Australian Government
Private Health Insurance Ombudsman

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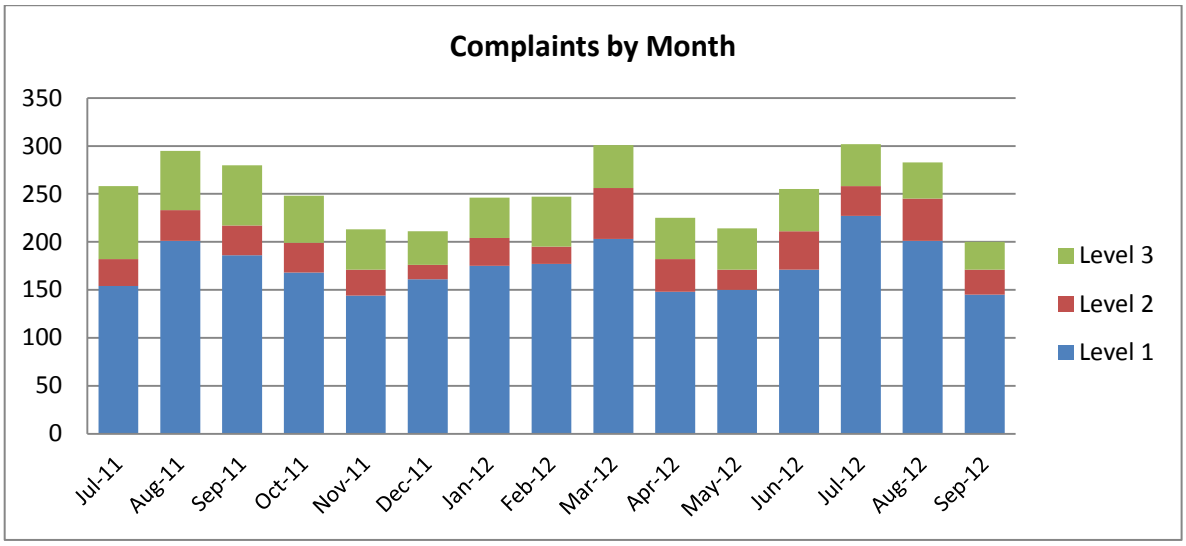
(01 July – 30 September 2012)

Complaint Statistics & Workload

The office received 785 complaints in the September 2012 quarter. This was an increase of 12% on the 694 complaints received in the previous quarter, but a decrease of 6% compared to the 833 received in the same period last year.

Consumer awareness of private health insurance was very high in the late June to July period, due to changes to the Government Private Health Insurance Rebate, effective from 1 July, and the Department of Health & Ageing's annual LHC mailing to new migrants and Australians turning 31. This in turn caused a higher level of complaints in that period, as well as a higher level of general enquiries and traffic to the Ombudsman's consumer website www.privatehealth.gov.au.



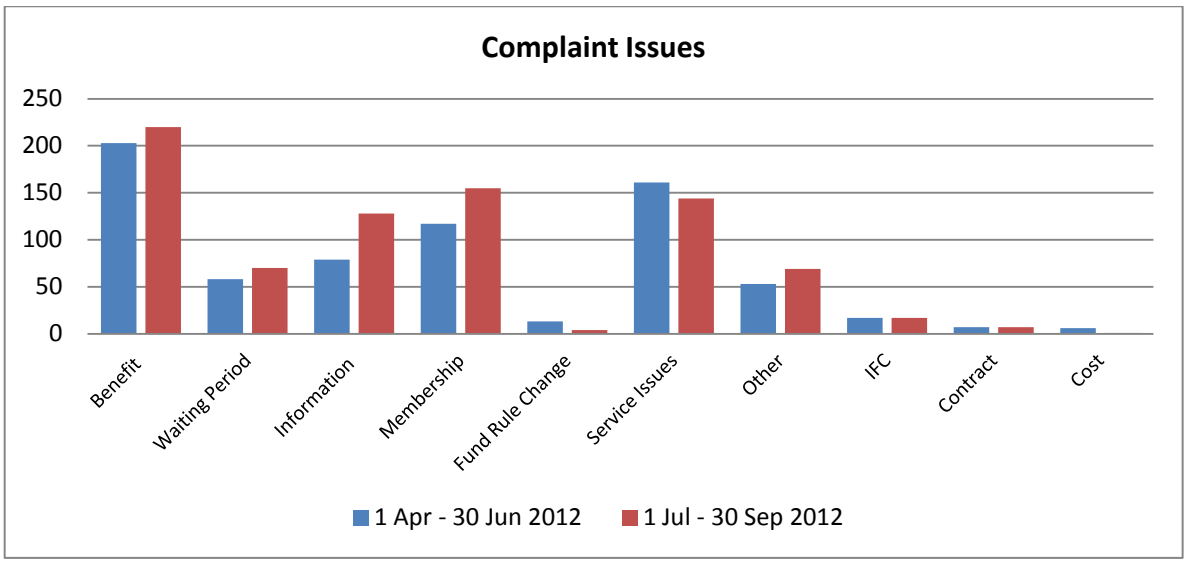
Although PHIO received fewer complaints than the same time last year, complaints about some issues increased, including membership transfer complaints and complaints about oral advice provided by call centre staff.

