All of the industry representatives have expressed strong support for the proposed legislative framework including the Private Health Insurance Rules.

The Office of Best Practice Regulation has advised that no additional Regulation Impact Statement (RIS) is required. A RIS that was prepared for the Private Health Insurance Bill 2006 (PHI Bill) which analysed the options associated with the Australian Government's recent initiatives to improve the attractiveness of and participation in private health insurance for consumers. The measures include those under the *Private Health Insurance Act 2007* and associated legislative instruments.

Details of the Rules are set out in the Attachment.

The Rules are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

The Rules commence at the same time as the Act commences if they are registered before the Act commences; or, if the Rules are registered on or after the Act commences the Rules commence on the day they are registered.

Authority: Section 333-20 of the *Private Health Insurance Act 2007*

ATTACHMENT

DETAILS OF THE *PRIVATE HEALTH INSURANCE (INCENTIVES) RULES 2007***1. Name of Rules**

Rule 1 provides that the title of the Rules is the *Private Health Insurance (Incentives) Rules 2007*.

2. Commencement

Rule 2 provides for the Rules to commence at the same time as the Act commences if they are registered before the Act commences; or, if the Rules are registered on or after the Act commences, the Rules commence on the day they are registered.

3. Definitions

Rule 3 provides definitions of terms used in the rules including the phrase ‘Federal Government 30% Rebate on private health insurance’.

4. Application

Rule 4 provides that Part 2 of the Rules applies in relation to financial years beginning on or after 1 July 2007.

The *Private Health Insurance Incentives Regulations 1998*, made under the *Private Health Insurance Incentives Act 1998*, will continue to apply in relation to financial years prior to the financial year commencing 1 July 2007. The *Private Health Insurance Incentives Regulations 1998* are to be repealed with effect from 30 September 2007.

5. Registration as a participant

Rule 5 provides that all persons covered by a complying health insurance policy must be eligible for Medicare in order for a person to apply to become a participant to receive the rebate through the premiums reduction scheme.

6. Entitlement to incentive payment

Rule 6 provides that all persons covered by a complying health insurance policy must be eligible for Medicare to receive the rebate under the incentives payments scheme.

7. Conditions of participation

Rule 7 sets out conditions of participation by private health insurers in the premiums reduction scheme.

Subrule 7 (1) paragraph (a) provides that on or before 15 July of each year after the commencement of the *Private Health Insurance Act 2007*, private health insurers must issue a written statement to each participant who held a complying health insurance policy. The statement must show the amount of premiums paid and the premium reductions made for the previous financial year.

Subrule 7 (1) paragraph (b) provides that before increasing a premium, an insurer must provide written notice to each participant affected by the increase. The notice must include details of the amount of the premium, the date when the increase takes effect, the fact that the dollar value of the reduction under the Rebate has increased, the amount of the reduction and the new amount of the premium.

Subrules 7 (1) paragraph (c) provides that the insurer must use the phrase 'Federal Government 30% Rebate on private health insurance' or the 30% Rebate logo in annual statements, written notices, forms and correspondence relating to the Federal Government 30% Rebate on private health insurance.

8. Requirements for statements to participants

Subrule 8 (1) provides that an insurer, when issuing participants with a statement under subrule 7(1)(a), must not include any other material except for that provided in subrule 7 (1) (b) and subrule 8 (2).

The information permitted by subrule 8 (2) includes that related directly to the Federal Government 30% Rebate on private health insurance; certain information about lifetime health cover, certain information about the medicare levy surcharge; a standard information statement; information about private health insurance provided by the Department; and, any other information required by the Act or the Rules.

9. 30% Rebate logo

Rule 9 describes the 30% Federal Government Rebate logo.