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QUARTERLY BULLETIN NO 27
(1 April – 30 June 2003)

COMPLAINT STATISTICS AND ISSUES

As expected the total number of complaints received by my office in this quarter dropped considerably compared to the high reached in the March 2003 quarter (837 compared to 1129 a drop of 26%). The total number of complaints is also slightly lower than for the same quarter last year.

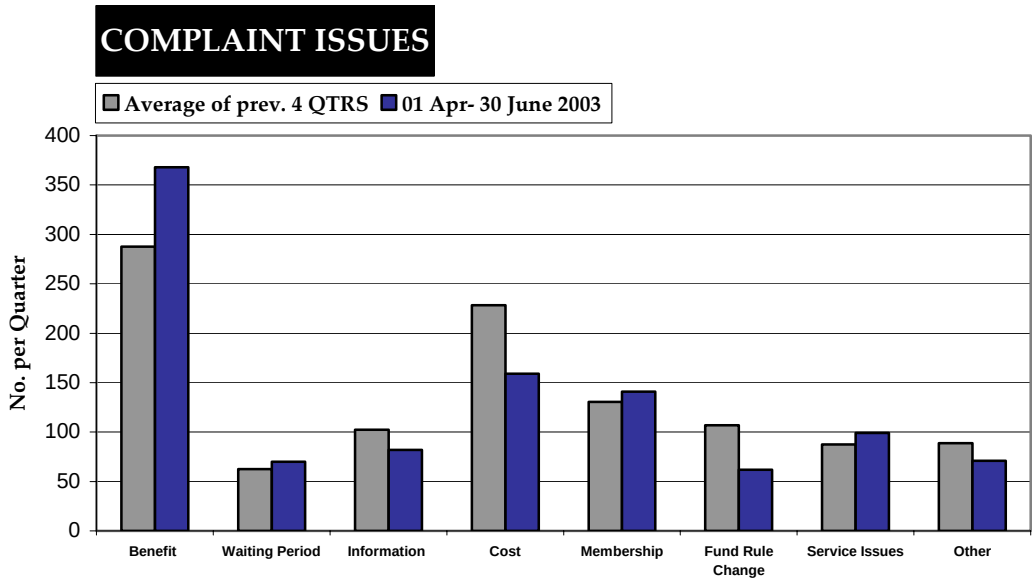
However the number of disputes registered has risen again to 159 compared to 122 in the March quarter (an increase of 30%). Most of the rise in disputes is accounted for by a jump in those registered for Medibank Private, the largest fund.

The issue contributing most to complaints this quarter was the level of gap payments for specialist services in hospital. In May this issue was raised on the "A Current Affair" program and I appeared on that program to comment on the apparently increasing incidence of some doctors charging patients a one- off fee, even though they were purporting to participate in a "gap cover" scheme. (I referred to this issue in my last bulletin.)

Media coverage of that issue appears to have encouraged complaints to my office about general issues of gaps associated with hospital treatment. Only a very small proportion of complaints actually involved gap cover schemes but the majority did raise issues about appropriate fee disclosure by some specialist doctors (and informed financial consent for their patients).

The continued existence of substantial gaps relating to hospital treatment, even for those contributing to top level hospital cover, remains a cause of significant dissatisfaction for many health fund members.

We continued to receive a significant number of complaints about premium increases in the early part of this quarter. This was partly associated with some funds delaying the date of effect of their increases. I have updated the two additional columns, included in our statistical table last quarter, to show all cost complaints received since 17 March 2003. This provides a more complete picture of the effect of the 2003 premium rises on our complaint numbers. I do not intend to include these columns in my next bulletins.



Complaints about general service issues also rose significantly last quarter. I will continue to monitor complaints on this issue. However, one-off difficulties some funds had with the introduction of new computer systems appeared to contribute most to that rise.

