

Affordable Healthcare Bill

Member's Bill

Explanatory note

General policy statement

The Affordable Healthcare Bill is an omnibus Bill that amends the Immigration Act 2009, Income Tax Act 2007, and Social Security Act 1964. It proposes to—

- require Parent Category migrants to have health insurance on arrival and to maintain it in New Zealand for 10 years; and
- remove fringe benefit tax (**FBT**) from health insurance; and
- introduce the SuperGold health insurance premium rebate.

The Bill's purpose is to encourage people to contribute to their own healthcare costs in a way that is consistent with supporting the public health system. It also makes health insurance a requirement for Parent Category visa applications.

New Zealand's private health spending has fallen significantly below the OECD average of 28% of total health spending. At 17%, New Zealand's private health spending compares adversely with Australia's private healthcare spending at 32%.

This Bill proposes 3 ways to help sustain and balance New Zealand's health system when increasing healthcare costs are overstretching public resources.

First, Parent Category migrants are to be required to have health insurance on arrival and to maintain it in New Zealand for 10 years. The health insurance must cover elective surgery. This will be noted on their National Health Index number. Eligibility for health insurance, and the premium cost, will not present problems because these immigrants have to prove good health, reach high financial thresholds, and be self-supporting for a number of years. A health insurance requirement is consistent with most other countries for retirement visas.

Second, FBT is to be removed from health insurance. The State should not be taxing health measures. FBT on health insurance sends the wrong message to employers who wish to play a responsible role in their employees' health arrangements. Remov-

ing FBT will act as an incentive for employers to include health insurance in salary packages. The removal will align FBT treatment of health insurance with accident insurance under ACC.

Third, the SuperGold health insurance rebate on premiums will provide support for seniors who are 65 years of age and over to maintain their health insurance. The time when premiums escalate usually coincides with the time when income reduces. If it is more affordable for seniors to maintain their health insurance, they can have a greater choice of elective surgery and shorter waiting times. The 25% premium rebate is subject to a maximum of \$500 per annum. The rebate is paid by the Ministry of Social Development directly to the SuperGold Card holder on application.

Boosting uptake and retention of health insurance alleviates the burden on public health by freeing up resources and reducing waiting lists. Private hospitals already act as a backstop for public hospital overflow.

Realistically, no government can fund all healthcare from tax revenue alone. The question is, what is the appropriate balance so the public share is affordable to New Zealand? If the Government does not stimulate higher voluntary levels of health cover, the consequence could be greater rationing of public healthcare and service cuts.

Clause by clause analysis

Clause 1 is the Title clause. It is intended that the Bill will be divided into the following 3 Bills at the committee of the whole House stage:

- Immigration (Parent Category Migrants Required to Have Health Insurance) Amendment Bill
- Income Tax (Fringe Benefit Tax Removed from Employer Contributions to Health Insurance) Amendment Bill:
- Social Security (SuperGold Health Insurance Rebate) Amendment Bill.

Clause 2 provides for the Bill's commencement. *Part 2*, which contains provisions relating to fringe benefit tax, comes into force on the first day of the first tax year after the date this Bill receives the Royal assent. The rest of the Bill comes into force on the day after Royal assent.

Part 1

Immigration Act 2009

Clause 3 provides that *Part 1* amends the Immigration Act 2009 (the **principal Act** in this Part).

Clause 4 amends section 22, which empowers the Minister of Immigration to certify immigration instructions. Certified immigration instructions are set out in the Immigration New Zealand Operational Manual. The amendment to section 22 gives a statutory immigration instruction. It applies to persons who are applying for a Parent Category or Parent Retirement Category Visa and are not from a Pacific country. The applicants must, when they are granted a visa, have health insurance whose benefits are

payable in New Zealand and that covers elective surgery and they must maintain the health insurance throughout their first 10 years of residency in New Zealand.

Part 2

Income Tax Act 2007

Clause 5 provides that *Part 2* amends the Income Tax Act 2007 (the **principal Act** in this Part).

Clause 6 amends section CX 16, which provides that a fringe benefit arises when an employer pays a premium or makes a contribution to an insurance fund for the benefit of an employee, by removing health insurance from the types of insurance policies that attract a fringe benefit.

Clause 7 amends section RD 38, which relates to the value of fringe benefits, by removing the reference to health insurance.

Clause 8 amends section RD 47, which relates to the calculation of fringe benefit tax liability, by removing the reference to health insurance.

Clause 9 amends section YA 1, which relates to definitions, by removing the reference to health insurance from the definition of specified insurance premium.

Part 3

Social Security Act 1964

Clause 10 provides that *Part 3* amends the Social Security Act 1964 (the **principal Act** in this Part).

Clause 11 inserts *new Part 3B*, in which *new sections 135A to 135F* establish a health insurance rebate scheme for persons of the age of 65 years or over who are holders of valid SuperGold Cards. *New section 135A* defines new terms used in *new Part 3B*. *New section 135B* introduces the entitlement. *New section 135C* specifies that an application for the rebate must be made by the SuperGold Card holder or his or her authorised representative. If the application is successful the rebate is paid to the applicant. *New section 135D* sets out the maximum amount of the rebate that can be refunded and provides for that amount to be adjusted each year by Order in Council. *New section 135E* provides that regulations can be made setting out administrative details and requirements of the rebate scheme. *New section 135F* sets out the consultation requirements for making regulations.

