



Health Insurance Consultants Australia Pty Ltd.

THE AUSTRALIAN HEALTH SYSTEM

National Health Act Legislation Issues unique to Australian Expatriates on international assignment

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Expatriates into Australia from Reciprocal Health Care Countries

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Overview of the Australian Health System

Introduction

The Australian health system is simple and at the same time very complex and confusing. In this booklet we endeavour to explain the Australian health system and how it affects Australian expatriates and sponsored employees from countries with whom Australia has Reciprocal Healthcare Agreements.

The Australian health system, which works well for Australian citizens in Australia causes some thorny and regulatory problems for expatriates.

It's important to note that medical insurance works differently in Australia than it does in any other country.

Benefits under the Australian health system stop at the border but connectivity to the Australian health system is permanent. And follows Australian expatriates around the world.

All Australian expatriates, eligible for Medicare, are affected by measures, introduced through Commonwealth Government legislation, designed to encourage Private Health Fund membership in Australia.

This legislation is not a matter of choice and doesn't stop at the border. There are **no** exceptions.

The statutory position regarding Medicare eligibility

A Ministerial Order was issued under subsection 6(1) of the *National Health Act 1953* which first received Royal assent 31 December 1993. This order has been renewed unaltered, 31 December 1998, 2003, 2008, 2013 and is now to expire in 31 December 2018

The order in part states:

"Expatriate Australian citizens who have resided outside the country for a period of no longer than five (5) years from the date of last departure, still retain their entitlement to Medicare and as such, must be a member of a registered health benefits organisation, (RHBO) in Australia, to receive any form of private health cover when re-entering Australia".*

Please note "date of last departure". This means the next departure after a permanent return to Australia, not a temporary return.

PRIVATE HEALTH INSURANCE

Government Incentives relating to Private Health Insurance

In July 2000 three main Federal Government legislative initiatives were introduced aimed to promote individual participation in private health insurance using the carrot and stick approach:



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The three measures are;

- The Private Health Insurance Rebate
- The Medicare Levy Surcharge (MLS)
- Lifetime Health Cover premium loading (LHC)

The Private Health Insurance rebate

The Federal Government provides subsidies to Australians who choose to take out private health insurance through a national rebate scheme which means any Australian who has an appropriate level of private health insurance cover with an Australian registered health fund may be eligible for a Government-funded reduction in the cost of their premiums.

The Federal Government Rebate on Private Health Insurance became means tested in 2012 and is age dependent and means tested on taxable income.

The percentage level of rebate and taxable income tiers are subject to change annually.

For more information on whether you may be in the bracket to pay the MLS or level of rebate, please access the Australian Health Industry Association (AHIA) calculator at www.privatehealth.com.au/surcharge.

You may also wish to refer to the Australian Tax Office at www.ato.gov.au

Medicare Levy Surcharge (MLS)

Under Australian taxation law, anyone who holds a Medicare Card (or who is entitled to hold a Medicare Card) and does not have “appropriate” Private Health Insurance is liable to pay a 1% to 1.5% Medicare Levy Surcharge

(MLS). The MLS is levied by the Australian Taxation Office (ATO) after assessment of an individual’s tax return at the end of each financial year and is calculated on income from **all** sources, including **exempt income earned overseas**, not only taxable income in Australia.

This levy applies to singles, couples and families with an income over nominated thresholds.

Lifetime Health Cover premium loading (LHC)

The LHC initiative was introduced to encourage people to take out private health insurance at a younger age and to maintain private health insurance membership.

Australian citizens and Permanent Residents, aged 30 and over, eligible to take out private hospital insurance, but decline to do so are required to pay a 2% premium loading for each year they are over the age of 30 when they do obtain cover.

For example, a person who takes out hospital cover at age 40 will pay 20% more than a person who first took out hospital cover at age 30. The maximum loading is 70%.

A LHC loading remains in force for 10 continuous years, after which time the loading is removed providing the person has retained continuous hospital cover for that time.

Note

Extras (Ancillary) cover, Overseas Visitors Health Cover, Overseas Student Health Cover and international medical insurance are not considered to be “hospital cover” for Lifetime Health Cover purposes.

***What is “Appropriate” Insurance?**

- **“Appropriate “insurance** is private patient hospital cover which is issued by an Australian registered health fund to Australian citizens and Permanent residents.
(Note- this insurance only provides private hospital accommodation benefits – not medical expenses)

Private patient hospital cover **does not** include:

- Travel insurance.
- Cover provided by **an overseas or unregistered fund (expatriate or Overseas visitors policies)**, or
- Ancillary cover (commonly known as extras).

OTHER IMPORTANT LEGISLATION

Expatriates returning to Australia on a temporary basis and who have medical treatment during their stay complain that they are significantly out-of-pocket as their expatriate policy cannot top up the Medicare refund.

