



Australian Government

Department of Home Affairs

# **Discussion Paper**

## **Review of Australia's visa Significant Cost Threshold (SCT)**

## Introduction

The Department of Home Affairs recognises the importance of engaging with the community to ensure that the Migration Health Requirement (under Public Interest Criteria 4005 and 4007 as outlined in the *Migration Regulations 1994*) and its relevant policy settings, continue to facilitate a balance of fairness while containing public expenditure on health and community services.

The Australian public is invited to provide their views on the policy settings for the Australian visa Significant Cost Threshold (SCT). The SCT is the underpinning policy to 'contain public expenditure on health care and community services'<sup>1</sup> from migration.

To inform this policy proposal the Department of Home Affairs has consulted with:

- state and territory governments and Commonwealth agencies; and
- peak health and disability organisations

### Terms of Reference

- How the Australian visa Significant Cost Threshold is calculated
- How 'Significant' is defined in the Australian visa Significant Cost Threshold
- The implications of special education as a costing policy definition of 'community service'
- The impact of the migration health requirement on non-citizen children with a disability born in Australia to people on temporary visas.
- And any other matters in relation to the Migration Health Framework.

This paper provides background information to inform written submissions.

If you would like to make a written submission on the proposed changes to the Australian visa Significant Cost Threshold of the Migration Health Requirement please email [Health.Requirement.Review@homeaffairs.gov.au](mailto:Health.Requirement.Review@homeaffairs.gov.au)

Submissions close at 5pm on Friday 17 November **2023**. Submissions received after the deadline may not be considered.

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<sup>1</sup> PART 1 - Public interest criteria [clause 4001 to clause 4022] ([border.gov.au](http://border.gov.au))

## The Migration Health Requirement

Most Australian visas require applicants to meet a legislated health requirement, in Public Interest Criteria (PIC) 4005 or 4007 of Schedule 4 to the *Migration Regulations 1994*. There is a small group of temporary Australian visas in which the PICs do not apply.

The aims of the migration health requirement as set out in the *Migration Regulations 1994* are to:

- (a) protect the Australian community from public health and safety risks,
- (b) **contain public expenditure on health care and community services**; and
- (c) safeguard the access of Australian citizens and permanent residents to health care and community services that are in short supply (*currently this is dialysis and organ transplants*).

For the majority of visa applicants, completion of a Health Declaration is all that is needed to satisfy the health requirement. For other visa applicants, including all provisional and permanent visa applicants, they are required to undertake an immigration medical examination to determine whether they meet the health requirement.

This review is focussed on the underpinning policy settings to contain public expenditure on health care and community services (referenced in bold text above).

## Significant Cost Threshold (SCT) – Current State

The Significant Cost Threshold (SCT) is the underpinning policy to ‘contain public expenditure on health care and community services’ as outlined in the *Migration Regulations 1994*.

The SCT policy was established in 1995 after a review by the then Department of Immigration and Ethnic Affairs (DIEA) and the Department of Human Services and Health (HSH). The review at the time determined that significant costs should be interpreted as a cost that is ‘higher than average annual health and community services costs for an Australian’.

There have been a number of updates and changes to the formula to calculate the SCT since its introduction in 1995, please see table 1 below.

**Table 1 - Significant Cost Threshold updates**

Year of increase	Amount (\$)
1995 (first)	16,000
1998	17,500
2001	20,000
2006	21,000
1 July 2012	35,000
1 July 2013	40,000
1 July 2019	49,000
1 September 2021 (current)	51,000

Since 2019, the SCT threshold has been reviewed biennially to align with the release of Australian Institute of Health and Welfare (AIHW) data. The 2023 update has been folded into this broader review on the calculation and definition of the SCT.

## How the 'average' cost of an Australian is calculated

The current SCT methodology utilises two annually published Australian Institute of Health and Welfare (AIHW) reports as data sources to calculate the SCT 'average' Australian value.

- AIHW health expenditure publication<sup>2</sup>, and
- AIHW welfare expenditure publication<sup>3</sup>

A five-year per capita approach is used to calculate the SCT. The approach sets the SCT value at a level that represents the average five-yearly per person expenditure on health and welfare services in Australia.

