

QUARTERLY BULLETIN NO 12
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INTRODUCTION

It has been decided that the office will discontinue the broadsheet "Private Eye", returning instead to the previous quarterly newsletter style of communicating with stakeholders. It is intended that this newsletter will provide you with details of what is currently going on, using difficult case issues to illustrate problem areas where this is appropriate.

We hope all stakeholders will take the time to read the newsletter and gain an understanding of the consumer issues confronting the broader private health industry.

With the Government reiterating their commitment to a viable private health sector to complement the public system, it is important that the consumer is recognised as the significant element of the system and that rules, regulation or practice are in place to accommodate their needs.

This office was set up to ensure (among other things) that whenever an individual transaction slips through the system, it is fixed up. We accomplish that well. However in addressing the individual consumer complaints we become aware of systemic problems either within an individual health fund, hospital or more significantly with the application of Government regulations. These are not quite so simple to fix.

This newsletter will be the medium through which we address some of the issues confronting consumers. In so doing, we hope to provide for a better understanding of the problems and then work with the stakeholders to find enduring solutions.

None of the current issues are new; they have been around for some time. Most stakeholders recognise the problem areas and work to ensure they are handled in house. Unfortunately, others don't seem to be able to adapt their processes and thinking in line with the contemporary recognised solutions.

THE CURRENT ISSUES

1. NEW AND TRANSFERRING MEMBERS

The most critical concern of consumers is to know what they are purchasing, and when they change product or fund, what does this mean to them. This is the difficult part, particularly when funds rely so much on routine brochures and standard correspondence.

Many of the complaints handled by the office clearly relate to interpretation difficulties or lack of clarity in the communications between the fund and the member, verbal or written.

The consumer didn't quite understand the finer points relating to their new product and this has the possibility of creating problems downstream.

Issues such as pre-existing ailments, benefit limitations and expectations with respect to accumulated bonuses unfortunately still routinely arise.

Insufficient prominence is given to advising members or potential members of limitations affecting their individual membership. This is particularly the case where mention is made in brochures about inter fund transfers, without reference to the fact that the products need to be equivalent or that loyalty bonuses (however described) are not transferable from one fund to another. Brochures need to contain this level of detail.

Reviewing some of the current communications provided by funds shows there is a problem. Correspondence welcoming a new or transferring member needs to give prominence to issues of consequence to that particular member and the specific product they have purchased.

The recurring incidence of portability problems prompted this office to obtain legal opinion on the question. The office selected brochures from four of the larger funds as a sample of the information provided to consumers. These are direct quotes from the advice.

"The provisions relating to portability are quite complex and it seems to us difficult for HBOs to concisely and accurately reflect their operations in their brochures."

And again "In our opinion the statements are too brief to accurately reflect the operation of the portability provisions. They are also misleading in that health funds are generally entitled to choose the lower of the comparable benefits".

For another fund brochure, "Again they are misleading in that they refer to continuity for the same level of benefit entitlement, which is not the case as health funds are generally entitled to choose the lower of the comparable benefits".

None of the brochures perused by the lawyers provided a fully acceptable answer. All were regarded at differing levels to be misleading. This is to some extent why problems arise out of the transfer of members.

With transferring members, their introductory letter should be quite explicit as to any additional waiting periods that would need to be served with respect to their new product and any differences in the benefits from the old to the new product should be clearly spelt out. It is counter productive to wait until a dispute arises to advise members of the product differences that were not directly transferable.

It is pleasing to note that in most instances where deficiencies in communication are identified to individual funds these are quickly corrected. Unfortunately though, it usually requires a problem to arise before action is taken to review fund material.

THE CURRENT ISSUES (continued)

2. EXCLUSIONARY PRODUCTS

Another area that is of continuing real concern is with exclusionary products. From the complaints we receive, it is clearly evident that a significant proportion of consumers is unaware of the overall implications of the scope of the exclusions. In some instances, the brochure relies on rather broad headings to describe the exclusions and when the time comes the fund applies a very strict (and previously undefined) interpretation of the exclusion.

In this case, the fund clearly identified in their brochure an exclusion from private hospital benefits for “Heart Surgery including cardio thoracic surgery”, they made no mention of invasive procedures such as angiogram which are specifically mentioned in competitor fund brochures.

Mrs K was suffering from shortness of breath and chest pains and was transported by ambulance to the emergency department of a local private hospital after the ambulance officer determined she had private cover.

The hospital followed normal procedure and immediately faxed the fund to determine eligibility. The fund responded in a little over 24 hours, by which time a specialist had scheduled an angiogram. The results clearly showed there was no underlying heart problem and as it transpired, the patient was suffering the side effects of other prescribed medication.

