

1990

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

SOCIAL WELFARE LEGISLATION (PHARMACEUTICAL BENEFITS)
AMENDMENT BILL 1990

EXPLANATORY MEMORANDUM

(Circulated by authority of the Honourable Mr Peter Staples MP,
Minister for Aged, Family and Health Services.)

THIS MEMORANDUM TAKES ACCOUNT OF AMENDMENTS MADE BY THE HOUSE OF
REPRESENTATIVES TO THE BILL AS INTRODUCED

SOCIAL WELFARE LEGISLATION (PHARMACEUTICAL BENEFITS)
AMENDMENT BILL 1990

GENERAL OUTLINE

The purpose of this Bill is to give effect, in part, to the Government's decisions about structural reform of the Pharmaceutical Benefits Scheme.

Consistent with the universality of the Scheme, all Australian residents will continue to receive pharmaceutical benefits. However, this Bill seeks to ensure those with the greatest capacity to pay continue to make a fair contribution.

Persons in the general patient category will from 1 November 1990 pay up to \$15.00 for each prescription. The Bill will introduce a two stage calendar year Safety Net, requiring payment at the general contribution rate to an aggregated total of no more than \$300 after which payments of \$2.50 for each prescription are required until a further limit of \$50 is reached. Prescriptions for the remainder of that calendar year will then be provided free of charge.

The Bill seeks to reallocate Commonwealth subsidies through introduction of a charge of \$2.50 for those pensioners who currently receive prescriptions free under the Pharmaceutical Benefits Scheme with a protective Safety Net.

A pharmaceutical supplement will be paid on the first pension payday on or after 1 November 1990 as an advance to all maximum rate recipients of aged, invalid, wife's, carer's, sole parent's, class B widow's, service (including veterans, wives and carers) and war widow's pensions, and widowed person's, sheltered employment and rehabilitation allowances.

Subsequent advances will be paid to those persons subject to an income and assets test and provided that they have a patient record card demonstrating that they have bought more than 20 prescription items for themselves or a dependant in no more than 20 weeks since 1 November 1990 when applying for the first further advance, and at least 14 prescription items in no more than the previous three months when applying for further advances.

For those persons who become eligible after the first relevant pension payday in November 1990 to receive the maximum rate of any of those pensions and allowances, advances will be available only to those pensioners who have liquid assets of less than \$1,000 and non-pension income of less than \$10 a week and who show that they have bought 14 or more pharmaceutical benefit items for themselves or a dependant in less than 3 months immediately prior to their application.

No advance will be paid which exceeds the safety net. Advances will not in aggregate exceed the amount of \$5 multiplied by the number of pension paydays for which a person may be eligible from 1 November 1990 and ending on 31 December 1991.

The Bill provides for a general increase in the rate of pension payable to certain social security and veterans' affairs pensioners and beneficiaries from the first pension payday on or after 20 March 1991.

These provisions do not apply to people who currently receive free benefits through the Repatriation Pharmaceutical Benefits Scheme.

The Bill is designed to ensure that these pensioners continue to have access to all pharmaceuticals they require while providing incentives for more thoughtful drug use.

To protect pensioners and persons receiving concessional benefits and their families who are high volume drug users, the Government has agreed to introduce a Safety Net Scheme for pensioners and concessional beneficiaries which will provide free pharmaceutical benefits after the aggregate co-payment threshold of \$130 is reached in a calendar year. However, during the interim period 1 November 1990 to 31 December 1991 pensioners will need to reach a threshold of \$150 before becoming eligible for pharmaceutical benefit prescriptions free of charge.

The co-payment of \$2.50 currently applying to persons in the concessional category remains unchanged.

FINANCIAL IMPACT STATEMENT

In the part year 1990/1991 it is expected that savings of \$31.37m will result from the introduction of a higher general patient charge and new Safety Nets. This will increase to \$245m in a full year.

With respect to the new charges for pensioners, in the part year 1990/1991, it is not expected that savings will be achieved. Savings on the PBS in this year will amount to \$157.7m but offset costs of \$170m will be made to increase pensions.

The estimated additional cost of advance pharmaceutical supplement payments and the general rate increase is \$65.8m in 1990-91 and \$251.74m 1991-92. However, overall Government savings will be in the order \$64.1m in 1991/92. This will be made up of \$335.0m savings to the PBS and costs to pensions of \$270.9m. Savings will then increase in each subsequent year and in 1993/94 will reach \$185.3m.

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NOTES ON CLAUSES

Clause 1 : Short Title

This clause provides that the amendment Act may be cited as the Social Welfare Legislation (Pharmaceutical Benefits) Amendment Act 1990.

This provision is to commence on Royal Assent.

Clause 2 : Commencement

This clause provides that each provision of the Act commences on the day shown at the foot of the provisions.

This provision is to commence on Royal Assent.

