Australian Government
Private Health Insurance Ombudsman

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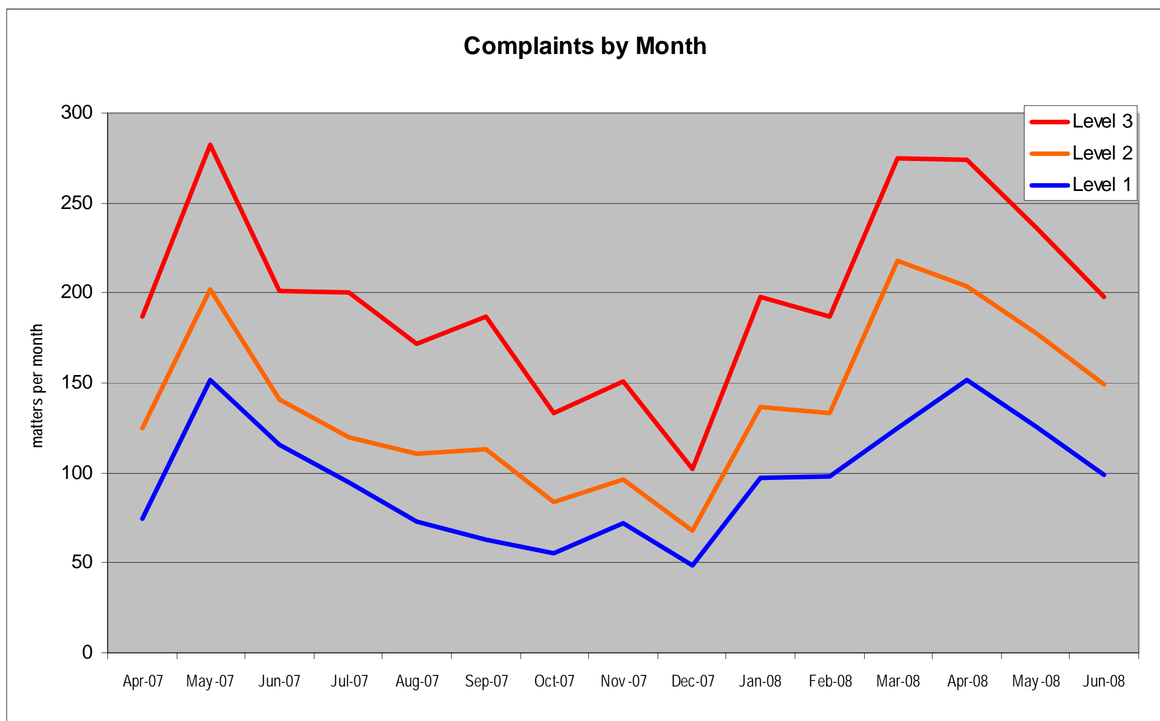
Quarterly Bulletin 47

(1 April to 30 June 2008)

This quarter we received 672 complaints about health insurers, an 8% increase on the March quarter. The number of complaints received was also 8% higher than the same time last year.

Of the 672 complaints received, 163 were Level-3 complaints, which is a similar number to last quarter and a reduction of 9% on the same time last year.



Informing Members about Policy Restrictions

It is not uncommon to read commentary in the media or in some funds' marketing material suggesting that younger people don't need a health insurance policy that gives them full cover for hospital treatment.

PHIO has always encouraged consumers to take out the most comprehensive level of hospital cover they can afford and choose a higher level of excess, rather than a restriction on the cover. This is because we receive complaints on a regular basis from members of all age groups who have discovered they are not covered for a procedure they require.

Complaints to the PHIO show that sometimes younger people do need procedures that are restricted under some policies, such as cardiac surgery, plastic and reconstructive surgery, psychiatric care and even joint replacement surgery.

Another source of complaint to the PHIO is couples starting a family, who discover they are not fully covered for maternity services, because they took out a policy restricting these services when they were younger. Some people don't realise the obstetric waiting period is twelve months and that they need to upgrade their policy well in advance to ensure a pregnancy is covered.

It is therefore timely to remind funds as well as brokers and agents acting on their behalf of the importance of giving people full information when they purchase a policy with a restriction. Younger people are often looking for a more affordable health insurance policy and are therefore more likely to choose one with restrictions. It is important that the consultant ensures they understand the higher risk they are taking on and that they will be subject to a twelve month waiting period for the restricted items if they decide to upgrade to a more comprehensive policy in future.

PHIO's view is that it is best practice for the fund to send all new members a letter with their welcome pack which clearly sets out any waiting periods and restrictions applying to their policy on page one. This information is also contained in *standard information statements* sent to new members and in annual mailouts.

PHIO encourages all members to review their health insurance policy each year to ensure it will meet their future health needs. This is particularly important where the policy contains any restrictions or exclusions. Some funds offer regular "cover checks" to members and this can be a good way of reminding members to look carefully at their policy and think about whether it is still relevant to their needs and life stage.

