

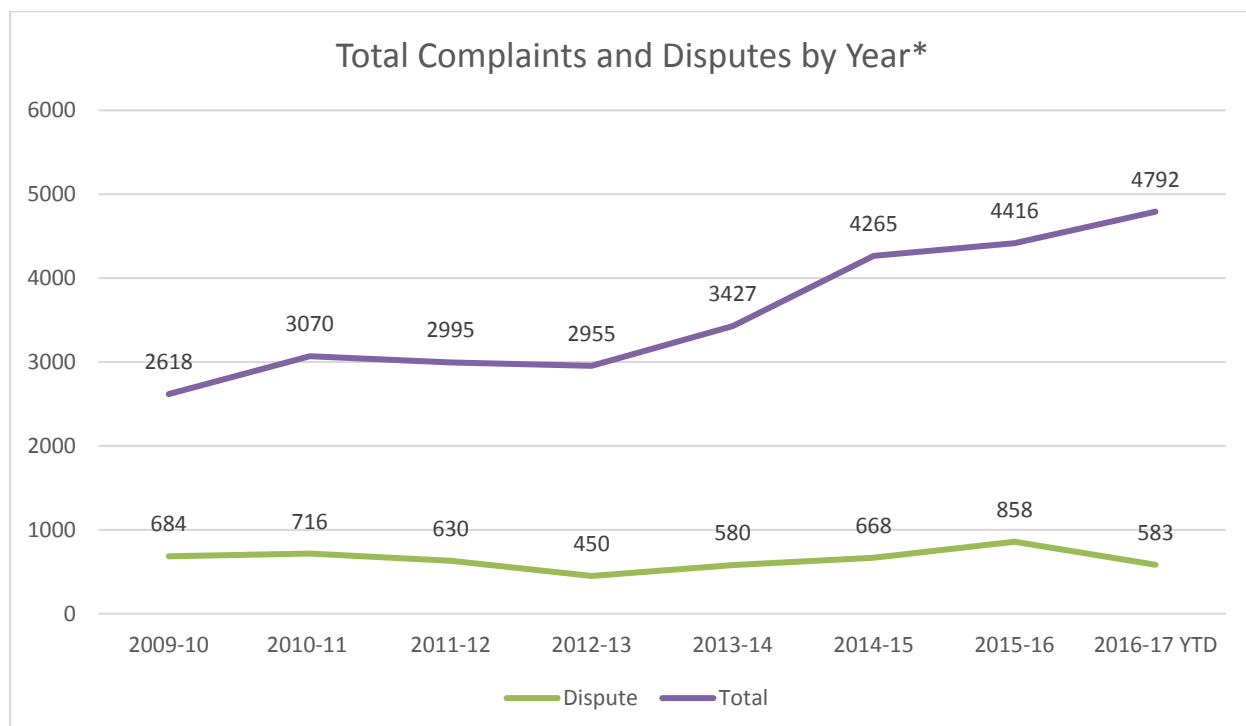
Private Health Insurance Ombudsman Quarterly Bulletin 82 (1 January – 31 March 2017)

Appointment of new Commonwealth Ombudsman

Mr Michael Manthorpe PSM was appointed on 8 May 2017 as Commonwealth Ombudsman for a five year term. Coming to the role from the Department of Immigration and Border Protection, where he led the Visa and Citizenship Services Group, he brings with him a wealth of experience from his many years in senior leadership roles across the public service.