GOING "OUT OF CONTRACT" (GRACEFULLY)

I have been contacted over the last couple of months by a number of funds and private hospitals (always separately) for advice on any requirements or guidance on protecting the interests of patients/contributors should the hospital or funds go "out of contract".

A couple of documents that provide useful guidance for funds and private hospitals, when it is likely that either party will terminate a Hospital Purchaser Provider Agreement, are:

- *The Voluntary Code of Practice for hospital purchaser/provider agreement negotiations* (the Code); and
- *The Review of Portability Arrangements* (which was released as an attachment to Circular HBF 688/ PH 428).

The Code does not include much specific information on the issues involved in terminating an agreement. (In my view this is one of its deficiencies.) However it sets out some important principles about communications to patients/contributors in this situation. Paragraph 16.2 indicates:

"*Outcomes of contract negotiations must be communicated to patients affected by changes in a fair and reasonable manner and in a way that avoids adverse publicity or negative perceptions of either specific insurers or hospitals.*"

Too often my office is alerted to public statements or advertisements by funds or hospitals that are in breach of the intent, if not the letter, of this provision. In one recent case during the course of a difficult HPPA negotiation the CEO of the hospital group made public statements very critical of the fund involved, blaming the fund for a potential cessation of the agreement and suggesting he was trying to "keep the bastards honest". The fund, in turn, responded by subsequently placing an advertisement that laid the blame for the cessation of the agreement with the hospital. Both of these actions were, in my view, breaches of the Code. Such breaches are occurring too often for me to be satisfied that the self-regulation approach, embodied in the Code, is effective.

The report of The Review of Portability Arrangements includes recommendations aimed at protecting patients/contributors from undue disadvantage as a result of the termination of a HPPA. They describe transitional arrangements that should be put in place for pre-booked admissions and patients undergoing a course of treatment at the time the HPPA ceases. They also indicate what is required in terms of communications with patients and fund contributors. To be put in place effectively these arrangements need to be planned for and require cooperation between the fund and hospital. Unfortunately in many instances I am contacted within days of a HPPA cessation and neither party has planned for these transition arrangements.

The Review of Portability Arrangements recommended that these arrangements for cessation be specifically included in any HPPA. I have not seen any evidence that this has been done. At a minimum the transitional arrangements should be discussed and planned for at least 30 days prior to the HPPA cessation (the period of notice of cessation generally required). In general it may be desirable to assign these responsibilities to people other than those directly involved in the negotiation process.

I am happy to provide more detailed advice to any hospitals or funds on these issues.

STOP PRESS: PHIO client satisfaction survey

We have just finished our initial compilation of results of our annual survey of the satisfaction of complainants with our services. The results of the survey will be published in our annual report and are basically similar to previous years. However this year I included two additional questions.

- Complainants who had been referred back to their funds (our "problem" classification) were asked if they were satisfied with the way their fund dealt with their complaint. Only 25% were.
- Complainants classified as "grievances" (most of these are premium rise complaints) were asked whether they took any other action in relation to their complaint. 13% said they cancelled their private health insurance, 8% changed funds and 18% stayed with their fund but changed their cover.