There is up to an 18 month delay after each financial year for the AIHW's release of the health and welfare expenditure publications. Therefore to derive a SCT for the year of update, a projection method is used to forecast costs to the current financial year applying a growth rate based on a weighted average of the most recent three years of health and welfare expenditure real growth. Real growth is used to account for inflation. This is weighted to 50 per cent of the real growth rate of the most recent year, and 25 per cent for each of the earlier two years.

Using this methodology in 2021 the average cost of health and community services per year for an Australian was determined to be \$51,000, and therefore this figure is also the cut-off for the SCT which is currently in place.

## How the SCT is used to determine if a visa applicant meets the Migration Health Requirement

A Medical Officer of the Commonwealth (MOC) is delegated by the Minister in *Migration Regulations 1994*<sup>4</sup> to assess and provide an opinion on whether a visa applicant's condition or disease would be likely to result in health care and community service costs if a visa were to be granted.

The policy threshold for the level of costs regarded to be 'significant' is any amount above \$51,000. If the estimated costs are above \$51,000, the visa applicant is assessed by the MOC as not meeting Health Requirement.

When assessing costs for a **temporary** visa applicant the estimated costs for their proposed stay in Australia is assessed over the period of stay that the visa processing officer intends to grant the visa. For example, a student visa applicant with health care costs of \$16,000 a year who will be granted a one year visa should be assessed to meet the Health Requirement. On the other hand, a student applicant with costs of \$16,000 a year who will be granted a four year visa ( $\$16,000 \times 4 = \$64,000$ ) would be assessed as not meeting the Health Requirement because the estimated costs of \$64,000 is above the SCT of \$51,000.

When assessing costs for a **provisional or permanent** visa applicant and the applicant has a condition that is permanent and the course of the disease is inevitable or reasonably predictable, the applicant is assessed for 10 years. For example, a permanent skilled visa applicant with a permanent chronic health condition and the course of the disease is inevitable with estimated health care costs of \$11,700 per year, would be assessed as not meeting the Health Requirement ( $\$11,700 \times 10 \text{ years} = \$117,000$ ) because the estimated costs of \$117,000 is above the SCT of \$51,000.

When assessing costs for a **child with a disability born in Australia** for a provisional or permanent visa application, the MOC assesses the community service needs for the child, based on what a child with a disability living in Australia with the same condition and severity would access. For example, a child born to a temporary visa applicant in Australia, aged seven, living with Autism with special education community

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<sup>2</sup> [Health expenditure Australia 2020-21, Report editions - Australian Institute of Health and Welfare \(aihw.gov.au\)](#)

<sup>3</sup> [Welfare expenditure Australia 2020-21, Report editions - Australian Institute of Health and Welfare \(aihw.gov.au\)](#)

<sup>4</sup> [PART 1 - Public interest criteria \[clause 4001 to clause 4022\] \(border.gov.au\)](#)

service costs of 27,882 per year would be assessed as not meeting the Health Requirement (\$27,882 x 10 years = \$278,820) because the estimated costs of \$278,820 is above the SCT of \$51,000.

### Migration Health Requirement statistics on the current state

**Table 2 – Number of visa applicants and the number of Immigration Medical Examinations (IME) conducted as a percentage of all visa applicants**

Visa Program	2017-18	2018-19	2019-20	2020-21	2021-22
Migration Program	275,598	267,363	234,782	237,981	238,925
Temporary Visa Program	9,013,861	9,188,576	6,917,364	1,092,856	2,741,021
Resident Return and ADV*	169,945	177,087	144,061	72,711	144,855
<b>TOTAL (applications)</b>	<b>9,459,404</b>	<b>9,633,026</b>	<b>7,296,207</b>	<b>1,403,548</b>	<b>3,124,801</b>

  

Medical Examinations	948,223	1,016,161	878,916	689,353	960,779
%	10%	11%	12%	49%**	31%**

\*ADV is an Australian Declaratory Visa, which is an entry authority that can only be issued to Australian citizens. It is used to allow dual citizens to have their Australian citizenship status linked to their foreign passport in limited circumstances, that is Australian citizens with compelling reasons to travel

\*\*This increase in percentage is directly related to a drop in the Temporary Visa Program due to border closures during this period.

