

EXPLANATORY STATEMENT

Issued by the Authority of the Minister for Health

Private Health Insurance Act 2007

Private Health Insurance (Incentives) Amendment Rules 2013 (No. 1)

Authority

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

The *Private Health Insurance (Incentives) Amendment Rules 2013 (No. 1)* (the Amendment Rules) amend the *Private Health Insurance (Incentives) Rules 2012 (No. 2)* (the Principal Rules), which commenced on 4 July 2012.

Purpose

The purpose of the Amendment Rules is to determine the weighted average ratio under section 22-50 of the Act.

Background

The Amendment Rules amend the Principal Rules to insert a new section 5A. Section 5A determines the weighted average ratio for the purposes of subsection 22-50(5) of the *Private Health Insurance Legislation Amendment (Base Premium) Act 2013*. The weighted average ratio is used to calculate the base premium for product subgroups defined under section 63-5 of the Act.

Details

Details of the Amendment Rules are set out in the **Attachment**.

Consultation

The Office of Best Practice Regulation (OBPR) was consulted in relation to the Amendment Rules. OBPR has advised that no regulatory impact statement is required for the Rules as the changes are minor in nature. Consultation with the private health insurance industry was conducted on the intent behind this amendment. Consultation occurred with key stakeholders and insurer representatives, which was reasonably practicable to undertake.

The Amendment Rules commence on 1 April 2014.

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

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

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ATTACHMENT

DETAILS OF THE *PRIVATE HEALTH INSURANCE (INCENTIVES) AMENDMENT RULES 2013 (No. 1)*

Section 1 Name of Rules

Section 1 provides that the title of the Rules is the *Private Health Insurance (Incentives) Amendment Rules 2013 (No. 1)* (the Amendment Rules).

Section 2 Commencement

Section 2 provides that the Amendment Rules are to commence on 1 April 2014.

Section 3 Amendment of the *Private Health Insurance (Incentives) Rules 2012 (No. 2)*

Section 3 provides that the Schedule to these Amendment Rules amends the *Private Health Insurance (Incentives) Rules 2012 (No. 2)* as amended.

Schedule – Amendments

Item 1 – Rule 4 Definition

Item 1 amends the notes to the definitions to insert a reference to the ‘*weighted average ratio.*’

Item 2 - *Private Health Insurance (Incentives) Rules 2012 (No. 2)*

Item 2 amends the Principal Rules to insert a new section 5A.

Subsection 5A(1) determines the weighted average ratio as a formula for the purposes of subsection 22-50(5) of the *Private Health Insurance Legislation Amendment (Base Premium) Act 2013*.

The weighted average ratio is calculated as a proportional rebate adjustment so that the rebate levels are reduced by the difference between the growth in premiums and the change in the Consumer Price Index (CPI).

The weighted average ratio is calculated to three decimal places. The weighted average ratio is expressed as a factor, rounding up where the fourth decimal place is five or more.

The weighted average ratio will apply so that the applicable rebate percentage is the same for all insurance policies, subject to income testing reductions.

The *average premium increase for the relevant incentive year* is the industry average premium increase (including rate protection) which is published by the Department in a private health insurance circular each incentive year. The Department publishes the average premium increase each year expressed as a percentage. For the purposes of the weighted average ratio, the average premium increase will be expressed as a factor to 4 decimal places equivalent to the percentage figure published by the Department.

Subsection 5A(2) clarifies that if the weighted average ratio is calculated to be greater than 1, the weighted average ratio is taken to be 1.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Private Health Insurance (Incentives) Amendment Rules 2013 (No. 1)

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The *Private Health Insurance (Incentives) Amendment Rules 2013 (No. 1)* amends the *Private Health Insurance (Incentives) Rules 2012 (No. 2)* to determine the weighted average ratio.

Human rights implications

This legislative instrument engages Articles 2 and 12 of the International Covenant on Economic, Social and Cultural Rights by assisting with the progressive realisation by all appropriate means of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health.

Private health insurance regulation assists with the advancement of these human rights by improving the governing framework for private health insurance in the interests of consumers. Private health insurance regulation aims to encourage insurers and providers of private health goods and services to provide better value for money to consumers, improve information provided to consumers of private health services, and to allow consumers to make informed choices when purchasing services. Private health insurance regulation also restricts insurers from differentiating the premiums they charge according to individual health characteristics such as poor health.

Conclusion

This legislative instrument is compatible with human rights because it advances the protection of human rights.

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