

1996

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

NATIONAL HEALTH (BUDGET MEASURES) AMENDMENT BILL 1996

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Health and Family Services,
Dr Michael Wooldridge, MP)

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GENERAL OUTLINE

This Bill proposes amendments to the *National Health Act 1953* to reduce Commonwealth outlays under the Pharmaceutical Benefits Scheme (PBS).

Firstly, the Bill raises the patient contributions under the PBS to \$3.20 for concessional benefit prescriptions and concession card (general safety net) prescriptions and to \$20.00 for general benefit prescriptions.

The Bill also changes the arrangements for indexing the patient contributions and the general safety net threshold by requiring that the amounts calculated during the indexation process are to be rounded to the nearest multiple of 10 cents rather than the next lower multiple of 10 cents, and by changing the indexation date for the general patient contribution to 1 January in each year.

Finally, the Bill restricts access to the PBS to persons who are eligible persons within the meaning of the *Health Insurance Act 1973*, that is, persons eligible for medicare benefits. This includes Australian residents and eligible overseas representatives, visitors from countries with which Australia has entered into a reciprocal health care agreement and any other persons declared by the Minister to be eligible persons.

FINANCIAL IMPACT STATEMENT

The measures proposed in this Bill are estimated to reduce Commonwealth outlays on the Pharmaceutical Benefits Scheme by \$74.2 million in 1996-97 and by a total of \$534.5 million over the following three years, as set out below:

	1996-97	1997-98	1998-99	1999-2000	Total
Increase in concessional copayment	40.7	82.1	89.0	96.2	308.0
Increase in general copayment	28.2	51.6	49.2	50.9	179.9
Altered indexation arrangements	0.0	5.4	18.0	32.8	56.2
Restriction of access to PBS	9.1	17.4	20.4	24.0	70.9
Administration costs	-3.8	-1.5	-0.5	-0.5	-6.3
Total	74.2	155.0	176.1	203.4	608.7

NOTES ON CLAUSES

Clause 1 - Short title

This clause specifies the short title of the Act as the *National Health (Budget Measures) Amendment Act 1996*.

Clause 2 - Commencement

This clause provides that the Act commences on 1 January 1997, with the exception of item 1 in Schedule 2 which will commence on 2 January 1997.

Clause 3 - Schedules

This clause provides that each Act which is specified in a Schedule is amended as set out in that Schedule and any other item in a Schedule has effect according to its terms.

SCHEDULE 1 - INCREASE IN CHARGES

Amendments to the *National Health Act 1953*

ITEMS 1, 2 AND 3

Subsection 84C(4) provides that the supply of a pharmaceutical benefit whose Commonwealth (dispensed) price exceeds the patient contribution is not be counted towards the safety net threshold unless the amount received by the pharmacist in respect of that supply is at least equal to the relevant patient contribution. These items amend subsection 84C(4) and the note to that subsection to reflect the new patient contributions of \$3.20 and \$20.00 effected by items 6 and 7 respectively.

ITEMS 4 AND 5

Subsection 84C(1C) provides that where a person is a general patient during part of an entitlement period (calendar year) and a concessional beneficiary during another part of that year, any supplies of general benefit prescriptions made to the person can be counted towards the concessional safety net threshold at a transferred value. Section 84CA sets that transferred value at a rate equal to the concessional patient contribution. Items 4 and 5 amend section 84CA and the note to that section to reflect the new concessional patient contribution of \$3.20 effected by item 6.

ITEM 6

This item amends subsection 87(2) to provide that the patient contribution for concessional benefit prescriptions and for concession card (general safety net) prescriptions will be increased from \$2.50 (indexed, currently \$2.70) to \$3.20.

ITEM 7

This item amends subsection 87(2) to provide that the patient contribution for general benefit prescriptions will be increased from \$15.00 (indexed, currently \$17.40) to \$20.00.

ITEMS 8 AND 9

These items amend the note to subsection 87(2) to reflect the increased patient contributions of \$3.20 and \$20.00 effected by items 6 and 7 respectively.

ITEMS 10 AND 11

Subsection 99(2A) provides that the supply on a general benefit prescription of a pharmaceutical benefit for which the Commonwealth (dispensed) price at the time of supply does not exceed the general patient contribution is deemed not to be the supply of a pharmaceutical benefit, except for the purpose of recording expenditure towards the safety net threshold. These items amend subsection 99(2A) and the note to that subsection to reflect the new general patient contribution of \$20.00 effected by item 7.

ITEMS 12 AND 13

Subsection 99(2AB) provides that the supply on a concession card prescription of a pharmaceutical benefit for which the Commonwealth (dispensed) price at the time of supply does not exceed the concessional patient contribution is deemed not to be the supply of a pharmaceutical benefit, except for the purpose of recording expenditure towards the safety net threshold. These items amend subsection 99(2AB) and the note to that subsection to reflect the new concessional patient contribution of \$3.20 effected by item 6.

