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QUARTERLY BULLETIN NO 15 (April to June 2000)

INTRODUCTION

The Ombudsman's office, in line with the health insurance industry generally, felt the impact of the lifetime healthcover campaign. It is therefore appropriate to use this quarter's bulletin as a retrospective on the impact of the campaign on consumers.

Our office experienced a very significant increase in workload across the whole spectrum of our activity from major complaints, less significant complaints, enquiries and media exposure. The complaint statistics reveal a 23% increase over the corresponding period last year. Thanks to an error by John Laws attributing the responsibility for handling hardship cases associated with the lifetime healthcover provisions to our office, and giving our free call number over his radio network, the enquiry workload approached 500 calls per day to be handled by a staff of four.

This retrospective will not focus on our internal workload, but on the less than adequate practices adopted by some funds in their all out bid to attract new members. It will also provide pointers to the difficulties that obviously lie ahead for both funds and consumers, as a whole new group of members are introduced to the vagaries of some of the products they were encouraged to purchase during the campaign period.

A BRIEF OF THE ISSUES

Existing members expressed the opinion they were neglected during the campaign

Due to the unprecedented workload experienced by many funds, combined with the attraction offers made to new members, existing members registered many complaints. In the main these revolved around the usual difficulty in getting through to their fund to conduct their normal business either over the phone or at a branch. They also complained that they were not eligible for the give aways and prizes on offer to new members, and nor were they entitled to lesser prices on offer as introductory incentives. This office tried to smooth the ruffled feathers by talking of the unprecedented workload experienced by the funds, but in the end the funds will need to recognise and address the underlying friction that still exists with their existing members brought about by the campaign.

New members felt that once they had signed up (or sometimes before this formality was completed) they were relegated to the "come back after its all over" group.

Unfortunately this was a common complaint. Wanting to question the fine print of an offer once the documentation finally arrived or correct errors in the application process was almost impossible as staff were concerned to clear the backlog of new member applications.

Another consistent area of complaint which consumed an inordinate amount of this office's time related to the practice of starting a membership over the telephone immediately and commencing to take funds from members' bank accounts. Complainants were concerned that funds were withdrawn from accounts prior to a formal application being signed. Some had decided to select a different fund, as they believed they had not formally enrolled as they had not filled out an application form, but were merely making provisional enquiries. They only recognised the finality of their contact when their bank account was overdrawn or their credit card debited. Complainants had tried to beat the rush but still wanted to commence membership from the 30 June closing date and found they had been signed up from the date of initial fund contact. Once the complainant recognised they could not get swift action from the health fund, to return their funds to their accounts, they contacted the Ombudsman.

Third party call centres did not handle the task adequately

On previous occasions, in different forums, this office has voiced concern at third party call centres not providing accurate and all embracing information. This was very much the case during the lifetime healthcover campaign where a significant number of complaints were associated with inaccurate information provided by the centres. As an example, a complaint arose when a person contacting the call centre mentioned she would need to take her child who had been vomiting to the local public hospital. The now new member was advised while still engaged in the enrolment procedure that she didn't have to worry, as vomiting did not attract a waiting period and she could take her child to the private hospital A&E. The child was admitted and as she had been ill for some time the fund invoked the pre-existing ailment provision. The PEA may prove to be legitimate, but the untrained call centre staffer should not have conveyed the information they did.

The campaign showed up those call centres where insufficient quality audit is carried out by fund staff. Complaints were generally associated with those funds, which previously had poor quality control within their call centre. It is vital that third party call centre staff are as well trained and audited in fund products as the fund's own front office staff.

Fund branches were not adequately staffed either in number or in quality

It is well recognised in our office that some funds have well trained front counter staff and others do not. Again the hectic activity associated with the campaign found out many of those who do not have adequately trained staff.

Another problem with staffing of branches was the lack of service provided to existing fund members, with some funds suspending over the counter claims processing to existing members. This was not good public relations and will need to be addressed.

Some advertising was less than accurate or fulsome

The fact that lifetime healthcover provisions related only to hospital cover did not feature in any fund advertising through the mass media. There was a concentration on the all-inclusive product, hospital and ancillary, in most commercials.

There were also a number of funds which had introductory pricing policies without identifying these were for a strictly limited duration. Such advertising was clearly misleading and needed to be modified during the campaign and provision made to compensate those consumers who were materially disadvantaged as a consequence of the misleading nature of the advertisements.

Still others funds failed to adequately spell out the difference between the waiver of certain waiting periods and the general pre-existing ailment provisions. This is a perennial problem and one funds should be now well aware of. It shouldn't still be occurring

Our office handled many complaints relating to the misleading nature of advertisements and we were able to have corrective action taken. Other parties considered the advertising by funds fell within the legal definition of misleading and deceptive advertising and have called upon the ACCC to take action.

Some fund brochures for new products raised more questions than they answered

The ability to convey sufficient detail on the complexity of a new product range in a brochure that people can read and understand is recognised as a difficult task. None-the-less, some new fund brochures are very misleading and lack a lot of detail on which proper decisions can be made. A classic example relates to the common practice of allowing higher benefits (or in some instances, any benefits at all) for fund approved ancillary providers. Without details as to the extent of the preferred provider network being available to consumers, it is extremely difficult for them to make an informed decision on which product to purchase. In one instance, a significant fund which uses this process for ancillary products, advertises a comprehensive range of extras, but has not yet gotten around to the task of establishing a provider network for some of the disciplines.

