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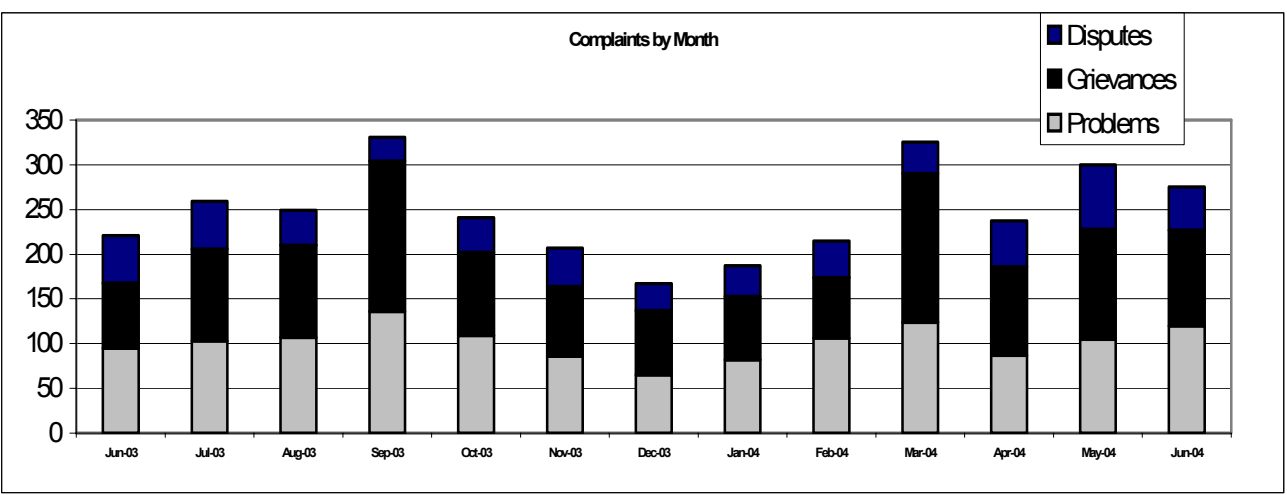
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Quarterly Bulletin 31
(1 April to 30 June 2004)

COMPLAINT STATISTICS AND ISSUES

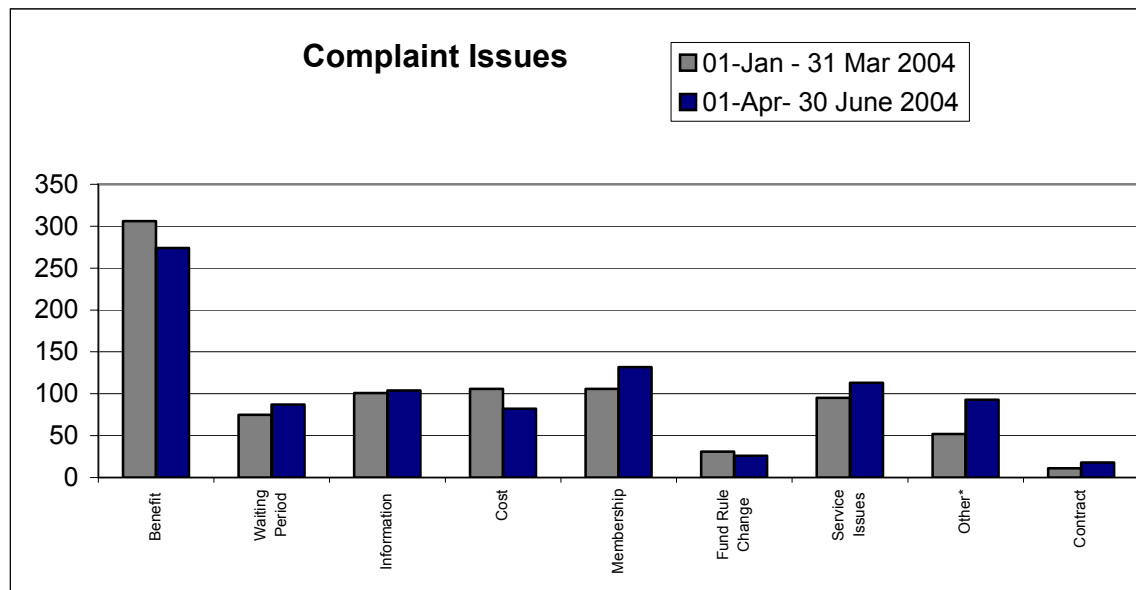
My office received 692 health fund complaints over the last quarter; a decline of 5% compared to the previous quarter and a drop of 17% compared to the same period last year. The number of disputes registered in the quarter also fell compared to last quarter (15%) and the June quarter 2003 (13%).