The increase in private health insurance complaints

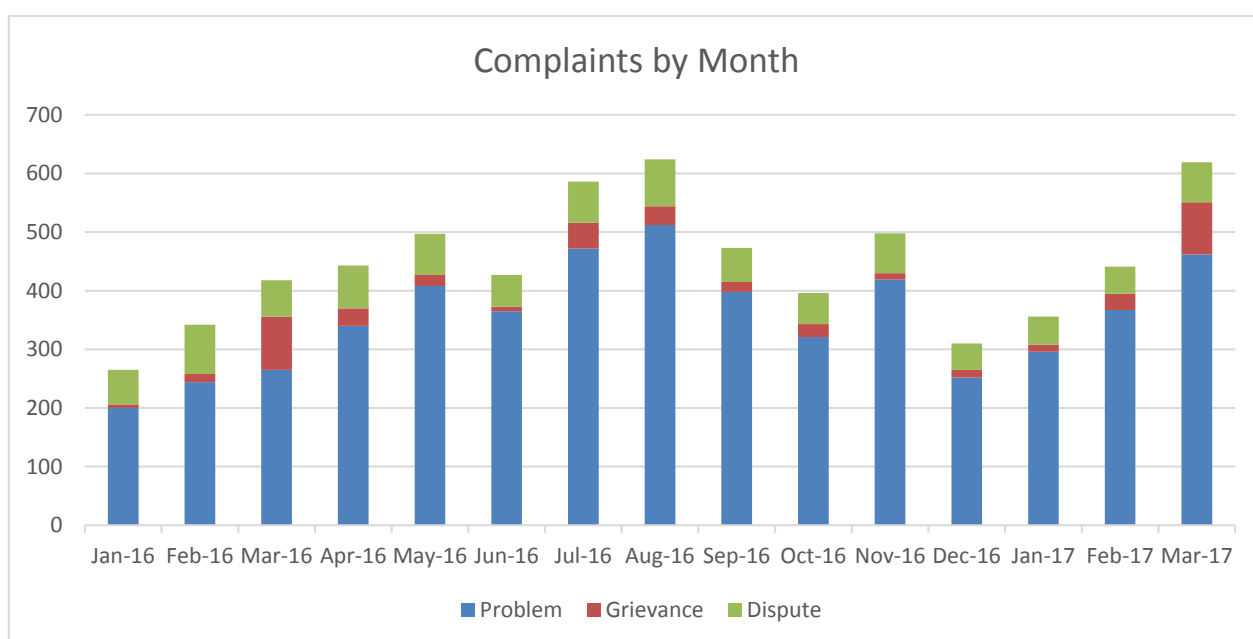
Although the number of matters received by the Office of the Commonwealth Ombudsman (the Office) about private health insurance is relatively small when compared to the number of transactions occurring within the industry, or when compared to some other industries such as telecommunications, any increase in matters is notable, considering there has been no internal change to the Office’s process of recording complaints. The complainants who choose to contact a government-appointed Ombudsman to assist with their health insurance complaint are in the minority. This is because health insurers, who operate within a framework of regulations, all have reasonable complaint processes that aim to resolve complaints at as low a level as possible. From our perspective a significant increase in matters that reach our Office indicates a wider level of complaints and dissatisfaction from health insurance consumers overall.



* Note 2016–17 YTD is for the period 01 July 2016 to 31 March 2017

There is no single cause for the increase in complaints made by health insurance consumers. The Ombudsman’s Office has recorded complaint issues and trends as part of its role for many years and on analysing the recent few quarters it shows that complaints across a range of issues have increased at the same time. The main drivers of the increase in complaints are increases in complaints about benefits, service, information and verbal advice and membership administration.

This quarter we received 1,416 private health insurance complaints, which was a significant increase of 17 per cent on the last quarter where 1,204 complaints were received. Health insurance complaints are generally higher in the middle of the year due to the administration of health insurance premiums, lifetime health cover and other seasonal factors. For this reason it is better to compare each quarter to the equivalent period in previous years to ascertain the extent of any changes in complaints trends. Compared to the same period in 2016 (1,025 complaints), complaints this quarter have increased 38 per cent and this shows a significant difference in the experience of health insurance consumers and their levels of dissatisfaction.



The increase in complaints that we experienced during the last few quarters has placed considerable pressure on our complaint-handling staff. It was pleasing to see that despite some delays in responding to complainants, our team was able to achieve a client satisfaction rating of 85 per cent in the year to date. This is a good result given the increased workload and in some cases, challenges in obtaining quick response times from insurers and an increase in dissatisfied complainants seeking further responses from complaint handlers.

