Australian Government
Private Health Insurance Ombudsman

HEALTH INSURANCE INSIDER

Issue #3 – March 2013

Ombudsman's Introduction

In this edition of our consumer bulletin, we focus on the issue of waiting periods.

All health insurers are permitted by law to apply waiting periods to their Hospital and General Treatment (Extras) policies. When you first take out a health insurance policy or upgrade your existing policy, it's important to understand the waiting periods that apply and how they may affect you.

The maximum length of a waiting period applying to a Hospital policy is twelve months. A twelve month waiting period applies to pre-existing conditions and maternity services. Waiting periods for psychiatric care, rehabilitation and palliative care cannot exceed two months, even where the condition is pre-existing. Once you have served your waiting periods, you are eligible to claim the full benefits available under your policy.

If you are considering downgrading your policy, it's also important to consider the impact of waiting periods, if you decide to upgrade again in future. Once you have downgraded your policy, you will need to re-serve waiting periods for any new services if you decide to upgrade again at a later date.

By ensuring you understand the waiting periods that apply to your policy, you can avoid unexpected out-of-pocket costs for treatment provided while you are within a waiting period and not entitled to receive benefits.

Samantha Gavel
Private Health Insurance Ombudsman

Questions to Ask About Waiting Periods

What are waiting periods?

A waiting period is an initial period of health fund membership where you are unable to claim a benefit for certain procedures and services.

Why do health funds apply waiting periods?

All health funds are required by law to provide health insurance for Australian residents, regardless of their age or health status. This is known as "community rating" and prevents funds from charging higher premiums or refusing to cover you if you are older or more likely to require treatment.

In order to protect community rating, health funds are also permitted to apply certain waiting periods to people who are joining a fund or upgrading their policy. If there were no waiting periods, people could take out hospital cover or upgrade to a higher cover only when they knew or suspected they might need hospital treatment and make high cost claims immediately.

If these new members then ceased their membership, their hospital costs would have to be paid for by the long-term members of the fund. This would not be fair to those long-term members and would lead to higher premiums for all fund members.

The maximum waiting periods that a health fund can impose for hospital treatment are:

- 12 months for pre-existing conditions;
- 12 months for obstetrics (pregnancy);
- 2 months for psychiatric care, rehabilitation or palliative care, even for a pre-existing condition; and
- 2 months in all other circumstances.

Hospital waiting periods for treatment of a pre-existing condition

Under the *Private Health Insurance Act 2007*, health funds can impose a 12 month waiting period on benefits for hospital treatment for a pre-existing condition (PEC). This is the maximum waiting period that a health fund can impose, and generally all funds will apply the maximum waiting period to any new or upgrading member.

It is important to be aware that the pre-existing condition rule generally applies to hospital treatment only. For more information about the PEC rule, please refer to **PHIO's factsheet**.

How waiting periods apply to general treatment (extras) cover

Most extras covers have different waiting periods for the different types of services that the policy covers. These can vary significantly, but some examples of typical waiting periods are:

- 2 months for benefits for general dental services and physiotherapy;
- 6 months for benefits for glasses or lenses;
- 12 months for benefits for major dental procedures such as crowns or bridges; and
- one, two or three years for some high cost procedures such as orthodontics.

Some funds may apply additional waiting periods for some extras services if the condition being treated is considered to be pre-existing.

It important you contact your health fund to confirm which waiting periods apply to you before receiving any treatment.

I want to transfer to another fund. Will I need to serve waiting periods again?

The Private Health Insurance Act 2007 includes some specific rules to protect consumers who want to change their hospital policy (either to another policy in the same fund or to another fund). These 'portability' rules mean that if you choose to transfer to another fund, you won't have to serve the normal waiting periods again before benefits can be paid to you provided you transfer to a similar level of cover.

The portability rules apply specifically to Hospital policies only. Health funds are not obliged to recognise General Treatment policies (i.e. dental, optical, physiotherapy, etc.) for portability purposes. However, most health funds will apply some form of portability to General Treatment, so ask your new fund for details.

If you're thinking about transferring from one health fund to another, then you will need to request a "Clearance Certificate" from your current fund to give your new fund. This certificate provides details of your previous policy such as the type of cover and when you joined and cancelled the policy.

For more information about portability and Clearance Certificates, please refer to our **factsheet**.