The most notable new issue leading to complaints in this period was the changes in the regulations applying to Lifetime Health Cover that took effect from April, following the passage of the *Health Legislation (Private Health Insurance Reform) Act 2004*. While the changes were not that significant, in terms of the number of people likely to be affected, they added a significant amount of complexity to the determination of the lifetime health cover status of new residents and citizens who have spent time overseas.

Most complaints on this issue arose from a reluctance or inability on the part of fund staff to explain or re-examine lifetime health cover loadings until they had a clearer understanding of the changes. My office also dealt with many enquiries from fund members on this issue (not recorded as complaints). Complaints and enquiries about this issue reduced considerably once funds had been able to complete briefing and training of customer contact staff.

Complaints about membership and service issues included a range of problems encountered by members transferring between funds. This issue is discussed in more detail below.



*Note: the “other” category includes lifetime health cover issues.

FUND TRANSFERS BEING DELAYED AND DERAILED

Most fund marketing information and websites stress how easy it is to transfer from another health fund. Many indicate that the new fund will do all the paperwork to cancel the old membership and ensure that the joining member gets continuous cover. The message is “it’s simple and easy”. For most transferring contributors it probably is a straightforward process. However, our complaints experience suggests that in many cases it’s far from easy – it’s a frustrating, risky and often costly experience.

The range of problems we see include:

- *unacceptable delays in obtaining a clearance certificate (either due to failure or delay in the gaining fund requesting one or delay by the losing fund or a combination of both);*
- *gaining funds imposing a full lifetime health cover loading (based on age at transfer) until a clearance certificate is received from the previous fund (Often the first time the member knows of this is when their first premium payment is deducted.);*
- *processing direct deductions immediately but delaying payment of benefits until a clearance certificate is received;*
- *quoting premiums net of the 30% rebate but not reducing the premium by 30% because of delays in receiving the necessary paperwork;*
- *overlaps in membership periods (and contributions) between the gaining and losing funds due to delay in ceasing direct deductions;*
- *gaps in membership periods resulting in tax implications for the member later; and*
- *no “cooling off period” for members who change their mind about transferring when they experience such problems.*

Most of these problems could be avoided if gaining funds ensure they meet the commitments they make to prospective transferring members in their marketing material and losing funds meet their obligation to provide clearance certificates in a timely manner.

Lifetime Health Cover regulations require funds to provide a statement to a member (relating to their LHC status) **within 14 days** of the member making such a request. In my view, funds are under an obligation to meet that timeframe where a member has requested (as part of the transfer process) another fund to obtain that information. If this timeframe were met in all cases, problems such as those indicated above would be avoided.

I will be monitoring complaints involving delays in the issue of clearance certificates and will be prepared to name those funds that regularly fail to meet their obligations.

CONSUMER INFORMATION ON RESTRICTIONS – TIME FOR A RETHINK?

“Insanity is doing the same thing over and over again and expecting different results.” – Albert Einstein

Nearly all funds offer hospital products that include restrictions (or exclusions) on some types of treatment. These are a continuing cause of complaint to my office. In general the complaints arise when, at the point of hospitalisation (or even worse afterward), a health fund member discovers that the treatment they need does not attract full benefits from their fund and they will be required to pay a significant gap for hospital services.

Inevitably the member says they were either unaware of the restriction on their cover or at least had no understanding of the implications of those restrictions. When researching these complaints we find that fund brochures provided to the member on joining, and after joining, did include some information on the restrictions. Most complainants have also received more than one annual statement, including information about the nature of their cover.