**Table 3 – Number of Immigration Medical Examinations (IME) conducted by visa category**

Visa Program	2017-18	2018-19	2019-20	2020-21	2021-22
Student	338,786	400,347	314,225	229,165	306,861
Visitor	179,210	187,578	178,679	98,866	205,670
Skilled	134,566	125,863	103,877	100,136	124,621
Temporary Resident (Other Employment)	69,619	88,567	96,245	108,718	149,097
Family	79,362	69,143	64,512	95,683	65,759
Working Holiday Maker	68,297	62,675	47,893	15,218	25,607
Temporary Resident (Skilled Employment)	52,717	50,367	45,178	31,794	51,247
Offshore Humanitarian	19,584	25,436	22,789	5,622	18,731
< other >	6,082	6,185	5,518	4,151	13,186**
<b>TOTAL</b>	<b>948,223</b>	<b>1,016,161</b>	<b>878,916</b>	<b>689,353</b>	<b>960,779</b>

\*\* The increase in IME's under <other> relates to the increase in onshore temporary humanitarian visas 449 and the temporary Humanitarian concern visa 786

**Table 4 – Health Requirement outcomes**

\* There is a variation between medical exams conducted and medical exam outcomes in a reporting period, due to the timing of deferrals for any further investigations (such as Tuberculosis or blood tests) and the finalisation of assessments before a health requirement outcome.

Health Requirement Outcome	2017-18	2018-19	2019-20	2020-21	2021-22
Meet the Health Requirement	922,562	987,345	835,870	660,444	937,211
Does Not Meet the Health Requirement	1,536	1,451	1,754	1,399	1,779
No Further Action (health not completed)	4,803	5,162	3,594	1,935	1,629
< other >	72	54	79	9	53
<b>TOTAL</b>	<b>928,898</b>	<b>993,887</b>	<b>840,973</b>	<b>663,497</b>	<b>899,214</b>

## Significant Cost Threshold – Potential Policy Settings for Comment

From the second half of 2022, the Department has sought expert health economist advice and has undertaken extensive consultation with peak health and disability organisations, as well as state and territory governments and Commonwealth agencies to consider changes to the SCT.

These consultations have focused on potential changes to the Significant Cost Threshold. Under current policy settings, many visa applicants with stable and managed health conditions do not meet the Health Requirement. In addition, visa applicants with dependents who may require special education support may be prevented from being granted a permanent visa due to the SCT.

There are a number of options to consider. These include:

- Revising how the ‘average’ cost of an Australian is calculated
  - Feedback has identified a range of issues in assessing what is included as part of the average healthcare cost in Australia.
- Redefining ‘Significant’ in the SCT
  - The current definition of ‘significant’ has existed since 1995.
  - Countries like Canada and New Zealand have made a series of reforms to reflect contemporary definitions
- Examining the level of the threshold
  - About half of all visa applicants in 2022-23 who failed the Significant Cost Threshold were assessed with health and community costs of between \$51,000 and \$123,000.
- Examining Special Education as a costing
  - Currently under policy, specialised education services are included to determine if a visa applicant meets the health requirement. Most children with a disability born in Australia to people who hold a temporary visa do not meet the health requirement when applying for a provisional or permanent visa due to their estimated community service costs, including special education.
- The impact of the migration health requirement on non-citizen children born with a disability in Australia to people on temporary visas.



## Next Steps

The Department Of Home Affairs is seeking your valuable views about how to align community expectations with potential policy change to the Significant Cost Threshold.

The Department of Home Affairs will use the information gathered from submissions to advise Government on potential options that meet community expectations.

Submissions received by the Department of Home Affairs may be made public, unless there is a request for it to be kept confidential (subject to legal requirements, such as those imposed by the *Freedom of Information Act 1982* (Cth)).