



**Australian Government**

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**Private Health Insurance Ombudsman**

# The State of the Health Funds Report 2006

*An independent assessment of the comparative  
performance and service delivery of Australia's  
private health insurance providers*

# **Private Health Insurance Ombudsman**

## ***STATE OF THE HEALTH FUNDS*** **REPORT**

**2006**

(Relating to the financial year 2005-06)

Report required by paragraph 82ZRC (ba) of the *National Health Act 1953*

## FOREWORD

I am pleased to present the third annual *State of the Health Funds* report relating to the financial year 2005/2006. The *National Health Act* requires the Private Health Insurance Ombudsman to publish the *State of the Health Funds* report after the end of each financial year, to provide comparative information on the performance and service delivery of all health funds during that financial year.

The main aim of publishing the report is to give consumers some extra information to help them when making decisions about private health insurance. For existing fund members, the report provides information that will assist them to compare the performance of their fund with all other health funds. For those considering taking out private health insurance, it provides an indication of the services available from each fund and provides a comparison on some service and performance indicators at the fund level.

The range of issues and performance information is the same as previous reports, and has been chosen after taking into account the availability of reliable data and whether the information is reasonably comparable across funds. Much of the information included in the report is based on data collected by the Private Health Insurance Administration Council, as part of their role in statistical reporting and monitoring the financial management of health funds. Some additional data has been gathered from the funds, but this has been kept to a minimal level, so as not to contribute to undue extra administration costs.

The only significant change in this year's report is that medical gap information is presented on a state-by-state rather than a national basis. This change improves the information on gap schemes for consumers, because the effectiveness of some funds' gap schemes can differ between states and these differences are not apparent in the national figures.

There have been a number of initiatives announced and introduced during 2006 aimed at improving the availability of independent information for consumers on private health insurance. From early 2007, all funds will be required to produce standard product information for each product they sell. This will make it easier for consumers to know what they are covered for under their current product and to compare their product with other products on the market.

PHIO is currently in the process of overseeing the design and development of a website which will enable consumers to view the standard product information for their product and other health insurance products. The website will also provide a range of information to assist consumers' understanding of private health insurance and to select or update their private health insurance product. It is hoped that these initiatives, in addition to this State of the Health Funds Report, will greatly increase the information available to consumers about private health insurance.

Sadly, this report has been produced in the absence of Ombudsman, John Powlay, who passed away on 16<sup>th</sup> January 2007. Mr Powlay had held the position of Private Health Insurance Ombudsman since November 2002.

Mr Powlay introduced the annual *State of the Health Funds* report in 2004, to provide consumers with information about health fund performance to assist them in understanding their own health insurance product and in choosing a new product. He was a passionate consumer advocate for people with private health insurance and a great believer in the importance of accessible and impartial information about private health insurance for consumers.

In putting this report together, I would like to pay tribute to John's enormous contribution in developing, implementing and refining the report over the last three years. Because of this, it has been relatively straightforward to produce this year's report. I would also like to acknowledge the significant contribution of PHIO staff member, David McGregor, who has produced the statistical information.

Mr Powlay will be sadly missed by the staff of the Ombudsman's office and by his colleagues in government and the private health insurance industry.

**Samantha Gavel**

A/g Private Health Insurance Ombudsman

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## THE STATE OF THE HEALTH FUNDS REPORT- INTRODUCTION

This report presents a selection of information on service delivery and aspects of the performance of all registered health funds.

The tables presented in the report cover the following aspects of health fund operations:

- *Service Delivery*
- *Service Performance*
- *Finances and Costs*
- *Hospital Cover*
- *Ancillary (Extras) Cover*
- *Medical Gap Cover*

Each of the tables is preceded by a discussion of the indicators used in the table and the source of the information provided. To allow comparability between funds of differing size most of the statistical information is presented as percentages or, in some cases, \$ amounts per membership or per persons covered.

### **Restricted membership funds**

Not all health funds are available to all consumers. Membership of some funds is restricted to employees of certain companies or occupations or members of particular organisations.

All registered health funds are included in the tables for each indicator. Open and restricted membership funds are listed separately in each of the tables. (Restricted membership funds are listed after open membership funds and are shown in italics.)

### **State based differences**

Most of the information contained in this report is based on national data. However, the market for health insurance is, to a large extent, state based. (Some funds have little presence in most states but may have a large market share in one State or Territory; some funds offer different products and prices in different States and some funds use different brand names in different States and Territories.)

Separate tables are therefore provided for each State/Territory with information on the extent of each fund's business in each state, as well as other relevant state based information. Details of the number of retail offices and agencies operated by each fund are also shown on a State/Territory basis in the *Health Fund Listing and Service Information* section of the report.

### **Information about products**

The report does not include detailed information on price and benefits for particular health insurance products. The information that is included on fund contributions and benefits indicates the average outcomes across all of a fund's products and should not be taken as an indicator of the price or benefit levels that can be expected for any particular product. Virtually all funds offer more expensive products that can be expected to provide better than average benefits and most also offer cheaper products that provide less.

The report is intended to help consumers in deciding which health funds to consider but won't necessarily help them to decide which of the funds' products to purchase.

### **Fund names**

Throughout this report health funds are referred to by an abbreviation of their registered name, rather than any brand name that they might use. This abbreviated name appears on the left side of the heading for each fund in the *Health Fund Listing and Service Information* section.

A number of open membership funds provide "corporate" health insurance plans for employers. In some cases these health insurance products may be known by the employer's name.

Some open membership funds also use a number of different brand names or do not use their registered name as a public brand. A listing of current and recent brand names and the funds that they relate to is provided below.

#### **CURRENT & RECENT BRAND NAMES**

<b>BRAND NAME</b>	<b>FUND</b>
Australian Country Health	AHM
Country Health	AHM
Federation Health	Latrobe
GMF Health	Healthguard
Goldfields	Healthguard
Government Employees	AHM
Grand United	AU
HBA	BUPA
Illawarra Health Fund	AHM
IOOF	NIB
IOR	HCF
MBF Health	MBF Alliances
Mutual Community	BUPA
Mutual Health	AHM
NRMA Health	MBF Alliances
SGIC (SA)	MBF Alliances
SGIO (WA)	MBF Alliances
Union Shopper	Qld Teachers

## INTRODUCTION

### **Using the Information in this Report to Compare Health Funds**

It is expected that consumers will use the information contained in this report either to identify funds to consider (once they have decided they may want to take out private health insurance) or to assess their existing fund's performance, as part of a reassessment of their health insurance needs.

The selection of indicators used in this report is not intended to represent the full range of factors that should be considered when comparing the performance of health funds. The range of indicators has been limited to those for which there is reliable comparative information available.

**It is intended that consumers should use the range of indicators included in this report as a menu to choose the factors that may be of importance to them.**

People using the report should form their own view of which factors they may value and which may not be relevant to them.

For instance, some consumers may prefer to do business with a health fund in person. In that case the availability of branch offices will be an important consideration but other service delivery aspects may not be relevant. For consumers wishing to do as much of their business as possible over the internet the availability of branch offices may not be a relevant consideration but the range of services available through the funds' websites will be important.

Some advice on why particular indicators might be more relevant to particular consumers is provided in the explanations preceding each of the tables in this report.

For consumers who are considering taking out private health insurance for the first time, it is suggested that the report be used to identify a number of funds (preferably at least three) to be further investigated.

**None of the indicators used in this report should be relied on solely as an indicator of fund performance.**

In most cases a seemingly poor performance on one indicator will be offset by a good performance on other factors. Some advice on factors to consider when assessing performance on particular indicators is also provided in the explanations preceding each of the tables in this report.

No attempt has been made to weight the importance of various indicators, as this is a subjective judgement very much dependent on the particular circumstances, preferences and priorities of individual consumers. For this reason it would not be valid to average all the scores indicated to obtain some form of consolidated performance or service delivery score.

The publication "*Insure, Not Sure*" produced by the Private Health Insurance Administration Council provides independent information to help consumers decide whether they want to take out private health insurance.<sup>1</sup>

The *Selecting a Health Insurance Product* section of this report includes important advice and questions to get answered when examining health fund products.

#### **Disclaimers**

*Some information included in this report has been based on surveys submitted by health fund staff. PHIO understands that best endeavours have been made to ensure all information is accurate. However PHIO has not been able to independently verify some of this information.*

*Nothing contained in this report should be taken as a recommendation by the Private Health Insurance Ombudsman in favour of any particular health fund or health insurance product.*

<sup>1</sup> The "*Insure, Not Sure*" booklet can be viewed and downloaded from the Private Health Insurance Ombudsman's (PHIO) website – [www.phio.org.au](http://www.phio.org.au) or obtained on request to the PHIO.

## KEY CONSUMER CONCERNS, ISSUES AND DEVELOPMENTS

### ***Level of Complaints to the PHIO***

In 2005/06, PHIO received 2374 complaints, compared with 2571 in 2004/05 complaints (a reduction of 8 percent). The total number of complaints received by PHIO in 2005/06 continued to decline, for the third consecutive year.