Clause 3 : Principal Act

This clause provides that the "Principal Act" for Part 2 of this Act means the National Health Act 1953.

This provision is to commence on Royal Assent.

Clause 4 : Interpretation

This clause amends subsection 84 of the Principal Act by linking the elements of the definition of "concessional beneficiary" and adds to the definition of concessional beneficiary that class of person defined in section 4 of the Principal Act as a "pensioner".

The clause also amends the definition of "relevant entitlement period" by including the new period of 1 November 1990 to 31 December 1991.

The definition of "pensioner benefit prescription" is removed by the clause as the definition is no longer relevant.

The clause inserts a definition for "general patient".

These provisions are to commence on 1 November 1990.

Clause 5 : Eligibility for pharmaceutical benefits entitlement cards

Sub-clause (a) amends section 84C of the Principal Act by inserting a saving clause to allow the current provisions of the Principal Act to continue until 31 December 1990.

This provision is to commence on 1 November 1990.

Sub-clause (b) inserts a new provision to provide an entitlement to the general patient (who has qualified under section 87 of the Principal Act to receive pharmaceutical benefits at the \$2.50 rate) to receive an entitlement card if the charges incurred by a general patient and dependants are approaching \$50, and the supply of one further prescription would take those charges over \$50, then the person is eligible for an entitlement card.

This provision is to commence on 1 January 1991.

Sub-clause (c) adds a new provision 84C(1A)(a) to the Principal Act which provides that, for the period 1 November 1990 to 31 December 1991, a pensioner is eligible to be issued with an entitlement card if the amounts charged for pharmaceutical benefits are not less than \$150.00. This provision allows that if the pensioner was a general patient for some of that period the transferred value, if any, is to be added to the amount charged as a pensioner to count towards the \$150 limit.

Sub-clause (c) also adds similar provision 84C(1A)(b) which allows for the aggregate of amounts charged to include the amounts charged to the pensioner's dependants, both as a pensioner and, if applicable, as a general patient who has become a pensioner in that period.

Sub-clause (c) further adds a new provision 84C(1B) to the Principal Act to effect similar provisions for persons who are concessional beneficiaries, but not pensioners, to entitle such persons to an entitlement card when charged not less than \$130 in the calendar year commencing on 1 January 1991. Provision is again made to allow persons transferring to the concessional category to add a transferred value to those prescriptions supplied in the relevant period.

Sub-clause (c) adds a new provision 84C(1C) to the Principal Act to effect similar provisions for persons who are concessional beneficiaries including pensioners in the entitlement period commencing on or after 1 January 1992 to an entitlement card if charged not less than \$130 for pharmaceutical benefits in that period. Again transfer provisions are provided to allow persons who become concessional beneficiaries in that period to add the transfer value of pharmaceutical benefits towards the \$130 limit.

Sub-clause (d) removes subparagraphs 84C(4)(b)(i) and (ii) from the Principal Act which are now not relevant, as pensioners and their dependants are now to be treated in the same way as concessional beneficiaries for the purposes of the Principal Act.

Sub-clause (e) amends paragraph 84C(4)(c) of the Principal Act by substituting \$15.00 in place of \$11.00 twice.

These provisions are to commence on 1 November 1990.

Clause 6 : Modification of amounts paid

Clause 6 inserts in a new provision section 84CA to the Principal Act that provides for the transferred value of amounts to be worked out by multiplying \$2.50 by the number of pharmaceutical benefit supplies during the relevant entitlement period when the person was a general patient.

This provision is to commence on 1 November 1990.

Clause 7 : Pharmaceutical benefits prescription record forms

Clause 7 removes paragraphs 84D(4)(a) and (b) from the Principal Act as they are now not relevant as pensioners and their dependants are now to be treated in the same way as concessional beneficiaries for the purposes of the Principal Act.

This provision is to commence on 1 November 1990.

Clause 8 : Limited charges for pharmaceutical benefits

Sub-clause 8(a) amends section 87 of the Principal Act by substituting \$15.00 in place of \$11.00 thus increasing the amount that an approved pharmacist can charge a general patient for a pharmaceutical benefit.

This provision is to commence on 1 November 1990.

Clause 8(b) adds new paragraphs 87(2)(b), (c), (d) and (e) which allow for a general patient who has during an entitlement period been charged \$300 for pharmaceutical benefits prescriptions to be charged \$2.50 for subsequent pharmaceutical benefit supplies (up to a maximum of a further \$50). Where the charges incurred by a general patient and dependants are approaching \$300, and the supply of one further prescription would take those charges over \$300, then the charge for that prescription will be \$2.50.

This provision is to commence on 1 January 1991.

Sub-clauses 8(c) and (d) amend the Principal Act by omitting paragraphs (3A)(a) and (b) and (3B)(a) and (b) which are now not relevant as pensioners and their dependants are now to be treated in the same way as concessional beneficiaries for the purposes of the Principal Act.

