



## Ombudsman's Introduction

In this edition of Health Insurance Insider, we look at an issue that is very topical at this time of year – premium increases. The premiums on all health insurance policies increase on 1 April each year. This gives members certainty about when premium increases will occur and ensures they are able to compare prices across other policies they may be interested in purchasing, knowing that the price won't change until 1 April the following year.

Premium increases are regulated under legislation. This means that health funds cannot increase premiums without the approval of the Minister for Health. Before the Minister gives approval for a premium increase, all premium increase

applications are closely scrutinised by the industry regulator, the Private Health Insurance Administration Council, to ensure that any increase is necessary to cover the fund's on-going costs. This means that consumers can be confident that the need for any increase has been carefully examined and can be justified.

Ombudsman staff members are often asked why it is necessary for premiums to increase each year and what members can do if they're not happy with the increase on their policy. The answers to these and other related questions are discussed below.

## Why is my health insurance premium increasing on 1 April?

Each year, health funds review their policies and premiums. Generally speaking, the amount that health funds receive from members in premiums must balance with the amount paid out to members in benefits. The amount paid in benefits will rise if hospital, medical or other health related costs rise, and if members increase their use of health services.

During the 2012-13 financial year, there was an 8% increase in benefits paid out to private health insurance members. This means that premiums need to increase to cover the expected cost of benefits paid out in the coming year.

The weighted average annual increase in private health insurance premiums for the 2014 premium year will be 6.2%. If your premium increase is higher than the average, this means your fund has been able to demonstrate that the rise is necessary to cover the benefits offered by your policy.

Some of the factors that drive premium cost increases include wages for nurses and hospital staff, doctors' charges, the cost of medical equipment and technology, and more complex and costly procedures being available through private hospitals.

## How are premium increases calculated and approved?

Health funds have to go through an approval process before any price increase is permitted. Under legislation, each fund has to provide detailed financial information, including cost and benefit projections, to the Minister for Health. The information must be certified by an accredited professional actuary, and undergoes review by the Private Health Insurance Administration Council (PHIAC).

If the health fund can't show sufficient evidence to demonstrate to the Minister that the price increase is necessary to cover the cost of paying benefits to its members in the coming year, then the Minister can refuse to approve the proposed increase.

## I want to review my insurance policy – what should I look out for if I decide to change my policy or fund?

If you want to review your cover, you can start by asking your current health fund or other health funds for quotes on alternative policies. Take care to check what your current policy offers when comparing it to other options, and what services you want to keep - make sure you aren't losing benefits for anything that you may need covered in future.

For hospital cover, it may be possible to reduce your premium by nominating to have a higher excess or co-payment. The excess or co-payment is the amount you contribute towards the cost of the hospital charge if you need to make a hospital

claim – the higher your contribution, the lower your premium will be. For extras or general treatment cover, check what services you're using or are likely to use – it may be possible to reduce benefits for services you no longer need.

In general, the Ombudsman recommends maintaining a good hospital cover to protect you against the risk of high hospital bills. If you're choosing a cheaper policy, always read your policy information carefully and ask the health fund for assistance if there's anything that needs clarification to ensure you understand what you will and won't be covered for in future.



## What happens if I decide to drop my health insurance?

If you do decide to cancel your health insurance, you should be aware of a few things that may affect you if you want to re-join in future:

- **Waiting Periods:** Although you can re-join private health insurance at any time, you will have to re-serve your waiting periods on re-joining. For hospital cover, this includes a 2 month waiting period for psychiatric and rehabilitative care, and 12 months for pre-existing conditions and pregnancy-related services. For general treatment or extras cover, it varies from 2 months for general services like basic dental, through to 12 or more months for some major items like orthodontics and hearing aids.
- **Lifetime Health Cover:** the Lifetime Health Cover rules determine how much you pay for private hospital insurance. Generally, the older you are when you join, the more you have

to pay. Depending on how long you drop out of insurance, and your age, you may need to pay a higher premium when you re-join. The extra amount which is payable by you is called a 'Lifetime Health Cover loading' – generally, the longer you've been out of insurance, the more loading you will have to pay.

- **Medicare Levy Surcharge:** If you earn over a certain income level, and you don't hold private hospital insurance, then you will be charged the Medicare Levy Surcharge of between 1% and 1.5% of your income. In the 2013-14 financial year, the income threshold is \$88,000 for singles and \$176,000 for couples and families.

For more information about all of these topics, see the [Useful Links](#) below.



## What changes are being made to the Private Health Insurance Rebate on 1 April?

The Australian Government provides a rebate to help people meet the cost of private health insurance. Your rebate amount will vary depending on your age and income.