Some of these issues are still being worked through by the Ombudsman's office, but it is reasonable to say, it is not our intention to allow gullible consumers to purchase products as a consequence of misleading brochures. The brochures will need to be updated, and members informed of the restrictions currently in place.

CONCLUSION

The lifetime healthcover campaign has been a considerable success in recruiting new members. It is quite evident from our exposure that some of these are reluctant members and their expectations are already not being met by the system they have entered. Fund managers need to be aware these members are already more vocal and critical than the existing membership. It is obvious they do not have fund loyalties which others have maintained and will be far more willing to change funds than their more established counterparts. All of this, combined with the communication difficulties outlined above, points to the possibility of adverse publicity if the new members are not correctly managed.

There are two policy areas currently under investigation which need to be finalised quickly to reduce the numbers of future complaints and associated poor industry publicity; these are the pre-existing ailment considerations and the portability provisions. In the current environment, it is our expectation that both PEA's and portability will be significant industry problems over the next twelve months at least. They need resolution.

Complaints (Problems, Grievances & Disputes) by health fund

1 April 2000 to 30 June 2000

Name of Fund	Total number of complaints (1)	% of total complaints	Total number of disputes (2)	% of total disputes	Health fund Market share (3)
ACA Health Benefits Fund	0	0.0	0	0.0	0.1
AMA Health Fund Ltd	0	0.0	0	0.0	0.1
Australian Health Management	12	2.3	4	2.3	2.4
Australian Unity Health Fund	12	2.3	6	3.4	2.7
AXA Australia Health Insurance	74	13.9	36	20.6	10.6
CBHS Friendly Society	4	0.8	1	0.6	1.0
CDH Benefits Fund	0	0.0	0	0.0	-
Credicare Health Fund	1	0.2	0	0.0	0.5
Defence Health Benefits Society	7	1.3	0	0.0	1.3
Geelong Medical & Hospital Benefits Association	1	0.2	0	0.0	1.0
Goldfields Medical Fund Inc	0	0.0	0	0.0	0.2
Grand United Corporate Health Ltd	2	0.4	0	0.0	0.3
Grand United Friendly Society	9	1.7	2	1.1	0.5
Health Care Insurance Ltd	0	0.0	0	0.0	0.1
Health Insurance Fund of WA	3	0.6	0	0.0	0.3
Health-Partners	10	1.9	9	5.2	0.6
Healthguard Health Benefits Fund Ltd	0	0.0	0	0.0	0.1
Hospital Benefit Fund of WA (Inc)	17	3.2	7	4.0	11.0
Hospital Contribution Fund of Australia Ltd	36	6.8	16	9.2	8.5
IOOF Friendly Society of Victoria	1	0.2	0	0.0	0.2
IOR Australia Pty Ltd	8	1.5	2	1.2	0.7
Latrobe Health Services (VIC)	0	0.0	0	0.0	0.4
Lysaght	0	0.0	0	0.0	0.2
Manchester Unity Friendly Society In NSW	19	3.6	9	5.2	1.0
Medibank Private	157	29.5	41	23.6	26.9
Medical Benefits Fund Of Australia Ltd	112	21.0	28	16.0	18.1
Mildura District Hospital Fund	0	0.0	0	0.0	0.3
Naval Health Benefits Society	0	0.0	0	0.0	0.3
NIB Health Funds Ltd	24	4.5	8	4.6	4.7
NSW Teachers Federation Health Society	4	0.8	1	0.6	1.5
Phoenix Welfare Association Ltd	0	0.0	0	0.0	0.2
Queensland Country Health Ltd	1	0.2	0	0.0	0.2
Queensland Teachers Union Health Society	2	0.4	1	0.6	0.4
Railway & Transport Employees Friendly Society	1	0.2	0	0.0	0.4
Reserve Bank Health Fund Friendly Society	0	0.0	0	0.0	0.1
SA Police Employees Health Fund Inc	0	0.0	0	0.0	0.1
SGIO Health Pty Ltd	6	1.1	1	0.6	1.3
St Lukes Medical & Hospital Benefits Assoc.	2	0.4	1	0.6	0.5
Transition Benefits Fund	0	0.0	0	0.0	0.2
Transport Friendly Society	0	0.0	0	0.0	0.1
United Ancient Order of Druids Victoria	0	0.0	0	0.0	0.1
United Ancient Order of Druids G/L NSW	1	0.2	0	0.0	0.1
Western District Health Fund Ltd	5	0.8	1	0.6	0.5
Yallourn Medical & Hospital Society	0	0.0	0	0.0	0.1
Total for Registered Funds	**531**	**100.0**	**174**	**100.0**	**100.0**

1 Complaints = problems, grievances and disputes
2 Disputes require intervention by the Ombudsman and the fund
3 Proportion of people covered by health fund as at 30 June 1999 as reported in the PHIAC Annual Report -