Private Health Insurance
OMBUDSMAN

QUARTERLY BULLETIN NO 21
(1 October to 31 December 2001)

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REMINDER

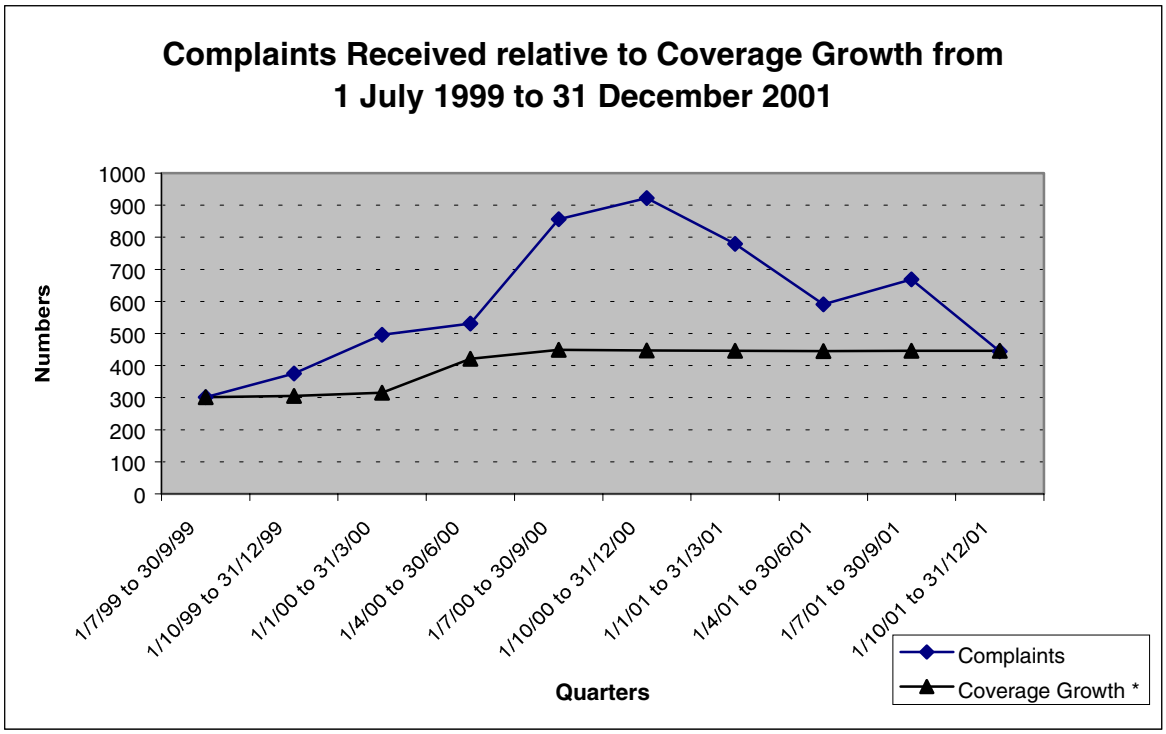
PHIO 3rd ANNUAL SEMINAR
CONSUMER ISSUES IN PRIVATE HEALTH
THURSDAY 7 FEBRUARY -- SYDNEY
Phone 1800 640 695 for details

A WELCOME CHANGE IN THE DIRECTION OF COMPLAINTS

Since the commencement of the promotional campaign introducing Lifetime Healthcover, complaint numbers to PHIO have shown a significant upward trend. It is pleasing to see that trend falling back towards the numbers preceding that period. The workload change has allowed PHIO to reduce its staff component and still maintain the highest levels of service to consumers.

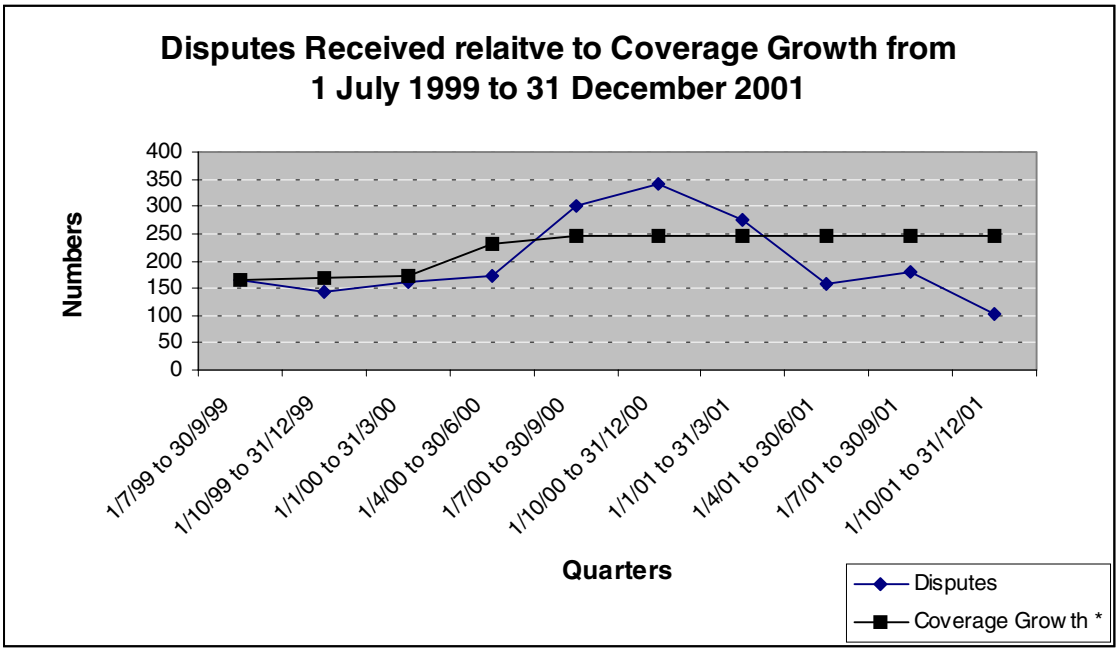
There is still a way to go for some funds which still exhibit complaint statistics consistently in excess of their market share. There is a need for these funds to address the issues that attract criticism from their members and look to ways of improving performance and even product structure.

