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QUARTERLY BULLETIN NO 17
(1 October to 31 December 2000)

INTRODUCTION

It is very pleasing to note that in the last quarter there has been considerable progress on three long-standing problem areas for consumers:

- The Minister for Health and Aged Care accepted all the recommendations contained in the pre-existing ailment review conducted by Dr Geoff Dreher, Mr. Michael Fogarty and Ms Joan Lipscombe;
- The Australian Private Hospitals Association and The Australian Health Insurance Association signed off on a Code of Conduct with respect to contract negotiations;
- PHIO finalised the review on portability arrangements for members of health funds wishing to transfer or vary cover.

The framework has now been put in place, to allow a greater degree of certainty for consumers. There is still some work to be done in each of these areas, and the body of this bulletin will cover some of the detail still requiring attention.

It is also opportune to remind readers of the forthcoming PHIO Seminar "Consumer Issues In Private Health" scheduled for Wollongong on 7 February. An excellent group of speakers drawn from all segments of the private health industry has agreed to participate. This year both health fund and private hospital representatives have been invited to attend. If anyone needs details of the program or registration, they should contact Sasha Andrews on (02) 9265 7803.

PRE EXISTING AILMENT REVIEW

Minister Wooldridge has accepted all recommendations contained in the Dreher, Fogarty and Lipscombe review. Best practice guidelines incorporating the review findings now have to be developed and publicised. The wider private health industry (and coincidentally the public hospital sector) need to be aware of their role in assisting consumers to not only understand the rule, but more importantly to ensure they do not inadvertently become responsible for expenses they did not anticipate. Private Health Insurance funds will need to heed the principles encapsulated in the report, even before the formal promulgation of best practice guidelines.

CODE OF CONDUCT

The finalisation of the formal code of conduct has been hailed by the Government, the private hospitals, the health funds and this office as providing for the orderly conduct of contracting between the parties. This office has accepted a role of dispute resolution where either party to a contract feels the code has been breached. This dispute resolution role relates to the conduct of parties within the scope of the code and does not encompass a role in determining the quantum associated with contract negotiations where this may have precipitated the alleged breach.

It is unfortunate that at the very time when we are lauding the introduction of the code, we need to draw attention to some totally unacceptable conduct with respect to contracting tactics. On two noted recent occasions, one in Queensland and another in New South Wales, two separate hospital groups and two separate health funds were in dispute concerning the finalisation of contract negotiations. One or both parties were unhappy with the outcome and sought to use consumers as a means of advancing their cause. The Ombudsman was called upon to placate very frightened elderly and sick consumers and reassure them that they would be taken care of by "the system". This is improper conduct and will not be tolerated. This office chose not to go public on these occasions but now the code is in place such occurrences if they recur will be subject to disclosure in the press. Consumers cannot be held to ransom to facilitate the commercial aspirations of the hospitals or health funds.

PORTABILITY REVIEW

In mid December, the industry portability review was completed and forwarded to the Department for their consideration and subsequent action. The process of achieving consensus was long and hard, but ultimately very worthwhile. This office takes this opportunity to publicly thank all the participants in the process, particularly those fund CEOs and public officers who formed the original focus group. Without this input and understanding it would not have been possible to even agree the principles.

The final document presented to the Department contained 27 recommendations covering all aspects of portability and the publicising of the provisions.

Fundamental to these recommendations is the principal that any member transferring from one product to another, either within a fund or between funds, will never be placed in a more adverse position than a new member entering that product for the first time.

SUSPENSION OF COVER

There have already been a number of concerns expressed by consumers relating to suspensions of membership. There is confusion as to the rights of members with respect to health fund rules and their rights within the lifetime health cover (LHC) environment. Some funds do not offer suspension at all and the rules relating to suspension in others are quite varied.

It is important that members are aware of the difference between their rights to opt out/lapse for lifetime health cover and the rules that apply to fund suspensions. It is quite conceivable that a member may wish to opt out of paying health fund contributions in circumstances where the fund would not offer suspension under their rules. Even though they have no restrictions (after twelve months) with respect to LHC opting out, this will not offer them the same protection with respect to benefits as suspending from the fund under the fund rules.

A recent case from a fund with quite liberal suspension rights is a pointer to what can occur even without the complications associated with LHC.

The member had held membership for around ten years in the ancillary cover of the fund and during the LHC campaign upgraded to include hospital. They subsequently chose to go overseas for an extended holiday, and as they had been members of the fund for over twelve months (a fund requirement for suspension) were granted suspension and given a reasonably comprehensive statement as to their rights and obligations on returning to Australia.

The member became pregnant on returning to Australia with the child due in August, more than 12 months since they upgraded cover. Unfortunately what the quite extensive documentation did not point out was that while on suspension, not only do the contributions suspend, but so also do the accumulation of time for waiting periods.

This not uncommon type of problem highlights communication difficulties with respect to suspensions, even without the added complication of LHC opting out. Perhaps it is time for funds to collectively put together common provisions for suspensions.

