

Chapter 1

Introduction

1.1 On 13 May 2015, the Senate passed the following resolution:

To ensure appropriate consideration of time critical bills by Senate committees, the provisions of all bills introduced into the House of Representatives after 14 May 2015 and up to and including 4 June 2015 that contain substantive provisions commencing on or before 1 July 2015 (together with the provisions of any related bill), are referred to committees for inquiry and report by 15 June 2015...¹

1.2 Accordingly, following their introduction into the House of Representatives on 27 May 2015, the provisions of the following bills were referred to the Senate Economics Legislation Committee for inquiry and report:

- Private Health Insurance (Prudential Supervision) Bill 2015;
- Private Health Insurance (Prudential Supervision) (Consequential Amendments and Transitional Provisions) Bill 2015;
- Private Health Insurance (Collapsed Insurer Levy) Amendment Bill 2015;
- Private Health Insurance (Risk Equalisation Levy) Amendment Bill 2015; and
- Private Health Insurance Supervisory Levy Imposition Bill 2015.²

Conduct of the inquiry

1.3 The committee advertised the inquiry on its website and wrote to relevant stakeholders and interested parties inviting submissions by 10 June 2015. The committee received seven submissions, which are listed in Appendix 1. Given the short timeframe for this inquiry, the committee resolved that it would rely on the submissions to prepare its report and not hold a public hearing.

1.4 The committee would like to acknowledge and convey its appreciation to those organisations and individuals who, within a very short timeframe, provided a submission to this inquiry.

1 *Journals of the Senate*, 2013–15, no. 93 (13 May 2015), p. 2585.

2 In this report, the bills are abbreviated to the Prudential Supervision Bill, Consequential Amendments Bill, Collapsed Insurer Levy Amendment Bill, Risk Equalisation Levy Amendment Bill and Supervisory Levy Imposition Bill 2015 respectively.

Background and overview of the bills

1.5 In the 2014–15 Budget, as part of a broader measure to reduce the number of Australian government bodies, the government announced that it intended to abolish the Private Health Insurance Administration Council (PHIAC, or the Council). The government also announced that PHIAC's private health insurance price monitoring functions would be undertaken by the Australian Competition and Consumer Commission, and the health fund prudential regulation functions would be assigned to the Australian Prudential Regulation Authority (APRA).³ APRA is the prudential regulator of authorised deposit-taking institutions, general and life insurance companies and the majority of the superannuation industry.⁴

1.6 The package of bills would give effect to the government's intention to disband PHIAC and to transfer the responsibility for prudential regulation of health funds to APRA. Specifically:

- the Prudential Supervision Bill would create a regime for the prudential regulation of private health insurers by APRA;
- the Consequential Amendments Bill would:
 - amend the *Private Health Insurance Act 2007* (PHI Act) to abolish PHIAC, remove references to PHIAC and remove the prudential supervision powers in the PHI Act;
 - amend various Acts to provide for matters relating to secrecy of information concerning private health insurers, to provide for the collection and administration of industry levies, to facilitate the collection of relevant data by APRA, and to update or replace references to the PHI Act;
 - provide transitional provisions relating to the abolition of PHIAC and the transfer of functions to APRA;
- the two levy amendments bills (the Risk Equalisation Levy Amendment Bill and the Collapsed Insurer Levy Amendment Bill) would amend the *Private Health Insurance (Risk Equalisation Levy) Act 2003* and the *Private Health Insurance (Collapsed Insurer Levy) Act 2003* to replace references to PHIAC with references to APRA and to repeal redundant provisions;⁵ and

3 Australian Government, *Budget Measures 2014–15: Budget Paper No. 2*, May 2014, p. 70.

4 Australian Prudential Regulation Authority (APRA), *Submission 3*, p. 3.

5 That is, the bills provide for the continued imposition of levies upon the private health insurance industry to fund APRA's supervision of the industry and the Risk Equalisation Trust Fund, and to continue arrangements for a levy to be imposed in the case of a private health insurers' collapse. Explanatory Memorandum, pp. 7, 10–11 and 205.

- the Supervisory Levy Imposition Bill would replace the *Private Health Insurance (Council Administration Levy) Act 2003* (an Act which would be repealed by schedule 1, part 2 of the Consequential Amendments Bill).⁶

Scope and structure of this report

1.7 This report comprises two chapters. The following chapter considers the issues raised by key stakeholders in submissions. The committee's overall conclusion can be found at the end of the next chapter.

1.8 As the committee has been asked to examine the provisions of the bills, this report does not examine issues that are beyond the scope of the primary legislation.

6 Explanatory Memorandum, p. 193 [paragraph 12.3].