From 1 April 2014, your rebate contribution from the Australian Government will increase based on a weighted average ratio. The weighted average ratio is determined using a formula which takes into account growth in the Consumer Price Index and the industry weighted average premium increase.

Under the current legislation, an industry level approach applies through the use of the weighted average ratio.

The weighted average ratio will result in 96.8% of the premium paid (excluding Lifetime Health Cover loadings) attracting a rebate.

The change will come into effect on 1 April 2014 and will apply to any premium payments that are made on or after that date. The rebate will continue to be paid as a percentage of premiums paid, excluding any Lifetime Health Cover loading that may be applicable.

For more information about these changes, contact your health fund or check back on [Privatehealth.gov.au](http://Privatehealth.gov.au).



## Recent and upcoming events in Private Health Insurance

### March 2014

- **Health Fund Annual Premium Increase Letter:** Look for a letter from your health fund, as they are required to notify you of any increase in your premium from 1 April. Make sure you read all information sent by your fund, as there may be other changes to your policy in addition to the price increase. This is a good time for you to review your policy.
- **Changes to the Private Health Insurance Rebate:** Rebate contributions will change from 1 April. Contact your health fund or check back on [Privatehealth.gov.au](http://Privatehealth.gov.au) for more information.
- **PHIO's State of the Health Funds Report:** How does your health fund measure up? This annual report from the Ombudsman compares the performance and service delivery of Australia's health insurance providers. The reports are published on [www.phio.gov.au](http://www.phio.gov.au) and you can also find key performance information about each health fund on [www.privatehealth.gov.au](http://www.privatehealth.gov.au).

### April 2014

- **PHIO's Quarterly Bulletin:** The Ombudsman's bulletins keep the industry updated on the most recent health fund complaint statistics and trends in complaint issues. The bulletins are published on [www.phio.gov.au](http://www.phio.gov.au).
- **Sydney Royal Easter Show Senior Days, April 15 and 16:** Visit PHIO and other ombudsman organisations at this year's Royal Easter Show's Senior Days.

This is an opportunity for the public to meet PHIO staff and learn about our dispute resolution service, as well as the services available from the Energy and Water Ombudsman NSW (EWON), Telecommunications Industry Ombudsman (TIO), NSW Ombudsman, Credit Ombudsman Service (COSL), The Aged-care Rights Service (TARS), Australian Securities and Investment Commission (ASIC) and NSW Trustee and Guardian.

The Ombudsman Services tent will be located in the grass outside the Big Top Amphitheatre, from 10am to 4pm on Tuesday April 15 and Wednesday April 16. For more information about Senior Days and the Easter Show, see: [www.eastershow.com.au](http://www.eastershow.com.au)

### June 2014

- **Considering buying hospital insurance? Recently turned 31?** If you answered 'yes' to either of these questions, then you should be aware that for most Australian residents it's cheaper to buy hospital insurance before the end of the financial year. Under the Lifetime Health Cover (LHC) rules, you can buy hospital insurance at the lowest rates if you purchase before the 1 July following your 31st birthday. If you're already over 31, then you should be aware that each financial year it will become more expensive to purchase hospital insurance for the first time.

### July 2014

- **Tax Statements:** Look for a Tax Statement from your health fund confirming your level and duration of cover for the previous financial year. Your tax statement details may be required for your income tax return.



## Useful Links and Resources

- **Privatehealth.gov.au:** This is PHIO's consumer website and is Australia's leading independent source of consumer information about private health insurance.  
To find out more about the **topics in this newsletter** and **search a database** of every health insurance policy in Australia, please visit our website.
- **The Right to Change** – a consumer guide to transferring from one health insurance product to another.
- **Premium Increases Factsheet** - the reasons and processes behind premium increases.
- **Private Health Insurance Rebate** - information about the government rebate and how it affects you.



## Contact Us

The Private Health Insurance Ombudsman (PHIO) protects the interests of people covered by private health insurance. We provide an independent service to help consumers with health insurance problems and enquiries. The Ombudsman can deal with complaints from health fund members, health funds, private hospitals or medical practitioners. Our services are free of charge.

**General Enquiries:**  
**1300 737 299** and [website@phio.gov.au](mailto:website@phio.gov.au)

**Complaints Hotline:**  
**1800 700 465** and [info@phio.gov.au](mailto:info@phio.gov.au)

**Websites:**  
[www.phio.gov.au](http://www.phio.gov.au) and [www.privatehealth.gov.au](http://www.privatehealth.gov.au)

**Facebook:**  
Our new Facebook page will be launching soon – check [Privatehealth.gov.au](http://Privatehealth.gov.au) for more information as it becomes available.

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