Complaints by Health Fund 1 April to 30 June 2003

Name of Fund	Total number Complaints (1)	% total complaints	Total number disputes (2)	% total disputes	Market share (3)(4)	Cost Complaints 17/3-30/6 (5)	% Cost Complaints 17/3-30/06 (5)
ACA Health Benefits Fund	0	0.0	0	0.0	0.1	1	0.2
AMA Health Fund Limited	0	0.0	0	0.0	0.1	0	0.0
Australian Health Management Group Limited	85	10.1	10	6.3	2.7	279	48.3
Australian Unity Health Limited	29	3.5	5	3.2	2.6	2	0.3
CBHS Friendly Society Limited	15	1.8	3	1.9	1.1	2	0.3
Cessnock District Health Benefits Fund	0	0.0	0	0.0	<0.1	0	0.0
Credicare Health Fund	3	0.4	2	1.3	0.4	6	1.0
Defence Health Benefits Society	6	0.7	3	1.9	1.4	1	0.2
Federation Health	2	0.2	1	0.6	0.2	0	0.0
GMHBA Limited	9	1.1	1	0.6	1.3	1	0.2
Goldfields Medical Fund (Inc.)	6	0.7	1	0.6	0.8	5	0.9
Grand United Corporate Health Limited	3	0.4	1	0.6	0.3	1	0.2
Grand United Health Fund Pty Ltd	4	0.5	1	0.6	0.4	1	0.2
HBA Health Insurance	97	11.6	12	7.6	9.6	29	5.0
Health Care Insurance Limited	1	0.1	0	0.0	0.1	1	0.2
Health Insurance Fund of W.A.	5	0.6	2	1.3	0.4	2	0.3
Health-Partners Inc.	3	0.4	1	0.6	0.6	0	0.0
Healthguard Health Benefits Fund Limited	1	0.1	1	0.6	0.1	1	0.2
HBF Health Funds Inc.	33	3.9	7	4.4	8.5	6	1.0
Hospitals Contribution Fund of Australia Limited	27	3.2	4	2.5	7.7	10	1.7
IOOF Health Services Limited	2	0.2	0	0.0	0.2	0	0.0
I.O.R. Australia Pty Limited	26	3.1	9	5.7	1.2	2	0.3
Latrobe Health Services Inc.	1	0.1	1	0.6	0.5	0	0.0
Lysaght Peoplecare	0	0.0	0	0.0	0.4	0	0.0
Manchester Unity Australia Ltd.	21	2.5	5	3.2	1.3	0	0.0
Medibank Private Limited	247	29.5	58	36.7	29.6	48	8.3
Medical Benefits Fund of Australia Limited	116	13.8	12	7.6	16.6	128	22.1
Mildura District Hospital Fund Limited	1	0.1	0	0.0	0.3	0	0.0
Navy Health Limited	1	0.1	1	0.6	0.3	0	0.0
N.I.B. Health Funds Limited	50	6.0	11	7.0	5.1	1	0.2
NRMA Health Pty. Limited	23	2.7	3	1.9	1.9	46	8.0
Phoenix Health Fund	0	0.0	0	0.0	0.1	1	0.2
Queensland Country Health Limited	0	0.0	0	0.0	0.2	1	0.2
Railway & Transport Health Fund Ltd.	0	0.0	0	0.0	0.3	0	0.0
Reserve Bank Health Society	0	0.0	0	0.0	<0.1	0	0.0
SA Police Employees' Health Fund Inc.	1	0.1	0	0.0	0.1	0	0.0
St Luke's Medical & Hospital Benefits Ass. Ltd.	3	0.4	0	0.0	0.4	0	0.0
Teachers Federation Health Limited	3	0.4	0	0.0	1.7	1	0.2
Queensland Teachers' Union Health Fund Limited	5	0.6	2	1.3	0.4	0	0.0
Transport Friendly Society Limited	2	0.2	1	0.6	0.1	0	0.0
United Ancient Order of Druids Victoria	1	0.1	0	0.0	0.1	0	0.0
United Ancient Order of Druids G/L NSW	0	0.0	0	0.0	<0.1	0	0.0
Western District Health Fund Ltd	6	0.7	0	0.0	0.8	2	0.3
Total for Registered Funds	**838**	**100.0**	**158**	**100.0**	**100**	**578**	**100.0**

1. Complaints = Problems, Grievances & Disputes
2. Disputes required the intervention of the Ombudsman and the fund.
3. Proportion of people covered by health fund as at 30 June 2002 as stated in the PHIAC Annual Report
4. Market Share figure (3) does not include people holding "Overseas" or "International" Visitors cover . Complaints regarding Visitor cover are included in health fund complaint figures.
5. Cost (Premium) complaints for period 17/3/03 – 30/06/03- ie. for the period immediately after most new rates were announced.