I already have health insurance but would like to upgrade my cover

In most cases, you will need to serve waiting periods for any extra benefits or services on your new policy. For any services where you have not served the full waiting period, you will be required to serve the balance of the waiting period before you can claim.

It is important to remember when upgrading your policy that waiting periods can apply to services that attract a higher benefit. For example, if you had a hospital policy that excluded cardiac (heart) procedures, but your new policy does cover cardiac procedures, then the 12 month waiting period on pre-existing conditions may apply.

The same can also apply if you reduce your hospital excess. For example, if you have a hospital cover with an excess of $500 and you change to a hospital cover with a $200 excess, this is considered an upgrade in cover.

In this circumstance, the 12 month pre-existing condition rule may apply, which means that if you require hospital treatment for a pre-existing condition in the first 12 months of upgrading, the health fund can apply the higher excess.

Consumers Health Forum Launches New Consumer Website – OurHealth.org.au

The Consumers Health Forum of Australia has launched a new website to enable consumers to share their experiences of using the health system. Consumers Health Forum has provided PHIO with the following information to use in its newsletter to help raise awareness of the site:

"One of the best ways to improve healthcare is to listen and learn from the experiences of consumers – the everyday Australians who use and pay for our health system.

One of the ways you can share your ideas and healthcare experience to help inform consumer advocacy for better healthcare is via the *OurHealth* website – **www.ourhealth.org.au** - developed by the Consumers Health Forum of Australia (CHF).

CHF is the national not-for-profit organisation working to represent the interests of consumers in national health policy. *OurHealth* was made possible by Australian Government funding of the CHF *Our Health, Our Community Project.*

OurHealth provides information and links to help you find your way to information that will help you use the health system, and invites you to 'have a say' about your healthcare experience and the way you would like it to change.

OurHealth allows you to share your comments with other consumers, consumer advocates and consumer organisations to help make things better in healthcare. Your comments:

- might help another consumer understand the health system, or find information that is helpful
- might tell consumer advocates about an idea or a service that is working very well in your local community that could make a difference for another community
- will contribute to an important knowledge bank of consumer issues and experiences that can be used to improve healthcare for all Australians."

The information provided in this section of the newsletter has been provided by the Consumers Health Forum.

Recent and Upcoming Events in Private Health Insurance

March 2013

- **Health Fund Annual Premium Increase Letter** – Look for a letter from your health fund, as they are required to notify you of any increase in your premium. The Minister for Health and Ageing approves premium increases in March each year, with the change taking effect in April. Make sure you read all information sent by your fund, as there may be other changes to your policy in addition to the price increase. This is a good time for you to review your policy.
- **PHIO's *State of the Health Funds Report*** – How does your health fund measure up? This annual report from the Ombudsman compares the performance and service delivery of Australia's health insurance providers. The reports are published on **www.phio.org.au** and you can also find key performance information about each health fund on **www.privatehealth.gov.au**.

April 2013

- **PHIO's Quarterly Bulletin** – The Ombudsman's bulletins keep the industry updated on the most recent health fund complaint statistics and trends in complaint issues. The bulletins are published on **www.phio.org.au**.

June 2013

- **Considering buying hospital insurance? Recently turned 31?** – If you answered 'yes' to either of these questions, then you should be aware that for most Australian residents it's cheaper to buy hospital insurance before the end of the financial year. Under the Lifetime Health Cover (LHC) rules, you can buy hospital insurance at the lowest rates if you purchase before the 1 July following your 31st birthday. If you're already over 31, then you should be aware that each financial year it will become more expensive to purchase hospital insurance for the first time.

July 2013

- **Tax Statements** – Look for a Tax Statement from your health fund confirming your level and duration of cover for the previous financial year. Your tax statement details may be required for your income tax return.

Waiting Periods: Useful Links and Resources

- **Brochure: Waiting Periods**
- **Clearance Certificate Fact Sheet**
- **The Pre-Existing Conditions Rule Fact Sheet**

Contact Us

The Private Health Insurance Ombudsman (PHIO) protects the interests of people covered by private health insurance. We provide an independent service to help consumers with health insurance problems and enquiries. The Ombudsman can deal with complaints from health fund members, health funds, private hospitals or medical practitioners. Our services are free of charge.

General enquiries:
1300 737 299 and **website@phio.org.au**

Complaints hotline:
1800 700 465 and **info@phio.org.au**

Websites:
www.phio.org.au and **www.privatehealth.gov.au**

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