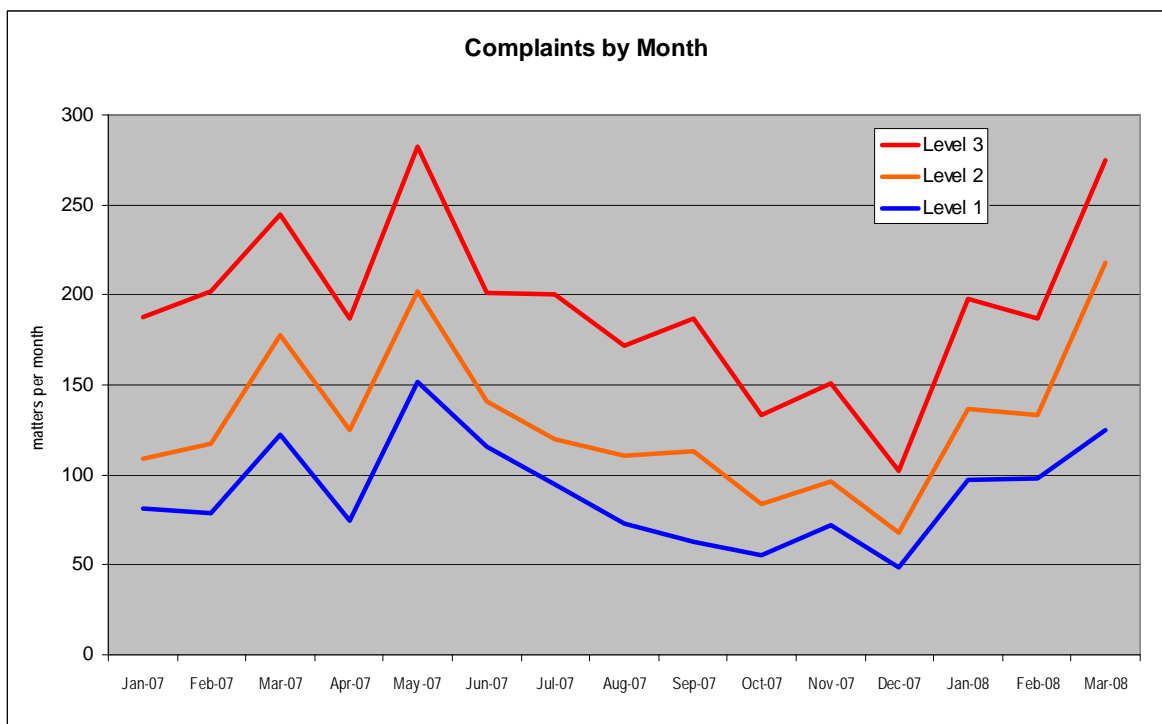


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Quarterly Bulletin 46
(1 January to 31 March 2008)

PHIO received 622 complaints about health insurers this quarter. This was an increase of 46% on the previous quarter and a 4% increase on the same period in 2007. Of total complaints about health insurers, 161 were Level-3 complaints which represents a 12% increase on the previous quarter but a 32% decrease on the same period last year.



Complaints about Premium Increases

There were 62 complaints about premium increases during the quarter, compared with 29 for the March quarter in 2007. While this represents a significant increase on the number of complaints compared with the same quarter last year, it should be noted that complaints about this issue last year were unusually low.

Most complaints about premium increases during the quarter were from members whose premium increase was above the 4.99% average.

Complaints about Fund Rule Changes

A number of funds made changes to their rules during the quarter in order to ensure their products were compliant with the *Private Health Insurance Act 2007* (the Act). We would like to thank those funds who provided advance copies of member correspondence about the changes to the office. This greatly assisted PHIO staff in dealing with member concerns and inquiries. It was notable that in

some cases, the changes that were made resulted in very few or no complaints to the PHIO. A number of funds chose to offer higher limits or additional benefits to offset the ones being removed and in these cases, consumers did not contact the PHIO to complain.

In a number of instances, however, fund rule changes did result in complaints to the office. In these cases, the funds concerned wrote to members advising that a number of popular benefits were being removed as a result of legislative changes.

Consumers who contacted the office to complain about the removal of these benefits also expressed concern at the fund's advice that these benefits were required to be removed in order to comply with legislation. While this was correct in some cases, investigation by the PHIO concluded that in others, the benefits being removed were either not incompatible with the Act, or had never been compatible with the current or previous Act, or could have been retained if changes had been made to the policy to ensure compliance with the Act. In these cases, it was incorrect for the fund to advise that the benefits were being removed due to legislative changes.

In addition, some funds indicated in their letters that they could no longer pay benefits for a number of services which are now payable under broader health cover (i.e. General treatment). This caused particular concern to those consumers who were aware of the introduction of broader health cover and questioned why their fund was reducing the services covered, when broader health initiatives were designed to enable funds to cover a wider range of services.

Where the PHIO has been made aware via complaints of incorrect information being given to members about the reasons for the removal of benefits, we have requested the funds concerned to provide clarification to members.