Sub-clause 8(e) amends the Principal Act by removing words that are now redundant.

These provisions are to commence on 1 November 1990.

Clause 9 : Tribunal must give effect to certain agreements

Clause 9 adds a new subsection 98BAA(1) to the Principal Act to require the Pharmaceutical Benefits Remuneration Tribunal to give effect to agreements between the Minister and the Pharmacy Guild of Australia or such other pharmacists' organisation which represents a majority of approved pharmacists relating to the manner of ascertaining the Commonwealth price of pharmaceutical benefits.

Clause 9 adds a new subsection 98BAA(2) to the Principal Act to require the Tribunal to terminate any inquiry, whether completed or not, where such an agreement is force.

Clause 9 adds subsection 98BAA(3) to the Principal Act to remove the need for the Tribunal to hold inquiries while the agreement is in force unless the agreement so requires.

This provision is to commence on Royal Assent.

Clause 10 : Payment for supply of benefits

Sub-clause 10(a) omits redundant words from paragraph 99(2)(a) of the Principal Act.

Sub-clause 10(b) amends paragraphs 99(2A)(a), (aa) and (b) of the Principal Act by substituting \$15.00 for \$11.00.

This provision is to commence on 1 November 1990.

Clause 11 : Division 4A Indexation

Clause 11 adds a new Division 4A to the Principal Act to allow for the indexation of all co-payments and Safety Net limits.

New section 99F provides for the interpretation of the concessional and general charges and safety nets contained in the Bill. The section also defines the 'index number' to be used as the All Groups Consumer Price Index number that is the weighted average of the 8 capital cities and is published by the Australian Statistician in respect of that quarter.

New section 99G provides for the method of indexation. The provision allows for the rounding down to the nearest ten cents.

These provisions are to commence 1 February 1991

Clause 12 : Principal Act

Clause 12 provides that the 'Principal Act' for Part 3 means the Social Security Act 1947.

This provision is to commence on 1 November 1990

Clause 13 : Indexation of certain rates

Clause 13 would amend section 34 of the Principal Act by inserting new subsections 34(5E), (5F), (5G) and (5H).

These provide for an increase in the basic rate of pension of \$2.50 per week for a single pensioner, and \$1.25 per week for a married pensioner.

Subsection 33(2) of the Social Security Act 1947 would operate to ensure that illness separated spouses would get the higher single pensioner rate.

These increases commence as from 20 March 1991 and would be fully indexed thereafter.

Clause 14 : Indexation of unemployment and sickness benefits etc.

Clause 14 would amend section 119 of the Principal Act to insert new subsections 119(5E), (5F), (5G), (5H), (5J), (5K), (5L) and (5M).

New subsections 119(5E) and (5F) increase the basic rate of sickness benefit by \$2.50 per week for a single person and \$1.25 per week for a married person.

New subsections 119(5G) and (5H) provide for an increase in the rate of unemployment benefit payable to persons over 60 who have been in receipt of unemployment benefit for at least 6 months. Again, the rate would be \$2.50 per week for single persons and \$1.25 for married persons.

New subsection 119(5J) provides for illness separated beneficiaries would be entitled to the higher single rate.

These rate increases are to commence on 20 March 1991 and would be fully indexed thereafter.

This provision is to commence on 20 March 1991.

Clause 15 PART XVIA PHARMACEUTICAL SUPPLEMENT

Clause 15 inserts a new part XVIA into the Principal Act as from 1 November 1990.

Interpretation

New subsection 151A provides for the definitions relevant to Part XVIIA.

'advance pensioner A' is to mean a person who is an eligible pensioner on 8 November 1990.

'advance pensioner B' is to mean a person, other than an advance pensioner A, who becomes an eligible pensioner after 8 November 1990 and before 1 January 1992 and who, in the opinion of the Secretary to the Department of Social Security, does not have liquid assets of more than \$1,000 and does not have any non-pension income of more than \$10 per week.

'advance pharmaceutical supplement' is to mean an advance pharmaceutical supplement payable under proposed sections 151F, 151G or 151H.

'card pensioner' is to mean a person to whom paragraph (a), (aa) or (ab) of the definition of 'pensioner' in subsection 4(1) of the National Health Act 1953 applies.

'continuing advance pensioner A' is to mean an advance pensioner A who, in the opinion of the Secretary to the Department of Social Security, does not have liquid assets of more than \$1,000 and does not have any non-pension income of more than \$10 per week.