The graphs below depicts quarterly statistics on both total complaints to PHIO and the more significant "dispute" category for all periods from 1 July 1999 through to 31 December 2001 and relates this to growth in coverage of contributors during the same period.



* Coverage Growth has been derived using 30/9/99 total complaints as a base ratio and applying this ratio to the growth in membership over the whole period.

The graph shows that total complaints against real membership has fallen back to the same relative position as existed prior to the Lifetime Healthcover campaign.



* Coverage Growth has been derived using 30/9/99 disputes as a base ratio and applying this ratio to the growth in membership over the whole period.

The disputes graph shows a promising trend, with the current level of disputes being below the figures derived using the membership growth ratio. This was a result which PHIO hoped would appear given the industry acceptance of guidelines recently produced for Pre Existing Ailments and Portability of Membership, both issues having created significant dispute numbers in the past.

PRIVATE PATIENT ACCESS TO PRIVATE FACILITIES

There has been a reasonable amount of media attention to the question of access for patients into private hospitals. A recent "survey" by the Victorian branch of the AMA pointed to concern by practitioners at the real difficulty of finding appropriate accommodation for some categories of patient, particularly elderly medical patients. The suggestion is that the system financially favours fast turn around surgical patients and that hospital operators are reluctant to accommodate longer-term elderly medical patients.

PHIO has had very scant real evidence of any systemic problem associated with this issue. Indeed in the twelve months of 1999/2000 there were only three reported instances of such problems out of a total of 1875 complaints and in the following year where complaint numbers rose to 3357, there was not a corresponding increase in the number of complaints in this category. This in itself does not rule out the existence of a problem, but it does make it extremely difficult with such small numbers of instances to fully investigate and offer any reasoned judgment as to whether there is a systemic problem.

Given the obvious concern that such alleged activity generates, the Ombudsman addressed the issue at the recent annual meeting of Australian Health Insurance Association. (It is pleasing to note that Russell Schneider the Executive Director of AHIA also pointed to the problem in his address.) PHIO pointed out that all health funds used ready access to private facilities as a major reason for persons to have private

health insurance. As such health funds have an explicit requirement to ensure that their contractual relationships with providers fulfill their obligations to their members. They must ensure that members have the access their product promises. Funds must also ensure that when members question whether they will be able to gain access to the hospital of their choice they are properly informed. There have been instances brought to PHIO's attention where such questions have received either superfluous puffery or "its not our problem" answers. Care needs to be taken as to how these genuine enquiries are answered.

The Department of Health and Ageing has recently advised there will be an industry wide meeting in February to discuss the issue. It is important that more than just anecdotal information is available to this meeting. There needs to be real investigation into these allegations and actual researched case histories presented to show if there is a systemic problem that requires the broader private health industry to modify its current practice.

CONTRACT CEASATION, THE CODE OF CONDUCT PRINCIPLES

The voluntary code of practice between health funds and private hospitals has now been in operation for over twelve months. It is disappointing that a larger number of hospitals have not become signatories to the code. It is even more disappointing to become involved in dispute resolution where not only has a hospital not been a signatory, but are not even abiding by the principles espoused in the code.

The code was designed to assist all parties particularly when negotiations reach a stalemate. The APHA, AHIA, Government, ACCC and PHIO have accepted the principles embodied in the code, in that they offer safeguards not just to funds and hospitals but also to current, former and prospective patients in the system.

In the past PHIO has advised parties they will not stand by when consumers are used as part of the negotiating tactics of either party. Again, PHIO has had to take action recently when parties who were not signatories to the code refused to abide by industry accepted principles. Ultimately, the issue was resolved after PHIO initiated mediation, but not before some consumers were significantly disadvantaged by recalcitrant action by the hospital involved. There was then a need to ensure that the consumers/patients were not left in the disadvantageous position.

