

Private Health Insurance Quarterly Bulletin 86 (1 January–31 March 2018)

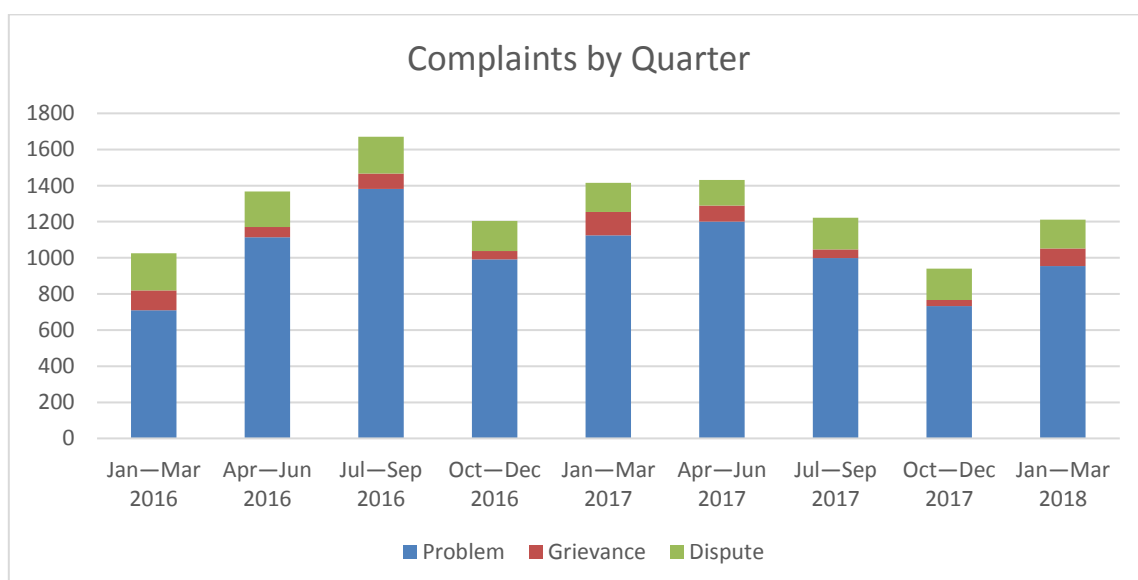
Complaint statistics and premium increases

The March quarter is usually a peak period in the year for complaints because the public has health insurance ‘top of mind’ due to the annual rate increase on 1 April. This year, the Office of the Commonwealth Ombudsman (the Office) received 1,211 complaints in the January to March quarter — an increase on the 940 complaints received last quarter, but down from the 1,416 complaints in the same period last year.

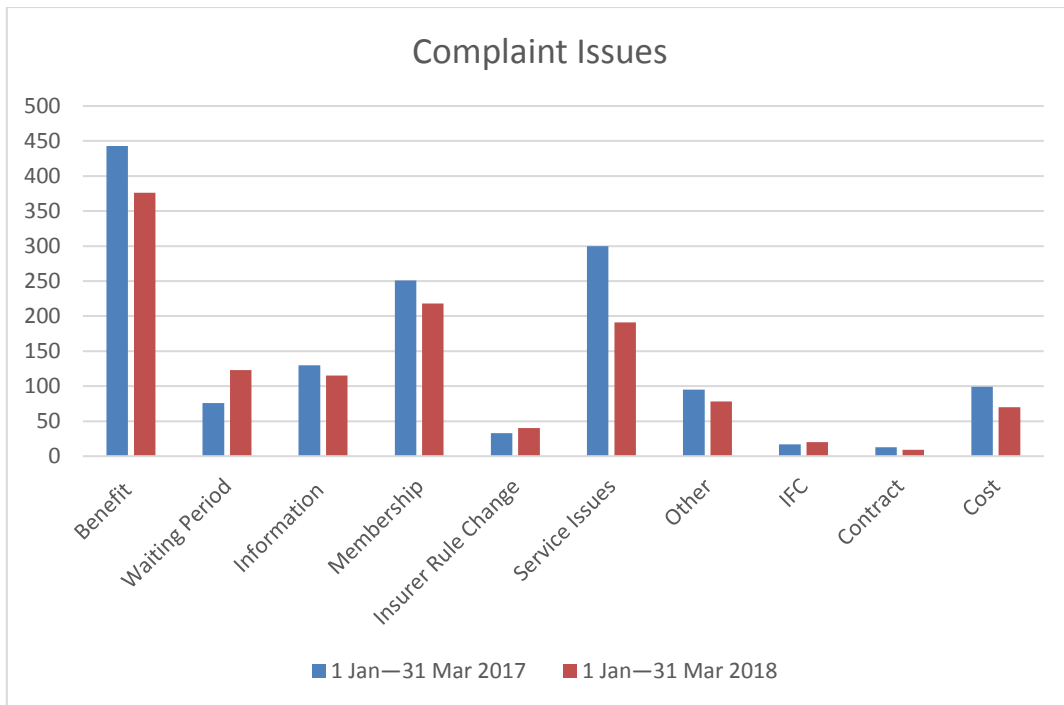
The 14.5 per cent reduction in complaints compared to the same period in 2017 was a significant improvement and indicates better handling of complaints by insurers. However, we would also expect there to be fewer health insurance complaints this year due to the average weighted premium increase being 3.95 per cent in 2018, compared to 4.84 per cent in 2017.¹