Membership and administration complaints included 56 complaints about difficulties obtaining clearance or transfer certificates, 51 complaints about membership cancellation issues, 17 complaints about membership suspension and 14 complaints each about payment arrears and continuity.

Information complaints consisted of 94 complaints about incorrect oral advice and 34 complaints about written advice.

Similar to previous quarters, complaints about benefits were the most common concern for consumers. The main areas of complaint were restricted hospital insurance policies (45 complaints), payment delays (35 complaints), lower benefits due to fund rule (26,) delays in benefit payments (26), medical gaps (16), hospital excess (14), preferred provider schemes (13) and ambulance benefits (10).

It was pleasing to see an improvement in complaints about service issues. The most common service issue complaints were service delays (52 complaints), premium payment problems (49), general service issues (29), and customer service advice (19).



Dealing with Unreasonable Customer Behaviour

PHIO receives a small number of complaints from members who have been told that conditions have been placed on their dealings with their health insurer due to inappropriate or unreasonable conduct. There have also been some instances where insurers have felt that a member's conduct is of sufficient concern that it is a risk to the safety of its customer service staff, particularly those working in retail offices.

PHIO recommends that health insurer staff members who deal with customers read the NSW Ombudsman's excellent practice guide on *Managing Unreasonable Complainant Conduct*[1] and if possible, attend one of their one-day training workshops, which can be held outside NSW.

As private health insurance is a long-term purchase where regular interactions with members are necessary, insurers should consider how to manage a customer after an incidence of unreasonable behaviour.

It is good practice to:

- Keep records of conversations that are factual and able to be provided to a third party or the member at a later date if requested;
- Allocate the handling of members who are behaving unreasonably to more senior staff members who have better skills and experience in handling complainants;
- Where necessary, provide written warnings to members explaining that unreasonable behaviour is not acceptable and that the insurer can limit access to phone and retail staff members if behaviour is deemed appropriate.

In rare cases where unreasonable behaviour has continued after warnings, an insurer sometimes takes the step of terminating a policy. If this occurs, the PHIO expects the following:

- That the fund has a clear health fund rule that enables the action to be taken;
- That the case has been reviewed at a senior level by a staff member who has not had previous involvement with the case;
- That a letter has been sent to the member at least one month in advance of the termination date, explaining that he or she needs to join another insurer to maintain continuity.

The termination letter needs to include a copy of the health fund rule, a chronology of events which details the behaviour and when warnings were sent, and advice that the decision of the insurer can be reviewed by the Private Health Insurance Ombudsman.

Insurers are also required to notify the Private Health Insurance Administration Council of a decision to terminate a person's complying health insurance policy, if the termination is not related to payment of premiums or a request to cancel a policy. (See PHIAC Circular 12/27, which is available at www.phiac.gov.au/circulars/.)

[1] http://www.ombo.nsw.gov.au/__data/assets/pdf_file/0004/3568/GL_Unreasonable-Complainant-Conduct-Manual-2012_LR.pdf

Providing Clear Information about Hospital Policy Restrictions and Exclusions

PHIO receives regular complaints from consumers who have misunderstood the restrictions or exclusions on their hospital policy. Commonly, complaints about this issue relate to the process that is followed when a person is choosing a health insurance policy and looking at a range of policies from budget to top hospital. Budget policies are cheaper than top hospital policies because they pay lower benefits or no benefits for a range of procedures such as heart surgery, obstetrics, hip replacements, etc. It is important that these limitations are properly explained to consumers when they choose to take out a policy that has restrictions or exclusions.

PHIO believes that a restricted hospital policy is one of the more complex areas of health insurance for a consumer to understand, because consumers' understanding of terms such as "plastic and reconstructive," "psychiatric treatment" and "minor knee surgery" can be very different from the insurer's definition. When a consumer is asking questions about a policy before purchase, it is important for the staff member to ensure the consumer understands any limitations that apply to the policy. PHIO generally does not consider it adequate for an insurer to rely on its written material if a sales call has taken place in which the insurer or broker has discussed the merits of the policy without alerting the consumer to policy limitations that need to be considered carefully.

A consumer expects the representative of the health insurer or broker to understand the policy better than they do, to be able to provide expert advice to them, and to keep a record of that advice. In particular, the health insurer or broker should check that the consumer understands each service that they are not going to be covered for. Reading off the list of services is not sufficient unless the salesperson checks that the consumer has fully understood the terms used.