'disqualified advance pensioner' is to mean an advance pensioner A, or an advance pensioner B, who, before 20 March 1991 either receives advance pharmaceutical supplements, in the case of an unmarried pensioner or a married pensioner to whom paragraph 33(1)(a) or subsection 33(2) applies, of \$150 or receives advance pharmaceutical supplements of less than \$150 and does not claim further advance pharmaceutical supplements. It would also mean an advance pensioner A, or an advance pensioner B, who, before 20 March 1991 either receives advance pharmaceutical supplements, in the case of anyone to whom paragraph 33(1)(a) or subsection 33(2) does not apply, of \$75 or receives advance pharmaceutical supplements of less than \$75 and does not claim further advance pharmaceutical supplements.

'eligible pensioner' is to mean a person who receives an age, invalid, wife's, carer's, sole parent's or class B widow's pension or a widowed person's, sheltered employment or rehabilitation allowance and the rate of that pension or allowance is not reduced because of the operation of any income, assets or maintenance income test applicable under the Social Security Act 1947.

'liquid assets' is to mean, in relation to a person, any cash held by or on behalf of the person, or any amount deposited with, or lent to, a bank, building society, credit union or other financial institution, whether or not the amount can be withdrawn by, or repaid to, the person immediately.

'pharmaceutical benefit' is to mean a drug or medicinal preparation in relation to which, because of section 85 of the National Health Act 1953, Part VII of that Act applies.

'pharmaceutical supplement' means the supplement payable under new section 151B.

'supplement period' means the period from 1 November 1990 to 19 March 1991 inclusive.

Qualification for pharmaceutical supplement

New section 151B provides for the qualification provisions for pharmaceutical supplement. Only card pensioners are eligible for pharmaceutical supplement. Further, advance pensioners A are not entitled to receive payment of both the pharmaceutical supplement and the advance pharmaceutical supplement and advanced pensioners B are not entitled to receive payment of the pharmaceutical supplement during his or her advance payment.

Pharmaceutical supplements only payable during supplement period

New section 151C provides that persons are only qualified for pharmaceutical supplement during the supplement period.

Rate of pharmaceutical supplements

New section 151D provides for the rate of pharmaceutical supplement. This is to be \$2.50 per week for an unmarried card pensioner, or \$1.25 per week for a married card pensioner. However, a married person who is married to a person who is not receiving a prescribed pension will receive \$2.50 per week. Similarly, married persons separated due to ill health will get \$2.50 per week each if they are both card pensioners; if only one is a card pensioner, then that person will get \$2.50 per week.

Payment of pharmaceutical supplements

New subsection 151E provides for the payment of pharmaceutical supplement. The supplement is to be payable on the date the person would normally get his or her pension, benefit or allowance paid.

Advance pharmaceutical supplements for advance pensioners A

New section 151F provides that a person who is an advance pensioner A (that is, a person who is an eligible pensioner on 8 November 1990) is entitled to receive an advance pharmaceutical supplement on 8 November 1990 of \$25 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947.

All other persons who are advance pensioner A's are entitled to receive an advance pharmaceutical supplement on 8 November 1990 of \$50, including those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person, or where the spouse of the married person is not in receipt of a prescribed pension.

Further advance pharmaceutical supplements for continuing advance pensioners A

New section 151G provides for the payment of further advance pharmaceutical supplements to continuing advance pensioners A.

New subsection 151G(1) provides that where the Secretary to the Department of Social Security is satisfied that a continuing advance pensioner A has bought at least 20 pharmaceutical benefits for themselves or their dependants within the period 1 November 1990 and ending on 19 March 1991, then the pensioner is entitled to receive an advance pharmaceutical supplement of \$17.50 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947.

All other persons who are advance pensioner A's will be entitled to receive an advance pharmaceutical supplement of \$35.00. This includes those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person, or advance pensioners whose spouse is not a prescribed pensioner (new subsection 151G(4)).

New subsection 151G(2) provides that where the Secretary to the Department of Social Security is satisfied that a continuing advance pensioner A has received a payment under new subsection 151G(1) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement of \$17.50 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947.

All other persons who are advance pensioners A will be entitled to receive an advance pharmaceutical supplement of \$35.00. This includes those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person, or advance pensioners whose spouse is not a prescribed pensioner (new subsection 151G(4)).

New subsection 151G(3) provides that where the Secretary to the Department of Social Security is satisfied that a continuing advance pensioner A has received a payment under new subsection 151G(2) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement of \$15.00 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947.

All other persons who are advance pensioners A will be entitled to receive an advance pharmaceutical supplement of an advance pharmaceutical supplement of \$30.00, including those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person, or advance pensioners whose spouse is not a prescribed pensioner (new subsection 151G(4)).

New subsection 151G(5) provides that for the purposes of new section 151G, a continuing advance pensioner A is taken to buy a pharmaceutical benefit for the pensioner whenever the pensioner's spouse buys a pharmaceutical benefit for the pensioner's spouse, the pensioner or a dependant of the pensioner's spouse.