The fund argued that their response to the hospital in about 24 hours was not excessive. “However there will be times when it is considered other work loads have a higher priority for the day to day functioning of this office and its service to our members in general than the check of fax facilities”.

They further argued that the exclusion for “Heart surgery including cardio thoracic surgery” also included angiograms. This is very debatable.

Mrs K contends that she was told that her table excluded Obstetric and IVF services and as she was 49 years of age she didn’t see this as a real burden to carry. She further contends that she was never told of the other exclusions although the brochure quite clearly refers to additional exclusions, which are common to a range of exclusion tables, not just the particular table she had enrolled in.

There are never easy answers to the questions on who said what to whom and whether or not the provision of a 20 A4 page brochure which includes all products is an adequate defence to correct any incorrect or inadequate impression given at the point of sale.

A better and safer solution is, immediately after the sale, on welcoming the new member with their new member kit, tailor a letter specifically to the individual and the product they have chosen.

Clearly enunciate the features of the product and any exclusions associated with it.

Do it in letter form and not by way of another brochure. A letter, even a standard form letter, has a higher likelihood of being read than another brochure.

Complaints (Problems, Grievances & Disputes) by health fund

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	-	0.1
AMA Health Fund Ltd	0	-	0	-	0.1
Australian Health Management	6	2.0	3	1.8	2.3
Australian Unity Health Fund	8	2.7	4	2.4	2.8
AXA Australia Health Insurance	21	7.0	17	10.2	0*
CBHS Friendly Society	0	-	0	-	0.9
CDH Benefits Fund	0	-	0	-	0.0
CUA Members Benefits Friendly Society	0	-	0	-	0.5
Defence Health Benefits Society	5	1.7	3	1.8	1.2
Geelong Medical & Hospital Benefits Association	2	0.7	0	-	1.0
Goldfields Medical Fund Inc	0	-	0	-	0.2
Grand United Corporate Health Ltd	2	0.7	2	1.2	0.3
Grand United Friendly Society	10	3.3	6	3.6	0.5
Health Care Insurance Ltd	1	0.3	0	-	0.1
Health Insurance Fund of WA	1	0.3	1	0.6	0.3
Health-Partners	4	1.3	2	1.2	0.6
Healthguard Health Benefits Fund Ltd	0	-	0	-	0.1
Hospital Benefits Fund of WA Inc	5	1.7	3	1.8	11.4
Hospital Contribution Fund of Australia Ltd	21	7.0	13	7.8	8.4
IOOF Friendly Society of Victoria	1	0.3	1	0.6	0.2
IOR Australia Pty Ltd	2	0.7	1	0.6	0.7
Latrobe Health Services (VIC)	1	0.3	1	0.6	0.4
Lysaght	0	-	0	-	0.2
Manchester Unity Friendly Society In NSW	9	3.0	3	1.8	1.0
Medibank Private	72	23.9	38	22.9	27.1
Medical Benefits Fund Of Australia Ltd	63	20.9	32	19.3	18.2
Mildura District Hospital Fund	1	0.3	0	-	0.3
National Mutual Health Insurance Pty Ltd	30	10.0	14	8.4	10.5
Naval Health Benefits Society	0	-	0	-	0.3
NIB Health Funds Ltd	19	6.3	13	7.8	4.6
NSW Teachers Federation Health Society	3	1.0	2	1.2	1.5
Phoenix Welfare Association Ltd	0	-	0	-	0.2
Queensland Country Health Ltd	0	-	0	-	0.2
Queensland Teachers Union Health Society	2	0.7	1	0.6	0.4
Railway & Transport Employees Friendly Society	0	-	0	-	0.4
Reserve Bank Health Fund Friendly Society	1	0.3	0	-	0.1
SA Police Employees Health Fund Inc	0	-	0	-	0.1
SGIO Health Pty Ltd	2	0.7	0	-	1.2
St Lukes Medical & Hospital Benefits Association	1	0.3	1	0.6	0.5
Transition Benefits Fund	0	-	0	-	0.2
Transport Friendly Society	0	-	0	-	0.1
United Ancient Order of Druids Victoria	0	-	0	-	0.1
United Ancient Order of Druids Grand Lodge NSW	1	0.3	1	0.6	0.1
Western District Health Fund Ltd	7	2.3	4	2.4	0.4
Yallourn Medical & Hospital Society	0	-	0	-	0.1
Total for Registered Funds	301	100.0	166	100.0	100.0

1 Complaints = problems, grievances and disputes

2 Disputes require intervention by the Ombudsman

3 Proportion of people covered by health fund as at 30 June 1998 reported in the PHIAC Annual Report -

* Figure not published