The following National Health Act 1953 legislation and National Health Insurance Act 1973 regulations explain the reasons why.

S67 (1) Health insurance business to be carried on only by registered health fund organizations.

S126 Prohibition of certain medical insurance.

Section 121(30) types of business which may be carried on by an organisation which is not an RHBO.

Why Insurance companies, or any other entity, cannot provide or top up Medicare benefits in Australia

Health Insurance Act 1973- Sect. 126

Prohibition of certain medical insurance

(1) A person shall not make a contract of insurance with another person that contains a provision purporting to make the first-mentioned person liable to make a payment in the event of the incurring by the other person of a liability to pay medical expenses in respect of the rendering in Australia of a professional service for which a Medicare benefit is, but for subsection 18(4) *, would be payable.

**18(4) Medicare benefit not payable where a Compensation benefit is payable i.e. Workers Compensation*

Penalty \$1,000 per event

How does this legislation affect Australian expatriates?

Medicare is the **sole** provider of all medical services in Australia. No exceptions.

Australian expatriates, eligible for Medicare, receiving medical treatment in Australia, and insured with expatriate health insurance or international health funds, could incur significant “out-of-pocket” medical expenses when treated as an out-patient (going to a GP or specialist) or as an in-patient in hospital, unless it is as a public patient in a public hospital in a shared ward.

Why Insurance companies in Australia do not pay Medicare related benefits?

Section 67(1) of the National Health Act 1973 states;

Subsection (1)

“A person (other than a registered health benefits organisation (RHBO) shall not carry on health insurance business”

Subsection (2)

“A person who contravenes subsection (1) is, in respect of each day on which the person



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contravenes that subsection guilty of an offence punishable on conviction by a fine not exceeding:

- a) *If the person is a body corporate \$20,000,*
- or*
- b) *If the person is a natural person, \$2,000*

How does this legislation affect Australian expatriates?

Unless Expatriate health insurers and International Health insurers have JV arrangements in place in Australia with a registered health fund they are prevented from providing medical benefits in Australia to Australian citizens, eligible for Medicare. The only exception to this is unless the arrangement falls within Section 121(30) of the *Private Health Insurance Act 2007* (Non –Medicare benefits)

Why can expatriate insurers pay Non-Medicare benefits in Australia?

Private Health Insurance (Health Insurance Business) rules 2010

Section 121(30) previously regulation 48(1)

The relevant regulation under the Private Health Insurance Act 2007 is section 121(30) which provides for types of business which may be carried on by an organisation which is not an RHBO, i.e. general insurers such as Chubb, ACE, AIG, QBE etc., and relates to liability undertaken in respect of :

A resident temporarily employed outside Australia

Insurance for a person who is a resident of Australia and who is engaged in temporary employment outside Australia, or a dependent of that person, in respect of whom an insurance policy provides that liability for hospital treatment or general treatment may arise;

- (1) In Australia; or
- (2) Outside Australia, if the absence of the person from Australia is due to temporary employment.

Note This does not include Medicare related medical expenses in Australia. The most likely result could be significant out of pocket expenses.

THE AUSTRALIAN PUBLIC HEALTH CARE SYSTEM

MEDICARE

The Medicare public health care system consist of three main parts:

- Hospital in-patient,
- Medical out-patient and
- Pharmaceutical Benefits

Hospital In-patient

Medicare provides benefits for Hospital costs including accommodation, theatre fees and intensive care. Patients who chose to be admitted as a Medicare (public) patient, can be treated, at no charge, in a public hospital by a doctor appointed by the hospital.

Individuals admitted as a private patient in either a public or private hospital, are charged for the hospital accommodation and other hospital services received. Private health insurance may cover some or all of these charges.

Public and Private hospitals

There are both private and public hospitals in Australia. Public hospitals are funded and managed by State Governments. Private hospitals are owned privately and are run as businesses within the private sector.

Australians who are “appropriately” privately insured are eligible to obtain treatment, as a private patient from both private and public hospitals.



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Medical out-patient

Medicare is the sole provider of **all** out-patient medical benefits and services in Australia.

Medicare also covers **all** medical costs associated with treatment as a public patient in a public hospital.

For private patients receiving treatment in any hospital, Medicare will cover 75% of the MBS (Medical Benefits Schedule) * fee. Private health insurers have arrangements in place which may cover some or all of the doctors' fees for in hospital treatment or no gap options to avoid or mitigate out-of-pocket expenses.

***Medicare Benefit Schedule (MBS)**

In Australia the Government dictates the fees the doctors and specialist should charge for their services provided. Providers may charge fees that are higher than the scheduled fees or benefits and, most do resulting in out-of-pocket expenses, which are not claimable from any insurer.