Advance pharmaceutical supplements for advance pensioners B

New subsection 151H provides that where the Secretary to the Department of Social Security is satisfied that an advance pensioner B (that is, a person other than an advance pensioner A, who becomes an eligible pensioner after 8 November 1990 and before 1 January 1992 and who, in the opinion of the Secretary to the Department of Social Security, does not have liquid assets of more than \$1,000 and does not have any non-pension income of more than \$10 per week) has bought at least 14 pharmaceutical benefits for themselves or their dependants within 3 months before the day on which the person became an eligible pensioner then the person would be qualified to receive an advance pharmaceutical supplement of \$17.50 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947.

All other persons who are advance pensioners B will be entitled to receive an advance pharmaceutical supplement of \$35.00, including those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person, or advance pensioners whose spouse is not a prescribed pensioner (new subsection 151H(5)).

New subsection 151H(2) provides that where the Secretary to the Department of Social Security is satisfied that an advance pensioner B has received a payment under new subsection 151H(1) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement of \$17.50 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947. All other persons who are advance pensioner B's will be entitled to receive an advance pharmaceutical supplement of \$35.00.

This includes those married persons where the Secretary to the Department of Social Security is satisfied that they are permanently separated due to the illness or infirmity of either person, or whose spouse is not a prescribed pensioner (new subsection 151H(5)).

New subsection 151H(3) provides that where the Secretary to the Department of Social Security is satisfied that an advance pensioner B has received a payment under new subsection 151H(2) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement of \$17.50 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947.

All other persons who are advance pensioner A's will be entitled to receive an advance pharmaceutical supplement of an advance pharmaceutical supplement of \$35.00. This includes those married persons where the Secretary to the Department of Social Security is satisfied that they are permanently separated due to the illness or infirmity of either person, or whose spouse is not a prescribed pensioner (new subsection 151H(5)).

New subsection 151H(4) provides that where the Secretary to the Department of Social Security is satisfied that an advance pensioner B has received a payment under new subsection 151H(3) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement of \$22.50 if the person is married to a person who is receiving a prescribed pension under the Social Security Act 1947. All other persons who are advance pensioner A's will be entitled to receive an advance pharmaceutical supplement of an advance pharmaceutical supplement of \$45.00.

This includes those married persons where the Secretary to the Department of Social Security is satisfied that they are permanently separated due to the illness or infirmity of either person, or whose spouse is not a prescribed pensioner (new subsection 151H(5)).

New subsection 151H(6) provides that for the purposes of section 151H, a continuing advance pensioner B is taken to buy a pharmaceutical benefit for the pensioner whenever the pensioner's spouse buys a pharmaceutical benefit for the pensioner's spouse, the pensioner or a dependant of the pensioner's spouse.

Pharmaceutical supplements not additional to advance pharmaceutical supplements

New subsection 151J(1) provides that an advance pensioner is not qualified to receive payment of a pharmaceutical supplement under section 151B.

New subsection 151J(2) provides that an advance pensioner B who receives one or more advance pharmaceutical supplements under new section 151H (advance pharmaceutical supplements for advance pensioners B) between 9 November 1990 and 19 March 1991 inclusive is not qualified to receive a pharmaceutical supplement during the pensioner's advance payment period.

New subsection 151J(3) defines what is meant by an advance pensioner B's advance payment period in new subsection 151J(2). The advance payment period begins on the day the pensioner receives the first advance pharmaceutical supplement under new section 151H and lasts for the number of weeks equal to the number obtained by dividing the total amount of the advance or advances received by the pensioner under new section 151H by 1.25, where the pensioner is a person who is married to a person who is receiving a prescribed pension under the Social Security Act 1947, or by 2.50 for all other persons.

This includes those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person, or whose spouse is not a prescribed person.

Rate increases not to apply to disqualified advance pensioners A during advance payment period

New subsection 151K(1) provides that if a disqualified advance pensioner A has received one or more advance pharmaceutical supplements under new section 151G, then new subsections 34(5E) and (5F) and 119(5E), (5G), and (5H) do not apply to the pensioner's rate of pension during the pensioner's advance payment period.

New subsection 151K(2) defines what is meant by an advance pensioner A's advance payment period in new subsection 151K(1). The advance payment period begins on 8 November 1990 and lasts for the number of weeks equal to the number obtained by dividing the total amount of the advance or advances received by the pensioner under new section 151G by 1.25, where the pensioner is a person who is married to a person who is receiving a prescribed pension under the Social Security Act 1947, or by 2.50 for all other persons.

this includes those married persons where the Secretary to the Department of Social Security is satisfied that the married persons are permanently separated due to the illness or infirmity of either person or where the person's spouse is not a prescribed pensioner.

Rate increases not to apply to disqualified advance pensioners B during advance payment period

New subsection 151L(1) provides that if a disqualified advance pensioner B has received one or more advance pharmaceutical supplements under new section 151H in the period between 20 March 1991 and 31 December 1991, then new subsections 34(5E) and (5F) and 119(5E), (5G), and (5H) do not apply to the pensioner's rate of pension during the pensioner's advance payment period.