Preferred Provider Schemes

A regular area of complaint to the PHIO is preferred provider schemes. Not all funds have preferred provider schemes, but many do. Both PHIO and the ACCC have considered the issue of preferred provider schemes in the past and concluded that on balance, they can benefit all members of the fund, even those who don't use the scheme, by fostering competition and providing an incentive for all providers to keep their costs down.

We do, however, receive a number of complaints about the schemes each year from members who are unhappy that they pay the same premium as all other members, but receive a lower benefit unless they are able to access a preferred provider. These complaints are generally categorised as grievances, with an explanation given to the member.

When members contact health funds to complain about the amount of benefit they have received (usually for a dental service), customer service staff sometimes suggest that if the member had used a preferred provider, they would have received a higher benefit. Unfortunately, in many of these cases, there isn't a preferred provider available within a reasonable distance of the member. In a case received this month, there was no preferred provider at all in the state in which the member was living.

Customer service staff need to be aware that suggesting the use of a preferred provider in these circumstances will result in a more aggrieved member who is more likely to complain to the PHIO. Where a fund is receiving complaints about access to its preferred provider network, it is also a good idea to consider whether it needs to be extended for the benefit of members.

Lifetime Health Cover Calculator

The Department of Health & Ageing approved Lifetime Health Cover Calculator is available for use by all funds, brokers and agents at www.privatehealth.gov.au.

We have received several complaints this quarter from members who have had considerable difficulty in determining their lifetime health status. In all cases, a quick visit to the calculator by fund staff would have solved the problem without the need for the member to contact PHIO.

A copy of the calculator is also available for funds to put on their own websites. Information regarding this was sent out recently to all funds. Please contact Human Solutions if you need a copy of this advice.

PHIO Online Client Survey

An Online Client Survey is currently available on the home page of both the www.phio.org.au and www.privatehealth.gov.au websites. We would like to encourage our industry contacts who use these sites to fill in either or both surveys. Constructive feedback would be appreciated.

Complaints by Health Insurer Market Share

01 April - 30 June 2008

Name of Fund	Complaints[1]	Percentage of Complaints	Level-3 Complaints[2]	Percentage of Level-3 Complaints	Market Share[3]
ACA Health Benefits	0	0.0	0	0.0	<0.1
AHM	23	3.4	7	4.3	2.7
Australian Unity	42	6.3	12	7.4	3.4
BUPA (HBA)	42	6.3	9	5.5	9.8
CBHS	4	0.6	1	0.6	1.2
CDH (Cessnock District Health)	1	0.1	0	0.0	<0.1
CUA Health	1	0.1	0	0.0	0.4
Defence Health	9	1.3	2	1.2	1.4
Doctors' Health Fund	0	0.0	0	0.0	0.1
Druids Victoria	13	1.9	2	1.2	0.1
GMHBA	6	0.9	1	0.6	1.5
Grand United Corporate Health	2	0.3	1	0.6	0.3
HBF Health	14	2.1	6	3.7	7.6
HCF (Hospitals Cont. Fund)	40	6.0	7	4.3	8.8
Health Care Insurance	0	0.0	0	0.0	0.1
Health Insurance Fund of W.A.	4	0.6	2	1.2	0.4
Healthguard	0	0.0	0	0.0	0.5
Health-Partners	2	0.3	0	0.0	1.1
Latrobe Health	1	0.1	1	0.6	0.6
Manchester Unity	14	2.1	6	3.7	1.6
MBF Alliances	45	6.7	12	7.4	2.1
MBF Australia Limited	217	32.3	33	20.2	15.9
Medibank Private	125	18.6	34	20.9	28.6
Mildura District Hospital Fund	0	0.0	0	0.0	0.3
National Health Benefits Aust.	0	0.0	0	0.0	<0.1
N.I.B. Health	43	6.4	17	10.4	6.6
Navy Health	1	0.1	0	0.0	0.3
Peoplecare	0	0.0	0	0.0	0.3
Phoenix Health Fund	0	0.0	0	0.0	0.1
Police Health	2	0.3	1	0.6	0.2
Queensland Country Health	0	0.0	0	0.0	0.2
Railway & Transport Health	3	0.4	0	0.0	0.3
Reserve Bank Health	1	0.1	0	0.0	<0.1
St Lukes Health	0	0.0	0	0.0	0.4
Teacher Federation Health	12	1.8	4	2.5	1.7
Teachers Union Health	4	0.6	2	1.2	0.4
Transport Health	0	0.0	0	0.0	0.1
Westfund	1	0.1	3	1.8	0.7
Total for Health Insurers	672	100	163	100	100

1. Number of Complaints (Levels 1, 2 & 3) from those holding registered health fund policies.
2. Level 3 Complaints required the intervention of the Ombudsman and the health fund.
3. Source: PHIAC, Market Share, All Policies, 30 June 2007