Pharmaceutical Benefits Scheme (PBS)

In Australia the PBS cover all Australian citizens, Permanent Residents and visitors from RHCA countries, subsidising payments for PBS 'supplied' prescription medicines. If the pharmaceutical is not 'supplied' on the PBS then private health insurers can choose whether to pay a benefit. Prescription Medicine in Australia is free for medicines issued under the PBS however the Government pays the pharmacist a dispensing fee for issuing the prescription.

The current MBS fee currently \$38.30* for general consumers plus an optional pharmacy charge of **\$4.33** or less such that the total charge does not exceed the patient co-payment, plus any delivery or after hours' fee, and \$6.20 for pensioners and concession holders.

**This fee is not reimbursable from any private health insurer.*

GP's and Specialist doctors

In Australia, a distinction is drawn between General Practitioners (GP's) and specialist Physicians e.g. dermatologists, orthopaedic surgeons and anaesthetists.

For access to a specialist you need to obtain a referral from a GP before consulting a Specialist Physician or Surgeon

What does Medicare Cover?

Public hospital in-patient services

On admission to public hospitals patients can choose to be treated as a public or a private patient. Public patients are entitled to free medical and allied health care from doctors chosen by the hospital.

Private patients are entitled to choose their treating doctor. The fees charged by the chosen treating doctor are funded partly by Medicare and the balance by the patient, some or all of which may be covered by private health insurance.



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- **Public patient:** Full coverage for all treatment, care and after-care in a public hospital by a treating doctor or specialist nominated by the hospital.
- **Private patient:** 75% of the Medicare Schedule fee for services and procedures provided by your choice of treating doctor in a public or private hospital. Outstanding costs for treatment, hospital accommodation, theatre fees and medicines will apply, but some or all of the balance may be covered by Private Health Insurance as all health funds will have agreements in place or have a gap option to minimise out-of-pocket expenses

Out of hospital services covered

Medicare provides set benefits for the following:

- Consultation fees for doctors, including specialists
- Tests and examinations by doctors needed to treat illnesses, including X-rays and pathology tests
- Coverage for a limited number of other specified health care services provided outside of hospitals, such as eye tests performed by optometrists and some services from Mental Health professionals
- Most surgical and other therapeutic procedures performed by doctors
- Limited surgical procedures performed by approved dentists

Services not covered by Medicare

Medicare does not cover the following services:

- Private hospital costs, such as theatre fees or accommodation
- General dentistry
- Ambulance services
- Home Nursing
- The majority of allied health services such as physiotherapy, occupational therapy, speech therapy, eye therapy, specific acupuncture, chiropractic services, podiatry or psychology or acupuncture
- Glasses and contact lenses
- Hearing and other medical aids.
- Prostheses (for private hospital procedures)
- Medicines (outside the subsidy covered by the PBS)
- Medical and hospital costs incurred overseas
- Medical costs for which someone else is responsible—i.e.: compensation insurers, employers, governments or government authorities
- Medical services that are not clinically necessary or surgery solely for cosmetic purposes

These Non-Medicare benefits are mostly covered by private health insurance and could be covered by expatriate insurance policies for expatriates on temporary return to Australia.



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Health Insurance premiums

In Australia premiums are set under a community rating system. Under Community Rating, insurers are required to charge customers the same premiums irrespective of age, gender, and health status or claims history. This means a 21-year-old will pay the same premium as an 80-year-old.

HEALTH CARE FOR VISITORS TO AUSTRALIA FROM RHCA COUNTRIES

The Australian Government has signed Reciprocal Health Care Agreements (RHCA) with the United Kingdom, the Republic of Ireland, New Zealand, Sweden, the Netherlands, Finland, Belgium, Norway, Slovenia, Malta and Italy.

These agreements entitle you to some Medicare subsidised health services for essential medical treatment while visiting Australia.

Period of cover

If you are a resident of New Zealand, the United Kingdom, the Republic of Ireland, Sweden, Finland or Norway, you are covered for the length of your stay in Australia.

If you are a visitor from Belgium, the Netherlands or Slovenia, you need your European Health Insurance card to enroll in Medicare. You are eligible until the expiry date shown on the card, or for the length of your authorized stay in Australia, if that is an earlier date.

If you are visiting from Malta or Italy, and you are a resident and citizen of those countries, you'll be covered by Medicare for a period of six months from the date of your arrival in Australia.

Access to cover

Reciprocal Health Care Agreements cover treatment that is medically essential. This means any ill-health or injury which occurs while you are in Australia and requires treatment before you return home.