New subsection 151L(2) provides that an advance payment period in new subsection 151L(1) has the same meaning as in new section 151J.

Advances and eligibility for entitlement card

New section 151M provides that if a person is qualified to receive an advance pharmaceutical supplement (defined in new subsection 151K(2)), and the amount of the supplement exceeds the amount remaining to be charged for supplies of pharmaceutical benefits before the person becomes eligible to be issued with an entitlement card under subsection 84C(1A) of the National Health Act 1953 (that is the person has reached the 'safety net'), then the amount of the advance pharmaceutical supplement is to be reduced by the excess and no further advance pharmaceutical supplements are payable to the person.

Maximum benefit

New subsection 151N(1) provides that the total amount that can be paid to an advance pensioner A by way of advance pharmaceutical supplements, and amounts payable under new paragraphs 34(5E)(b) or (5F)(b) or 119(5E)(b), (5F)(b), (5G)(b) or (5H)(b) before 1 January 1992 is not to exceed \$150 where the person is an unmarried person or a married person to whom paragraph 33(1)(a) or subsection 33(2) applies, or \$75 in any other case.

New subsection 151N(2) provides that the total amount that can be paid to an advance pensioner B by way of pharmaceutical supplements, and advance pharmaceutical supplements, and amounts payable under new paragraphs 34(5E)(b) or (5F)(b) or 119(5E)(b), (5F)(b), (5G)(b) or (5H)(b) before 1 January 1992 is not to exceed 5 times the number of pension paydays during the period beginning on the day the person became an eligible pensioner and ending on 31 December 1991, where the person is an unmarried person or a married person to whom paragraph 33(1)(a) or subsection 33(2) applies.

New subsection 151N(2) also provides that the total amount that can be paid to an advance pensioner B by way of pharmaceutical supplements, and advance pharmaceutical supplements, and amounts payable under new paragraphs 34(5E)(b) or (5F)(b) or 119(5E)(b), (5F)(b), (5G)(b) or (5H)(b) before 1 January 1992 is not to exceed 2.5 times the number of pension paydays during the period beginning on the day the person became an eligible pensioner and ending on 31 December 1991, in any other case.

These provisions are to commence on 1 November 1990.

Clause 16 : Principal Act

Clause 16 provides that the 'Principal Act' for Part 4 means the Veterans' Entitlements Act 1986.

This provision is to commence on 1 November 1990.

Clause 17 : Variation of rates of certain pensions

Clause 17 amends section 198 of the Veterans' Entitlements Act 1986 by inserting new subsections (5G), (5H), (5J), (5K), (5L), (5M), (5N) and (5P).

These new subsections provide for an increase in the basic rates for service pensions and war widows and orphans pensions.

The basic rate will be increased by \$130 per annum, i.e. \$5.00 per fortnight, for war widows and orphans pensions and for all service pensions with the exception of the rate applicable to married pensioners who are part of a pensioner couple. Those married service pensioners will receive \$65 per annum each, i.e. \$2.50 per fortnight each.

These increases will commence from 20 March 1991 and will be fully indexed thereafter.

This provision is to commence on 20 March 1991.

Clause 18 : PART VIIA - PHARMACEUTICAL SUPPLEMENT

Clause 18 inserts a new Part VIIA into the Principal Act as from 1 November 1990.

New section 118A provides for the definitions relevant to Part VIIA.

'advance pensioner A' means a person who is an eligible pensioner on 1 November 1990.

'advance pensioner B' means a person, other than an advance pensioner A, who becomes an eligible pensioner after 1 November 1990 and before 1 January 1992 and who, in the opinion of the Secretary to the Department of Veterans' Affairs, does not have liquid assets of more than \$1,000 and does not have any non-pension income of more than \$20 per fortnight.

'advance pharmaceutical supplement' means an advance pharmaceutical supplement payable under proposed section 118F, 18G or 118H of the Veterans' Entitlements Act 1986.

'card pensioner' means a person who falls within paragraphs (b) or (ba) of the definition of 'pensioner' in subsection 4(1) of the National Health Act 1953. This includes a service pensioner other than a person who is a prescribed person for the purposes of section 82 of the Principal Act and a person who is eligible for treatment under Part V of the Principal Act by virtue of subsection 86(1), (2) or (3).

'continuing advance pensioner A' means an advance pensioner A who, in the opinion of the Secretary to the Department of Veterans' Affairs, does not have liquid assets of more than \$1,000 and does not have any non-pension income of more than \$20 per fortnight.

'disqualified advance pensioner' means an advance pensioner A, or an advance pensioner B, who, before 20 March 1991, either receives advance pharmaceutical supplements of \$155 or receives advance pharmaceutical supplements of less than \$155 and does not claim further advance pharmaceutical supplements. In the case of a married service pensioner who is married to another pensioner the amount of pharmaceutical supplements would be \$77.50 each instead of \$155.