Clause 12 amends section 127, which relates to offences, by including an offence for making a false statement, or doing anything, or omitting to do anything, to mislead any officer administering the principal Act for the purpose of receiving or continuing to receive a SuperGold health insurance rebate.

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Affordable Healthcare Act **2015**.

2 Commencement

- (1) **Part 1** comes into force on the first day of the first tax year after the date on which this Act receives the Royal assent. 5
- (2) The rest of this Act comes into force on the day after the date on which it receives the Royal assent.

Part 1
Immigration Act 10

3 Principal Act

This **Part** amends the Immigration Act 2009 (the **principal Act**).

4 Section 22 amended (Immigration instructions)

- (1) In section 22(6)(b)(iv), after “visa”, insert “:”.
- (2) After section 22(6)(b)(iv), insert: 15
 - (c) must require the principal applicant for a visa who is in the parent category or parent retirement category and not from a Pacific country, and any secondary applicant included in the application, to have health insurance arrangements to which the following apply:
 - (i) they must be in force at the time at which the visa is granted; and 20
 - (ii) they must be made for a period that includes at least the first 10 years of residency in New Zealand of the principal applicant and any secondary applicant; and
 - (iii) they must cover elective surgery; and
 - (iv) they must provide for their benefits to be payable in New Zealand, whether or not the benefits are also payable elsewhere. 25

Part 2
Income Tax Act 2007

5 Principal Act

This **Part** amends the Income Tax Act 2007 (the **principal Act**). 30

- 6 Section CX 16 amended (Contributions to life or health insurance)**
- (1) Replace the heading to section CX 16 with “**Contributions to life insurance**”.
- (2) In section CX 16(3), replace “any of subsections (4) to (6)” with “subsection (4) or (5)”.
- (3) Repeal section CX 16(6) and the subsection heading above section CX 16(6). 5
- 7 Section RD 38 amended (Contributions to funds, trusts, and insurance premiums)**
- In section RD 38(3), delete “or health”.
- 8 Section RD 47 amended (Attribution of certain fringe benefits)**
- In section RD 47(1)(c)(v), delete “or health”. 10
- 9 Section YA 1 amended (Definitions)**
- In section YA 1, definition of **specified insurance premium**, delete “or health”.

Part 3

Social Security Act 1964

15

- 10 Principal Act**
- This **Part** amends the Social Security Act 1964 (the **principal Act**).
- 11 New Part 3B inserted (SuperGold health insurance rebate)**
- After Part 3A, insert:

Part 3B	20
SuperGold health insurance rebate	
135A Interpretation	
In this Part, unless the context otherwise requires,—	
CPI means the New Zealand Consumers Price Index, all groups excluding cigarettes and other tobacco products index numbers, published by Statistics New Zealand	25
health insurance means a policy of insurance under which the benefits are payable only for—	
(a) an accident, whether fatal or not, to the SuperGold Card holder; or	
(b) disease or sickness of the SuperGold Card holder	30
premium means the yearly premium paid for health insurance	
SuperGold Card means an entitlement card issued under regulation 4(1) of the Social Security (SuperGold Card) Regulations 2007	

valid has the same meaning as in regulation 3(1) of the Social Security (SuperGold Card) Regulations 2007.

135B SuperGold health insurance rebate

Every person is entitled to a rebate on his or her health insurance premiums if that person—

- (a) is, or is over, the age of 65 years; and
- (b) is the holder of a valid SuperGold Card.

135C Application for rebate

- (1) An application for a rebate must be made by the person entitled to the rebate under **section 135B**, or a person authorised to act on their behalf, in the form and manner prescribed in regulations made under **section 135E**.
- (2) Where an application for a rebate is made and the chief executive is satisfied that the application has been properly completed, the chief executive must grant the application and pay the rebate to the applicant.

135D Maximum amount of rebate

- (1) An applicant is entitled to a refund of 25% of the yearly premium, up to a maximum amount of \$500.
- (2) The maximum amount specified in **subsection (1)** must be adjusted by Order in Council made under **section 135E(1)(f)** as at 1 April each year, by any upward percentage movement in the CPI.

135E Regulations relating to SuperGold health insurance rebate

- (1) Without limiting the general power to make regulations conferred by section 132, the Governor-General may from time to time, by Order in Council on the recommendation of the Minister, make regulations—
 - (a) prescribing requirements, performance standards, criteria, and procedures for the administration of the SuperGold health insurance rebate scheme;
 - (c) providing for full or partial rebates of premiums in some circumstances;
 - (d) prescribing the process and manner in which rebates are to be refunded;
 - (e) prescribing forms for the rebate scheme;
 - (f) adjusting the maximum amount of the rebate for the purposes of **section 135D**.
- (2) If, after an adjustment is made to the maximum amount of the rebate in accordance with **subsection (1)(f)**, the amount is not a whole dollar, the adjusted amount must be rounded up to the next whole dollar.

135F Requirement to consult

- (1) Before recommending the making of regulations under **section 135E**, the Minister must consult the persons who the Minister has reason to believe are representatives of interests likely to be affected by the regulations.
- (2) This section does not apply to regulations made under **section 135E(1)(f)**. 5
- (3) A failure to comply with this section does not affect the validity of any order or regulations made under **section 135E**.

12 Section 127 amended (Offences)

After section 127(c), insert:

- (ca) any SuperGold health insurance rebate paid pursuant to **section 135C(2)**; or 10