WAITING PERIODS FOR OBSTETRICS

Following the publication of the Departmental ruling on obstetric waiting periods in our last quarterly bulletin, some funds requested a review of the advice by the Department. They expressed concerns with the rationale for the distinction between obstetric and gynecological procedures in the context of waiting periods and with the possible inconsistencies resulting from this distinction. The Department, on 21 December responded to these concerns. Without revealing the fund(s), involved, this bulletin provides an extract of the response from the Department.

"The Department has given consideration to the issues you have raised and has looked at other options for balancing fairness to consumers, with a fairness to funds and with clarity of application for both consumers and funds. A number of these options were certainly fairer to consumers but significantly increased the risk exposure for funds and also generated other inconsistencies in relation to the payment of benefits.

The Department therefore stands by its interpretation of the obstetric waiting period – that it is only to be applied to obstetric conditions listed under the MBS……

It should be noted that the Department's position on obstetric waiting periods is intended to set the maximum waiting periods which can be applied for particular procedures. If funds wish to be more generous to members and set lesser waiting periods for particular procedures, then the legislation, and the department's interpretation of this legislation, does not prevent this."

The stance of this office is not at variance with that of the Department, but we would prefer to see funds adopt the more consumer focussed position of allowing for obstetric related consequences. Where the anticipated birth date falls beyond the twelve months waiting period span, and the unkind intervention of nature creates a problem requiring medical intervention within twelve months, fund rules should allow for such an eventuality.

Complaints (Problems, Grievances & Disputes) by health fund
1 October 2000 to 31 December 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 Limited	0	0.0	0	0.0	0.1
Australian Health Management Group Limited	30	3.3	12	3.5	2.6
Australian Unity Health Limited	41	4.4	18	5.2	2.8
AXA Australia Health Insurance	111	12.0	50	14.6	10.3
CBHS Friendly Society Limited	1	0.1	0	0.0	0.9
Cessnock District Health Benefits Fund	0	0.0	0	0.0	0.0
Credicare Health Fund	2	0.2	0	0.0	0.5
Defence Health Benefits Society	12	1.3	2	0.6	1.1
Federation Health	1	0.1	0	0.0	0.2
Geelong Medical & Hospital Benefits Assoc. Ltd	6	0.7	2	0.6	1.0
Goldfields Medical Fund (Inc.)	8	0.9	3	0.9	0.5
Grand United Corporate Health Limited	1	0.1	0	0.0	0.2
Grand United Health Fund Pty Ltd	6	0.7	2	0.6	0.5
Health Care Insurance Limited	1	0.1	1	0.3	0.1
Health Insurance Fund of W.A.	1	0.1	0	0.0	0.4
Health-Partners Inc.	0	0.0	0	0.0	0.5
Healthguard Health Benefits Fund Limited	0	0.0	0	0.0	0.1
HBF Health Funds Inc.	23	2.5	7	2.0	8.9
Hospitals Contribution Fund of Australia Limited	44	4.8	21	6.1	7.8
IOOF Health Services Limited	2	0.2	1	0.3	0.2
I.O.R. Australia Pty Limited	13	1.4	3	0.9	0.8
Latrobe Health Services Inc.	2	0.2	2	0.6	0.5
Lysaght Hospital and Medical Club	0	0.0	0	0.0	0.2
Manchester Unity Friendly Society In N.S.W.	29	3.1	18	5.2	1.3
Medibank Private Limited	342	37.1	115	33.5	29.7
Medical Benefits Fund of Australia Limited	169	18.3	60	17.5	17.3
Mildura District Hospital Fund Limited	1	0.1	1	0.3	0.3
Navy Health Limited	0	0.0	0	0.0	0.3
N.I.B. Health Funds Limited	44	4.8	14	4.1	5.4
NRMA Health Pty. Limited	8	0.9	3	0.9	1.5
N.S.W. Teachers' Federation Health Society	3	0.3	1	0.3	1.4
Phoenix Welfare Association Limited	0	0.0	0	0.0	0.1
Queensland Country Health Limited	0	0.0	0	0.0	0.2
Railway & Transport Emp Friendly Soc. H.F. Ltd.	3	0.3	1	0.3	0.3
Reserve Bank Health Society	0	0.0	0	0.0	0.1
SA Police Employees' Health Fund Inc.	0	0.0	0	0.0	0.1
St Luke's Medical & Hospital Benefits Ass. Ltd.	2	0.2	1	0.3	0.4
Transition Benefits Fund Pty Limited	0	0.0	0	0.0	0.1
Queensland Teachers' Union Health Fund Ltd	2	0.2	0	0.0	0.4
Transport Friendly Society Limited	3	0.3	1	0.3	0.1
United Ancient Order of Druids Victoria	0	0.0	0	0.0	0.1
United Ancient Order of Druids G/L NSW	2	0.2	1	0.3	0.0
Western District Health Fund Ltd	9	1.0	3	0.9	0.7
Total for Registered Funds	**922**	**100.0**	**343**	**100**	**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 2000 as reported in the PHIAC Annual Report.