'eligible pensioner' means a person who receives war widows pension or a service pension (veteran, wife or carer) and the rate of that pension is not reduced because of the operation of any income, assets or maintenance income test applicable under the Veterans' Entitlements Act 1986.

'liquid assets' means, in relation to a person, any cash held by or on behalf of the person, or any amount deposited with, or lent to, a bank, building society, credit union or other financial institution, whether or not the amount can be withdrawn by, or repaid to, the person immediately.

'pharmaceutical benefit' means a drug or medicinal preparation in relation to which, because of section 85 of the National Health Act 1953, Part VII of that Act applies.

'pharmaceutical supplement' means the supplement payable under new section 118B.

'supplement period' means the period from 1 November 1990 to 19 March 1991 inclusive.

Qualification for pharmaceutical supplement

New section 118B provides for the qualification provisions for pharmaceutical supplement. Only card pensioners are eligible for pharmaceutical supplement. Further, advance pensioners A are not entitled to receive payment of both the pharmaceutical supplement and the advance pharmaceutical supplement and advanced pensioner B are not entitled to receive payment of the pharmaceutical supplement during his or her advance payment period.

Pharmaceutical supplements only payable during supplement period

New section 118C provides that persons are qualified for pharmaceutical supplement during the supplement period only.

Rate of pharmaceutical supplements

New subsections 118D(1) and (2) provide for the rate of pharmaceutical supplement. Payment would be made at the rate of \$5.00 per fortnight except where a service pensioner is in receipt of pension at the rate specified in paragraph 47(1)(b) of the Principal Act.

Payment of pharmaceutical supplements

New subsection 118E provides for the payment of pharmaceutical supplement. For a person who is in receipt of pension under the Principal Act payment will be made on each pension payday during the supplement period on which the person is eligible. For a person who is not in receipt of a pension under the Principal Act, but is eligible to receive the pharmaceutical supplement, payment will be made on such days as the Secretary considers appropriate.

Advance pharmaceutical supplements for advance pensioners A

New section 118F provides that a person who is an advance pensioner A (that is, a person who is an eligible pensioner on 1 November 1990) will be entitled to receive an advance pharmaceutical supplement on 1 November 1990 of \$25 if the person is married to a person who is receiving a pension prescribed under section 47 of the Veterans' Entitlements Act 1986. All other persons who are advance pensioner A's will be entitled to receive an advance pharmaceutical supplement on 1 November 1990 of \$50.

Further advance pharmaceutical supplements for continuing advance pensioners A

New section 118G provides for the payment of further advance pharmaceutical supplements to continuing advance pensioner A's.

New subsection 118G(1) provides that where the Secretary to the Department of Veterans' Affairs is satisfied that a continuing advance pensioner A has bought at least 20 pharmaceutical benefits for themselves or their dependants within the period 1 November 1990 and 20 March 1991 inclusive, then the pensioner is entitled to receive an advance pharmaceutical supplement, subject to subsection 4, of \$35.

New subsection 118G(2) provides that where the Secretary to the Department of Veterans' Affairs is satisfied that a continuing advance pensioner A has received a payment under new subsection 118G(1) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then, subject to subsection 4, the pensioner is entitled to receive an advance pharmaceutical supplement of \$35.

New subsection 118G(3) provides that where the Secretary to the Department of Veterans' Affairs is satisfied that a continuing advance pensioner A has received a payment under new subsection 118G(2) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then, subject to subsection 4, the pensioner is entitled to receive an advance pharmaceutical supplement of \$35.

New subsection 118G(4) provides that the amount of further advance supplements payable to a married person who is in receipt of pension at the rate prescribed in paragraph 47(1)(b) will be \$17.50.

New subsection 118G(5) provides that whenever a person's spouse buys pharmaceutical benefits for themselves, the pensioner or a dependant of the pensioner, the pensioner is taken to have bought the pharmaceutical benefits.

Advance pharmaceutical supplements for advance pensioners B

New subsection 118H provides that where the Secretary to the Department of Veterans' Affairs is satisfied that an advance pensioner B (that is, a person other than an advance pensioner A, who becomes an eligible pensioner after 1 November 1990 and before 1 January 1992 and who, in the opinion of the Secretary to the Department of Veterans' Affairs, does not have liquid assets of more than \$1,000 and does not have any non-pension income of more than \$20 per fortnight) has bought at least 14 pharmaceutical benefits for themselves or their dependants within 3 months before the day on which the person became an eligible pensioner then the person would be qualified to receive an advance pharmaceutical supplement, subject to subsection (5), of \$35.

New subsection 118H(2) provides that where the Secretary to the Department of Veterans' Affairs is satisfied that an advance pensioner B has received a payment under new subsection 118H(1) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement, subject to subsection (5), of \$35.