There are a number of factors contributing to the decline in complaints. Many funds, with assistance from PHIO, have improved their internal complaint handling processes. The flow on effect of these improvements is now being seen in their complaint numbers. This is a very positive development for their members.

It is notable, however, that although overall complaint numbers fell in 2005/06, the number of higher-level complaints requiring more detailed investigation by the PHIO increased. This suggests that funds are becoming more effective at resolving less complex consumer complaints through their own internal complaint handling systems, with only the more difficult issues being referred to the PHIO for investigation.

### ***The Price of Private Health Insurance***

A significant factor in the decline in complaints to the PHIO in recent years is the decrease in the number of people complaining about the cost of premiums. The average premium rise for 2007 was 4.52%, according to figures released by the Private Health Insurance Administration Council (PHIAC). This is the second year in a row that the average annual increase in contribution rates for private health insurance policies has fallen. (Source: PHIAC Media Release, 23/2/07.)

PHIAC's 2005/06 Annual Report indicates that 2006 was a positive year financially for the private health insurance industry. Good financial performance by the industry is important from a consumer perspective, to ensure benefit levels are maintained and premium costs kept in check.

It is hoped that the benefits of this improved financial performance will be passed onto consumers in the form of lower premium increases, higher benefit levels and investment in more efficient processing and administrative systems. A

number of funds have already indicated that this will be the case.

Lower premium increases, coupled with the introduction of the 30% rebate and recent increases in the level of the rebate for older people have also greatly assisted the decline in complaint numbers about premium costs.

Management of consumer expectations and improvements in the timing and communication of premium increases has also played a role in reducing complaints about this issue. As the Ombudsman noted in last year's report, consumers now expect annual premium increases and appear to have some acceptance that such rises are necessary, given increased health costs.

However, the *Health Care & Insurance Australia 2005* survey conducted by Ipsos/TQA Research indicates that price remains the most important factor in consumers' key decisions about whether to take up, change, downgrade or drop their private health insurance product.

The importance of price in these decisions presents a significant challenge to both industry and consumers, because a cheaper product chosen mainly on price may not be the most suitable one for the consumer's needs down the track when they require a hospital admission and need to claim.

The main factors driving the increasing cost of health fund benefits are population ageing, increased utilisation of private hospital and other health services and the growth in health costs including technology and doctors' fees. To a large extent, most of these are beyond the funds' control. For example, in 2006, a significant pay rise for nurses in Queensland led to increased costs for funds with hospital contracts in that state, which may need to be passed onto consumers at some time in the future.

Notwithstanding this year's solid financial performance, funds will continue to face the challenge of containing costs while at the same time ensuring consumer expectations are met at the time when a claim is paid.

## KEY CONSUMER CONCERNS, ISSUES AND DEVELOPMENTS

### ***The Requirement to Pay a Gap***

There are two main areas of complaint to the Ombudsman in relation to out of pocket expenses or gaps. The first is where a gap occurs with a hospital admission, between what the hospital charges and what the fund pays. This gap is usually due to the co-payment or excess the member has chosen to pay in return for a lower premium each time they are admitted to hospital (depending on how the excess or co-payment works).

In most instances, the fund will cover the full hospital costs of the patient's admission, less any excess or co-payment on their cover. The exceptions are where the fund does not have a contract with the hospital and a lesser benefit is paid. The member is then required to pay the difference.

Due to difficulties in reaching an acceptable outcome during contract negotiations, one larger fund introduced a daily co-payment for admissions to a particular hospital, in addition to the patient's excess on their cover.

While this is a preferable solution to having no contract at all, it is evident from complaints to the Ombudsman that some consumers were very unhappy about having to pay the additional daily rate. The Ombudsman would be concerned if this type of arrangement were to become more widespread.

The other common area of complaint in relation to patient gaps is gaps on medical bills by the treating doctor(s).

PHIAC's figures indicate that the incidence of gaps for in-patient services is gradually decreasing and that funds are continuing to pay higher levels of benefits to cover medical gaps. In 2005/06, funds spent an additional \$90 million on covering medical gaps\*. Complaints about medical gaps to the PHIO have also been gradually decreasing in recent years. The PHIO recorded 125 complaints about medical gaps issues in 2005/06, compared with 137 in the previous year.

The largest gaps for consumers occur when a doctor does not use the relevant gap scheme. This is because, in those circumstances, the fund is not permitted (by law) to pay anything towards the gap. New legislation due to take effect on 1 April 2007 is expected to provide more flexibility for funds in relation to their gap schemes. PHIO will monitor the impact of the new arrangements, to ensure they benefit consumers without unduly increasing costs to the fund.

Last year's *State of the Health Funds Report* contained detailed information on gap issues and how gap schemes work and is still a relevant resource for people wanting more information about this issue. The 2005 report is available at [www.phio.org.au](http://www.phio.org.au).

Given the considerable interest in the issue of medical gaps, this report includes a table indicating the effectiveness of health fund gap schemes in covering or reducing in-patient medical gaps for contributors. This information has been presented on a state by state basis for the first time this year.

\*Operations of the Registered Health benefits Organisations, Annual report 2005-06, PHIAC, p 1

### ***Informed Financial Consent***

Consumers are most likely to be concerned about medical gaps (whatever the amount) where they have been given no notice of likely fees and the possibility of out-of-pocket costs beforehand. Failure to provide advance notice of fees and charges has always been a factor in a significant proportion of complaints received by the PHIO about medical and hospital gaps.

Complaints to the PHIO over the last twelve months suggest that rates of *informed financial consent* by doctors are improving. Most complainants indicate they have been given *informed financial consent* and their complaint is more concerned with having to pay a gap, or their inability to obtain a gap benefit from their fund because their doctor has chosen not to use the fund's gap scheme.

A number of initiatives are currently underway to improve the rates of *informed financial consent* by doctors, including the Australian Medical Association's (AMA) "Let's talk about fees" campaign and a related campaign by the Australian Society of Anaesthetists (traditionally, a speciality where lack of patient contact prior to admission can make provision of *informed financial consent* difficult).

There is a strong commitment to improving the rates of *informed financial consent* by the Government. Further improvement will also require goodwill from all sectors of the industry and a focus on assisting the consumer to give *informed financial consent*, prior to treatment, to all doctors involved in their care wherever possible.



## KEY CONSUMER CONCERNS, ISSUES AND DEVELOPMENTS

### ***Problems with Reduced Cover***

Most health funds offer some hospital cover products that pay only minimal benefits (or in some cases no benefit at all) for certain types of hospital treatment.

Restricted covers have lower premiums, but still enable consumers to access public hospitals as a private patient, or private hospitals for the unrestricted services while enabling the consumer to qualify for lifetime health cover purposes and (in most cases) gain exemption from the Medicare Levy Surcharge.

They are popular with younger people who believe they may not need more expensive treatments such as cardiac surgery and hip replacements.

However, restricted products present a number of potential pitfalls for consumers. The first is that they may not fully understand the risks and consequences associated with trading off cover for certain treatments in return for a lower premium.

While the need for cardiac surgery, hip replacement and cataract surgery is much less likely in younger people, there are always exceptions to this. The cost of such services in a private hospital can be very expensive if the appropriate level of cover is not held.

Another problem occurs where consumers take out these products in their twenties and thirties when they are young and healthy, but do not review their cover as they get older and move into age groups where the need for restricted services becomes more likely.

The Ombudsman's recommendation is that people take out the most comprehensive level of hospital cover they can afford and choose a higher excess, rather than a restriction on the product, to keep costs down. It is also important that members review their cover each year. All funds are required to send out a statement at the end of each financial year for lifetime healthcover purposes and this is a good reminder to members to check their level of cover and ensure it still meets their needs, particularly as they get older.

Some funds have now introduced member follow up programmes to assist members on reduced covers to review their cover and ensure they are aware of any restrictions on their current cover. The Ombudsman encourages all funds to provide this service to members who are on restricted products.

It is equally important for funds to ensure that the reduced cover elements of these products are always highlighted both in sales conversations and the written information provided to the consumer

about the product. The Ombudsman also recommends that funds send a letter to the member with their welcome pack that outlines any waiting periods and restrictions applicable to the cover. It is advisable that the details of restricted covers be stated in a personally addressed letter rather than within a standard brochure.

### ***Waiting Periods***

Under the principle of community rating, which underpins private health insurance in Australia, a health fund cannot discriminate against a member on the grounds of age or health status. For this reason, the law allows health funds to apply a number of waiting periods to protect the wider membership of the fund from claims by people joining the fund, or upgrading their cover, only when they require treatment.

The waiting period that causes the most complaints to the Ombudsman is the twelve-month waiting period for pre-existing ailments. The Ombudsman received 280 complaints about waiting periods in 2005/06 and the majority of these were about the pre-existing ailment rule.