Your entitlements

As a resident of one of the following countries, the United Kingdom, Sweden, the Netherlands, Finland, Belgium, Norway, Slovenia, Malta and Italy, you are entitled to the following health or injury treatments while you are in Australia:

- free treatment as a public in-patient or out-patient in a public hospital
- subsidised medicine under the Pharmaceutical Benefits Scheme (PBS)
- Medicare benefits for out-of-hospital treatment provided by a doctor

Residents of the Republic of Ireland and New Zealand are entitled to:

- services as a public patient in a public hospital (including outpatient services) for medically necessary treatment medicines available on prescription which are subsidised under the Pharmaceutical Benefits Scheme (PBS), at the general rate.

Treatment in a public hospital

If you receive essential medical treatment as a public patient in a public hospital, you won't be



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charged for any treatment or accommodation. Simply show your passport or reciprocal health care card to staff when you arrive at the hospital.

However,

Treatment in a private hospital

If you elect to be treated as a private patient in a public hospital or as a private patient in a private hospital, you will be charged for both medical treatment and accommodation. These fees can't be claimed from Medicare and are **totally at your cost**

OVERSEAS STUDENTS

If you are in Australia on a student visa from the United Kingdom, Sweden, the Netherlands, Belgium, Slovenia, Italy or New Zealand, you are covered by Medicare. Students from Norway, Finland, Malta and the Republic of Ireland are not covered by the agreements with those countries.

Note: With the exception of students from Belgium, New Zealand, Norway and Sweden it is a condition of your student visa that you take out Overseas Student Health Cover (OSHC) with an approved OSCH insurer.

Insurers who offer complying OSCH insurance are governed by a deed with the Commonwealth via the Department of Health. [http://www.health.gov.au/internet/main/publishing.nsf/Content/6E337D28A15BB2CBCA257BF000206297/\\$File/Deed%20for%20the%20Provision%20of%20Overseas%20Student%20Health%20Cover%20\(D16-681156\).pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/6E337D28A15BB2CBCA257BF000206297/$File/Deed%20for%20the%20Provision%20of%20Overseas%20Student%20Health%20Cover%20(D16-681156).pdf)

Which approved insurers offer OSHC?

- Australian Health Management
- BUPA Australia

- Medibank Private
- Allianz Global Assistance (subcontracted by Lysaght peoplecare)
- NIB OSHC

The table below outlines a summary of free RHCA services and at your cost benefits.



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RHCA ENTITLEMENTS IN AUSTRALIA	
<p>Visitors from the United Kingdom - Sweden-The Netherlands – Finland - Norway and Belgium are eligible for benefits for the duration of their stay, except in the cases of Italy and Malta, where benefits are for six months only.(from date of arrival)</p>	
No charge Services	Services where a fee is charged
<ul style="list-style-type: none"> ▪ Medical Expenses <p>Medicare benefits for out-of-hospital medical treatment provided by doctors through private surgeries and community health centres</p>	<ul style="list-style-type: none"> ▪ Accommodation and medical treatment in a private hospital ▪ Medical or hospital treatment that is not necessary ▪ Dental work and chiropractic services ▪ Medicines not subsidised under the Pharmaceutical Benefits Scheme (PBS) ▪ Treatment arranged before your visit to Australia • Ambulance cover • Para Medical Services • Medical evacuation to your home country, ▪ Funeral expenses
<ul style="list-style-type: none"> ▪ Hospital Treatment <p>Public hospital accommodation and medical treatment, while in in a public hospital, as a public patient in a shared ward, are provided free of charge, provided you are not treated as a private patient*</p>	
<p>*Important - Hospital Treatment</p> <p>If you elect to be treated as a private patient in a public hospital or as a private patient in a private hospital, you will be charged for both medical treatment and accommodation.</p> <p>These fees cannot be claimed from Medicare and are totally at your cost.</p>	



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Visitors from New Zealand and Republic of Ireland-

(Change effective September 14 2009)

Visitors from New Zealand or the Republic of Ireland are, for the duration of their visit to Australia, entitled to;

- Free treatment as a public in-patient or out-patient in a public hospital and;
- Access to subsidised medicines under the Pharmaceutical Benefits Scheme (PBS)

This covers any ill health or injury needing medical treatment while in Australia.

To access these benefits show your passport at hospitals or pharmacies.

Visitors from the above countries are **not** entitled to Medicare benefits for non-hospital medical care and will **not** be issued with a Medicare card.

Visitors from all other countries

Visitors from, other than RHCA countries, are not entitled to any benefits in Australia and require private medical insurance to provide comprehensive medical and hospital cover during their stay in Australia.

General Advice Warning

While all reasonable skill and care has been taken in preparation of this overview it should not be construed or relied upon as a substitute for specific advice on insurance needs. No warranty or liability is accepted by RDMT Consultants and Health Insurance Consultants Australia Pty Ltd (HICA), its shareholders, directors, employees, and other affiliated companies for any statement, error or omission.



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