



## Private Health Insurance (Reinsurance Trust Fund Levy) Amendment Bill 2006

Amanda Biggs  
Law and Bills Digest Section

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## Private Health Insurance (Reinsurance Trust Fund 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 on 1 April 2007.

### Purpose

The purpose of this legislation is to amend the *Private Health Insurance (Reinsurance Trust Fund Levy) Act 2003* to update definitions resulting from the replacement of the *National Health Act 1953* by the proposed *Private Health Insurance Act*.<sup>1</sup>

### Background

This is one of four Bills reimposing existing levies on private health insurers. This Bill was introduced as part of a suite of legislation to reflect the new regulatory regime detailed in the accompanying Private Health Insurance Bill 2006 (PHIB 2006). On 7 December 2006 the Senate 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’.

#### Reinsurance Trust Fund Levy

The reinsurance levy is currently authorised under the *National Health Act 1953* and is a levy on all registered health benefits organisations (renamed private health insurers under the proposed Act). The levy transfers and shares risks across all the health funds, ‘so that those funds with an older and less healthy demographic membership are not disadvantaged’.<sup>2</sup> The levy enables funds to charge the same premiums to everyone regardless of risk and is integral to the principle of ‘community rating’.<sup>3</sup> In 2005-06 \$182 million was transferred amongst funds under the reinsurance arrangements.<sup>4</sup>

For a detailed discussion of the proposed changes to the current reinsurance arrangements under the PHIB 2006, see the Bills Digest.<sup>5</sup>

**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.*

## Main provisions

### Schedule 1

The Schedule replaces a number of definitions to reflect the replacement of the *National Health Act 1953* with the proposed *Private Health Insurance Act 2006*; these new definitions are described in the *Explanatory Memorandum*. Broadly, the changes to definitions reflect the new terminology under the proposed Act.

**Items 8, 9, 10 and 11** repeal and replace the definitions of the *reinsurance trust fund levy* and *levy day*, with *risk equalisation levy* and *risk equalisation levy day*.

**Items 13 and 14** repeal and replace the definition of *supplementary reinsurance trust fund levy day* with *supplementary risk equalisation levy day*.

**Item 15** sets out that the risk equalisation levy be imposed on levy days as specified in the Rules but no more than 4 per financial year, and that supplementary levy days will be determined by the Minister by legislative instrument, but these must not be more than 2 per financial year.

**Item 17** sets out the table explaining the process by which the rate of risk equalisation levy is applied on a levy day or a supplementary levy day.

**Item 20** allows for the Minister (by legislative instrument) and the Governor General to make rules and regulation for the purposes of the proposed Act.

**Item 21** is a transitional provision setting out that the total number of levy days in the current financial year must not exceed six.

## Endnotes

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1. Hon. Tony Abbott 'Private Health Insurance (Reinsurance Trust Fund Levy) Amendment Bill 2006' Second Reading, *Hansard*, House of Representatives, 7 December 2006, p. 11.
2. Private Health Insurance Administration Council *Operations of the Registered Health Benefits Organisations Annual Report 2005-06*, PHIAC, Canberra, 2006, p. 12.
3. Community rating is the principle that persons cannot be discriminated against in obtaining or retaining health insurance on the basis of health status, age (other than age at entry allowed for under Lifetime Health Cover), race, sex, sexuality, use of health services or claiming history.
4. PHIAC, op cit, p. 12.

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5. Amanda Biggs and Luke Buckmaster 'Private Health Insurance Bill 2006' [\*Bills Digest\*](#) no. 81, 2006-07, Parliamentary Library, 2007.

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