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# Quarterly Bulletin 28

**(1 July to 30 September 2003)**

## COMPLAINT STATISTICS AND ISSUES

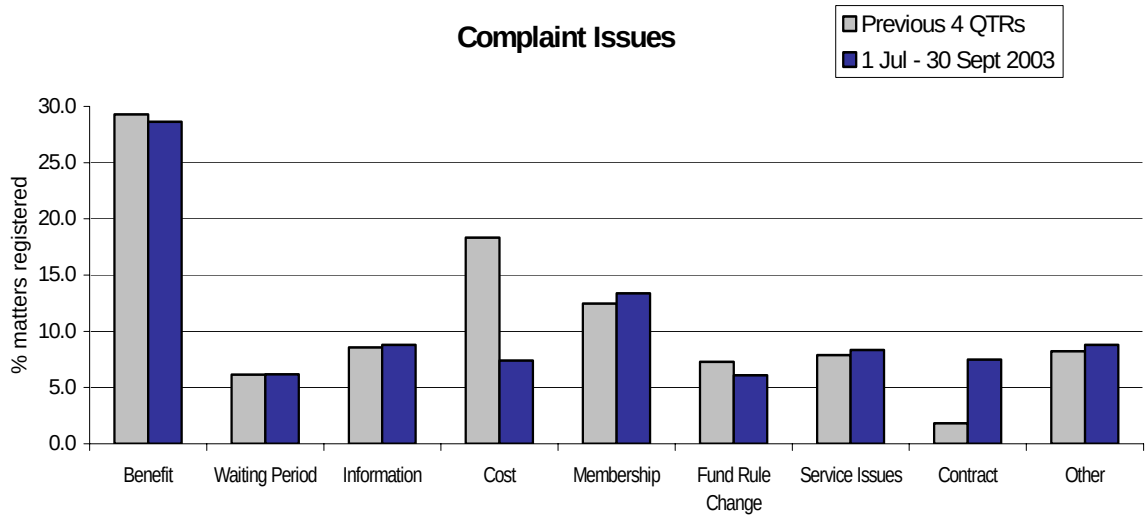
The total number of complaints received by my office in this quarter was 822, a reduction of 2% compared to last quarter (837) but an increase of 14% on the same quarter last year (722).

The number of disputes registered for the quarter dropped to 136 from159 last quarter (a decline of 14.5%).

We received about 100 complaints about the breakdown in contract negotiations between BUPA Australia and Healthscope Ltd. Complainants were responding either to correspondence from the fund or media reports. In most cases they sought advice on the potential implications of the out-of-contract arrangements and expressed concern that they had been placed in an uncertain situation because of a commercial dispute between their fund and a hospital group. We also received a number of complaints about inconsistent information being provided by funds on the portability rights of members in this situation (See my comments on “Portability and HPPAs” below.)

The impact of fund rule changes was also the basis for a significant number of complaints this quarter. Most of these related to impending closures of some Medibank Private products.

About a third of the fund rule change complaints related to changes introduced, by two funds, from April this year, in association with premium rises. Although the funds had sent letters and brochures, with details of these changes, in March, many complainants indicated they had only become aware of the changes on receiving their Lifetime Health Cover statements (See my comments on “Advising contributors of detrimental changes”.)




## PORTABILITY AND HPPAs

Portability provisions, that give private health insurance contributors the right to transfer between funds without undue disadvantage, are a very important consumer protection and, in my view, contribute to the effective operation of the private health insurance market. Private health insurance would be a much less attractive proposition to consumers without such protection. The health insurance industry has acted very responsibly in accepting and supporting the maintenance of consumer portability rights.

In late August, BUPA Australia advised members that it did not intend to renew hospital purchaser-provider agreements for Healthscope owned and managed hospitals after 30 September 2003. Healthscope Ltd began to encourage members of BUPA health funds to transfer to other funds, indicating those transferring members would gain immediate access to the benefits available under Healthscope's agreements with other funds.