New subsection 118H(3) provides that where the Secretary to the Department of Veterans' Affairs is satisfied that an advance pensioner B has received a payment under new subsection 118H(2) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement, subject to subsection (5), of \$35.

New subsection 118H(4) provides that where the Secretary to the Department of Veterans' Affairs is satisfied that an advance pensioner B has received a payment under new subsection 118H(3) and that within 3 months after receiving that payment the pensioner has bought at least 14 pharmaceutical benefits for themselves or their dependants, then the pensioner is entitled to receive an advance pharmaceutical supplement, subject to subsection (5), of \$45.

New subsection 118H(5) provides that the amount of advance pharmaceutical supplements payable to a married person who is in receipt of pension at the rate prescribed in paragraph 47(1)(b) will be \$17.50 under subsections (1), (2) or (3), and \$22.50 under subsection (4).

New subsection 118H(6) provides that whenever a pensioner's spouse buys pharmaceutical benefits for themselves, the pensioner or a dependant of a pensioner, the pensioner is taken to have bought the pharmaceutical benefit.

Pharmaceutical supplements not additional to advance pharmaceutical supplements

New subsection 118J(1) provides that an advance pensioner A is not qualified to receive payment of a pharmaceutical supplement under new section 118B.

New subsection 118J(2) provides that an advance pensioner B who receives one or more advance pharmaceutical supplements under new section 118H (advance pharmaceutical supplements for advance pensioners B) between 1 November 1990 and 19 March 1991 inclusive is not qualified to receive a pharmaceutical supplement during the pensioner's advance payment period.

New subsection 118J(3) defines what is meant by an advance pensioner B's advance payment period in new subsection 118J(2). It is the period beginning on the earliest day on which the pensioner receives an advance pharmaceutical supplement under new section 118H and lasting for a number of fortnights equal to the number obtained by dividing the total amount of the advance or advances received by the pensioner under new section 118H by 2.50, where the pensioner is a person who is married to a person who is receiving a pension prescribed under section 47 of the Veterans' Entitlements Act 1986, or by 5.00 for all other persons.

Rate increases not to apply to disqualified advance pensioners A during advance payment period

New subsection 118K(1) provides that if a disqualified advance pensioner A has received one or more advance pharmaceutical supplements under new section 118G, subsections 198(5G), (5H) and (5J) do not apply to the pensioner's rate of pension during the pensioner's advance payment period.

New subsection 118K(2) defines what is meant by an advance pensioner A's advance payment period in new subsection 118K(1). It is the period beginning on 1 November 1990 and lasting for the number of fortnights equal to the number obtained by dividing the total amount of the advance or advances received by the pensioner under section 118G by 2.50, where the pensioner is a person who is married to a person who is receiving a pension prescribed under section 47 of the Veterans' Entitlements Act 1986, or by 5.00 for all other persons.

Rate increases not to apply to disqualified advance pensioner B's during advance payment period

New subsection 118L(1) provides that if a disqualified advance pensioner B has received one or more advance pharmaceutical supplements under new section 118H, subsections 198(5G), (5H) and (5J) do not apply to the pensioner's rate of pension during the pensioner's advance payment period.

New subsection 118L(2) provides that an advance payment period in new subsection 118L(1) has the same meaning as in new section 118J.

Advances and eligibility for entitlement card

New section 118M provides that if a person is qualified to receive an advance pharmaceutical supplement (defined in new subsection 118K(2)), and the amount of the supplement exceeds the amount remaining to be charged for supplies of pharmaceutical benefits before the person will become eligible to be issued with an entitlement card under subsection 84C(1A) of the National Health Act 1953 (that is the person would have reached the 'safety net'), then the amount of the advance pharmaceutical supplement is to be reduced by the excess and no further advance pharmaceutical supplements are payable to the person.

Maximum benefit

New subsection 118(1) provides that the total amount that can be paid to an advance pensioner A by way of advance pharmaceutical supplements, and amounts payable under paragraph 198(5G)(b), (5H)(b) or (5J)(b) before 1 January 1992 is not to exceed \$155, or in the case of a married person to whom paragraph 47(1)(b) applies, is not to exceed \$77.50.

New subsection 118N(2) provides that the total amount that can be paid to an advance pensioner B by way of pharmaceutical supplements, and advance pharmaceutical supplements, and amounts payable under paragraph 198(5G)(b), (5H)(b) or (5J)(b) before 1 January 1992 is not to exceed 5 times the number of pension paydays during the period beginning on the day the person became an eligible pensioner and ending on 31 December 1991. The only exception to this would be for a married pensioner to whom paragraph 47(1)(b) applies where the amounts payable are not to exceed 2.5 times the number of pension paydays.

These provisions are to commence on 1 November 1990.

