

1999-2000

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

NATIONAL HEALTH AMENDMENT (LIFETIME HEALTH COVER) BILL 1999

SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Amendments to be moved on behalf of the Government)

(Circulated by authority of the Minister for Health and Aged Care,
the Hon. Dr Michael Wooldridge MP)

OUTLINE

The amendments to the *National Health Amendment (Lifetime Health Cover) Bill 1999* provide that adult beneficiaries who took out private hospital cover during the Lifetime Health Cover grace period (1 July 1999 to 1 July 2000) will be required to maintain their cover for a minimum period beginning on 1 July 2000 and ending on 1 July 2001, inclusive of both dates.

These amendments will enable adult beneficiaries who are affected by these provisions to suspend their hospital cover, with the agreement of their fund, during the period from 1 July 2000 to 1 July 2001 and preserve the right to pay contributions at the base rate if they resume paying premiums at the time specified in the agreement with their fund and maintain their cover for a minimum period of 366 days, including all days on which they had cover after 1 July 2000.

FINANCIAL IMPACT

There will be no impact on the finances of the Commonwealth from this provision.

NOTES ON CLAUSES

These amendments make a number of changes to proposed Schedule 2 (Lifetime Health Cover) of the *National Health Act 1953* (the Act) contained in the *National Health Amendment (Lifetime Health Cover) Bill 1999*.

Amendment (1)

This amendment changes the heading of clause 1 of proposed Schedule 2 of the Act to "People who are late in taking out hospital cover". This amendment is consequential upon the amendments to clause 1 of proposed Schedule 2 made by Amendment (2).

Amendment (2)

This amendment substitutes a new subclause 1(1) of proposed Schedule 2 of the Act. This amendment treats adult beneficiaries who took out hospital cover during the grace period but ceased to have hospital cover during the period 1 July 2000 to 1 July 2001 (inclusive) as if they did not have hospital cover on 1 July 2000. As a result of this amendment adult beneficiaries who joined during the grace period will lose their right to pay the base rate premium if they do not maintain their cover for a minimum period beginning on 1 July 2000 and ending on 1 July 2001, inclusive of both dates.

Amendment (3)

This amendment substitutes a new subclause 3(2) of proposed Schedule 2 of the Act.

This amendment provides that, in the case of an adult beneficiary who joined during the grace period, the permitted 730 days without hospital cover provided by paragraph 3(1)(a) of Schedule 2 do not include days without hospital cover between 1 July 2000 and 1 July 2001 inclusive.

This amendment also provides that, in the case of an adult beneficiary who joined during the grace period, the permitted days without hospital cover that can be prescribed under paragraph 3(1)(b) of Schedule 2 do not include days without hospital cover between 1 July 2000 and 1 July 2001 inclusive unless the adult beneficiary satisfies the requirements specified in any regulations made under new subparagraph 3(2)(b)(ii).

This amendment ensures that adult beneficiaries who joined during the grace period may not cease to pay contributions during the period beginning on 1 July 2000 and ending on 1 July 2001 and maintain the right to pay the base rate premium unless they have entered into an agreement with their fund to suspend their membership. Regulations under paragraph 3(1)(b) will allow health funds to suspend an adult beneficiary's hospital cover for reasons such as unemployment, overseas travel or extended overseas postings. Regulations under proposed subparagraph 3(2)(b)(ii) will specify that adult beneficiaries who joined during the grace period and who entered into an agreement with their health fund to suspend their membership during the period beginning 1 July 2000 and ending 1 July 2001 will not retain the right to pay the base rate premium unless they resume paying premiums after the expiry of the period during which their membership was suspended and continue paying premiums for a minimum period of 366 days. The minimum period of 366 days includes days occurring

during the period between 1 July 2000 and the beginning of the period of suspension in addition to days occurring after the period of suspension.

Amendment (4)

This amendment inserts a new subclause 10(1A) into proposed Schedule 2 of the Act.

This amendment ensures that if the Minister determines that an adult beneficiary who did not have hospital cover on 1 July 2000 is to be treated, for the purposes of proposed Schedule 2 of the Act, as if they did have hospital cover on 1 July 2000, the Minister must also determine that they are to be treated, for the purposes of Schedule 2, as if they had hospital cover on 30 June 1999.

Glossary

grace period means the period commencing on 1 July 1999 and ceasing on 1 July 2000.

adult beneficiaries who joined during the grace period means people who turned 31 years of age on or before 1 July 2000 and who had hospital cover on 1 July 2000 but who did not have hospital cover on 30 June 1999.

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