



Private Health Insurance age of dependants measure – questions and answers

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.

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 as a dependant under a family policy (for example, 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 (that is, insured group: only one person).

When the changes will start

Amendments to the *Private Health Insurance Act 2007* have been enacted to fully implement amendments to the Private Health Insurance (Complying Product) (Age of Dependants) Amendment Rules 2021.

Insurers need time to consider changes to the design and pricing of policies, implement systems changes, and 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.

Definition of a dependent

While some aspects of the definition are in legislation, such as age ranges and partner status, insurers have historically been permitted to define the nature of the dependency in their insurer rules. This is long standing flexibility provided to insurers and has not been altered as part of these reforms. Insurers can also apply dependency criteria to a dependent person with a disability, except where articulated in the Act or Rules (for example, may have a partner).

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 that insurers will have flexibility to be more expansive in their definition of 'disability' in their insurer rules, and thus offer cover to people with a disability beyond those who are NDIS participants.

People with a disability who are not NDIS participants should contact insurers to enquire if they have a more expansive definition.

Can a person with a disability be covered as a dependant under other insured groups apart from insured groups (g) and (k) in the Rules?

Yes. A dependent person with a disability can also be a dependent child, dependent student, or dependent non-student while they are between the ages of 18 and 31, with the precise age range dependent on the insurer rules.

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 Lifetime Health Cover will 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 this measure interacts 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 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 the measure affects the Savings Provisions Entitlement

The legislative amendments mean the Savings Provisions Entitlement (SPE) no longer applies to any dependent person. That is, if the person remaining on the policy is a dependent child, dependent student, dependent non-student, or dependent person with a disability, after the older person ceased to be covered, the higher rebate will not continue on the policy.

How these changes affect Private Health Information Statements

Consideration is being given as to how best convey information about the new insured groups, particularly dependent people with a disability, in both Private Health Information Statements (PHIS) and the Private Health Insurance Ombudsman (PHIO) website for product comparisons.

How the definition of a dependant for private health insurance aligns 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 circumstances.

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.