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QUARTERLY BULLETIN NO 22
(1 January to 31 March 2002)

COMPLAINT STATISTICS

The previous Quarterly Bulletin gave some prominence to the reduction in complaint numbers following on from the highs associated with the introduction of Lifetime Healthcover.

Unfortunately, this reduction has not been maintained during this quarter, due almost entirely to the effect which the significant contribution increases in some products had on consumers. Total complaints for the quarter were 896 compared with 444 in the previous (October to December) quarter.

The previous reduction in the higher level dispute category of complaint, seems to be holding and has not risen to the same extent as the lower level categories of problem and grievance. The marginal increase in disputes is attributable to the joint effect of contribution increases and the product changes.

Given the very significant and somewhat unrepresentative effect on the current quarters statistics of the issues surrounding the appointment of an administrator to GMF Health and the consequent increase in their contribution rates, we have included an additional analysis column deleting the Goldfields statistics from the fund complaint table on page 4 of this bulletin. This allows funds to see what their statistics would have been like without this perturbation.

CONTRIBUTION INCREASES

The PHIO staff and telephone system were stretched beyond capacity handling the number complaints, following the communication by funds to individual contributors of the new contribution rates.

Irate callers insisted that they had been led to believe, by various media reports, that the Minister had only approved single digit increases, and their health fund was now telling them something entirely different. Their belief was that the funds had approval for one level of increase and were applying another.

The role of PHIO in this instance was to convince the consumer that all the contribution increases and product changes had received regulator approval and that the Office would pass on their concerns to the funds and regulators.

The issues as presented by consumers are:
- Firstly, there seems to be some acceptance by consumers of the inevitability of premium increases; it was the unexpected level of the increase that caused the concern.
- Secondly, that small increases annually are far better than a large increase less often.
- Thirdly, concern that they should be forced to pay a lot extra because their health fund had made a mistake in the previous pricing of the product. This was a particularly strong feeling for those caught

with the 50%+ numbers from GMF Health and the double-digit increases associated with some Medibank Private products.

- Fourthly, the question of rate protection was again at the forefront and it is a question that PHIO is addressing generally with its own lawyers and more specifically with individual fund(s) in conjunction with PHIAC and the ACCC.
- Finally, the question of significant reduction in benefits within a product at the same time as contributions are increased. This final issue relates in the main to the decision by Medibank to impose excesses or patient moieties for day procedures, without addressing the effect this would have on existing patients undergoing treatment of an ongoing nature like chemotherapy or renal dialysis. This latter issue resulted in a number of dispute level complaints with Medibank Private.

Much of this concern expressed by the consumers could have been alleviated if the system of announcing increases was better handled. Those responsible for briefing the media on the quantum of contribution increases need to give consideration to the effect the statements are going to have on the consumers, not their own constituents.

It would have been far better to have revealed the nasties up front, like the 70%+ for GMF and the 30%+ for some corporates, etc, etc. A consolidated statement showing the relative increases across all funds and the reasons for them would have assisted consumers. Individual consumers should not be told by the media (through orchestrated briefings) that they were facing a 7 – 8% increase only to find out later that they in fact faced double or more than that.

The Ministerial review recently announced has the potential to recommend practices that can lead to a significant reduction in the level of consumer discontent.

HOSPITAL AGREEMENTS AND THE CODE OF PRACTICE

Once again it is necessary to raise the issue of questionable practices by parties to a dispute over hospital purchaser provider arrangements.

The Healthscope hospital group drew to the attention of PHIO the fact that they were about to go out of contract with MBF in all of their hospitals. The first of these affected would be in Tasmania.

PHIO directed both parties to their responsibilities under the Code and particularly to the fact that neither party should cause to be published disparaging comments relating to the other. In particular, any communication with consumers/patients should be factual and non-emotive. PHIO suggested the parties should coordinate their approach to individual consumers immediately affected.

Unfortunately, both parties to the dispute saw fit to engage in public statements denigrating the other. Who set the ball rolling is not the issue; in the end, neither party acted in accordance with the spirit of the Code.

Consumers were drawn into the dispute, as were medical practitioners. The effect on consumers was obvious. They were worried and confused.

A further issue on this occasion was that competitor health funds, seeing a predatory opportunity to gain new members from the dispute, placed advertisements in local newspapers drawing attention to the fact that they still had contracts with the particular hospital. A very short sighted move and not one that shows the industry in a good light. PHIO has contacted these funds and drawn their attention to the fact that they themselves may be in a similar position in future and that this type of behaviour does little to enhance the public perception of the private health industry.

Eventually the fund and the hospital group reached agreement on a new contract.

Compliance with the Code may be difficult from time to time, but as PHIO stated when the Code was introduced, it is completely unacceptable for consumers to be used to facilitate the commercial aspirations of either hospitals or health funds.

Those responsible for the development of the Code, need to look into this activity, as it is not the first such occurrence. Maybe the voluntary Code is not working.

OVERSEAS RESIDENT CATEGORIES

From time to time, complaints are received from contributors who do not have full Medicare entitlements due to their visa category. The complaint is that they have had private health insurance, sometimes for a number of years, but when they were admitted to hospital they were unable to receive the medical component of their benefit.

This generally arises when their resident entry category places a restriction on their Medicare entitlement which may only allow for hospital treatment for accidents. They enrol in a health fund and answer "correctly" that they have Medicare entitlement. They may be unaware themselves of the conditions attached to their entitlement or the ultimate effect this has on their entitlements.

