



Private Health Insurance (Collapsed Organization Levy) Amendment Bill 2006

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Private Health Insurance (Collapsed Organization Levy) Amendment Bill 2006

Date introduced: 7 December 2006

House: House of Representatives

Portfolio: Health and Ageing

Commencement: Sections 1 to 3 on Royal Assent. Schedule 1 commences 1 April 2007.

Purpose

This bill amends the *Private Health Insurance (Collapsed Organization Levy) Act 2003* to update definitions resulting from the replacement of the *National Health Act 1953* by the proposed *Private Health Insurance Act*.¹

Background

This Bill was introduced with six other Bills that amend or create a range of Acts to reflect the new regulatory regime detailed in the accompanying Private Health Insurance Bill 2006. On 7 December 2006 the Senate, on the recommendation of the Selection of Bills Committee, referred the suite of Bills to the Community Affairs Committee, for inquiry and report by 26 February 2007.

Separate Bills are required for each levy because they could be construed as imposing a tax and section 55 of the Constitution requires that such Bills ‘deal with one subject of taxation only’.

Collapsed Organization Levy

The purpose of the collapsed organization levy (also referred to in the Bill as the collapsed insurer levy) is to assist in meeting the collapsed health insurer’s liabilities to those people insured under the insurer’s health insurance policies that it is unable to meet itself. To date there has been no imposition of this levy on the industry.²

Main provisions

Schedule 1 replaces or updates a number of definitions to reflect the replacement of the *National Health Act 1953* with the proposed *Private Health Insurance Act 2006*; these are

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described in the Explanatory Memorandum. Broadly, the changes to definitions reflect the new terminology under the new Act.

Item 5 defines a collapsed insurer as a private health insurer where either the Private Health Insurance Administration Council (PHIAC) has terminated the health benefits fund, appointed an external manager to manage the fund, or where the Federal Court orders the appointment of a terminating manager of the fund.

Item 18 substitutes the current description of the purpose of the collapsed organization levy so that it reflects the replacement of the *National Health Act 1953* with the *Private Health Insurance Act 2006*. The section describes the purpose of the levy as helping to meet the collapsed insurer's liabilities to those people insured under its complying health insurance policies. The previous description of the levy referred to its purpose as helping to meet the collapsed organization's liabilities to its contributors.

Item 19 repeals section 7 and replaces it with a new section which imposes the collapsed insurer levy on each private health insurer (other than an exempt insurer) over a period determined by the Minister as a collapsed insurer levy day.

Item 20 introduces a new section that allows for certain categories of insurers to be exempt from the levy—the collapsed insurer itself, and those insurers deemed exempt by the Minister. In making such an exemption, the Minister must be satisfied that imposing the levy would significantly adversely affect the insurer's ability to meet solvency and capital adequacy standards.

Item 24 sets out that the rate of the levy is based on the number of complying health insurance policies on issue, in line with the new *Health Insurance Act 2006*—previously this rate was based on the number of contributors to the fund. The levy may be set at zero.

Endnotes

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1. Tony Abbott 'Private Health Insurance (Collapsed Organization Levy) Amendment Bill 2006' Second Reading, House of Representatives *Hansard*, 7 December 2006, p. 10.
 2. Private Health Insurance Administration Council *Operations of the registered health benefits organisations Annual Report 2005-06* Canberra, PHIAC, 2006, p. 12.

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