As noted above, complaint numbers generally increase during the first three months of each year because health insurance is scrutinised more by consumers who consider their options when they receive a premium increase letter or see a media article about health insurance. However, the Office only receives a relatively low number of complaints about the rate increase itself. Rate increase complaints were lower this quarter compared to the last few years.

In the March 2018 quarter 69 rate increase complaints were received, compared to 95 in the March 2017 quarter and 114 in the March 2016 quarter.



¹ For further details and individual insurers average premium increases refer to <http://www.health.gov.au/internet/main/publishing.nsf/content/privatehealth-average-premium-round>



Mental health — waiting period exemption for higher benefits

If you hold a hospital policy which provides restricted benefits for psychiatric care, then to access higher benefits you usually have to upgrade and complete a two month waiting period. However, from 1 April 2018, you will still be required to upgrade your policy but you won't be required to serve a waiting period to access higher benefits for psychiatric care in a private hospital.

This exemption applies only once per lifetime and can only be accessed if you have already completed an initial two months of membership on any level of hospital cover.

For more information about accessing this exemption, please contact your health fund. For general information about the exemption, see the Department of Health website:

[Supporting mental Health - Waiting period exemption for higher benefits.](#)

Abolishing benefit limitation periods on hospital policies

The Australian Government has announced that from 1 July 2018 benefit limitation periods can no longer be applied by health insurers.² This is positive news for consumers joining health insurance for the first time. Benefit limitation periods operate similarly to a waiting period by applying a restricted benefit – but unlike hospital benefit waiting periods which cannot apply for longer than 12 months, benefit limitation periods can extend for three or more years.

This means that from 1 July 2018, new consumers buying hospital insurance will need to wait 12 months for pre-existing conditions and obstetrics and 2 months for other conditions. For further information on the maximum waiting periods that health insurers are permitted to apply refer to the [Commonwealth Ombudsman's guide on waiting periods.](#)

² Department of Health: <http://www.health.gov.au/internet/main/publishing.nsf/Content/private-health-insurance-benefit-limitation-periods-changes-to-improve-information-for-private-health-insurance-members>

Overseas students and Medicare eligibility

Overseas students who come to Australia to study are required under their student visa to hold a form of insurance called Overseas Student Health Cover (OSHC). OSHC is provided by a small number of insurers according to the terms of a Deed with the Department of Health.

Most students have no access to Medicare, so OSHC provides insurance in case they require medical treatment. The purpose of OSHC, as stated in the Deed, is to minimise the risk of personal financial crisis for Overseas Students and minimise the risk of bad debt to hospitals and doctors. This also ensures there is minimal to no cost to the Australian taxpayer.

