



Australian Government

Department of Health and Ageing

# What you need to know about **Lifetime Health Cover**





## What is Lifetime Health Cover?

Lifetime Health Cover involves a financial loading (LHC loading) on your private health insurance hospital cover (hospital cover). It is designed to encourage people to take out hospital cover earlier in life, and to maintain their cover. If you take out hospital cover earlier in life, and keep it, you will pay lower premiums compared to someone who joins when they're older.

If you don't want to pay a LHC loading you need to buy hospital cover before your LHC deadline. Your deadline is 1 July following your 31<sup>st</sup> birthday; or for new migrants, 12 months from your registration for Medicare.

LHC loadings apply only to hospital cover. They do not apply to private health insurance general treatment cover (also known as ancillary cover or extras).

## Turning 31?

If you take out hospital cover before 1 July following your 31<sup>st</sup> birthday, you will avoid paying a LHC loading on your hospital cover.

If you take out hospital cover after this date you will pay a LHC loading of 2% for each year you are over 30. For example, if you take out hospital cover at the age of 40, you'll be paying an extra 20% on the cost of your hospital cover. If you wait until you are 50, you'll pay 40% more. And so on, up to a maximum of 70% more.

## Examples:

- » Naomi turns 31 on 1 March 2008. She takes out a singles hospital cover policy on 21 April 2008 (before 1 July following her 31st birthday). The cost of her chosen hospital cover policy is \$1,000 per year. If she waited until August 2008 (after 1 July following her 31st birthday) she would have to pay an extra 2% on the cost of her policy (\$1,020 per year). If Naomi waited until October 2013, when she would be 36 years of age, to take out the same hospital cover policy, she would have to pay a LHC loading of 12%. This would be an extra \$120. The LHC loading will apply for 10 years of continuous hospital cover, so over this period she would pay an extra \$1,200.
- » Matt is 55. He has a private health insurance policy for general cover to help him pay for his glasses and dental treatment but he does not have hospital cover. If he now decides to take out hospital cover he will have to pay a LHC loading of 50%. That means if he takes out the same singles hospital cover as Naomi it will cost him \$1,500 per year instead of \$1,000. Over the 10 years in which the LHC loading applies he will pay an extra \$5,000.

## New migrants

If you are a new migrant to Australia, and are aged over the LHC deadline (1 July following your 31st birthday), special conditions apply.

As a new migrant to Australia you do not have to pay a LHC loading if you take out hospital cover within 12 months of being registered for Medicare. After this time you have to pay a LHC loading of 2% more for each year you are aged over 30 when you take out hospital cover.

As a migrant it is a good idea to consider taking out hospital cover in the first year after you register for Medicare. If you wait and take out hospital cover after this date you will pay more for your hospital cover as the price will also include the LHC loading. So, the older you are, the more it will cost.



## Examples:

- » Hanh is aged 35 and she migrates to Australia on 1 March 2008. She has a permanent residency visa so she is eligible for Medicare. She applies for a Medicare card on 1 April 2008. If she takes out hospital cover before 1 April 2009, she pays no LHC loading. If Hanh delays purchasing hospital cover until after 1 April 2009 (one year after she applied for her Medicare card) a LHC loading based on her age is applied (2% for every year she is over the age of 30 at the time she takes out hospital cover). The important date is the date that Medicare Australia accepts her application for a Medicare card. Hanh's visa status is not important.
- » Javier is aged 35 and he migrates to Australia on 1 March 2008. He has a temporary residency visa and is not eligible for Medicare. On 1 May 2010 he is accepted as an applicant for permanent residency and becomes eligible for Medicare. Javier applies for a Medicare card on 1 June 2010. If he takes out hospital cover before 1 June 2011, no LHC loading applies. If Javier delays until after 1 June 2011, a LHC loading based on his age is applied. The important date is the date that Medicare Australia accepts his application for a Medicare card. Javier's visa status is not important.
- » Ilango is aged 25 and he migrates to Australia. LHC loadings do not apply to people until 1 July following their 31st birthday. Ilango has several years until 1 July following his 31st birthday to take out hospital cover without paying the LHC loading.



## What if I miss my Lifetime Health Cover loading deadline?

If you take out hospital cover after your LHC loading deadline you will have to pay a LHC loading of 2% for every year you are over 30. If you maintain continuous hospital cover for 10 years the LHC loading is removed and you will no longer have to pay the LHC loading on your hospital cover. However, if you choose to cancel your hospital cover then take it out again later you may have to pay a LHC loading when you rejoin.

To cover small gaps, such as switching from one insurer to another, you are able to be without hospital cover for periods totalling 1094 days (i.e. one day less than three years) during your lifetime, without impacting on your LHC loading. If you have a gap of 1095 days you will pay a 2% loading. For every 365 days without cover after that, your LHC loading will increase by 2%. If you apply to your health insurer to suspend your hospital cover for a short period, and it agrees, this period of suspension does not impact on your LHC loading (you are considered to be maintaining your cover).



## Are there any other special circumstances?

If you are an Australian citizen or permanent resident who is overseas on your LHC loading deadline (i.e. 1 July following your 31st birthday), you will not pay a LHC loading if you purchase hospital cover before the first anniversary of the day you return to Australia. You are able to return to Australia for periods of up to 90 consecutive days, and are still considered to be overseas.

Time spent on Norfolk Island is classified as time spent overseas and this can have different effects depending on the actual dates you were a resident on Norfolk Island.

If you are a member of the Australian Defence Forces (ADF) your medical services are provided by the ADF, so you are considered to have hospital cover. If you discharge from the ADF after the 1 July following your 31st birthday, then you are considered to be using your permitted days without hospital cover (i.e. 1094 permitted days in your lifetime). So you can take out hospital cover and still pay the base rate premium. If you discharge from the ADF before the 1 July following your 31st birthday, then the normal rules apply.

If you hold a Department of Veterans' Affairs (DVA) Gold Card you are considered to have hospital cover. If you have held a Gold Card at any time since 1 July 1999, and the card was subsequently withdrawn by the DVA, you may claim the period you held the card as a period with hospital cover.

If you were born on or before 1 July 1934, you are exempt from the LHC loading. You can take out hospital cover at any time in the future and pay the base rate premium.



## Where can I find out more about Lifetime Health Cover?

There is a government website that provides information on private health insurance and Lifetime Health Cover. The web address for this site is: [www.PrivateHealth.gov.au](http://www.PrivateHealth.gov.au). Alternatively, you can call the toll free line of the Department of Health and Ageing on 1800 020 103.

