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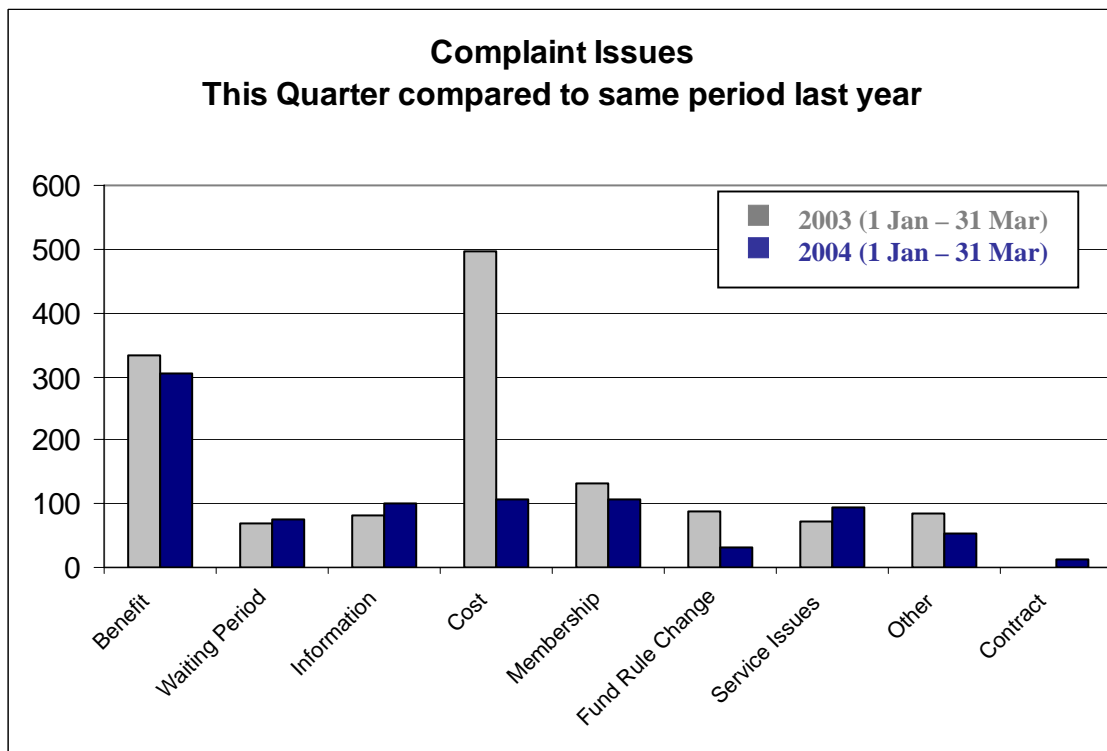
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Quarterly Bulletin 30
(1 January to 31 March 2004)

RELATIVELY QUIET RESPONSE TO PREMIUM RISES

The total number of complaints received by my office in this quarter was 737. This was an increase over last quarter of 24%. A significant increase in complaint numbers was anticipated because premium rises for 2004 were announced on 27 February and most contributors received notice of the rises applying to them before the end of the quarter. However, by comparison with previous years, the level of complaints about premium rises was remarkably low.

In the March quarter last year my office received a record number of complaints (1205), with the majority of the complaints related to premium rises or changes to benefits. This quarter, the number of complaints, in which the premium rise was an issue, has been around a fifth of the number for the corresponding quarter last year.



In my view a number of factors contributed to this decline in complaints on pricing:

- Increases for most products were near to the announced industry average. There were no funds or products with very large increases (by contrast with last year).
- Major changes to benefits were (mostly) avoided.
- Most funds improved their letters to members advising of the increases.
- Contributors expected some increase and seem to have been more accepting of the need for increases.
- There was considerably less negative media coverage.

Notification Issues

Although I observed a general improvement in the quality of letters sent to contributors about premium rises and associated changes, my office did receive complaints about late notification by some funds and inadequate explanation of some changes.