Included in the 1,416 complaints that we received were 162 (11 percent) higher level complaints or “Disputes” which are matters which we considered a response from a health insurer and provided a decision¹. This was a significant reduction from the 205 (20 per cent) disputes received for the same quarter in 2016. A reduction in the proportion of complaints that are classified as disputes indicates that health insurers have been more successful in resolving complaints referred to them, without requiring further intervention by the Ombudsman. Our Office concludes that whilst there has been an increased incidence in complaints due to health insurance customer service, administration, benefits and information, overall health insurer complaints have been handled more successfully despite the increase in workload.

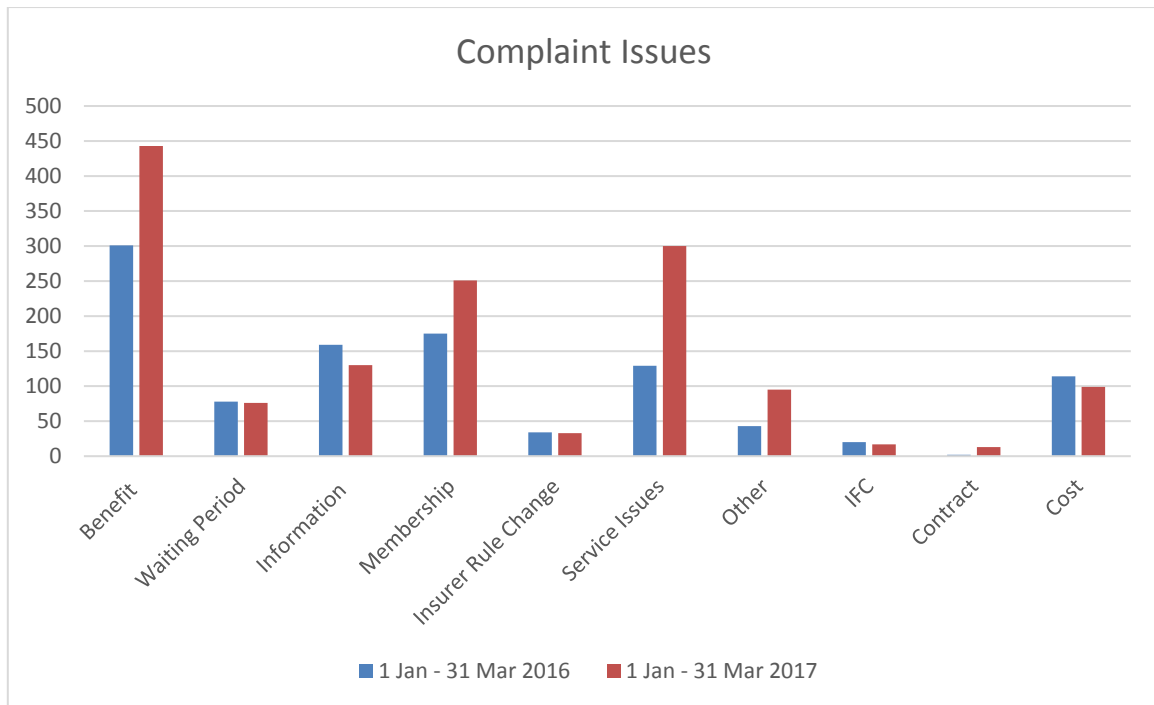
¹ Further details on complaint categorisation is available in the “Referral to Fund Guidelines” – see *Industry Resources* at <http://www.ombudsman.gov.au/making-a-complaint/private-health-insurance>

Complaints by provider or organisation type

Provider or organisation type	Dec 2016 QTR	Mar 2017 QTR
Health Insurers	1,067	1,245
Overseas Visitor & Overseas Student Health Insurers	95	108
Brokers and comparison services	15	19
Doctors, dentists, other medical providers	5	6
Hospitals and area health services	4	15
Other (e.g. legislation, ambulance services, industry peak bodies, etc)	17	19

