

## **Questions & Answers**

### **Private Health Insurance Age of Dependants Measure**

The [Private Health Insurance Legislation Amendment \(Age of Dependants\) Bill 2021](#) (the Bill) implements the 2020-21 Budget measure, *'Supporting Our Hospitals — simpler and more affordable private health cover for all Australians'*, of which *'Private Health Insurance — increasing the age of dependants'* is an element.

#### **What is the purpose of the changes?**

The intention of the Bill is to improve access to private health insurance for younger people who are dependent on their parents. This will be achieved by allowing insurers to cover people as dependants up to the age of 31.

People with a disability may be provided with the opportunity to access more affordable private health insurance without age limits as they can be covered under a family policy (eg. insured group: 3 or more people, only 2 of whom are adults –including at least one dependent person with a disability) at a lower cost compared to a single policy (ie. insured group: only one person).

#### **When do the changes commence?**

Insurers will be able to offer extended coverage under these changes after the passage of the legislation has been enacted. Legislation was passed by the Parliament on 22 June 2021 and received Royal Assent from the Governor-General on 29 June 2021. An Exposure Draft of the Rules has been prepared and is subject to a consultation period with insurers.

Insurers have advised the Government they intend to wait until the passage of the legislation and information about the Rules before formally committing to implementing any changes. Insurers will then need a period of time to consider changes to the design and pricing of policies, implement systems changes, and also communicate with policyholders.

Insurers interested in implementing the changes have indicated that they will be ready to offer extended dependent products in the second half of 2021.

#### **Which insurers will implement the changes?**

The changes are voluntary for insurers; not mandatory. A number of insurers have expressed interest in implementing the changes. Current private health insurance policyholders should contact their insurer about whether or not it will implement the changes.

#### **What is the definition of a dependent?**

While some aspects of the definition are in legislation, such as age ranges and partner status, insurers can define the nature of the dependency in their insurer rules.

#### **What is the definition of a person with a disability?**

The definition of a person with a disability will be a person who is a participant in the National Disability Insurance Scheme (NDIS). However, it is important to note, insurers will have flexibility to offer cover to people with a disability that are not participating in the NDIS.

**Are insurers compelled to increase the maximum age of dependent students and non-students to 31 years?**

No. An insurer can choose to implement their own age range for dependent student and non-students from 18 years up to 31 years. For example, an insurer that currently has a maximum age for dependent non-students of 24 years in their insurer rules, *may* increase the maximum age to 29 years rather than 31 years.

**How will Lifetime Health Cover affect a dependent person with a disability?**

A dependent person with a disability covered under a family policy will be considered to have private hospital treatment coverage for the purposes of Lifetime Health Cover. If the dependent person is no longer on the policy when they are over 31, they will not incur a loading if they have had continuous cover for hospital treatment on that policy. If a person with a Lifetime Health Cover loading joins a family or single parent policy as a dependent person with a disability, the loading should be applied to the policy.

**How does this proposal interact with age-based discounts?**

A person will either have their own policy and be eligible for an age-based discount, or be covered as a dependant; but not both. When age-based discounts were introduced, it was on the basis the person eligible for the discount would not be a dependant. If a person had an age-based discount and decides to join a family or single parent policy as a dependent, they will no longer access their age-based discount.

**Can an insurer implement a maximum age for a dependent with a disability?**

No. A dependent person with a disability means a person who is aged 18 or over.

**Can an insurer implement different age ranges for dependent students compared to dependent non-students and compared to a dependent person with a disability?**

Yes, this is possible. However, it depends upon the rules of the private health insurer. An insurer has flexibility about the maximum age ranges for each of the different types of dependants outlined above provided the different age ranges are applied to different products. That is, an insurer cannot have a different age range for the same type of dependant on a product.

**Can an insurer charge different premiums for the same product if it covers different types of dependants?**

Yes, an insurer can charge a different premium from family and single parent policies if they cover dependent non-students or dependent people with a disability. Family and single parent policies which cover dependent students must be the same price as for those that cover dependent children. That is, premium price can vary by insured group within a product. It is open to the insurer as to what age from 18 it elects to distinguish between types of dependants.

## **How does the definition of a dependant for private health insurance align with the definition of a dependant for taxation purposes?**

The definition of dependant for private health insurance purposes is different from that used for taxation purposes. The definition for a dependant for taxation purposes, i.e. Medicare Levy Surcharge and the Private Health Insurance Rebate Tiers is at the Australian Taxation Office webpage about [Family and dependants for Medicare levy surcharge purposes](#). Taxation regulation requires more rigorously defined terms than are needed in setting the minimum requirements for private health insurance. Consumers should seek taxation advice relevant to the particular circumstances.

## **How do these changes affect Private Health Insurance Statements (PHIS)?**

In the current PHIS, 'Who is covered', does not reference extended (non-student) family or extended (non-student) single parent policies. Consistent with this approach, there is no intention to capture family or single parent policies for dependent people with a disability. For insurers who increase the maximum age of dependents under their insurer rules for students, this should continue to be captured under the existing '3 or more people, only two of whom are adults' (family policy) or the '2 or more people, only one of whom is an adult' (single parent policy).

Although the PHIS minimum requirements do not require insurers to identify extended family policies, insurers can add information above the minimum requirement on the [PHIO website](#). The PHIO will engage with insurers about the provision of information so consumers can identify which policies offer family or single parent cover for dependents with a disability. This will allow consumers to identify policies which meet their needs. The PHIO already collects data from insurers to allow consumers to identify extended non-student family or single parent policies.

## **What will be the revised insured groups?**

Refer to the document: [Proposed new insurer groups and examples for the Private Health Insurance \(Age of Dependants\) Rules 2021](#).

## **What will change?**

The legislation will:

- change the maximum allowable age for dependants to be covered under a family (or extended family) or single parent (or extended single parent) private health insurance policy from 24 years to 31 years;
- allow a dependent person with a disability, regardless of their age, to be covered under a family with a dependent person with a disability or single parent with a dependent person with a disability private health insurance policy as a dependant.

The other changes included in the legislation are:

- new terminology with 'dependent non-student' replacing 'dependent child non-student'
- a 'dependent student' is defined as from 18 to 31 years instead of from 0 to 24 years
- a 'dependent non-student' is defined as from 18 to 31 years
- a new dependent person category of 'dependent person with a disability', who is aged 18 years or over, and who may have a partner.

### **What will remain the same?**

The following remains unchanged:

- dependent child and dependent non-student retain the requirement to not have a partner;
- insurers are allowed to have a separately priced product subgroup for dependent non-students;
- an insurer can specify requirements and limitations making use of student and non-student dependants from the age of 18 years.