Health funds can choose to make changes to their rules and change or remove the benefits offered, provided that they give adequate notice to members and ensure there are appropriate transitional arrangements in place. At the same time, it is important that funds give correct information to members about the reasons for such changes. Some of the letters sent out did appear to have the effect of denting members' confidence in broader health initiatives, which are intended to benefit consumers.

We recognise that the introduction of the *Private Health Insurance Act 2007* was a major undertaking, which has required significant work from industry to comply with new arrangements. With any new legislation, it is not unusual for there to be issues that arise during the implementation phase. Given the scope of the new Act and some of the changes required, the implementation has gone relatively smoothly in most instances.

Funds are responsible for making decisions and seeking their own advice regarding compliance with the Act. This is particularly important in situations where the fund is making a detrimental rule change in the belief that it is required to do so in order to comply with the Act. The PHIO recommends that where a fund is unsure about a compliance issue, they seek expert advice before acting.

PHIO Seminar

PHIO will be holding its annual seminar in Sydney on Wednesday, 13th August 2008. This will be the first seminar we have been able to hold for a number of years. The seminar is a valuable forum for the private health insurance industry to focus on and share ideas about issues presented to the Ombudsman's office by private health consumers.

The seminar will bring together a range of speakers who will address these issues and share their experience of good practice initiatives. The seminar is also a valuable opportunity for PHIO staff and industry contact to meet and share information on issues of mutual interest.

Further information about the seminar will be available shortly.

PHIO Intranet

PHIO has a new intranet site for our industry contacts to use. The site is a useful resource of commonly requested documents such as the PEA Best Practice Guidelines or the Transition Protocols for hospital contract termination. The site can be accessed via a simple login and password. This can be obtained by contacting Alison Leung at alison@phio.org.au.

Ombudsman Appointment

The Minister announced my appointment as Private Health Insurance Ombudsman, for a three year term from 1 April 2008. I originally joined the staff of the Ombudsman in 1997 and have held a number of positions within the office, including Acting Ombudsman prior to my substantive appointment.

As Ombudsman, my responsibilities include investigating and conciliating complaints about private health insurance, providing advice to the Government, the health insurance industry and consumers, and publishing independent information about private health insurance and the performance of health funds.

I will continue to focus on the provision of independent consumer information and advice (in written form and via the privatehealth.gov.au website) to assist consumers in making decisions about their private health insurance and choosing policies that better meet their needs. Other priorities include working with stakeholders to improve the provision of informed financial consent and initiatives to assist the industry to improve its internal complaint handling processes. I look forward to continuing to work with stakeholders to ensure consumers' interests are effectively protected.

Samantha Gavel

Complaints by Health Insurer Market Share

01 January - 31 March 2008

Name of Fund	Complaints ¹	Percentage of Complaints	Level-3 Complaints ²	Percentage of Level-3 Complaints	Market Share ³
ACA Health Benefits	1	0.0	0	0.0	<0.1
AHM	22	3.5	8	5.0	2.7
Australian Unity	27	4.3	6	3.7	3.4
BUPA (HBA)	42	6.8	8	5.0	9.8
CBHS	2	0.3	0	0.0	1.2
CDH (Cessnock District Health)	0	0.0	0	0.0	<0.1
CUA Health	2	0.3	0	0.0	0.4
Defence Health	5	0.8	1	0.6	1.4
Doctors' Health Fund	0	0.0	0	0.0	0.1
Druids Victoria	1	0.2	0	0.0	0.1
GMHBA	2	0.3	1	0.6	1.5
Grand United Corporate Health	3	0.5	0	0.0	0.3
HBF Health	17	2.7	7	4.3	7.6
HCF (Hospitals Cont. Fund)	50	8.0	6	3.7	8.8
Health Care Insurance	0	0.0	0	0.0	0.1
Health Insurance Fund of W.A.	1	0.2	1	0.6	0.4
Healthguard	4	0.6	1	0.6	0.5
Health-Partners	3	0.5	1	0.6	1.1
Latrobe Health	1	0.2	0	0.0	0.6
Manchester Unity	24	3.9	4	2.5	1.6
MBF Alliances	32	5.1	10	6.2	2.1
MBF Australia Limited	190	30.5	49	30.4	15.9
Medibank Private	132	21.2	33	20.5	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	49	7.9	22	13.7	6.6
Navy Health	0	0.0	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	0	0.0	0	0.0	0.2
Queensland Country Health	0	0.0	0	0.0	0.2
Railway & Transport Health	2	0.3	0	0.0	0.3
Reserve Bank Health	0	0.0	0	0.0	<0.1
St Lukes Health	1	0.2	1	0.6	0.4
Teacher Federation Health	3	0.5	1	0.6	1.7
Teachers Union Health	5	0.8	1	0.6	0.4
Transport Health	0	0.0	0	0.0	0.1
Westfund	1	0.2	0	0.0	0.7
Total for Health Insurers	622	100	161	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