Top 5 consumer complaint issues this quarter

- 1. Premium payment problems: 127 complaints** – Predominantly concerning direct debits from bank accounts and credit cards, such as incorrect debit amounts or irregular debits, or the accidental cessation of direct debit arrangements. The majority of these complaints were caused by IT problems at one insurer, which are being addressed by the insurer and we expect complaints about this issue to reduce in the next quarter.
- 2. Membership cancellation: 97 complaints** – Complaints caused by problems and delays associated with processing requests to cancel memberships and handling payments or refunds. Many health insurance consumers request and authorise a new health insurer to cancel their previous policy and transfer their health insurance details across. If an administrative step isn't taken by one of the insurers causing a refund or cancellation not to occur, it can sometimes be difficult for a consumer to understand which insurer they need to complain to and if they can seek the assistance of the Ombudsman.
- 3. Rate increase: 95 complaints** – Premiums historically increase on 1 April each year, subject to approval by the Minister for Health. The March quarter sees an incidence of such complaints each year, as insurers notify their members prior to the change taking effect.
- 4. General service issues: 81 complaints** – Most complaints concern delays or inaction from health insurer's customer service staff.
- 5. Verbal/Oral advice: 80 complaints** – Most oral advice complaints concern consumers misunderstanding their benefits during telephone calls and retail branch visits, particularly where records are not adequately maintained.



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Complaints by health insurer market share
1 January to 31 March 2017

Name of Insurer	Complaints(1)	Percentage of Complaints	Disputes(2)	Percentage of Disputes	Market Share(3)
ACA Health Benefits	1	0.1%	0	0.0%	0.1%
Australian Unity	82	6.6%	7	5.7%	3.1%
BUPA	247	19.8%	37	30.3%	27.0%
CBHS Corporate Health	0	0.0%	0	0.0%	n/a
CBHS Health Fund	5	0.4%	1	0.8%	1.4%
CDH (Cessnock District Health)	0	0.0%	0	0.0%	<0.1%
CUA Health	28	2.2%	12	9.8%	0.6%
Defence Health	11	0.9%	1	0.8%	1.9%
Doctors' Health Fund	5	0.4%	2	1.6%	0.2%
Emergency Services Health	0	0.0%	0	0.0%	n/a
GMHBA	25	2.0%	1	0.8%	2.1%
Grand United Corporate Health	4	0.3%	1	0.8%	0.4%
HBF Health & GMF/Healthguard	62	5.0%	5	4.1%	8.0%
HCF (Hospitals Contribution Fund)	136	10.9%	15	12.3%	10.3%
Health.com.au	16	1.3%	2	1.6%	0.6%
Health Care Insurance	0	0.0%	0	0.0%	0.1%
Health-Partners	4	0.3%	1	0.8%	0.6%
HIF (Health Insurance Fund of Aus.)	9	0.7%	0	0.0%	0.9%
Latrobe Health	4	0.3%	1	0.8%	0.7%
Medibank Private & AHM	471	37.8%	21	17.2%	27.6%
Mildura District Hospital Fund	1	0.1%	0	0.0%	0.2%
National Health Benefits Aust.	0	0.0%	0	0.0%	0.1%
Navy Health	1	0.1%	0	0.0%	0.3%
NIB Health	94	7.6%	11	9.0%	8.1%
Nurses and Midwives Pty Ltd	1	0.1%	0	0.0%	n/a
Peoplecare	3	0.2%	0	0.0%	0.5%
Phoenix Health Fund	0	0.0%	0	0.0%	0.1%
Police Health	0	0.0%	0	0.0%	0.3%
QLD Country Health Fund	0	0.0%	0	0.0%	0.3%
Railway & Transport Health	5	0.4%	0	0.0%	0.4%
Reserve Bank Health	0	0.0%	0	0.0%	<0.1%
St Lukes Health	1	0.1%	0	0.0%	0.4%
Teachers Federation Health	20	1.6%	2	1.6%	2.1%
Teachers Union Health	5	0.4%	2	1.6%	0.6%
Transport Health	2	0.2%	0	0.0%	0.1%
Westfund	2	0.2%	0	0.0%	0.7%
Total for Health Insurers	1,245	100%	122	100%	100%

1) Total number of Complaints (Problems, Grievances & Disputes) regarding Australian registered health insurers. This table excludes complaints regarding OVHC and OSHC insurers and other bodies.