I therefore consulted with funds likely to be most effected by any transfer requests and outlined my understanding of the correct approach to portability in this situation. That is, that the existence or non-existence of a HPPA between the person's old fund and a hospital should not be a factor in determining the benefits provided, by the new fund, in relation to that hospital.

Most funds (and the Department) agreed that this was the correct policy to be adopted in this situation. However, two funds indicated that they would not provide access to their HPPA benefits in Healthscope hospitals if BUPA members transferred to the fund after 30 September 2003. Following representations and recommendations from myself and the Department, both funds changed their position and agreed to accept transferring members on the basis outlined above.

Given the scope of the dispute between BUPA and Healthscope (and the fact many transferring members were anticipating or had booked hospital treatment) a number of funds expressed concerns to me about the potential costs of accepting transferring members under the conditions indicated. While I acknowledge that this is an issue that needs to be further considered, it was necessary for me insist that all funds maintain a consistent policy so that an acceptable and clear industry-wide position was presented in this situation. I intend to have further discussions with the industry and the Department to investigate options that might protect funds from significant unexpected costs in such situations in future, while preserving the rights of consumers.

## PUBLIC HOSPITAL WAITING LISTS

A number of recent complaints to my office suggest that fund staff need to take care not to create an expectation that treatment as a private patient in a public hospital will allow the member to avoid public hospital waiting lists. In one example, a long-term fund member sought advice from his local branch about transferring to a cheaper hospital cover. He informed fund staff that his wife was likely to require a hip replacement operation soon. He was sold a basic hospital cover and assured that his wife's hip replacement would be covered, provided she was treated as a private patient in a public hospital. However, when his wife's doctor attempted to book her in for the operation at the local public hospital, she was advised there would be a three-year wait for that procedure.

## ADVISING CONTRIBUTORS OF DETRIMENTAL CHANGES

Based on our experience of complaints about premium rises and fund rule changes, the way in which contributors are advised of such changes can often determine whether they are aggrieved and subsequently complain about the changes. Although there is always a temptation to sweeten the message to contributors with assurances of the fund's commitment to servicing its members' needs and other positive developments for members, such statements are not always viewed positively by consumers. It is notable that funds that provided more straightforward factual information about premium rises generated less complaints than funds that included extra marketing material with advice of increased premiums.

In some cases, advice about significant changes to benefits was relegated to the second page of letters or included in an attached brochure. Based on some of the complaints we have received recently, this approach does not appear too effective in informing members of the changes. Complainants say they were not informed of the changes but, in fact, have not sufficiently scrutinised the range of material sent by the fund. In general consumers have an expectation that important information will be included on the first page of any letters they receive. If it is not, they will often suggest that the fund has attempted to hide the changes from them.
My recommendation is "keep it simple and say it upfront".

Last year I circulated to most health funds my suggestions on what constitutes a minimum acceptable notice of detrimental changes to benefits. I am very pleased that all funds appear to have taken up my suggestions. I also appreciate the advance briefing that many funds have provided for me when contemplating such changes.

With the likelihood that funds will shortly be given more flexibility to introduce fund rule changes, I have restated my key points on adequate notice below:

- At least 50 days notice for significant changes to hospital benefits[1];
- At least 30 days notice for other changes to hospital benefits and changes to ancillary benefits;
- Notice to include any options for maintaining the pre-change level of cover.

[1] Removal of benefits or restriction to default benefits for any identified condition/treatment, addition of excesses, co-payments etc or increases in excess or co-payment > 50%. Implementation of such changes should allow for transitional arrangements for pre-bookings etc and flexibility to deal with special or unusual circumstances on a case-by-case basis.

