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**Re: AHIA response to the consultation paper on GST and certain supplies to health insurers**

The Australian Health Insurance Association (AHIA) welcomes the opportunity to comment on the Treasury's consultation paper on GST and certain supplies to health insurers.

The AHIA represents 23 Private Health Funds, which collectively insure approximately 94 per cent of the 11.5 million Australians who hold some form of private health cover.

The AHIA has collated comments from our member funds in relation to the proposed measure and its implementation. Some insurers also intend to make individual submissions direct to your consultation process.

The AHIA endorses the Treasury proposal to amend subdivision 38-B to make certain supplies from an entity to a health insurer GST-free where the service is outlined in 38-B and the supply to the health insurer is in the course of the settlement of an insurance claim between that individual and the health insurer.

The AHIA interprets the proposal by Treasury to allow for hospital-substitution to be covered by the 'medical services' definition and the recommended change will allow this supply to be GST-free even if the supplier is determined to be to an insurer.

Unfortunately, as chronic disease programs are not defined in subdivision 38-B this does not solve the issue when applying GST status to Boarder Health Cover initiatives and the Industry would welcome an opportunity to work together with Treasury to address this deficiency.

The AHIA would like to recommend that subdivision 38-B be amended to include hospital-substitution specifically (thus removing the ambiguity of whether this is covered by the medical services definition) and General Treatment. A suggested clause and definition inclusions is attached as Attachment A.



Such an approach to defining General Treatment services is consistent with the current clause formats, and in terms of accreditation it aligns with the requirements outlined in the Broader Health Cover framework papers.

The AHIA has also included responses to the focus questions contained in the discussion paper as Attachment B.

I am available on 6202 1000 to discuss the matters raised by the AHIA in further detail.

Yours sincerely

A handwritten signature in blue ink that reads 'Michael Armitage'. The signature is written in a cursive, flowing style.

**HON DR MICHAEL ARMITAGE**  
**CHIEF EXECUTIVE OFFICER**

6 July 2011



## Attachment A – suggested clause and definition of subdivision 38-B

### 38-X Hospital-substitute treatment

- (1) A supply of \*hospital-substitute treatment is **GST-free**.
- (2) However, a supply of \*hospital treatment is *not* GST-free to the extent that it relates to a supply of a \*professional service that, because of subsection 38-7(2), is not GST-free.
- (3) A supply of goods is **GST-free** if it is a supply that is directly related to a supply of \*hospital-substitute treatment that is:
  - (a) GST-free because of subsection (1); and
  - (b) supplied by, or on behalf of, the supplier of the hospital-substitute treatment.

### 38-Y General treatment

A supply of \*general treatment is **GST-free** if:

- (1) the supplier is licensed or registered under relevant State or Territory law to provide the service; or
- (2) where there is no such State or Territory law, be a member of a professional association with uniform national registration requirements.

### **195-1 Dictionary definitions:**

**\*hospital-substitute treatment** has the meaning given by section 69-10 of the *Private Health Insurance Act 2007*.

**\*hospital treatment** has the meaning given by section 121-5 of the *Private Health Insurance Act 2007*.

**\*general treatment** has the meaning given by section 121-10 of the *Private Health Insurance Act 2007*.



## **Attachment B - Response to Focus Questions**

Q1. One other area for potential application is an employer, employee relationship where an employer is arranging and paying for health related goods on behalf of their employees.

Q2. Yes, the proposed amendment removes the ambiguity of the GST treatment between medical and hospital providers and health insurers. The Consultation paper does not however discuss the definition of health insurer.

The Industry would like this definition to include the following:

- Section 131.10 of the *Private Health Insurance Act 2007* – Meaning of health benefits fund; and
- Section 131.15 of the *Private Health Insurance Act 2007* – Meaning of health related business.

This is important to ensure that both the resident and overseas health insurance products are included within the definition to ensure that the GST treatment of all of claims is consistent.

The AHIA notes that although the definition of health related business is broad in application the proposed GST-free status relates to when there is an insurance claim. Therefore the GST-free status would be excluded from other items included in the definition of health related business as they do not result from an insurance claim.

Q3. The Industry does not expect any changes to operational processes as a result of this matter. Effectively the decision allows for the health insurance industry to continue the practice which was implemented during the introduction of GST of settling claims between the health insurer and providers for services provided to their Members relating to Section 38 as GST-free.