Health funds need to make their membership staff aware of the difficulties which new arrivals could face. Those persons who have a restricted Medicare entitlement should be directed towards "overseas visitors" products, even though the residents may see themselves as permanent residents.

MEMBERSHIP OF MORE THAN ONE HEALTH FUND

Some health funds have within their rules that contributors cannot be members of more than one health fund.

When there has been a breakdown in a relationship, this rule can act contrary to the desires of one or other party to the membership. It often occurs that both parents wish to have the child dependents on their individual family memberships. Some funds do not allow this as they have in place a rule on membership of only one fund.

PHIO has approached the Department on this issue and there does not appear to be any legal impediment to dual memberships. A lot of funds allow this as a natural course, not only with respect to relationship breakdown. The only issue appears to be that persons cannot profit from an episode of care, ie, they cannot claim more than 100% of the cost of treatment.

As has been addressed by PHIO in the past, it is in the interest of insurers and consumers for rules to be available to redress a whole range of issues when there is a relationship breakdown.

PLAIN ENGLISH FUND RULES

Alongside the need to have fund membership brochures in a ready readable state, it is also advisable to have the fund rules not only readily available to the consumers, but also in plain English.

It is pleasing to report that Federation Health have had their new consumer friendly rules approved by the Department and made available in full on their web site.

Complaints (Problems, Grievances & Disputes by Health Fund
1 January 2002 to 31 March 2002

Name of Fund	Total number of complaints (1)	% of total complaints	Total number of disputes (2)	% of total disputes	Health fund Market share (3)	% of total adjusted com (4)
ACA Health Benefits Fund	0	0	0	0.0	0.1	0
AMA Health Fund Limited	0	0	0	0.0	0.1	0
Australian Health Management Group Limited	26	2.9	5	4.0	2.6	3.96
Australian Unity Health Limited	13	1.45	4	3.2	3.1	1.98
AXA Australia Health Insurance	46	5.13	11	8.7	9.9	7
CBHS Friendly Society Limited	0	0	0	0.0	0.9	0
Cessnock District Health Benefits Fund	0	0	0	0.0	0.0	0
Credicare Health Fund	3	0.33	1	0.8	0.4	0.46
Defence Health Benefits Society	4	0.45	0	0.0	1.1	0.61
Federation Health	0	0	0	0.0	0.2	0
GMHBA Limited	3	0.33	2	1.6	1.2	0.46
Goldfields Medical Fund (Inc.)	239	26.67	4	3.2	0.7	N/A
Grand United Corporate Health Limited	1	0.11	0	0.0	0.2	0.15
Grand United Health Fund Pty Ltd	2	0.22	1	0.8	0.4	0.3
Health Care Insurance Limited	0	0	0	0.0	0.1	0
Health Insurance Fund of W.A.	2	0.22	0	0.0	0.4	0.3
Health-Partners Inc.	4	0.45	1	0.8	0.5	0.61
Healthguard Health Benefits Fund Limited	0	0	0	0.0	0.1	0
HBF Health Funds Inc.	29	3.24	4	3.2	8.8	4.41
Hospitals Contribution Fund of Australia	29	3.24	10	7.9	7.3	4.41
IOOF Health Services Limited	1	0.11	0	0.0	0.2	0.15
I.O.R. Australia Pty Limited	26	2.9	0	0.0	1.1	3.96
Latrobe Health Services Inc.	1	0.11	0	0.0	0.5	0.15
Lysaght People Care	0	0	0	0.0	0.2	0
Manchester Unity Friendly Society In N.S.W.	12	1.34	4	3.2	1.2	1.83
Medibank Private Limited	272	30.36	47	37.3	30.7	41.4
Medical Benefits Fund of Australia Limited	129	14.4	18	14.3	16.9	19.63
Mildura District Hospital Fund Limited	0	0	0	0.0	0.3	0
Navy Health Limited	2	0.22	0	0.0	0.2	0.3
N.I.B. Health Funds Limited	29	3.24	8	6.4	4.9	4.41
NRMA Health Pty. Limited	7	0.78	1	0.8	1.5	1.07
Phoenix Welfare Association Limited	0	0	0	0.0	0.1	0
Queensland Country Health Limited	2	0.22	0	0.0	0.2	0.3
Railway & Transport Emp'ees Friendly Soc.	1	0.11	1	0.8	0.3	0.15
Reserve Bank Health Society	0	0	0	0.0	0.0	0
SA Police Employees' Health Fund Inc.	0	0	0	0.0	0.1	0
St Luke's Medical & Hospital Benefits Ass.	2	0.22	0	0.0	0.4	0.3
Teachers Federation Health Limited	6	0.67	1	0.8	1.4	0.91
Transition Benefits Fund Pty Limited	0	0	0	0.0	0.1	0
Queensland Teachers' Union Health Fund	2	0.22	2	1.6	0.4	0.3
Transport Friendly Society Limited	0	0	0	0.0	0.1	0
United Ancient Order of Druids Victoria	1	0.11	0	0.0	0.1	0.15
United Ancient Order of Druids G/L NSW	0	0	0	0.0	0.0	0
Western District Health Fund Ltd	2	0.22	1	0.8	0.7	0.3
Total for Registered Funds	896	100.0	126	100.0	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 insurance as at 30 June 2001 as reported by the PHIAC Annual Report
4 Percentage of adjusted complaints (Total for Registered Funds — Total for Goldfields Medical Fund)