# Complaints (Problems, Grievances and Disputes) by Health Fund
## 1 July – 30 September 2003

| 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 | 0 | 0.0 | 0 | 0.0 | 0.1 |
| AMA Health Fund | 0 | 0.0 | 0 | 0.0 | 0.1 |
| Australian Health Management Group | 41 | 5.0 | 9 | 6.6 | 2.5 |
| Australian Unity | 18 | 2.2 | 3 | 2.2 | 3.1 |
| CBHS | 12 | 1.5 | 1 | 0.7 | 1.0 |
| CDH (Cessnock District Health) | 0 | 0.0 | 0 | 0.0 | <0.5 |
| Credicare | 2 | 0.2 | 0 | 0.0 | 0.4 |
| Defence Health | 9 | 1.1 | 1 | 0.7 | 1.2 |
| Druids NSW | 1 | 0.1 | 0 | 0.0 | <0.5 |
| Druids Victoria | 0 | 0.0 | 0 | 0.0 | 0.1 |
| Federation Health | 1 | 0.1 | 0 | 0.0 | 0.2 |
| GMHBA | 10 | 1.2 | 1 | 0.7 | 1.3 |
| Grand United Corporate Health | 2 | 0.2 | 1 | 0.7 | 0.2 |
| Grand United Health | 8 | 1.0 | 0 | 0.0 | 0.4 |
| HBA Health Insurance | 170 | 20.7 | 22 | 16.2 | 9.9 |
| HBF Health | 27 | 3.3 | 4 | 2.9 | 8.6 |
| HCF( Hospitals Contribution Fund ) | 44 | 5.4 | 2 | 1.5 | 7.6 |
| Health Care Insurance | 1 | 0.1 | 0 | 0.0 | 0.1 |
| Health Insurance Fund of W.A. | 4 | 0.5 | 0 | 0.0 | 0.4 |
| Healthguard | 2 | 0.2 | 0 | 0.0 | 0.6 |
| Health-Partners | 2 | 0.2 | 0 | 0.0 | 0.6 |
| I.O.R. Australia | 16 | 1.9 | 4 | 2.9 | 0.9 |
| IOOF Health | 2 | 0.2 | 0 | 0.0 | 0.2 |
| Latrobe Health | 2 | 0.2 | 0 | 0.0 | 0.4 |
| Lysaght Peoplecare | 1 | 0.1 | 0 | 0.0 | 0.3 |
| Manchester Unity | 18 | 2.2 | 6 | 4.4 | 1.3 |
| MBF ( Medical Benefits Fund ) | 99 | 12.0 | 15 | 11.0 | 16.7 |
| Medibank Private | 248 | 30.2 | 45 | 33.1 | 29.7 |
| Mildura District Hospital Fund | 0 | 0.0 | 0 | 0.0 | 0.3 |
| N.I.B. Health | 45 | 5.5 | 17 | 12.5 | 5.5 |
| Navy Health | 1 | 0.1 | 0 | 0.0 | 0.3 |
| NRMA Health | 17 | 2.1 | 2 | 1.5 | 2.1 |
| Phoenix Health Fund | 0 | 0.0 | 0 | 0.0 | 0.1 |
| Police Health (SA) | 0 | 0.0 | 0 | 0.0 | 0.1 |
| Queensland Country Health | 2 | 0.2 | 1 | 0.7 | 0.2 |
| Railway & Transport Health | 2 | 0.2 | 1 | 0.7 | 0.3 |
| Reserve Bank Health | 0 | 0.0 | 0 | 0.0 | <0.5 |
| St Lukes Health | 1 | 0.1 | 0 | 0.0 | 0.4 |
| Teacher Federation Health (NSW) | 5 | 0.6 | 0 | 0.0 | 1.5 |
| Teachers Union Health (QLD) | 6 | 0.7 | 0 | 0.0 | 0.4 |
| Transport Health | 1 | 0.1 | 0 | 0.0 | 0.1 |
| Westfund | 2 | 0.2 | 1 | 0.7 | 0.8 |
| **Total for Registered Funds** | **822** | **100.0** | **136** | **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