Australian Government
Private Health Insurance Ombudsman

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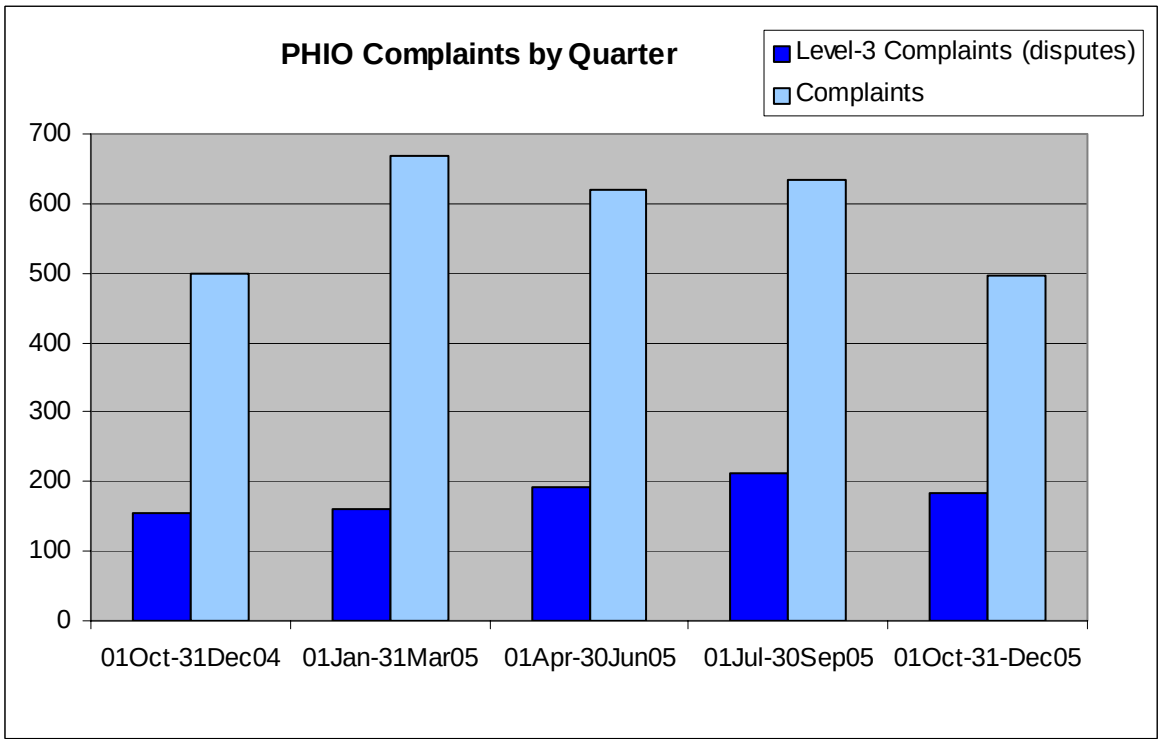
# Quarterly Bulletin 37
## (1 October to 31 December 2005)

## COMPLAINT STATISTICS

In the final quarter of 2005 PHIO received 462 complaints about health funds. This represented a decline of 27% compared to the previous quarter. This was consistent with normal seasonal trends. Compared to December 2004, the total number of complaints was slightly down (by 5%). PHIO recorded a reduction in total complaints for nearly all funds.

The number of level 3 (investigated) health fund complaints registered during the quarter (171) also declined in line with the seasonal trend but was 10% higher than the same period in 2004.




## COMPLAINT ISSUES

Despite the significant decline in overall complaint numbers complaints on three sub-issues rose over the quarter: - premium payment problems, Lifetime Health Cover and complaints about the level of cover.

### Premium Payment Problems

In general, complaints about premium payment problems arise from breakdowns in communication between members and their fund or the fund and the member's bank. Unfortunately poor service recovery procedures and a lack of flexibility at some funds is leading to complaints to the PHIO. Once the matter is escalated within the fund, after PHIO involvement, most of these matters are quickly settled to the member's satisfaction. It would be preferable for all parties if such problems were able to be resolved satisfactorily at an early stage when the fund is first made aware of them.