Even if parties decide (for whatever reason) not to be signatories to the code of practice, PHIO expects that they will abide by the industry accepted principles contained in the code. In the event it is evident that parties do not abide by the code, PHIO will intervene in the interest of the consumers.

INFORMED FINANCIAL CONSENT

This office has been concerned since its inception with the consequences to consumers when Informed Financial Consent to a procedure is unable to be properly given due to the lack of an adequate membership eligibility check prior to hospitalisation.

Whatever the ultimate reason a claim on a health fund is rejected, the question of membership eligibility and the appropriate checking procedures are common factors affecting financial outcomes for the consumer.

Data from this office shows many cases where the consequential effect of lack of correct eligibility checking has resulted in disputed claims of tens of thousands of dollars and a significant number where the amount exceeded $50,000.

As a resolution to this problem is dependent on health funds acting in concert with hospitals to enable the provisions of section 73BD(2)(d) to be met, and as it is evident that the current practices to achieve this are inadequate, PHIO has commenced an investigation (in accordance with Section 82ZT) to identify any deficiencies in current practice and recommend corrective action.

The review will examine the type of information that needs to be provided by the Hospital and the fund in response. The ultimate object of the investigation is to provide hospitals with a consolidated profile of health fund eligibility checking and advice as to the consequences of a hospital or health funds not fulfilling their obligations if a consumer is left with unexplained debts.

Complaints (Problems, Grievances & Disputes) by health fund
1 October 2001 to 31 December 2001

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	12	2.7	1	1.0	2.6
Australian Unity Health Limited	20	4.5	5	4.9	3.1
AXA Australia Health Insurance	64	14.4	21	20.6	9.9
CBHS Friendly Society Limited	2	0.5	1	1.0	0.9
Cessnock District Health Benefits Fund	0	0.0	0	0.0	0.0
Credicare Health Fund	1	0.2	0	0.0	0.4
Defence Health Benefits Society	3	0.7	1	1.0	1.1
Federation Health	0	0.0	0	0.0	0.2
GMHBA Limited	4	0.9	1	1.0	1.2
Goldfields Medical Fund (Inc.)	6	1.4	1	1.0	0.7
Grand United Corporate Health Limited	1	0.2	0	0.0	0.2
Grand United Health Fund Pty Ltd	3	0.7	1	1.0	0.4
Health Care Insurance Limited	0	0.0	0	0.0	0.1
Health Insurance Fund of W.A.	3	0.7	0	0.0	0.4
Health-Partners Inc.	2	0.5	0	0.0	0.5
Healthguard Health Benefits Fund Limited	0	0.0	0	0.0	0.1
HBF Health Funds Inc.	18	4.1	6	5.9	8.8
Hospitals Contribution Fund of Australia Limited	16	3.6	6	5.9	7.3
IOOF Health Services Limited	1	0.2	0	0.0	0.2
I.O.R. Australia Pty Limited	9	2.0	1	1.0	1.1
Latrobe Health Services Inc.	0	0.0	0	0.0	0.5
Lysaght Hospital and Medical Club	0	0.0	0	0.0	0.2
Manchester Unity Friendly Society In N.S.W.	8	1.8	0	0.0	1.2
Medibank Private Limited	121	27.3	33	32.4	30.7
Medical Benefits Fund of Australia Limited	86	19.4	9	8.8	16.9
Mildura District Hospital Fund Limited	0	0.0	0	0.0	0.3
Navy Health Limited	1	0.2	0	0.0	0.2
N.I.B. Health Funds Limited	40	9.0	10	9.8	4.9
NRMA Health Pty. Limited	7	1.6	0	0.0	1.5
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'ees Friendly Soc. H.F. Ltd.	1	0.2	0	0.0	0.3
Reserve Bank Health Society	0	0.0	0	0.0	0.0
SA Police Employees' Health Fund Inc.	1	0.2	0	0.0	0.1
St Luke's Medical & Hospital Benefits Ass. Ltd.	2	0.5	0	0.0	0.4
Teachers Federation Health Limited	7	1.6	2	2.0	1.4
Transition Benefits Fund Pty Limited	0	0.0	0	0.0	0.1
Queensland Teachers' Union Health Fund Limited	0	0.0	0	0.0	0.4
Transport Friendly Society Limited	0	0.0	0	0.0	0.1
United Ancient Order of Druids Victoria	1	0.2	1	1.0	0.1
United Ancient Order of Druids G/L NSW	0	0.0	0	0.0	0.0
Western District Health Fund Ltd	4	0.9	2	2.0	0.7
Total for Registered Funds	**444**	**100.0**	**102**	**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 fund as at 30 June 2001 as reported in the PHIAC Annual Report.