This waiting period applies in the first twelve months of joining the fund or upgrading cover, to any illness or condition where there were signs or symptoms, in the twelve months before the member joined the fund. The illness does not have to have been diagnosed by a doctor for the pre-existing ailment rule to apply.

The person empowered under legislation to make the decision about whether an illness is a pre-existing ailment, is a doctor appointed by the health fund; not the patient's treating doctor.

It is important that funds provide full disclosure about this and any other waiting periods to members when they join the fund, via their call centres, printed material and websites.

*Best Practice Guidelines* were released some years ago to inform funds, hospitals and doctors of best practice in relation to information given to consumers to make them aware of the pre-existing ailment waiting period when they join a fund, upgrade their cover, enquire about a hospitalisation, or are admitted to hospital while they are within the waiting period.

The *Guidelines* also set out timeframes for medical assessments and advising members of whether they will be covered or not. This is obviously important when people are sick and need to make decisions about their medical care.

The *Guidelines* are designed to ensure that at every stage, consumers are aware of the rule and its potential impact on them if they need a

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hospitalisation in the first twelve months of joining or upgrading their cover. They are intended to prevent people from going into a private hospital and incurring large out of pocket bills because their claim is denied on pre-existing ailment grounds.

While consumers have a responsibility to understand the terms of their cover, they are not generally aware of the financial consequences of proceeding with a hospital admission that may not be covered by their fund. The *Guidelines* therefore place responsibility for informing consumers on the fund and hospital, who are in a position to make consumers aware of the consequences of proceeding with an admission while they are within the waiting period.

The *Best Practice Guidelines* have been in place for some years and it would now be appropriate for the *Guidelines* to be reviewed and updated.

### ***Health Fund Benefits for Podiatric Surgery***

In 2004/2005 the Government made some significant changes to legislation to encourage health funds to improve the benefits they pay to members receiving hospital treatment by accredited podiatric surgeons.

The PHIO has continued its role of monitoring the operation of the provisions and reporting and acting on complaints.

The PHIO received 108 complaints about benefits for podiatry surgery in 2005/06. In the vast majority of cases, funds were complying with legislative requirements and paying the required benefits.

Many of the complaints concerned non-payment of benefits for the podiatry surgeon's fee. However, as there is no Medicare item number for the podiatry surgeon's services, there is no requirement on funds to pay a benefit towards this fee from their hospital tables. Some funds have chosen to pay benefits under their ancillary tables.

Last year's *State of the Health Funds' Report* contained general information on payment of podiatry benefits and it remains a relevant resource for people wanting more information about this issue. The 2005 report is available online at [www.phio.org.au](http://www.phio.org.au).

## HEALTH FUNDS LISTING AND SERVICE INFORMATION

There are thirty-seven (37) registered health funds operating in Australia. Twenty-four (24) are “open membership” funds – open to any Australian resident to join. The remaining thirteen (13) funds are “restricted membership” funds. A brief summary of membership eligibility is shown for each restricted membership fund.

### ***National/State/Regionally Based***

Most funds operate nationally but some funds have focussed their operations on particular state or regional markets.

For open membership funds, identified as state or regionally based, this generally means that their retail offices and marketing and sales activities are confined to that particular state or region. It generally also means that contracting arrangements with hospitals and health providers are more widely developed within that state or region.

Most larger open membership funds offer some different products (or at least different premiums for products) in different states. These state differences are based on the different costs of benefits and health services in various states and, in some cases, different state government health arrangements.

### ***For Profit / Not For Profit***

Four (4) funds are for-profit organisations. These funds aim to return a dividend to their owners or shareholders but must still meet the solvency and capital adequacy requirements applying to all funds (basically maintaining a sufficient level of reserves within the fund). For-profit funds do not benefit from a range of tax exemptions available to not-for-profit organisations. However they do have more options for raising capital than the not-for-profit funds.

### ***Size - Market Share***

Over ten million Australians are covered by some form of private health insurance. The size of each fund is indicated in the Health Funds Listing by a market share percentage based on the number of persons covered by each fund’s membership (contributors and their dependents) compared to the total national coverage.

The largest fund, Medibank Private, with a market share of 28.7 percent covers 2.8 million people. The smallest funds, Reserve Bank Health and Cessnock District Health, have market shares below 0.05% and cover less than 4000 individuals each.

### ***Retail Offices***

Retail offices are full-service offices operated by health funds with staff employed by the fund. The tables show the number of retail offices for each fund in each state.

Restricted membership funds generally rely less on retail offices as they are able to use the companies /organisations they are associated with as “agents”.

Most health fund business (for most funds) can be conducted effectively by telephone or electronically. However the number and location of retail offices (and agencies) will be an important factor for consumers who prefer to deal with their health insurance business face to face.

Many funds will make cash payments for benefits at retail offices. However some funds have withdrawn or limited this option and consumers who value this facility should check with the funds.

### ***Office Hours***

Health fund retail offices operate during normal business hours, week-days. The following funds open some retail offices on Saturday morning; BUPA, HBF, HCF, HIF, Medibank & Westfund.

### ***Agencies***

Agencies are generally limited service outlets operated by the fund or under arrangements with pharmacies, credit unions, etc. At these agency outlets, members can obtain brochure material and make some transactions but generally can’t have a personal inquiry about their membership finalised or have claims processed on the spot. The number of agencies for each fund in each state is shown.

### ***Performance Reported***

Each fund was asked whether they measure the performance and service levels achieved at their retail offices and requested to give examples of recent results for those measures.

The results reported are not necessarily comparable but provide a general indicator of the service experience of members of that fund. Some funds did not provide separate indicators for retail offices but most provided overall member satisfaction indicators.

## HEALTH FUNDS LISTING AND SERVICE INFORMATION

### **Phone Service**

The phone number for funds' telephone enquiry service is provided together with an indicator of call costs to members.

Funds offering a free telephone inquiry service for members, in all states in which the fund operates, are identified, in the table, as providing a *freecall* cost phone service.

Where members can call the fund (from a fixed line telephone) for no more than the cost of a local call the fund is identified as providing a *local call* cost phone service. Some funds listed as providing a *local call* cost service do provide for free calls from some locations.<sup>1</sup>

Members calling funds with a *normal* cost phone service will need to pay long distance (timed) telephone charges, if they call from outside the fund's local area.

### *Phone Hours*

An indication of the hours of operation of the telephone enquiry service for each fund is provided. Please note that the times relate to the time zones applicable in the state indicated in brackets.

### *Performance Reported*

Each fund was asked whether they measure the performance and service levels achieved for their telephone enquiry service and requested to give examples of recent results for those measures.

In general, funds that operate call centres with automated queuing facilities were able to report average call waiting times (speed to answer) and the proportion of calls receiving a busy signal.

Smaller funds that do not operate a call centre arrangement are less able to measure such indicators and, in the main, rely on member surveys or direct, informal member feedback to give an indicator of satisfaction with fund service levels.

Some funds did not provide separate indicators for telephone enquiry service performance but most provided overall member satisfaction indicators.

### **Member Satisfaction indicators**

Each fund was asked whether and how they measure members' satisfaction with the performance and

service of the fund. It could be expected that funds that are focused on maintaining and improving their service to members would seek regular feedback from members on their experience and rating of fund performance. It is surprising that some funds were unable to report anything against this measure.

Where funds reported indicators of overall member satisfaction (and actual outcomes), one or two examples have been included for information.

It should be noted that none of these measures is necessarily comparable between funds because different survey questions and methodologies have been used.

### **A note on the quality of service delivery**

This report does not provide readily comparable information on the timeliness or quality of service delivery provided to members via the telephone or in person at offices or agencies. This is because of the lack of readily available and comparable measurements across the funds.

An indication of member's perceptions of the quality of service provided by their health funds is provided in the *Health Care and Insurance Australia 2005*<sup>2</sup> survey. Approximately 90% of health fund members surveyed rated the service provided by their health fund as good as or better than the service provided by banks, financial institutions and Australia Post.

A comparable indicator of the quality of service provided by each fund is provided by the percentage of PHIO complaints on "service" that each fund accounts for relative to its market share. This information appears in the *Service Performance* table.

The most common service delivery issue raised in "service" complaints to the Ombudsman has been the allegation of incorrect oral advice about benefit eligibility/coverage.

The Ombudsman recommends that where consumers intend to rely on such advice they should obtain confirmation of the advice in writing, whenever possible or make an immediate note of the advice provided, including a name and/or any reference number given by the fund staff member.

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<sup>1</sup> Note: there are usually higher charges for contacting these free or local call cost services from mobile and public phones.