Recently we have encountered a number of cases where students are applying for permanent residency and being granted access to interim or full Medicare benefits (usually a blue or green card) well in advance of their student visa end date. This means for a period of time ranging from some months to some years, these students hold both OSHC and are Medicare-eligible. This has ongoing implications for affected students, including:

- OSHC offers some benefits over and above Medicare such as access to private hospitals, but in general it largely duplicates the features of Medicare. This means students are paying for an OSHC policy which covers items for which they are already covered under Medicare. Unfortunately they cannot cancel the OSHC policy prior to the end of their student visa, as this would be a potential breach of the conditions of their student visa.
- If the student is aged 31 or over, they have until the first anniversary of the date they registered for their Medicare card to purchase an Australian residents private hospital cover without incurring Lifetime Health Cover (LHC) loading, which increases the cost of insurance. OSHC does not qualify as hospital cover for LHC purposes. If the student does not purchase an Australian residents hospital policy in the one year window but does want to purchase it in future, then they will incur a premium penalty which will last 10 years. The only way they can avoid this is by purchasing an Australian residents hospital policy while simultaneously holding OSHC, which would mean again duplicating their coverage.

Some students have approached our Office asking for guidance in these situations. Generally, our advice to students is that they should maintain their OSHC until the end of their student visa.

If they are aged over 31 and are concerned about LHC, then they can avoid LHC by purchasing an Australian residents hospital policy while simultaneously holding OSHC. When their student visa ceases, they can cancel the OSHC.

Our expectation is that insurers will continue to pay benefits for students as per their OSHC entitlements. Even if a student is eligible for Medicare, they are not obliged to use Medicare or to claim on it when they have purchased an OSHC policy which provides similar or higher benefits.

We will continue to monitor this issue and to review individual complaints as they are raised with our Office.

Affected students should contact their insurer in the first instance for more information. If you require further assistance, you can contact our complaints line on **1300 362 072** or complete an online complaints form at [ombudsman.gov.au](https://www.ombudsman.gov.au).

Lifetime Health Cover

Each year, the Department of Health posts letters to Australian citizens and permanent residents who recently turned 31 or recently registered for full Medicare benefits to inform them about the Lifetime Health Cover (LHC) rules. If they do not purchase private hospital insurance by a certain deadline, then decide to purchase it at a later date, they will incur a LHC 'loading' which increases the cost of insurance. The older they are at the time of purchase, the higher the cost.

- **If you have turned or will turn 31 during the 2017–18 financial year:** You have until 30 June 2018 to purchase private hospital cover without incurring LHC loading. If this applies to you and you have already taken out eligible hospital cover, then you don't need to take any further action.
- **If you are aged 31 or over, and you registered for interim or full Medicare benefits (usually a blue or green card) during the 2017–18 financial year:** You have until the first anniversary of the date you registered for your Medicare card to purchase private hospital cover without incurring LHC loading. If you have commenced or intend to commence private hospital cover within one year of Medicare registration, you will need to confirm your registration date by requesting a letter from Medicare — contact [Medicare \(Department of Human Services\)](#) or visit your local Medicare branch. Supply the letter to your health fund on or after joining to have your loading reassessed.

Some exceptions may apply if you are overseas on your LHC deadline day. Speak to your health insurer or see [Lifetime Health Cover](#) for more information.

Please note that general treatment (extras) cover, overseas visitors' cover, overseas student cover (OSHC) or international health cover does not qualify for Lifetime Health Cover purposes.

Further Resources:

privatehealth.gov.au includes the following resources:

- [LHC Calculators](#)
- [Information on LHC](#)
- [LHC brochure available in several community languages.](#)

In the first instance, consumers should speak to their insurer for more advice. If they require further assistance, they can contact our Office directly for more information on our enquiries line **1300 737 299** or by emailing phio.info@ombudsman.gov.au.

Top five consumer complaint issues this quarter

1. **Pre-existing conditions waiting period: 100 complaints**—these complaints are usually caused by the health insurer or the insurer's medical practitioner failing to clearly state which signs and symptoms were relied upon in assessing a claim, and the complainant misunderstanding how a pre-existing condition is defined.
2. **Membership cancellation: 94 complaints**—complaints caused by problems and delays associated with processing requests to cancel memberships and handling payments or refunds. It's important to note that in most cases these membership cancellations are caused by consumers transferring from one insurer to another and not the result of people leaving private health insurance altogether. This issue has remained consistently high for several quarters and we are monitoring this issue for industry trends.

