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Private Health Insurance (Collapsed Organization Levy) Bill 2003

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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No. 141 2002-03

Private Health Insurance (Collapsed Organization Levy)
Bill 2003

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30 April 2003

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Private Health Insurance (Collapsed Organization Levy) Bill 2003

Date Introduced: 26 March 2003

House: House of Representatives

Portfolio: Health and Ageing

Commencement: 1 July 2004

Purpose

To reimpose the Collapsed Organization levy.

Background

This is one of four Bills reimposing existing levies on private health insurers. Full background is set out in Bills Digest No. 139, 2002-03 (National Health Amendment (Private Health Insurance Levies) Bill 2003). Separate Bills are required for each levy because they could be construed as imposing taxation and the Constitution requires that such Bills 'deal with one subject of taxation only'.¹

The Collapsed Organization levy

This levy is designed to protect contributors to private health insurance funds. If a fund is unable to meet liabilities to its members, the Minister for Health may impose a levy on each other registered health benefits organization to help meet those liabilities. The levy is to be imposed on each organization based on the number of health fund contributors.

The Explanatory Memorandum notes that:

The collapsed organization levy is not designed to bail out a registered health benefits organization. Rather, it is designed to protect contributors from liabilities that should have been covered by their registered health benefits organization. Liabilities to contributors will invariably be health care related.²

The Collapsed Organization levy has not been imposed to date.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Before the Federal Government can impose this levy, the Minister for Health must obtain PHIAC's advice on various issues, including the proposed rate of the levy and whether to exempt an organization from the levy. The Explanatory Memorandum notes that the power to exempt an organization 'is required to ensure that the application of the collapsed organization levy will not of itself adversely affect the financial stability of any fund.'³

PHIAC's advice regarding the Collapsed Organization levy must be tabled in Parliament.

Main Provisions

Clause 7 provides for the imposition of the Collapsed Organization levy on 'each registered health benefits organization' if the Minister so determines. The levy is to be imposed 'on each collapsed organization levy day'. The Minister may determine which day or days are 'collapsed organization days'.

Clause 8 provides for the exemption of organizations from the Collapsed Organization levy if the Minister is satisfied that imposing the levy would have a 'significantly adverse effect' on the organization's solvency or capital requirements.

Clause 10 states that the Minister must obtain PHIAC's advice before deciding:

- that the Collapsed Organization Levy should be imposed,
- the rate of the levy, or
- that an organization should be exempted from the levy.

Clause 11 validates all Collapsed Organization levy payments made before the commencement of the current Bill.

Endnotes

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- 1 Section 55.
 - 2 Explanatory Memorandum, p. 2.
 - 3 Explanatory Memorandum, p. 2.

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