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<sup>2</sup> Ipsos/TQA Research syndicated survey - 2005

## HEALTH FUNDS LISTING AND SERVICE INFORMATION

### Open Membership Funds

<b>AHM</b>	Australian Health Management
A nationally based, not for profit fund with a market share of 2.4%	
<b>Retail Offices:</b>	NSW(1)
<b>Phone Service:</b>	13 42 46 (Local Call Cost) Mon-Fri 8am- 6pm (EST) <i>Performance reported:</i> <1% of all callers rated as Unhappy/Angry at end of call (>360000 calls)
<b>Member Satisfaction:</b>	regularly monitored by external reseach company <i>Performance reported:</i> 74% rated AHM as better than their financial institution (comp. to 40% for rest of industry)

<b>AU</b>	Australian Unity
A nationally based, for profit fund with a market share of 3.6%	
<b>Retail Offices:</b>	NSW(1) VIC(21) QLD(1) SA(1)
<b>Phone Service:</b>	13 29 39 (Local Call Cost) Mon-Sat: 8:30am- 8:30pm (EST)
<b>Member Satisfaction:</b>	measured regularly by member survey

<b>BUPA</b>	Bupa Australia	<i>HBA (VIC, NSW, QLD, WA, TAS), Mutual Community (SA, NT)</i>
A nationally based, for profit fund with a market share of 9.9%		
<b>Retail Offices:</b>	NSW(4) VIC(35) SA(16) NT(1) <i>(20 offices open Saturdays)</i>	Agencies: VIC(19) SA (2) NT (1)
<i>Performance reported:</i> 71% rating on customer service on most recent contact occasion.		
<b>Phone Service:</b>	13 12 43 (Local Call Cost) Mon-Thur: 8:30am- 8:30pm, Fri: 8:30am- 8:00pm, Sat: 9:00am- 1:00pm (EST) <i>Performance reported:</i> Average speed of answer 30 secs; Average handle time 320 secs	
<b>Member Satisfaction:</b>	Internal quality monitoring & monitoring by external research company <i>Performance reported:</i> 75% rate staff as very good or excellent (as reported by external survey research)	

<b>CDH</b>	CDH Benefits Fund Ltd
Regional fund based in Cessnock (NSW) with a market share of 0.04%, not for profit.	
<b>Retail Offices:</b>	NSW (1)
<b>Phone Service:</b>	(02) 4990 1385 (Normal call cost) Mon-Fri 8:30am-5:00pm (EST)

<b>Credicare</b>	Credicare Health Fund Limited
Based mainly in QLD. Also in NSW, ACT & VIC. Market share of 0.4%, not for profit. Health for members of Credit Union Australia Limited	
<b>Retail Offices:</b>	Agencies: NSW(9) VIC(4) QLD(36)
<i>Performance reported:</i> Overall credicare service rated at 80% satisfaction.	
<b>Phone Service:</b>	133 282 (Local call cost) Mon-Fri 8:00am-5:00pm (QLD Time) <i>Performance reported:</i> 87.8% calls answered in 3 rings; 1.7% abandonment rate.
<b>Member Satisfaction:</b>	Overall customer service of CUA measured.

## Open Membership Funds

<b>Druids VIC</b>	United Ancient Order of Druids Friendly Society Limited	
Victorian based with a market share of 0.1%, not for profit		
<b>Retail Offices:</b>	VIC (1)	
<b>Phone Service:</b>	(03) 9329 5144 (VIC)	1800 008 684 (Freecall outside VIC)
	Mon-Fri: 8am-5pm	

<b>GMHBA</b>	GMHBA Limited	
A nationally based, not for profit fund with a market share of 1.5%		
<b>Retail Offices:</b>	VIC(11) WA(1)	Agencies: VIC(30)
	<i>Performance reported:</i> Satisfaction rating (out of 7) 6.4 Length of queue, 6.3 time taken to deal with enquiry	
<b>Phone Service:</b>	1300 446 422(Local call cost)	
	Mon-Fri: 8:00am-6:00pm (EST/EDST)	
	<i>Performance reported:</i> Grade of service 73%, abandonment rate 5%, first call resolution 88%	
<b>Member Satisfaction:</b>	measured regularly by member survey	
	<i>Performance reported:</i> Satisfaction rating (out of 7) 6.3 for customer service centre	

<b>GU Corporate</b>	Grand United Corporate Health Fund	
A nationally based, for profit fund with a market share of 0.3%		
<b>Phone Service:</b>	1800 249 966 (freecall)	
	Mon-Fri: 8:30am-5:00pm (EST)	
	<i>Performance reported:</i> 80% calls answered in 30 secs. 3% abandonment rate.	

<b>HBF</b>	HBF Health Funds Inc	
A Western Australian based, not for profit fund with a market share of 7.9%		
<b>Retail Offices:</b>	WA (19) (5 offices open Saturdays)	Agencies: WA (50)
	<i>Performance reported:</i> 89% respondents satisfied with customer service overall	
<b>Phone Service:</b>	13 34 23 (Local call cost)	
	Mon-Fri: 8am-8pm; Sat: 9am-2pm (WST)	
	<i>Performance reported:</i> 71% calls answered in 60 secs, 76% satisfied with time taken for their whole enquiry.	
<b>Member Satisfaction:</b>	regularly monitored through survey, mystery shopping of retail offices and phone service	
	<i>Performance reported:</i> 86% satisfied with overall services of fund, 93% said their expectations exceeded.	

<b>HCF</b>	The Hospitals Contribution Fund of Australia Limited	
A nationally based, not for profit fund with a market share of 8.8%		
<b>Retail Offices:</b>	NSW(47) VIC(1) QLD(1) SA (1) (8 offices open Saturdays)	
	<i>Performance reported:</i> branch service satisfaction 96%	
<b>Phone Service:</b>	131 334 (Local call cost).	
	Mon-Fri: 8:00am-8:00pm; Sat & Sun: 9:00am-5:00pm (EST)	
	<i>Performance reported:</i> telephone service satisfaction 92%, complaints as a percentage of phone calls 0.03%	
<b>Member Satisfaction:</b>	measured regularly by member satisfaction, retention and recommendation.	
	<i>Performance reported:</i> Membership satisfaction 97%, member retention 95%	

## Open Membership Funds

<b>Healthguard</b>	<i>Healthguard Health Benefits Fund, GMF Health, Central West Health Fund</i>	
A nationally based, not for profit fund with a market share of 0.6%		
Retail Offices:	WA(2)	NSW(11) WA(10)
Phone Service:	1300 653 099 (GMF) ; 133 206 (Central West); (Local Call Cost) <i>also for CY Health in WA 08 9021 8000</i> 9am-7pm (EST)	
<b>Health-Partners</b>	<i>Health-Partners Inc</i>	
A South Australian based, not for profit fund with a market share of 0.7%		
Retail Offices:	SA (1)	Agencies: SA (7)
Phone Service:	1300 113 113 (Local Call Cost), or 1800 182 322 (free outside Adelaide) Mon-Fri: 8:30am-5:30pm; Sat: 9:00am-1:00pm (Central Time)	
Member Satisfaction:	Member segmentation study <i>Performance reported</i> : overall satisfaction with health fund 98%	
<b>HIF</b>	<i>Health Insurance Fund of WA</i>	
A West Australian based, not for profit fund with a market share of 0.4%		
Retail Offices:	WA (4) (2 offices open Saturdays)	Agencies: WA (24)
Phone Service:	1300 134 060 (Local Call Cost) Mon-Fri: 8:30am-4:45pm (WST) <i>Performance reported</i> : less than 5% abandonment rate 85% of the time.	
<b>Latrobe</b>	<i>Latrobe Health Services</i>	
A Victorian based, not for profit fund with a market share of 0.6%		
Retail Offices:	VIC (5)	Agencies: VIC (24)
Phone Service:	1300 362 144 or 1300 362 155 (Local Call Cost) Mon-Fri: 8:30am-5:30pm (EST)	
<b>MBF</b>	<i>MBF Australia Limited</i>	
A nationally based, not for profit fund with a market share of 16.7%		
Retail Offices:	NSW(36) VIC(1) QLD(23) WA (1) SA(1) TAS(5) NT(1)	Agencies: NSW(1) QLD(9) TAS(1)
Phone Service:	131137 and 1300 653 525 (Local Call Cost) Mon-Fri: 8am-6pm (EST) <i>Performance reported</i> : 75% calls answered in 30 secs, 4% abandonment rate.	
Member Satisfaction:	overall satisfaction, satisfaction with last experience & "recommendation & loyalty" regularly measured	

## Open Membership Funds

<b>MBF Alliances</b>	<i>MBF Alliances Pty Ltd</i>
A nationally based, for profit fund with a market share of 2.2%	
<b>Retail Offices:</b>	NSW(45) VIC(1) QLD(2) WA(5) SA(4) Agencies: NSW(212) VIC(4) QLD(1)
<b>Phone Service:</b>	133 234 (Local Call Cost) Mon-Fri: 8:30am-7:30pm <i>Performance reported:</i> GOS 73% in 30 seconds and 4% abandonment rate.
<b>Member Satisfaction:</b>	overall satisfaction, satisfaction with last experience & "recommendation & loyalty" regularly measured