ITEMS 14 AND 15

Subsection 99(2B) provides that the supply on a concessional benefit prescription of a pharmaceutical benefit for which the Commonwealth (dispensed) price at the time of supply does not exceed the concessional patient contribution is deemed not to be the supply of a pharmaceutical benefit, except for the purpose of recording expenditure towards the concessional safety net threshold. These items amend subsection 99(2B) and the note to that subsection to reflect the new concessional patient contribution of \$3.20 effected by item 6.

ITEMS 16 TO 18

These items amend the definitions of concessional beneficiary charge, general patient charge and general patient reduced charge in section 99F to reflect the increased patient contributions of \$3.20, \$20.00 and \$3.20 respectively, effected by items 6 and 7.

SCHEDULE 2 - INDEXATION OF CHARGES***Amendments to the National Health Act 1953*****ITEM 1**

This item amends the method set out in subsection 99G(1) for indexing copayments and safety net thresholds, with effect from 2 January 1997; however, as indexation is carried out on 1 January each year, the actual date of effect will be 1 January 1998. Currently the calculated result of the indexation process is rounded to the next lower multiple of 10 cents; the amendment provides for it to be rounded to the nearest multiple of 10 cents. If the calculated figure is an exact multiple of 5 cents it will be taken up to the next higher multiple of 10 cents.

ITEMS 2 AND 3

These items amend the CPI Indexation Table in subsection 99G(1) by providing that the general patient contribution will in future be indexed with effect from 1 January each year, by reference to the Consumer Price Index for the September quarter of the previous year.

ITEM 4

This item inserts new subsection 99G(1B) to provide that the new patient contributions of \$3.20 and \$20.00, effected by items 6 and 7 in Schedule 1, will not be subject to indexation during 1997.

ITEM 5

This item amends the note to subsection 99G(2) by updating the name of the Department to correspond with that specified in the current Administrative Arrangements Order.

ITEM 6

This item inserts new subsection 99G(3B) to provide that the new patient contributions of \$3.20 and \$20.00, effected by items 6 and 7 in Schedule 1, are to be treated as not previously having been indexed and thus will be used as the basis for the indexation due to take place on 1 January 1998.

SCHEDULE 3 - ACCESS TO PHARMACEUTICAL BENEFITS SCHEME**Amendments to the *National Health Act 1953*****ITEM 1**

This item amends the definition of dependant (in relation to a pensioner) in subsection 4(1) by adding the requirement that the dependant be eligible for medicare benefits under the *Health Insurance Act 1973*.

ITEM 2

This item amends the definition of concessional beneficiary in subsection 84(1) by adding the requirement that the concessional beneficiary be eligible for medicare benefits under the *Health Insurance Act 1973*.

ITEM 3

This item amends the definition of general patient in subsection 84(1) by adding the requirement that the patient be eligible for medicare benefits under the *Health Insurance Act 1973*.

ITEM 4

This item amends the definition of dependant in relation to a person to whom paragraph (a) or (b) of the definition of concessional beneficiary applies (that is, the dependant of a person in receipt of a social security pension under the *Social Security Act 1991* or the dependant of a person in receipt of a service pension or income support supplement under the *Veterans' Entitlements Act 1986*) in subsection 84(1) by adding the requirement that the dependant be eligible for medicare benefits under the *Health Insurance Act 1973*.

ITEM 5

This item amends the definition of dependant in relation to a person to whom paragraph (c) of the definition of concessional beneficiary applies (that is, the dependant of a disadvantaged person within the meaning of the *Health Insurance Act 1973*) in subsection 84(1) by adding the requirement that the dependant be eligible for medicare benefits under the *Health Insurance Act 1973*.

ITEM 6

This item makes minor drafting changes to subsection 87(3A).

ITEM 7

This item amends subsection 87(3A) to provide that an approved supplier shall not supply a pharmaceutical benefit at the general patient copayment rate unless the person supplying the benefit is satisfied that the patient is entitled to receive the benefit on those terms, that is, that the patient is an eligible person within the meaning of the *Health Insurance Act 1973*.

ITEM 8

This item makes minor drafting changes to subsection 87(3B).

ITEM 9

This item amends subsection 87(3B) to provide that, without limiting the requirement in subsection 87(3A), as amended by item 7, for the approved supplier to be satisfied as to the patient's eligibility, an approved supplier may refuse to supply a benefit at the general patient copayment rate unless the patient produces evidence of the entitlement to receive the benefit on those terms, that is, that the patient is an eligible person within the meaning of the *Health Insurance Act 1973*. This evidence would normally be either a medicare card or some other document which establishes the patient's eligibility to obtain medicare benefits.

ITEM 10

This item amends section 87A by inserting new subsection (2) to extend the refund provisions of that section to general patients. Where a person is unable to satisfy an approved supplier of eligibility to obtain a pharmaceutical benefit at the general patient contribution, that is, that the person is an eligible person within the meaning of the *Health Insurance Act 1973*, but is subsequently able to satisfy the Secretary to the Department of that eligibility, the person will be entitled to receive a refund from the Commonwealth of the difference between the general patient contribution and the Commonwealth (dispensed) price.



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