A number of complainants reported receiving letters advising them of rate increases and some benefit changes either just before or (in the case of one fund) just after the changes took effect. When we investigated these complaints, funds advised that the delay in delivery of notices was due to problems with mailing house contractors. In some cases the delay was magnified for some contributors because of a deliberate strategy of staggering delivery of notices to ensure that enquiries to the fund's call centres and branches were spread over a longer period. Although the staggering of deliveries for this purpose is a reasonable strategy to ensure that adequate service levels can be maintained, funds should be closely managing these processes to ensure that all contributors get reasonable notice of the changes.

In any case that comes to notice where a complainant is actually and genuinely disadvantaged by late notification of changes, I will expect special action from the fund to overcome the problem for its contributor.

In some cases funds needed to apply a much higher than average increase to particular products. In such cases it is not adequate to simply provide a standard letter across all products as an explanation of the need for change. The particular issue leading to a much larger increase needs to be acknowledged and explained. For example, one complainant, whose premium (for his particular product) had increased by over 20%, reported that, in its letter to him, his fund had "justified" the increase by reporting an overall rise in benefit payments of around 10%.

CHANGES TO PHIO FUNCTIONS AND POWERS

The *Health Legislation Amendment (Private Health Insurance Reform) Act 2004* received Royal Assent on 27 February 2004. The Act includes changes aimed at strengthening the powers of the Private Health Insurance Ombudsman as well as some additions to the functions of the Ombudsman.

The changes to the Ombudsman's powers are mainly concerned with the Ombudsman's investigatory powers and include clarification of powers to require information and the production of fund records, the responsibility of funds, hospitals and medical practitioners in relation to the Ombudsman's recommendations and an

explicit power (and new function) to report and make recommendations to the Minister. The Act also provides penalties for not complying with requirements to provide information or records to the Ombudsman and for providing false or misleading information.

The changes to the Ombudsman's powers should not affect day-to-day dealings between this office and health funds. The Private Health Insurance Ombudsman seeks to continue to settle complaints through informal mediation in the first instance. However, over the next few weeks, we will be updating our fund contact arrangements and will be consulting with funds about ways of improving complaint referral processes. This is as a result of a recent review of our procedures.

The most significant new function introduced in the Act is the requirement for the Ombudsman to produce and publish an annual State of the Health Funds report. The first report is due to be published as soon as possible after the end of the financial year.

REVIEW OF HEALTH FUNDS' COMPLAINT MANAGEMENT

A number of funds have expressed interest in working with PHIO to help improve the standard of complaints handling across the industry. As a first step I have proposed a review of complaint handling arrangements within funds, assessing the culture, processes and outcomes of those arrangements against the draft international standard for complaints handling (ISO 10018).

Following discussions with the health insurance associations (AHIA and HIRMAA), I have engaged the firm Listening Post Pty Ltd to assist in this project. Through the Listening Post "LPReview" process, funds will participate in a structured self assessment of their current complaints handling. Each fund will receive an individual, confidential report indicating the extent to which they comply with the international standard and any areas needing greater focus or improvement. Listening Post will also prepare a consolidated report on complaints handling within the health insurance industry. The industry report will be available to all funds, PHIO, AHIA and HIRMAA. The AHIA and HIRMAA have agreed to jointly sponsor this review and all funds will be encouraged to participate. All funds will receive further details on this review shortly.

2004 PHIO Seminar

The annual PHIO seminar was conducted in Melbourne on Tuesday 9 March 2004. The seminar was very well attended and we received very positive comments on the quality of the seminar program.