<b>Medibank</b>	<i>Medibank Private</i>
A nationally based, not for profit fund with a market share of 28.7%	
<b>Retail Offices:</b>	NSW(34) VIC(29) QLD(25) WA(8) SA(8) TAS(5) NT(1) ( <i>52 Offices Open Saturdays</i> ) Agencies: NSW(23) VIC(1) QLD(4) WA(22) SA(9) TAS(2) NT(3) <i>Performance reported:</i> retail cust. satisfaction 85%, queueing time satisfaction 77%
<b>Phone Service:</b>	132 331 (Local Call Cost) Mon-Fri 8am-8pm Sat: 8am-4pm (EST) <i>Performance reported:</i> call quality 81%, customer service 81%, Avg speed answer 51 secs.
<b>Member Satisfaction:</b>	Regular measuring of satisfaction with fund, customer service, re-purchase intent and advocacy <i>Performance reported:</i> (Out of 10) customer service 8.32, overall satisfaction 7.34, re-purchase intent 8.20

<b>Mildura</b>	<i>Mildura District Hospital Fund</i>
Based in Mildura, Victoria. A not for profit fund with a market share of 0.3%	
<b>Retail Offices:</b>	VIC (1) Agencies: NSW(3) VIC(4)
<b>Phone Service:</b>	03 5023 0269 (Normal call cost) 8:30am-5:00pm (EST)

<b>MU</b>	<i>Manchester Unity</i>
A nationally based, not for profit fund with a market share of 1.4%	
<b>Retail Offices:</b>	Agencies: NSW(5) VIC(1) QLD(1) WA(1) SA(1)
<b>Phone Service:</b>	13 13 72 (Local Call Cost) 8:30am-6:00pm (EST) <i>Performance reported:</i> 80% calls answ. In 20secs, 3% abandonment rate.
<b>Member Satisfaction:</b>	measured regularly by member survey



## Open Membership Funds

<b>NIB</b>	<i>NIB Health Funds Ltd</i>
A nationally based, not for profit fund with a market share of 6.2%	
<b>Retail Offices:</b>	NSW(14) VIC(1) QLD(1) SA(1) <i>Performance Reported:</i> 91% satisfied with length of time to get served in retail network
<b>Phone Service:</b>	131 463 (Local Call Cost) Mon-Fri: 8:00am-8:30pm; Sat & Sun: 8:00am-1:00pm (EST) <i>Performance Reported:</i> 86% satisfied with time taken to have call ans., 91% satisfied with staff knowledge.
<b>Member Satisfaction:</b>	measured regularly by member survey <i>Performance reported:</i> 97% satisfied with friendliness of staff, 93% satisfied with staff ability to resolve enquiries.

<b>QCH</b>	<i>Queensland Country Health Limited</i>
Based in Regional Queensland, a not for profit fund with a market share of 0.2%	
<b>Retail Offices:</b>	QLD(3) (1 office open Saturdays) Agencies: NSW(1) QLD(22)
<b>Phone Service:</b>	1800 813 415 (Freecall) Mon-Fri: 8:30am-5pm (QLD time)

<b>St Lukes</b>	<i>St. Lukes Health</i>
Mostly based in Tasmania, a not for profit fund with a market share of 0.4%	
<b>Retail Offices:</b>	TAS(6) Agencies: TAS(7) SA(1)
<b>Phone Service:</b>	1300 651 988 (Local Call Cost) Mon-Fri: 9am to 5.15pm (EST)

<b>Westfund</b>	<i>Westfund</i>
Regionally based (country NSW, north QLD & Kalgoorlie), a not for profit fund with a market share of 0.7%	
<b>Retail Offices:</b>	NSW(7) QLD(6) (1 office open Saturdays) Agencies: NSW(5) QLD(4) WA(1)
<b>Phone Service:</b>	1300 552 132 (Local Call Cost) Mon-Fri: 9am-6pm (EST)
<b>Member Satisfaction:</b>	measured regularly by member survey

## HEALTH FUNDS LISTING AND SERVICE INFORMATION

### Restricted Membership Funds

\* All restricted membership organisations are not for profit and operate nationally

\* Eligibility is normally extended to partners and dependents of members and former members

\*The table indicates the main membership qualification

ACA	ACA Health Benefits Fund	
Eligibility:	All employees of the Seventh Day Adventist Church and its associated organisations	Market Share: 0.1%
Retail Offices:	NSW(1)	
Phone Service:	1300 368 390 (Local Call Cost) Mon-Thur: 8:30am-5pm, Fri: 8:30am-12pm (EST)	

CBHS	Commonwealth Bank Health Society	
Eligibility:	Employees of Commonwealth Bank & Associated Companies and their dependents	Market Share: 1.1%
Retail Offices:	NSW(1)	
Phone Service:	1300 654 123 (Local Call Cost) Mon-Fri: 8:15am-5pm (EST) <i>Performance Reported:</i> 85% calls answered in 90 secs; first call resolution greater than 99%	
Member Satisfaction:	Regularly measure Overall Satisfaction, Service Provision, Value, Information through surveys. <i>Performance Reported:</i> Overall member satisfaction was 96%	

Defence	Defence Health Limited	
Eligibility:	Defence Force (inc. Naval) Members, Reserves & Staff & those of related orgs.	Market Share: 1.4%
Retail Offices:	VIC(1)	Agencies: NSW(36) VIC(18) QLD(14) WA(8) SA(4) NT(11)
Phone Service:	1800 335 425 (Freecall) Mon-Fri: 8:15am-5:00pm (EST + 6:00pm EDST) <i>Performance Reported:</i> 96% respondents satisfied or very satisfied with phone service.	
Member Satisfaction:	Regularly Measured by Survey <i>Performance Reported:</i> 97% of respondents satisfied or very satisfied with overall health fund membership	

Doctors' Health	The Doctors' Health Fund Limited	
Eligibility:	Medical Practitioners, dependents, employees of associated orgs & medical students	Market Share: 0.1%
Phone Service:	1800 226 126 (Freecall) Mon-Fri: 8.30 am to 5pm (EST)	

HCI	Health Care Insurance Limited	
Eligibility:	Staff in Forestry, Timber, Paper and Related industries	Market Share: 0.1%
Retail Offices:	TAS(1)	
Phone Service:	1800 804 950 (Freecall) Mon-Fri: 8:45am-5:00pm (EST)	

## Restricted Membership Funds

<b>Navy</b>	<i>Navy Health Ltd</i>	
Naval (inc. Defence) Members, Reserves, Staff of related organisations and dependents.		Market Share: 0.3%
<b>Retail Offices:</b>	VIC(1)	
<b>Phone Service:</b>	1300 30 6289 (Local Call Cost) or 1800 333 156 (Free Call) Mon-Fri: 8.30am-4.30pm (EST) <i>Performance Reported:</i> 98% members satisfied with phone responsiveness.	
<b>Member Satisfaction:</b>	Regularly measured by externally conducted survey and benchmarked against other HIRMAA funds. <i>Performance Reported:</i> 96% members satisfied with their health fund membership	

<b>Peoplecare</b>	<i>Lysaght Peoplecare Limited</i>	
Eligibility: From 1 Dec 2006, no longer a restricted health fund.		Market Share: 0.3%
<b>Retail Offices:</b>	NSW(1) VIC(1) <i>Performance Reported:</i> 99% satisfaction with speed of payment of claims	
<b>Phone Service:</b>	1800 808 690 (Freecall) Mon-Fri: 8:30am-5:00pm (EST & EDST) <i>Performance Reported:</i> 98% satisfaction with responsiveness of phone service	
<b>Member Satisfaction:</b>	Regularly measured by survey using various performance measures. <i>Performance Reported:</i> overall member satisfaction 96%	

<b>Phoenix</b>	<i>Phoenix Health Fund</i>	
Eligibility: Current & Former Employees of OneSteel & BHP Companies		Market Share: 0.1%
<b>Retail Offices:</b>	NSW(1)	
<b>Phone Service:</b>	1800 028 817 (Freecall) Mon-Fri: 7:45am to 4:30pm (EST)	

<b>Police Health</b>	<i>South Australian Police Employees' Health Fund Incorporated</i>	
Eligibility: Police Officers and Staff Employed by Police Organisations.		Market Share: 0.2%
<b>Retail Offices:</b>	SA(1)	
<b>Phone Service:</b>	1800 603 603 (Freecall) Mon-Fri: 9am-5:30pm (Central Time) <i>Performance Reported:</i> 98% satisfaction with phone responsiveness, 96.8% with quality of phone service.	
<b>Member Satisfaction:</b>	Independent member research and complaints register monitor member satisfaction <i>Performance Reported:</i> Overall member satisfaction 97.3%	

## Restricted Membership Funds

QLD Teachers	<i>Teachers' Union Health Fund Limited &amp; Union Shopper Health</i>	
Eligibility:	Teachers, employees of educational unions who belong to approved unions.	Market Share: 0.4%
Retail Offices:	QLD(2) (1 Open on Saturdays)	
Phone Service:	1300 360 701 (TUH)(Local Call Cost) Mon, Wed, Fri: 7.30am - 5.30pm, Tue & Thur: 7.30am-6.30pm, (EST) <i>Performance Reported:</i> abandonment rate 5%	
Member Satisfaction:	Regularly measured by survey; key measures overall customer satisfaction, telephone service, etc <i>Performance Reported:</i> 95% satisfied/very satisfied with their membership and service.	