3. **Hospital exclusions and restrictions: 92 complaints**—usually caused when complainants find they are not covered for a service or treatment that they had assumed was included in their cover.
4. **Verbal advice: 89 complaints**—most verbal advice complaints concern consumers misunderstanding their benefits during telephone calls and retail branch visits with their insurer, particularly where records are not adequately maintained. In many cases our case officers will access the recording of advice provided to a consumer and provide an independent assessment of the quality of the information provided.
5. **Premium payment problems: 85 complaints** – predominantly concerning direct debits from bank accounts and credit cards, such as incorrect direct debit amounts or irregular direct debits, or the accidental cessation of direct debit arrangements.

Complaints by provider or organisation type

Provider or organisation type	Jun 2017 QTR	Sep 2017 QTR	Dec 2017 QTR	Mar 2018 QTR
Health insurers	1,237	1,020	780	1,055
Overseas visitor & overseas student health Insurers	114	141	114	91
Brokers and comparison services	25	26	17	15
Doctors, dentists, other medical providers	13	4	3	9
Hospitals and area health services	17	13	15	16
Other (e.g. legislation, ambulance services, industry peak bodies, etc.)	25	18	11	25

PHIO Brochures

We currently stock the following brochures in hard copy:

- [The right to change](#)
- [Doctors' Bills](#)
- [Waiting periods](#)
- [Privatehealth.gov.au](http://privatehealth.gov.au)

To place a brochure order, please complete the [Feedback form linked on our website](#).

Please note all other brochures are available [online](#) only.

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For general private health insurance information and to compare health insurance policies, visit privatehealth.gov.au.

Complaints by Health Insurer Market Share
1 January–31 March 2018

Name of Insurer	Complaints(1)	Percentage of Complaints	Disputes(2)	Percentage of Disputes	Market Share(3)
ACA Health Benefits	0	0.0%	0	0.0%	0.1%
Australian Unity	65	6.2%	12	9.9%	3.0%
BUPA	242	22.9%	29	24.0%	27.0%
CBHS Corporate Health	0	0.0%	0	0.0%	<0.1%
CBHS	17	1.6%	4	3.3%	1.5%
CDH (Cessnock District Health)	0	0.0%	0	0.0%	<0.1%
CUA Health	10	0.9%	2	1.7%	0.6%
Defence Health	19	1.8%	5	4.1%	2.0%
Doctors' Health Fund	1	0.1%	1	0.8%	0.3%
Emergency Services Health	0	0.0%	0	0.0%	<0.1%
GMHBA	32	3.0%	2	1.7%	2.3%
Grand United Corporate Health	7	0.7%	1	0.8%	0.4%
HBF Health & GMF/Healthguard	81	7.7%	6	5.0%	8.0%
HCF (Hospitals Contribution Fund)	175	16.6%	20	16.5%	10.4%
HCI (Health Care Insurance)	3	0.3%	0	0.0%	0.1%
Health.com.au	7	0.7%	1	0.8%	0.6%
Health-Partners	1	0.1%	0	0.0%	0.6%
HIF (Health Insurance Fund of Aus.)	10	0.9%	2	1.7%	0.9%
Latrobe Health	5	0.5%	0	0.0%	0.7%
Medibank Private & AHM	241	22.8%	19	15.7%	26.9%
Mildura District Hospital Fund	1	0.1%	1	0.8%	0.2%
MO Health Pty Ltd	0	0.0%	0	0.0%	<0.1%
National Health Benefits Aust.	0	0.0%	0	0.0%	0.1%
Navy Health	0	0.0%	0	0.0%	0.3%
NIB Health	89	8.4%	9	7.4%	8.3%
Nurses and Midwives Pty Ltd	1	0.1%	0	0.0%	<0.1%
Peoplecare	4	0.4%	0	0.0%	0.5%
Phoenix Health Fund	3	0.3%	0	0.0%	0.1%
Police Health	1	0.1%	0	0.0%	0.3%
QLD Country Health Fund	1	0.1%	0	0.0%	0.4%
Railway & Transport Health	11	1.0%	2	1.7%	0.4%
Reserve Bank Health	1	0.1%	0	0.0%	<0.1%
St Lukes Health	2	0.2%	0	0.0%	0.5%
Teachers Federation Health	17	1.6%	4	3.3%	2.3%
Teachers Union Health	5	0.5%	1	0.8%	0.6%
Transport Health	2	0.2%	0	0.0%	0.1%
Westfund	1	0.1%	0	0.0%	0.7%
Total for Health Insurers	1055	100%	121	100%	100%