Most of the complaints that PHIO receives about this issue occur when a member requires hospital treatment which is not covered due to a restriction or exclusion on their policy. The complainant's view is that they would not have chosen the hospital policy if they had known the full facts about it at the time of purchase. In cases where PHIO's investigation reveals that the complainant was not given adequate information about a restriction or exclusion on their policy, PHIO will recommend that the complainant be allowed to backdate to a higher level of hospital cover in order to be covered for the treatment.

Update to PHIO Mediation Guidelines & FAQs

PHIO has updated its guidelines for mediating between insurers and private hospitals about contract disputes. PHIO has the power to conduct compulsory mediation between insurers and hospitals to protect the interests of private health insurance consumers who can be affected by a dispute. The guidelines explain the process that PHIO follows in handling disputes and sets out its requirements for health insurers and hospitals to follow.

PHIO recommends that private health insurers and hospitals that are experiencing difficulties in renewing hospital agreements read the guidelines and FAQs. Both documents are available at the following link:
http://www.phio.org.au/complaints/industry-resources.aspx

PHIO Seminar 2012

PHIO held its regular industry seminar in Melbourne on Thursday 20th September and it was pleasing to see that 112 delegates attended from a range of health insurers and brokers as well as consumer and government organisations.

It is challenging to organise a seminar that is relevant and satisfactory to a variety of people from different organisations. It was very pleasing to see that of the people who completed the survey, 31% rated the seminar as excellent overall and 55% rated it as very good; only 15% said it was satisfactory and no-one rated it as unsatisfactory.

The seminar presentations are available at the following link:
http://www.phio.org.au/complaints/industry-resources/phio-seminar-2012.aspx

Complaints by Health Insurer Market Share

1 July - 30 September 2012

Name of Fund	Complaints(1)	Percentage of Complaints	Level-3 Complaints(2)	Percentage of Level-3 Complaints	Market Share(3)
ACA Health Benefits	0	0.0%	0	0.0%	0.1%
AHM	36	5.4%	2	2.1%	2.9%
Australian Unity	41	6.1%	11	11.5%	3.1%
BUPA (includes MBF)	175	26.1%	26	27.1%	26.9%
CBHS	7	1.0%	0	0.0%	1.3%
CDH (Cessnock District Health)	0	0.0%	0	0.0%	<0.1%
CUA Health	3	0.4%	1	1.0%	0.4%
Defence Health	9	1.3%	2	2.1%	1.6%
Doctors' Health Fund	3	0.4%	0	0.0%	0.1%
GMHBA	11	1.6%	1	1.0%	1.7%
Grand United Corporate Health	4	0.6%	1	1.0%	0.4%
HBF Health	13	1.9%	3	3.1%	7.7%
HCF (Hospitals Cont. Fund)	79	11.8%	8	8.3%	10.5%
Health.com.au	4	0.6%	0	0.0%	<0.1%
Health Care Insurance	0	0.0%	0	0.0%	0.1%
HIF (Health Insurance Fund of Aus.)	5	0.7%	0	0.0%	0.6%
Healthguard (GMF/Central West)	3	0.4%	0	0.0%	0.5%
Health-Partners	1	0.1%	0	0.0%	0.7%
Latrobe Health	3	0.4%	1	1.0%	0.7%
Medibank Private	191	28.5%	28	29.2%	27.7%
Mildura District Hospital Fund	0	0.0%	0	0.0%	0.3%
National Health Benefits Aust.	0	0.0%	0	0.0%	0.1%
N.I.B. Health	54	8.0%	10	10.4%	7.5%
Navy Health	1	0.1%	0	0.0%	0.2%
Peoplecare	5	0.7%	0	0.0%	0.4%
Phoenix Health Fund	0	0.0%	0	0.0%	0.1%
Police Health	3	0.4%	0	0.0%	0.3%
QLD Country Health Fund	2	0.3%	0	0.0%	0.3%
Railway & Transport Health	0	0.0%	0	0.0%	0.4%
Reserve Bank Health	0	0.0%	0	0.0%	<0.1%
St Lukes Health	3	0.4%	1	1.0%	0.4%
Teachers Federation Health	8	1.2%	0	0.0%	1.8%
Teachers Union Health	3	0.4%	1	1.0%	0.4%
Transport Health	0	0.0%	0	0.0%	0.1%
Westfund	4	0.6%	0	0.0%	0.8%
Total for Health Insurers	**671**	**100%**	**96**	**100%**	**100%**

1. Number of Complaints (Levels 1, 2 & 3) from those holding registered health fund policies.
2. Level 3 Complaints required the intervention of the Ombudsman and the health fund.
3. Source: PHIAC, Market Share, All Policies, 30 June 2011