R & T	<i>Railway and Transport Health Fund Ltd</i>	
Eligibility:	Employees of government or private transport & electricity companies in NSW or QLD	Market Share: 0.3%
Retail Offices:	NSW(3) QLD(1) <i>Performance Reported:</i> 73% strongly agreed "easy to deal with", 22% agreed, 3% neutral.	
Phone Service:	1300 886 123 (Local Call Cost) Mon-Fri: 8:30am - 5pm (EST) <i>Performance Reported:</i> 80% very satisfied with phone responsiveness, 80% very satisfied with quality of service.	
Member Satisfaction:	HIRMAA benchmarked customer satisfaction index <i>Performance Reported:</i> ranked number 1 at 78.3%	

Reserve Bank	<i>Reserve Bank Health Society Limited</i>	
Eligibility:	Current & retired staff of the Reserve Bank of Australia	Market Share: 0.04%
Retail Offices:	NSW(1)	
Phone Service:	1800 027 299 (Freecall) Mon-Fri: 8am-4:45pm (EST)	

Teachers Fed	<i>Teachers Federation Health</i>	
Eligibility:	Teachers that belong to approved unions, dependents & partners.	Market Share: 1.6%
Retail Offices:	NSW(1)	Agencies: VIC(1)
Phone Service:	1300 728 188 (Local Call Cost) Mon-Fri: 8:30am-5:00pm (EST) <i>Performance Reported:</i> 78% satisfaction with phone responsiveness.	
Member Satisfaction:	<i>Performance Reported:</i> 80.5% general satisfaction rating, clarity of information prior to joining. 81.7%	

Transport	<i>Transport Health</i>	
Eligibility:	Transport and Related Industry Employees	Market Share: 0.1%
Retail Offices:	VIC(1)	
Phone Service:	03 8420 1888 (Normal call cost) Mon-Fri: 8:30am-5pm (EST)	

## HEALTH FUND OPERATIONS BY STATE (TERRITORY)

As noted in the introduction to this report, the market for health insurance is, to a large extent, state based. Some funds have little presence in most states but may have a large market share in one state or territory. Some funds use different brand names or offer different products in different states and territories.

These separate tables for each state/territory are therefore provided to give an indication of the extent and importance of each fund's business in each state or territory. Only those funds with a significant operation in the State/Territory are listed in the relevant table.

### **Percentage Market Share**

This column indicates how much of the total health insurance business within each state/territory each fund accounts for. It is an indicator of the size and significance of each fund within each state.

Funds with a significant market share in the relevant state/territory can normally be expected to have more extensive networks of branch offices, agencies, agreement hospitals and preferred ancillary providers in those states/territories. They are also more likely to obtain the participation of doctors in their gap cover arrangements. However funds participating in the Australian Health Services Alliance (AHSA) will generally have access to a wide range of agreement hospitals in all states. The Access Gap scheme operated by the AHSA also has a high level of acceptance from doctors in all states.

### **Percentage of Fund Business**

This column indicates how much of each fund's health insurance business is within each state. It is an indicator how significant that state is to each fund's health insurance business.

In general, funds can be expected to design their products (benefits, conditions, contracts etc) to suit the arrangements applying in the States in which they do a significant proportion of business. However, some nationally based funds tailor their products and prices to take account of different State arrangements.

### **Agreement Hospitals**

All health funds establish agreements with some (or all) private hospitals and day hospitals for the treatment of their members. These agreements generally provide for the fund to meet all of the private hospital's charges for treatment of the fund's members. The member would then not be required to pay any amount to the hospital, other than any agreed excess or co-payment and any incidental

charges that may apply for certain extra services (eg. television rental).<sup>1</sup>

Where a fund has a comparatively low number of agreements with private hospitals or private day hospitals, this is an indicator that consumer choice (as to where to be treated) may be more limited. Treatment at a non-agreement hospital will mean a significantly higher out of pocket cost for the patient.

While funds do not have agreements with particular public hospitals, all funds will fully cover hospital costs for treatment as a private patient in a public hospital (unless the particular treatment is excluded under the individual's policy).

### **Fund Outlets – Retail Offices**

Retail offices are full-service offices operated by health funds with staff employed by the fund. At each retail office fund members (or prospective members) should expect to be able to undertake the following transactions:

- Receive advice about the range of products and services provided by the fund
- Obtain a quote for any of the fund's products/services
- Obtain and lodge an application to join any of the fund's tables/products
- Obtain a "cover note" if necessary
- Make a personal inquiry (and receive an answer) regarding any matter relevant to their membership (contributions, payment arrangements, benefits)
- Make a claim for any ancillary benefits payable on a "refund" basis and have that claim processed and/or paid.

The table indicates whether the fund operates retail offices in the state/ territory.

### **Fund Outlets – Agencies**

#### **Agencies**

Agencies are generally limited service outlets operated by the fund or under arrangements with pharmacies, credit unions, etc. At these agency outlets, members can obtain brochure material and make some transactions but generally can't have a personal inquiry about their membership finalised or have claims processed on the spot.

The table shows whether the fund has agencies in the state/territory.

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<sup>1</sup> These agreements do not apply to fees charged by private specialist doctors for in-hospital treatment. However, such fees may be covered by a fund's gap scheme arrangements.

## HEALTH FUND OPERATIONS BY STATE (TERRITORY)

### NSW & ACT

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals	Day Hospitals	Retail Offices	Agencies
AHM	3.9%	57.2%	85	86	•	
AU	1.2%	14.3%	78	79	•	
BUPA	1.2%	3.4%	72	52	•	
CDH	0.1%	98.6%	76	44	•	
GMHBA	0.2%	5.1%	76	44		
GU Corporate	0.3%	43.8%	80	80		
HCF	19.5%	79.2%	84	84	•	
Healthguard	0.1%	6.0%	80	81		•
MBF	20.7%	41.6%	80	62	•	•
MBF Alliances	2.5%	40.4%	82	60	•	•
Medibank	23.3%	28.2%	79	73	•	•
Mildura	0.1%	12.2%	76	44		•
MU	2.8%	70.5%	83	86		•
NIB	14.0%	79.2%	83	76	•	
St Luke's	<0.1%	3.0%	76	44		
Westfund	1.4%	57.9%	73	38	•	•
<i>ACA</i>	0.2%	61.5%	83	86	•	
<i>CBHS</i>	1.4%	43.8%	84	85	•	
<i>Defence Health</i>	1.0%	24.9%	83	86		•
<i>Doctors' Health</i>	0.1%	45.1%	83	86	•	
<i>Navy Health</i>	0.3%	47.7%	83	86		
<i>Peoplecare</i>	0.5%	54.7%	83	86	•	
<i>Phoenix</i>	0.2%	52.3%	81	80	•	
<i>R&amp;T Health</i>	0.6%	67.7%	83	86	•	
<i>Reserve Bank</i>	0.1%	59.5%	83	86	•	
<i>Teachers Fed</i>	3.9%	85.6%	83	86	•	

## HEALTH FUND OPERATIONS BY STATE (TERRITORY)

### Victoria

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals	Day Hospitals	Retail Offices	Agencies
AHM	1.7%	13.4%	77	52		
AU	11.3%	70.3%	70	57	•	
BUPA	22.0%	54.0%	60	39	•	•
Druids Vic	0.5%	94.1%	73	55	•	
GMHBA	4.9%	76.0%	73	55	•	•
GU Corporate	0.3%	27.2%	71	57		
HCF	3.7%	10.2%	66	31	•	
Healthguard	0.8%	36.3%	71	57		
Latrobe	2.5%	97.0%	74	55	•	•
MBF	4.6%	6.7%	66	30	•	
MBF Alliances	0.1%	1.8%	65	33	•	•
Medibank	37.5%	30.9%	72	47	•	•
Mildura	1.1%	85.9%	73	55	•	•
MU	0.8%	12.1%	71	57		•
NIB	2.8%	11.4%	68	33	•	
St Luke's	0.1%	4.1%	73	55		
<i>ACA</i>	<0.1%	23.5%	71	57		
<i>CBHS</i>	1.3%	26.7%	70	57		
<i>Defence Health</i>	1.8%	31.1%	71	57	•	•
<i>Doctors' Health</i>	0.1%	32.5%	71	57		
<i>HCI</i>	<0.1%	17.8%	71	57		
<i>Navy Health</i>	0.2%	20.3%	71	57	•	
<i>Peoplecare</i>	0.4%	27.5%	71	57	•	
<i>Phoenix</i>	0.1%	14.3%	71	57		
<i>Reserve Bank</i>	<0.1%	24.6%	71	57		
<i>Teachers Fed</i>	0.6%	8.0%	71	57		•
<i>Transport</i>	0.3%	97.5%	71	57		