The theme of this year's seminar was *Getting the message to and from our customers*. The program included expert speakers on issues of customer communications and handling customer feedback. A selection of presentations and speaker notes, from the seminar, is available in the publications/discussion papers section of the PHIO website - www.phio.org.au/discussionpapers.php

PHIO is moving to new premises

From 27 April 2004 PHIO will be located at

Level 7, 362 Kent St Sydney NSW 2000

(this will also be our new postal address)

Our complaints hotline number will still be

1800 640 695

From 27 April 2004 our fax number will be

02 8235 8778

Website and email addresses won't change

Complaints by Health Fund 1 January to 31 March 2004

Name of Fund	Total number of complaints(1)	% of total complaints	Total number of disputes (2)	% of total disputes	Market share (3)	Premium Complaints	% Premium Complaints
ACA Health Benefits	0	0.0	0	0.0	0.1	0	0.0
AMA Health Fund	0	0.0	0	0.0	0.1	0	0.0
Australian Health Management Group	25	3.4	5	3.1	2.5	7	6.8
Australian Unity	28	3.9	9	5.6	3.1	0	0.0
BUPA Australia Health	64	8.8	17	10.6	9.9	5	4.9
CBHS	10	1.4	2	1.2	1.0	0	0.0
CDH (Cessnock District Health)	1	0.1	0	0.0	<0.5	0	0.0
Credicare	4	0.6	2	1.2	0.4	0	0.0
Defence Health	14	1.9	1	0.6	1.2	2	1.9
Druids NSW	0	0.0	0	0.0	<0.5	0	0.0
Druids Victoria	0	0.0	0	0.0	0.1	0	0.0
Federation Health	2	0.3	1	0.6	0.2	0	0.0
GMHBA	6	0.8	3	1.9	1.3	0	0.0
Grand United Corporate Health	4	0.6	0	0.0	0.2	0	0.0
Grand United Health	2	0.3	0	0.0	0.4	0	0.0
HBF Health	25	3.4	9	5.6	8.6	2	1.9
HCF(Hospitals Contribution Fund)	46	6.3	8	5.0	7.6	13	12.6
Health Care Insurance	0	0.0	0	0.0	0.1	0	0.0
Health Insurance Fund of W.A.	3	0.4	1	0.6	0.4	0	0.0
Healthguard	4	0.6	0	0.0	0.6	0	0.0
Health-Partners	2	0.3	1	0.6	0.6	0	0.0
I.O.R. Australia	9	1.2	3	1.9	0.9	1	1.0
IOOF Health	1	0.1	0	0.0	0.2	0	0.0
Latrobe Health	1	0.1	1	0.6	0.4	0	0.0
Lysaght Peoplecare	3	0.4	0	0.0	0.3	0	0.0
Manchester Unity	17	2.3	7	4.3	1.3	0	0.0
MBF Australia Limited	123	16.9	14	8.7	16.7	28	27.2
Medibank Private	244	33.6	54	33.5	29.7	33	32.0
Mildura District Hospital Fund	2	0.3	1	0.6	0.3	0	0.0
N.I.B. Health	46	6.3	15	9.3	5.5	6	5.8
Navy Health	2	0.3	0	0.0	0.3	0	0.0
NRMA Health (Prov.d by MBF Health Pty Limited)	14	1.9	3	1.9	2.1	3	2.9
Phoenix Health Fund	0	0.0	0	0.0	0.1	0	0.0
Police Health	0	0.0	0	0.0	0.1	0	0.0
Queensland Country Health	1	0.1	1	0.6	0.2	0	0.0
Railway & Transport Health	3	0.4	0	0.0	0.3	1	1.0
Reserve Bank Health	0	0.0	0	0.0	<0.5	0	0.0
St Lukes Health	6	0.8	0	0.0	0.4	1	1.0
Teacher Federation Health	5	0.7	1	0.6	1.5	1	1.0
Teachers Union Health	6	0.8	2	1.2	0.4	0	0.0
Transport Health	0	0.0	0	0.0	0.1	0	0.0
Westfund	3	0.4	0	0.0	0.8	0	0.0
Total for Registered Funds	726	100.0	161	100.0	100.0	103	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