### Lifetime Health Cover – New Residents

A significant proportion of the complaints received about Lifetime Health Cover relate to recently arrived new residents who have not taken out private health insurance within 12 months of becoming eligible for Medicare. In all cases the person indicates that they have never been provided with any information to indicate the importance of taking up private health insurance within this 12-month deadline. PHIO has raised this issue with the Department of Health and Ageing and Medicare Australia.

### Level of Cover

Most complaints about the level of cover provided by a person's health insurance involve products that provide for restricted benefits for some types of hospital treatment. This has been a perennial issue for this office and has been raised by the Ombudsman in Annual Reports, Quarterly Bulletins, submissions and public presentations. Nonetheless, I am once again devoting space in this bulletin to outline the key issues involved and suggestions for avoiding the problems associated with restricted cover products.

## RESTRICTED COVER PRODUCTS

Analysis of PHIAC data collected since 2001 suggests that a significant proportion of new hospital memberships since that time have involved products that include restrictions on some forms of hospital treatment. Such products offer the potential benefit for consumers of lower premiums than comprehensive cover products and in many cases meet a consumer desire that they not have to pay to cover treatments they do not expect to need.

However, from the history of complaints to this office, it is clear that many consumers have not been made adequately aware of the range and effect of restrictions applying to the product they have purchased. I do not believe that it is in the interest of any fund or the industry generally for consumers to be unaware of significant gaps in what they are covered for. This can be avoided if funds are prepared to be more "upfront", direct and proactive in their communication to members purchasing and holding restricted cover products. A few recent examples illustrate the problems and suggest the solutions.

We have recently had a number of complaints from consumers who claim to have been unaware that their product provided restricted benefits for obstetrics. In most cases the member or spouse is already pregnant by the time they become aware of the restriction, in some cases when attempting to arrange or book private hospital treatment.

In one such case the only notable feature of the product purchased was that it provided restricted cover for obstetrics (there were no other limitations or restrictions). Nonetheless the member claimed that this was never specifically mentioned at the time of joining. Notes made by fund staff of telephone conversations at the time indicated that waiting periods, premium levels and direct deduction arrangements were explained but make no mention of explaining the obstetrics restriction. While the brochure sent to the member on joining did include some information on the obstetric restriction, this was several pages into the brochure and explained in a small print footnote.

In another case a member, who had held a "young singles" cover for some time, contacted the fund to arrange to add his new wife to the membership as they intended to start a family. The change to a family membership was actioned but there was no discussion of the suitability of his cover (which restricted obstetrics) to his new situation.

In other examples members hold their restricted covers for a number of years and do not review their cover as their situation changes. In most cases the fund takes no action to offer or prompt such a review.

My own review of fund website information and brochures on restricted cover products has identified a number of examples where information on the range and effect of restrictions is relegated to very well into the information about the product and is unclear. In quite a few cases the initial information about the product indicates that the product provides "full cover for hospital expenses in agreement hospitals and public hospitals and that this includes hospital accommodation, theatre costs, labour ward costs and prostheses." The list of restricted services is provided much later. This approach is at best misleading, at worst deceptive.

Products offering restricted cover for some treatments (or exclusions) can play an important role in meeting the needs of some consumers. However, funds offering such products must take more responsibility to ensure that members understand the implications of these products. Restrictions should be outlined and explained in conversations with potential joiners. Restrictions should be highlighted upfront in brochures explaining these products (and in Lifetime Health Cover statements) and funds should have a proactive program alerting members of the need, and offering assistance, to review their cover regularly and when their situation changes.

## NEW PHIO BROCHURES

PHIO has now completed a review and rewrite of all our consumer brochures. Most of the brochures have changed substantially and any PHIO brochures held by funds or other organisations are out of date. (For example, the previous "Right to Change" brochure on portability includes incorrect information about benefit limitations following recent changes.)

The new brochure range includes:

- *The Right To Change – Health Insurance Portability*
- *Doctors Bills* (Covers doctor billing arrangements, IFC, gap cover etc)
- *Ten Golden Rules* (Tips for consumers on avoiding problems with PHI)
- *Making a Complaint* (What to do if you have a complaint on PHI, PHIO's role)
- *Our Service* (PHIO's service charter)

- Also coming soon – A revised brochure on the *Pre-existing Ailment Waiting Period*

PHIO also distributes *Insure, Not Sure?* and the *Private Patients' Hospital Charter* to consumers but stocks of those brochures should be requested from PHIAC or the Department, respectively.