## HEALTH FUND OPERATIONS BY STATE (TERRITORY)

### Queensland

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals	Day Hospitals	Retail Offices	Agencies
AHM	2.8%	18.9%	50	37		
AU	1.6%	6.6%	47	37	•	
BUPA	2.4%	3.9%	41	34		
Credicare	2.3%	95.6%	50	37		•
GMHBA	0.6%	7.9%	43	23		
GU Corporate	0.2%	13.6%	50	37		
HCF	3.3%	7.0%	42	32	•	
Healthguard	0.3%	9.7%	50	37		
MBF	36.5%	41.0%	49	27	•	•
MBF Alliances	0.5%	3.6%	52	28	•	•
Medibank	35.9%	23.9%	50	31	•	•
MU	1.1%	11.4%	50	37		•
NIB	2.4%	7.0%	46	33	•	
QCH	1.4%	95.7%	50	37	•	•
St Luke's	<0.1%	2.0%	43	23		
Westfund	1.3%	40.5%	43	23	•	•
<i>ACA</i>	0.1%	17.2%	50	37		
<i>CBHS</i>	1.1%	16.7%	50	37		
<i>Defence Health</i>	2.3%	28.2%	50	37		•
<i>Doctors' Health</i>	0.1%	18.5%	50	37		
<i>Navy Health</i>	0.2%	15.5%	50	37		
<i>Peoplecare</i>	0.2%	8.9%	50	37		
<i>Phoenix</i>	0.1%	12.1%	50	37		
<i>Police Health</i>	0.3%	26.8%	50	37		
<i>Old Teachers</i>	2.4%	98.4%	50	37	•	
<i>R&amp;T Health</i>	0.6%	6.7%	50	37	•	
<i>Teachers Fed</i>	0.2%	2.0%	50	37		



## HEALTH FUND OPERATIONS BY STATE (TERRITORY)

### Western Australia

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals	Day Hospitals	Retail Offices	Agencies
AHM	0.4%	1.7%	20	9		
AU	0.4%	0.9%	11	18		
BUPA	1.0%	1.1%	16	2		
GMHBA	1.1%	9.6%	18	9	•	
GU Corporate	0.2%	10.5%	18	11		
HBF	64.8%	97.7%	19	16	•	•
HCF	0.5%	0.5%	6	3		
Healthguard	2.3%	45.6%	18	11	•	•
HIF	3.5%	97.0%	19	8	•	•
MBF	1.9%	1.3%	15	8	•	
MBF Alliances	2.3%	12.0%	12	9	•	
Medibank	19.2%	7.3%	18	10	•	•
MU	0.3%	2.1%	18	11		•
NIB	0.4%	0.7%	16	9		
<i>CBHS</i>	0.5%	5.6%	18	11		
<i>Defence Health</i>	0.6%	4.5%	18	11		•
<i>Navy Health</i>	0.2%	9.4%	18	11		
<i>Peoplecare</i>	0.1%	3.8%	18	11		
<i>Teachers Fed</i>	0.1%	0.5%	18	11		

### South Australia

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals	Day Hospitals	Retail Offices	Agencies
AHM	1.2%	3.9%	32	21		
AU	1.8%	4.1%	31	21	•	
BUPA	42.3%	36.6%	30	17	•	•
GMHBA	0.2%	1.0%	23	8		
GU Corporate	0.1%	3.5%	31	21		
HCF	2.6%	2.8%	24	10	•	
Healthguard	0.1%	1.6%	31	21		
Health-Partners	7.9%	96.7%	31	21	•	•
MBF	5.1%	2.9%	27	16	•	
MBF Alliances	10.5%	41.9%	29	20	•	
Medibank	21.7%	6.0%	31	18	•	•
MU	0.7%	3.9%	31	21		•
NIB	0.9%	1.5%	30	14	•	
<i>CBHS</i>	0.7%	5.1%	31	21		
<i>Defence Health</i>	1.5%	8.8%	31	21		•
<i>Navy Health</i>	0.1%	4.7%	31	21		
<i>Peoplecare</i>	0.2%	4.3%	31	21		
<i>Phoenix</i>	0.3%	17.0%	31	21		
<i>Police Health</i>	1.5%	67.6%	31	21	•	
<i>Teachers Fed</i>	0.7%	3.3%	31	21		

## HEALTH FUND OPERATIONS BY STATE (TERRITORY)

### Tasmania

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals	Day Hospitals	Retail Offices	Agencies
AHM	3.2%	3.3%	7	2		
AU	0.6%	0.3%	6	2		
BUPA	1.2%	0.2%	4	2		
HCF	0.8%	0.2%	5	2		
MBF	37.2%	5.6%	6	2	•	•
Medibank	35.7%	3.0%	6	2	•	•
NIB	0.7%	0.3%	5	0		
St Luke's	16.0%	88.6%	7	2	•	•
<i>CBHS</i>	0.8%	1.7%	6	2		
<i>Defence Health</i>	0.6%	1.0%	6	2		
<i>HCI</i>	2.6%	76.0%	6	2	•	
<i>Teachers Fed</i>	0.6%	0.6%	6	2		

### Northern Territory

Abbreviated name	% Fund Market Share this state	% Fund's Business in this state	Agreement Hospitals		Fund Outlets	
			Private Hospitals		Retail Offices	Agencies
AHM	1.8%	0.3%	1			
BUPA	12.8%	0.8%	1		•	•
HCF	1.7%	0.1%	1			
MBF	31.9%	1.0%	1		•	
Medibank	44.1%	0.8%	1		•	•
<i>Defence Health</i>	4.0%	1.6%	1			•
<i>Police Health</i>	1.9%	3.8%	1			

## SERVICE INFORMATION – Website and Online Services

The following table gives an indication of whether each fund provides a particular range of services on-line via the fund's website. The Ombudsman considers that the range of services indicated is the minimum required to provide an effective electronic service to consumers. Only 11 funds (three with restricted membership) provide all of these basic electronic services, though the range of services provided many funds were significantly improved on the previous year.

### **Fund Website**

The table indicates whether each fund operates a publicly accessible website.

**Links to all health fund websites are available at the PHIO website - [www.phio.org.au](http://www.phio.org.au)**

### **Email**

The table indicates whether the fund has a publicly accessible email address through which inquiries from members and prospective members can be answered. Links to health fund email inquiries are also available at the PHIO website - [www.phio.org.au](http://www.phio.org.au)

### **Hospital Search**

Funds provide significantly higher benefits for hospital treatment at private hospitals with which they have an agreement (contract). The provision of a facility, via the fund website, to search for agreement hospitals is a valuable service to fund members. Funds offering this facility are identified in the Hospital Search column of the table.

### **Doctor Search**

Under the funds' gap scheme arrangements specialist doctors can opt to bill the fund directly for treatment of fund members as private patients in hospital. Where a doctor uses this service the patient will have either no gap to pay or a considerably reduced gap.

The provision of a facility, via the fund website, to search for doctors who regularly use the fund's gap scheme or have registered to use the scheme is also a valuable service to fund members. Funds offering this facility are identified in the Doctor Search column of the table.

#### **NOTE:**

Not all doctors who will use a fund's Gap scheme will agree to be listed in this way on the fund's website.

Even where a doctor is listed, he or she has the right to decide, in each case, whether the gap scheme will be used. So it is still important to ask your doctor or his or her staff if your fund's gap scheme can be used in your case.

### **Check Details Online**

This indicates whether members are able to log-in via the website to check the details of their cover online. For example, checking who is covered under the policy, what they are covered for, contributions due and payment method details.

### **Change Details Online**

This indicates whether members can change any of their details online. For example, changing address, account details etc.

### **Online Quote**

This facility allows any consumer to obtain a quote (indicating the required premium and a description of the cover for any of the fund's products via the fund website.

### **Cover note/Join**

Twenty-Seven health funds indicated that they offer a facility to join the fund online via the fund website or provide a temporary cover note pending completion of relevant documentation.

Members joining online should ensure that they receive written confirmation of their cover within three weeks of joining and check their cover details carefully. Funds provide a "cooling off" period for new members (approx. 30 days). New members who cancel their policy during this period (without claiming any benefits) should receive a full refund.

### **Access to Fund Rules**

Fund brochures usually indicate that they provide only a summary of key fund rules and procedures; that the full range of conditions applying to a particular policy are set out in the fund rules; and that the rules may be examined on request. In practice it can be very difficult or impractical for members of some funds to access a full current set of fund rules.

This difficulty could be overcome for many members if funds provided access to their rules on their website.