2) Disputes required the intervention of the Ombudsman and the health insurer.

3) Source: Australian Prudential Regulation Authority, Market Share, All Policies, 30 June 2016. Insurers which commenced business after 30 June 2016 have no reportable market share.

Issues and sub-issues: complaints received in previous 4 quarters

ISSUE Sub-issue	June 2016	Sep 2016	Dec 2016	Mar 2017	ISSUE Sub-issue	Jun 2016	Sep 2016	Dec 2016	Mar 2017
BENEFIT					INFORMED FINANCIAL CONSENT				
Accident and emergency	12	10	14	10	Doctors	8	6	4	7
Accrued benefits	0	0	0	2	Hospitals	6	2	2	10
Ambulance	21	23	23	17	Other	4	2	2	0
Amount	16	20	41	51	MEMBERSHIP				
Delay in payment	49	66	47	54	Adult dependents	4	5	6	5
Excess	8	16	13	22	Arrears	26	31	38	31
Gap - Hospital	9	14	16	22	Authority over membership	5	7	8	3
Gap - Medical	19	55	33	33	Cancellation	122	107	79	97
General treatment (extras/ancillary)	50	58	67	52	Clearance certificates	121	148	62	41
High cost drugs	6	2	4	4	Continuity	26	57	40	47
Hospital exclusion/restriction	74	74	68	73	Rate and benefit protection	10	2	2	4
Insurer rule	32	50	33	38	Suspension	16	20	17	23
Limit reached	3	3	5	6	SERVICE				
New baby	1	2	8	6	Customer service advice	20	25	27	32
Non-health insurance	3	3	0	5	General service issues	94	101	51	81
Non-health insurance - overseas benefits	0	2	0	0	Premium payment problems	105	103	102	127
Non-recognised other practitioner	6	9	10	6	Service delays	72	281	53	60
Non-recognised podiatry	5	1	3	4	WAITING PERIOD				
Other compensation	5	1	4	3	Benefit limitation period	0	0	5	0
Out of pocket not elsewhere covered	5	5	6	9	General	6	5	11	6
Out of time	5	6	4	5	Obstetric	13	9	4	7
Preferred provider schemes	7	7	12	19	Other	2	8	5	4
Prostheses	3	2	0	1	Pre-existing conditions	61	82	61	59
Workers compensation	0	0	0	1	OTHER				
CONTRACT					Access	1	0	1	1
Hospitals	4	6	3	10	Acute care certificates	0	1	2	1
Preferred provider schemes	2	1	6	2	Community rating	0	0	0	0
Second tier default benefit	0	0	1	1	Complaint not elsewhere covered	24	9	18	24
COST					Confidentiality and privacy	2	10	5	4
Dual charging	4	1	3	4	Demutualisation/sale of health insurers	0	0	0	1
Rate increase	32	5	6	95	Discrimination	2	0	0	0
INCENTIVES					Medibank sale	0	0	0	1
Lifetime Health Cover	40	63	49	46	Non-English speaking background	0	0	0	0
Medicare Levy Surcharge	5	3	4	1	Non-Medicare patient	1	0	2	2
Rebate	7	10	11	9	Private patient election	0	2	0	3
Rebate tiers and surcharge changes	1	0	0	2	Rule change	33	22	23	33
INFORMATION									
Brochures and websites	6	12	11	16					
Lack of notification	26	24	19	11					
Oral advice	136	139	101	80					
Radio and television	0	0	0	1					
Standard Information Statement	3	4	3	1					
Written advice	7	16	11	21					