Stocks of PHIO brochures can be requested via the PHIO website - www.phio.org.au or by phoning PHIO administration - 02 82358711. Stocks of brochures are provided free to health funds and consumer complaint organisations but a small charge to cover printing and distribution costs will apply to bulk orders from other organisations. (IFC will be provided.)

# Complaints by Health Fund Market Share

## 01 October - 31 December 2005

| 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 | 0.1 |
| AMA Health Fund | 0 | 0 | 0 | 0 | 0.1 |
| AHM | 16 | 3.5 | 7 | 4.1 | 2.4 |
| Australian Unity (4) | 32 | 6.9 | 10 | 5.8 | 3.6 |
| BUPA (HBA) | 53 | 11.5 | 23 | 13.5 | 9.9 |
| CBHS | 8 | 1.7 | 3 | 1.8 | 1.1 |
| CDH (Cessnock District Health) | 0 | 0 | 0 | 0 | <0.1 |
| Credicare | 2 | 0.4 | 1 | 0.6 | 0.4 |
| Defence Health | 12 | 2.6 | 3 | 1.8 | 1.4 |
| Druids NSW | 0 | 0 | 0 | 0 | <0.1 |
| Druids Victoria | 1 | 0.2 | 0 | 0 | 0.1 |
| GMHBA | 10 | 2.2 | 6 | 3.5 | 1.5 |
| Grand United Corporate Health | 7 | 1.5 | 2 | 1.2 | 0.3 |
| HBF Health | 18 | 3.9 | 7 | 4.1 | 7.9 |
| HCF (Hospitals Cont. Fund ) | 22 | 4.8 | 10 | 5.8 | 8.8 |
| Health Care Insurance | 0 | 0 | 0 | 0 | 0.1 |
| Health Insurance Fund of W.A. | 1 | 0.2 | 1 | 0.6 | 0.4 |
| Healthguard | 6 | 1.3 | 0 | 0 | 0.6 |
| Health-Partners | 2 | 0.4 | 0 | 0 | 0.7 |
| Latrobe Health (5) | 2 | 0.4 | 1 | 0.6 | 0.6 |
| Lysaght Peoplecare | 0 | 0 | 0 | 0 | 0.3 |
| Manchester Unity | 14 | 3.0 | 9 | 5.3 | 1.4 |
| MBF Australia Limited | 67 | 14.5 | 20 | 11.7 | 16.7 |
| MBF Alliances | 21 | 4.5 | 6 | 3.5 | 2.2 |
| Medibank Private | 112 | 24.2 | 38 | 22.2 | 28.7 |
| Mildura District Hospital Fund | 2 | 0.4 | 0 | 0 | 0.3 |
| N.I.B. Health | 39 | 8.4 | 17 | 9.9 | 6.2 |
| Navy Health | 1 | 0.2 | 0 | 0 | 0.3 |
| Phoenix Health Fund | 0 | 0 | 0 | 0 | 0.1 |
| Police Health | 1 | 0.2 | 0 | 0 | 0.2 |
| Queensland Country Health | 6 | 1.3 | 4 | 2.3 | 0.2 |
| Railway & Transport Health | 0 | 0 | 0 | 0 | 0.3 |
| Reserve Bank Health | 0 | 0 | 0 | 0 | <0.1 |
| St Lukes Health | 2 | 0.4 | 0 | 0 | 0.4 |
| Teacher Federation Health | 2 | 0.4 | 1 | 0.6 | 1.6 |
| Teachers Union Health | 1 | 0.2 | 0 | 0 | 0.4 |
| Transport Health | 0 | 0 | 0 | 0 | 0.1 |
| Westfund | 2 | 0.4 | 2 | 1.2 | 0.7 |
| Total for Registered Funds | 462 | 100 | 171 | 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. Market share data provided by PHIAC as at 30 June 2005.
4. Grand United Health complaints are included with Australian Unity as they have merged.
5. Federation Health complaints are included with Latrobe Health as they have merged.