

Commonwealth of Australia

*National Health Act 1953*

**Health Benefits Reinsurance (Trust Fund Principles) Determination 1998**

I, MICHAEL RICHARD LEWIS WOOLDRIDGE, Minister for Health and Family Services, make this Determination under subsection 73BC (5B) of the *National Health Act 1953*.

Dated 13 July 1998.

M. WOOLDRIDGE  
Minister for Health and Family Services

---

**Part 1—Preliminary**

**1.1 Name of Determination**

This Determination is the *Health Benefits Reinsurance (Trust Fund Principles) Determination 1998*.

**1.2 Commencement**

This Determination commences on gazettal.

**1.3 Definitions**

(1) In this Determination:

*Act* means the *National Health Act 1953*.

*Fund* means the Health Benefits Reinsurance Trust Fund.

*hospital* has the same meaning as in subsection 67 (4) of the Act.

*hospital treatment* has the same meaning as in subsection 67 (4) of the Act.

*patient day* means a day on which a contributor to a table of the health benefits fund conducted by a registered health benefits organisation, or a

dependant of a contributor, is accommodated as a patient in a hospital for hospital treatment.

**quarter** means the period of 3 months ending on 31 March, 30 June, 30 September or 31 December in a year.

**Reinsurance Records Determination** means the *Health Benefits Reinsurance (Records of Organisations) Determination 1998* made under subsection 73BB (1) of the Act.

**single equivalent unit** means any of the following members of a registered health benefits organisation:

- (a) for a single membership—the contributor;
- (b) for a couples membership—both members of the couple;
- (c) for a single parent membership—the single parent and one other member only;
- (d) for a family membership—2 members only.

*Note* Some expressions used in this Determination are defined in the Act (see s 4) or in the *Health Insurance Act 1973* (see s 3), including:

- applicable benefits arrangement
- contributor
- Council
- dependant
- professional service
- registered health benefits organisation
- registered organisation.

(2) In this Determination:

- (a) the Northern Territory is taken to be a State; and
- (b) the Australian Capital Territory is taken to be part of New South Wales.

## **1.4 Notification by Council**

As soon as possible after receiving from all registered health benefits organisations carrying on health insurance business in a State the information required under the Reinsurance Records Determination, the Council must give each organisation written notice of the amount payable by, or to, the organisation, under section 73BC of the Act, for the quarter for the State to which the information relates.

## **Part 2—Payments into the Fund**

### **2.1 Purpose of Part**

The purpose of this Part is to set out principles for determining the method of, and the matters to be taken into account in, calculating the amounts to be paid into the Fund by registered health benefits organisations, and related matters.

### **2.2 Matters to be taken into account**

- (1) The following matters are to be taken into account in calculating the amounts to be paid into the Fund, for a particular quarter, by a registered organisation:
  - (a) the reinsurable patient days that have been claimed against the organisation in the quarter for hospital treatment, including patient days for hospital treatment outside Australia, if the rules of the registered organisation accommodate such claims;
  - (b) for each of those claims, the amount of the benefit payable by the organisation;
  - (c) in relation to each of those claims, the amount of the benefit payable by the organisation for professional services, to the extent of:
    - (i) the difference between the medicare benefit for the service and the fee charged for the service, up to the amount of the Medicare Benefit Schedule fee for a service of that kind; and
    - (ii) if the professional service is subject to a Division 4 agreement, and the amount payable under the agreement exceeds the amount of the Medicare Benefit Schedule fee for a service of that kind—the amount of that excess, up to 16% more than the amount of the Medicare Benefit Schedule fee;
  - (d) the median number, for the quarter, of single equivalent units with whom the health benefits fund conducted by the organisation has entered into an applicable benefits arrangement (that is, the number determined by adding the number of such units at the beginning of the quarter and the number at the end, and halving the result).
- (2) The matters mentioned in subsection (1) are to be taken into account on a State by State basis consistently with the organisation of information presented for the quarter by the registered organisation under the Reinsurance Records Determination.

- (3) For this section, the Council may make a correction to information received from a registered organisation if it considers the information to be inaccurate in a way that would produce an incorrect calculation.
- (4) For this section, ***Division 4 agreement*** means a medical purchaser provider agreement under section 73BDA of the Act or a practitioner agreement under section 73BDAA of the Act.

### **2.3 Persons under 65—reinsurable amount of episode benefits**

- (1) For paragraph 2.2 (1) (b), the amount payable for a person aged less than 65 for a reinsurable patient day that occurs in a reported episode is the amount worked out by:
  - (a) dividing the amount of the payment for the episode by the duration, in days, of the episode; and
  - (b) multiplying the result by the number of days in the episode that are reinsurable patient days.
- (2) However, if the person turns 65 during the episode, before the occurrence of the first reinsurable patient day mentioned in subsection (1), the amount payable is worked out by:
  - (a) dividing the amount of the payment for the episode by the duration, in days, of the episode; and
  - (b) multiplying the result by the number of days in the episode that are reinsurable patient days because the person has turned 65.
- (3) In this section:  
***episode*** has the same meaning as in the Reinsurance Records Determination.  
***reported episode*** means an episode mentioned by the registered organisation in the information presented for the quarter concerned under the Reinsurance Records Determination.