The view conveyed to us by the fund, in most such cases, is that the member has had adequate advice about the restrictions on their cover and should have read and paid more attention to the information provided to them. In general my office has, in most cases, accepted this view and explained this to the complainant. Some of these complaints do require more investigation and consideration, for example where the complainant claims to have received oral advice from fund staff that the particular hospital admission would be covered or where there has been a breakdown in the fund eligibility checking process. However most of these complaints come down to a lack of understanding by the member of the limitations of the cover they have purchased.

I believe that a significant proportion of these complaints (and the associated disadvantage and disillusionment experienced by fund members) could be avoided if funds rethink their approach to providing members with information about such restrictions or exclusions, particularly as part of the joining process. Funds should consider providing new or prospective members of such products with:

- an information sheet, specifically focussed on the restrictions or exclusions, that explains in more detail (and in plain language) the range of treatments that are restricted or excluded under each category; and
- a separate document, or a separate section in the membership application, requiring an additional signature as the member’s acknowledgement of the restrictions or exclusions applying to the product.

Funds should also consider highlighting any restrictions or exclusions in the explanation of cover provided in their members’ annual statements.

Complaints by Health Fund 1 April to 30 June 2004

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	0	0.0	0	0.0	0.1
AMA Health Fund	0	0.0	0	0.0	0.1
Australian Health Management Group	18	2.6	2	1.5	2.5
Australian Unity	31	4.5	13	9.5	3.1
BUPA Australia Health	69	10.0	17	12.4	9.9
CBHS	4	0.6	1	0.7	1.0
CDH (Cessnock District Health)	0	0.0	0	0.0	<0.5
Credicare	1	0.1	0	0.0	0.4
Defence Health	7	1.0	1	0.7	1.2
Druids NSW	1	0.1	0	0.0	<0.5
Druids Victoria	3	0.4	0	0.0	0.1
Federation Health	2	0.3	0	0.0	0.2
GMHBA	10	1.	0.	0.	1.
Grand United Corporate Health	6	0.9	1	0.7	0.2
Grand United Health	6	0.9	1	0.7	0.4
HBF Health	31	4.5	4	2.9	8.6
HCF (Hospitals Contribution Fund)	54	7.8	10	7.3	7.6
Health Care Insurance	0	0.0	0	0.0	0.1
Health Insurance Fund of W.A.	6	0.9	1	0.7	0.4
Healthguard	5	0.7	1	0.7	0.6
Health-Partners	6	0.9	0	0.0	0.6
I.O.R. Australia	15	2.2	2	1.5	0.9
IOOF Health	0	0.0	0	0.0	0.2
Latrobe Health	1	0.1	0	0.0	0.4
Lysaght Peoplecare	1	0.1	0	0.0	0.3
Manchester Unity	14	2.0	4	2.9	1.3
MBF Australia Limited	100	14.5	11	8.0	16.7
Medibank Private	216	31.2	47	34.3	29.7
Mildura District Hospital Fund	0	0.0	0	0.0	0.3
N.I.B. Health	47	6.8	11	8.0	5.5
Navy Health	1	0.1	0	0.0	0.3
NRMA Health (Provided by MBF Health Pty Limited)	12	1.7	3	2.2	2.1
Phoenix Health Fund	0	0.0	0	0.0	0.1
Police Health	0	0.0	0	0.0	0.1
Queensland Country Health	4	0.6	1	0.7	0.2
Railway & Transport Health	1	0.1	0	0.0	0.3
Reserve Bank Health	0	0.0	0	0.0	<0.5
St Lukes Health	2	0.3	1	0.7	0.4
Teacher Federation Health	3	0.4	0	0.0	1.5
Teachers Union Health	8	1.2	2	1.5	0.4
Transport Health	0	0.0	0	0.0	0.1
Westfund	7	1.	1.	1.	0.
Total for Registered Funds	692	100.0	137	100.0	

Note 1. Complaints = problems, grievances and disputes

Note 2. Disputes required intervention by the Ombudsman with Fund

Note 3. Source: PHIAC: Market Share as at 30/06/2003