1) Total number of complaints (Problems, Grievances & Disputes) regarding Australian registered health insurers. This table excludes complaints regarding OVHC and OSHC insurers, and other bodies.

2) Disputes required the intervention of the Ombudsman and the health insurer.

3) Source: Australian Prudential Regulation Authority, Market Share, All Policies, 30 June 2017.

Issues and sub-issues: complaints received in previous four quarters

ISSUE Sub-issue	Jun 17	Sep 17	Dec 17	Mar 18	ISSUE Sub-issue	Jun 17	Sep 17	Dec 17	Mar 18
BENEFIT					INFORMED FINANCIAL CONSENT				
Accident and emergency	10	20	16	17	Doctors	7	1	0	6
Accrued benefits	3	1	2	5	Hospitals	17	9	12	13
Ambulance	21	16	21	17	Other	3	2	1	1
Amount	54	32	17	25	MEMBERSHIP				
Delay in payment	70	43	28	35	Adult dependents	9	7	1	12
Excess	16	17	21	11	Arrears	14	23	14	12
Gap - Hospital	23	13	25	17	Authority over membership	3	3	8	5
Gap - Medical	29	25	33	23	Cancellation	111	97	76	94
General treatment (extras/ancillary)	36	59	77	61	Clearance certificates	57	50	18	40
High cost drugs	2	1	3	1	Continuity	44	31	18	28
Hospital exclusion/restriction	90	120	105	92	Rate and benefit protection	9	1	0	5
Insurer rule	30	27	24	38	Suspension	22	26	15	22
Limit reached	4	14	3	8	SERVICE				
New baby	6	8	3	3	Customer service advice	53	41	19	24
Non-health insurance	1	0	2	2	General service issues	65	55	42	61
Non-health insurance - overseas benefits	0	0	0	0	Premium payment problems	163	57	36	85
Non-recognised other practitioner	9	4	2	1	Service delays	45	21	18	21
Non-recognised podiatry	5	1	1	1	WAITING PERIOD				
Other compensation	6	7	3	3	Benefit limitation period	0	1	0	0
Out of pocket not elsewhere covered	5	5	6	3	General	6	10	9	9
Out of time	3	4	10	1	Obstetric	11	9	9	8
Preferred provider schemes	15	11	9	9	Other	6	6	3	6
Prostheses	5	0	2	2	Pre-existing conditions	88	93	75	100
Workers compensation	2	1	0	1	OTHER				
CONTRACT					Access	0	0	0	0
Hospitals	4	8	2	5	Acute care certificates	3	1	2	6
Preferred provider schemes	8	6	5	3	Community rating	0	1	0	1
Second tier default benefit	1	0	0	1	Complaint not elsewhere covered	24	14	10	4
COST					Confidentiality and privacy	2	4	2	4
Dual charging	0	0	0	1	Demutualisation/sale of health insurers	0	0	1	0
Rate increase	32	8	4	69	Discrimination	0	0	0	0
INCENTIVES					Medibank sale	0	1	0	0
Lifetime Health Cover	63	55	27	52	Non-English speaking background	0	0	0	0
Medicare Levy Surcharge	2	4	2	2	Non-Medicare patient	3	3	0	1
Rebate	11	4	3	7	Private patient election	2	1	0	0
Rebate tiers and surcharge changes	0	0	1	1	Rule change	14	6	0	40
INFORMATION									
Brochures and websites	15	12	6	13					
Lack of notification	15	15	19	5					
Oral advice	87	91	64	89					
Radio and television	0	0	0	1					
Standard Information Statement	1	3	0	0					
Written advice	8	9	6	7					