### **2.4 Reinsurable patient days**

- (1) For sections 2.2 and 2.3, each instance of hospital treatment given on a particular day to a contributor to a table of the health benefits fund conducted by a registered health benefit organisation, or to a dependant of the contributor, counts as a reinsurable patient day for the contributor.
- (2) For subsection (1), ***reinsurable patient day*** means:
  - (a) for a person aged 65 years or more—every patient day; and
  - (b) for any other person—each patient day that is preceded by 35 or more patient days for that person, or a related member, in the 12 month period immediately preceding that patient day; and

- (c) if, in a quarter preceding the quarter concerned, a patient day that would have been a reinsurable patient day was not so recognised because the contributor had not made a timely claim—that patient day.
- (3) For paragraph (2) (b), ***related member*** means:
  - (a) if the person is the contributor—a dependant; or
  - (b) if the person is a dependant of the contributor—the contributor or another dependant.

## **2.5 Effect of unpaid contributions**

A single equivalent unit is not to be taken into account in determining, under paragraph 2.2 (1) (d), the median number for a registered organisation, if:

- (a) contributions for the person represented by the single equivalent unit have not been paid for a period longer than:
  - (i) 2 months after the end of the period for which contributions were last paid; or
  - (ii) if the rules of the organisation allow a longer period—that longer period; and
- (b) the person has been given written notice by the organisation that he or she is no longer a member of the health benefits fund concerned.

## **2.6 Method of calculation**

The following method is to be applied in calculating the amount (if any) to be paid into the Fund by a registered organisation (“***Organisation Z***”), for a particular quarter, in respect of a State for which the organisation has given the Council a return under the Reinsurance Records Determination:

- (a) calculate, for each registered organisation, the amount that is the total of:
  - (i) 79% of the total amount of the benefits payable for the quarter in that State, as mentioned in paragraph 2.2 (1) (b); and
  - (ii) 79% of the total amount of the benefits payable for the quarter in that State, as mentioned in paragraph 2.2 (1) (c);
- (b) add the amounts calculated under paragraph (a) for each registered organisation;
- (c) ascertain the number that is the total of the average number of single equivalent units in that State for the quarter for all registered organisations by:
  - (i) determining, under paragraph 2.2 (1) (d), the median number of single equivalent units for each registered organisation in the State; and

- (ii) adding the numbers determined under subparagraph (i);
- (d) calculate the average amount payable for each single equivalent unit by dividing the total amount determined under paragraph (b) by the total number ascertained under paragraph (c);
- (e) calculate the total amount that would have been payable by Organisation Z if the single equivalent units determined under paragraph 2.2 (1) (d) to be the median number of single equivalent units in that State for the organisation had each been entitled to the amount calculated under paragraph (d) of this section;
- (f) calculate the difference between the amount calculated under paragraph (e) and the amount calculated under paragraph (a) for Organisation Z.

## **2.7 Amount and due date of payment**

If the amount calculated under paragraph 2.6 (a) for a registered organisation is less than the amount calculated under paragraph 2.6 (f), the Council will determine, under subsection 73BC (6) of the Act, that, for the quarter concerned, an amount equal to the difference is the appropriate payment to be made by the organisation.

*Note 1* See s 73BC (8) of the Act, which provides for the Council to notify a registered organisation of the amount to be paid into the Fund, and the date by which payment must be made. At the time of making this Determination, the Council generally allows 14 days after written notification.

*Note 2* The Council may impose a penalty for failure to make timely payment of the calculated amount: see s 73BC (9) of the Act. At the time of making this Determination, the prescribed rate is 15%: see r 49 of the National Health Regulations.

## **Part 3—Payments out of the Fund**

### **3.1 Purpose of Part**

The purpose of this Part is to set out principles for determining the method of, and the matters to be taken into account in, calculating the amounts to be paid out of the Fund to registered health benefits organisations, and related matters.

### **3.2 Matters to be taken into account**

- (1) The same matters are to be taken into account in calculating the amounts to be paid out of the Fund to a registered organisation, for a particular quarter and in respect of a particular State, as are to be taken into account under section 2.2.
- (2) For this section, the Council may make a correction to information received from a registered organisation if it considers the information to be inaccurate in a way that would produce an incorrect calculation.
- (3) Sections 2.3, 2.4 and 2.5 have the same application to this section as they have to section 2.2.

### **3.3 Method of calculation**

The same method is to be applied in calculating the amount (if any) to be paid out of the Fund in respect of a particular State to a registered organisation as is to be applied under section 2.6 in calculating the amount (if any) to be paid into the Fund.

### **3.4 Amount of payment**

If the amount calculated under paragraph 2.6 (a) for a registered organisation is more than the amount calculated under paragraph 2.6 (f), the Council will determine, under subsection 73BC (12) of the Act, that an amount equal to the difference is the appropriate payment for the organisation for the quarter concerned.

### **3.5 Manner and time of payment**

- (1) For subsection 73BC (12) of the Act, the Council may decide that an amount is to be paid out of the Fund to a registered organisation by instalments, as money becomes available in the Fund.
- (2) When an instalment payment is made, the Council must simultaneously make a payment to all registered organisations to which payment is due, proportionally in accordance with the total amount due to each.
- (3) Whether or not payment is made by instalments, the Council must make payments out of the Fund without unnecessary delay, and, in any event, must, for a particular quarter, make all due payments out no later than 14 days after the last due payment in is made.



## **Part 4—Revocation of previous Determination**

### **4.1 Revocation**

The Determination made under subsection 73BC (5B) of the Act on 21 September 1995 is revoked.

---