## Service Delivery- Website & Online Services

Abbreviated name	Online Services							
	Website	Email	Hospital Search	Doctor Search	Check Details Online	Change Details Online	Member-ship Quotes Online	Online Covernote/ Join
AHM	•	•	•	•	•	•	•	•
AU	•	•	•	•	•	•	•	•
BUPA	•	•	•	•	•	•	•	•
CDH	•	•						
Credicare	•	•	•	•				
Druids Vic	•	•	•		•	•		•
GMHBA	•	•	•		•	•	•	•
GU Corporate	•	•	•	•	•	•		
HBF	•	•	•	•			•	•
HCF	•	•	•	•	•	•	•	•
Healthguard	•	•	•				•	•
Health - Partners	•	•		•			•	•
HIF	•	•		•			•	•
Latrobe	•	•	•		•	•		•
MBF	•		•	•	•	•	•	•
MBF Alliances	•	•	•	•	•	•	•	•
Medibank	•	•	•	•	•	•	•	•
Mildura		•						
MU	•	•	•	•	•		•	•
NIB	•	•	•	•	•	•	•	•
QCH	•	•	•					
St. Luke's	•	•	•	•	•	•		•
Westfund	•	•	•				•	•
ACA	•	•	•	•	•	•		
CBHS	•	•	•	•	•	•	•	•
Defence Health	•	•	•	•	•	•	•	•
Doctors' Health	•	•	•			•		
HCI	•	•	•	•	•			
Navy Health	•	•	•	•	•	•	•	•
Peoplecare	•	•	•	•	•	•	•	•
Phoenix	•	•	•	•	•	•		•
Police Health	•	•	•	•				
Old Teachers	•	•	•	•				
R&T Health	•	•	•	•				
Reserve Bank	•	•	•	•				
Teachers Fed	•	•	•	•	•	•		•
Transport	•	•	•	•			•	•

## SERVICE PERFORMANCE

### **Member Retention**

The member retention indicator is used as one measure of the comparative effectiveness of health funds and is a measure of member satisfaction. This indicator measures what percentage of fund members (hospital memberships only) have remained with the fund for two years or more.

Most restricted membership funds rate well on this measure compared to open membership funds. This may be due to the particular features of restricted membership funds (especially their links with employment).

### **Membership Growth**

The membership growth indicator shows the percentage increase in contributors over the year from 30 June 2005 to 30 June 2006. Negative figures indicate that the fund has experienced a net reduction in membership over the period.

### **PHIO Complaints in context**

The number of complaints received by the Private Health Insurance Ombudsman (PHIO) is very small compared to fund membership.

A Health Care & Insurance Australia survey<sup>1</sup> suggested that each year health funds receive a total of around 43,000 complaints. This represents less than 1% of total health fund membership. Only about 1 in every 1600 health fund members complain to PHIO in any year.

There are a number of factors (other than service performance) that can influence the level of complaints the PHIO receives about a fund. These factors include the information provided to fund members about the PHIO through general publicity or by the fund and the effectiveness of the fund's own complaint handling.

Nonetheless, the level of complaints that PHIO receives about a fund (relevant to its market share) is a reasonable indicator of the service performance of most funds.

### **Complaints % compared to Market Share %**

The first table includes all funds with a national market share of 0.5% or more (15 open membership funds and 3 restricted membership funds).

In that table each fund's % market share is shown in the shaded column. Subsequent columns show the % of PHIO complaints in various categories that each fund accounts for. These percentages should be compared with the market share percentage.

If a fund has a higher complaints % than their percentage market share it indicates that members of that fund are more likely to complain (about that issue) than the average of all fund members.

**Benefits** complaints include problems of non-payment or delayed payment of benefits and complaints about the level of benefit paid or the level of gap needing to be paid by the member.

**Service** complaints are about the general quality of service provided by fund staff, the quality of oral and written advice and premium payment problems.

**All Complaints** takes account of all complaints received by PHIO about the fund. In addition to complaints included in both the *benefits* and *service* categories, complaints may be about price, contracting arrangements and the administration of government incentives. *All Complaints* includes *complaints investigated* as well as complaints that were finalised without the need for investigation.

### **Complaints Investigated**

Most complaints to the Ombudsman can be finalised by referral of the matter to fund staff to resolve or by PHIO staff providing information about the rules applying to health insurance. Complaints, which fund staff have not been able to resolve to a member's satisfaction are investigated by the Ombudsman's office.

The rating on *complaints investigated* is an indicator of the effectiveness of each fund's own internal complaints handling.

### *Smaller Funds (less than 0.5% National Market Share)*

For these smaller funds it is not practical to show % of complaints in each of the above categories (because of the very small numbers of complaints and the fact that no complaints are recorded in many cases).

This separate table therefore shows the actual number of all complaints received and the number of complaints investigated (see explanation above) as well as an indicator of whether the number is below the number expected based on the fund's market share.

While these funds have a very low national market share, many are nonetheless very significant in a particular state or region. For instance, St Luke's has a national market share of 0.4% but a 16.0% share of the market in Tasmania.

<sup>1</sup> Ipsos/ TQA Research syndicated survey 2005.

## SERVICE PERFORMANCE - Member Retention & Complaints

Fund Name (Abbreviated)	Member Retention %	Membership Growth %	Complaints % compared to Market Share %				
			Market Share	Benefits	Service	All Complaints	Complaints Investigated
AHM	89.6%	10.8%	2.4%	3.5%	3.0%	3.4%	3.3%
AU	73.5%	11.8%	3.6%	5.8%	7.4%	6.5%	7.2%
BUPA	84.1%	1.3%	9.9%	10.9%	9.5%	9.9%	11.1%
GMHBA	88.9%	3.0%	1.5%	1.6%	1.3%	1.6%	1.6%
HBF	91.0%	2.9%	7.9%	5.4%	2.3%	4.1%	3.3%
HCF	89.8%	2.9%	8.8%	6.3%	5.4%	6.1%	6.2%
Healthguard	85.9%	-1.3%	0.6%	1.0%	0.9%	1.0%	0.5%
Health-Partners	92.4%	4.9%	0.7%	0.5%	0.1%	0.6%	0.3%
Latrobe	89.9%	37.0%	0.6%	0.7%	0.3%	0.5%	0.4%
MBF	85.0%	0.9%	16.7%	15.9%	17.9%	17.1%	15.9%
MBF Alliances	88.0%	1.3%	2.2%	3.8%	4.6%	4.3%	3.9%
Medibank	88.5%	0.9%	28.7%	23.3%	30.5%	25.8%	23.9%
MU	87.6%	9.3%	1.4%	2.8%	3.6%	2.8%	3.4%
NIB	82.6%	3.5%	6.2%	9.0%	6.7%	7.5%	9.9%
Westfund	86.6%	-0.6%	0.7%	0.6%	0.9%	0.6%	1.0%
<i>CBHS</i>	94.1%	4.3%	1.1%	1.4%	0.4%	1.0%	1.3%
<i>Defence Health</i>	90.8%	5.2%	1.4%	2.6%	2.0%	2.4%	2.5%
<i>Teachers Fed</i>	95.5%	5.7%	1.6%	0.5%	0.5%	0.5%	0.4%

### Smaller Funds (less than 0.5% National Market Share)

Fund Name (Abbreviated)	Member Retention %	Membership Growth %	Number Complaints Received	Below market share?	Number Complaints Investigated	Below market share?
CDH	91.8%	0.9%	0	Yes	0	Yes
Credicare	87.8%	-0.2%	15		6	
Druids Vic	90.0%	15.5%	5		1	
GU Corporate	48.7%	-2.0%	21		6	
HIF	87.8%	3.6%	8		6	
Mildura	90.4%	0.3%	2	Yes	0	Yes
QCH	85.9%	0.6%	12		7	
St. Luke's	88.8%	0.5%	7	Yes	2	Yes
<i>ACA</i>	91.2%	1.2%	1	Yes	0	Yes
<i>Doctors' Health</i>	93.6%	2.4%	1	Yes	0	Yes
<i>HCI</i>	93.9%	0.2%	0	Yes	0	Yes
<i>Navy Health</i>	91.6%	2.4%	3	Yes	0	Yes
<i>Peoplecare</i>	92.0%	1.0%	2	Yes	0	Yes
<i>Phoenix</i>	93.3%	0.9%	0	Yes	0	Yes
<i>Police Health</i>	91.3%	15.2%	3	Yes	0	Yes
<i>Old Teachers</i>	94.6%	1.8%	6	Yes	1	Yes
<i>R&amp;T Health</i>	86.0%	1.1%	7		2	
<i>Reserve Bank</i>	90.4%	-2.1%	0	Yes	0	Yes
<i>Transport</i>	93.0%	6.3%	1	Yes	0	Yes

## HOSPITAL COVER

This table contains information allowing a comparison of some general features of health insurance for private hospital treatment (hospital cover) provided by each fund.

Hospital cover provides benefits to cover (or partly cover):

- hospital fees for accommodation, operating theatre charges and other charges by private hospitals (or public hospitals for treatment as a private patient);
- the costs of drugs or prostheses required for hospital treatment; and
- the fees charged by doctors (surgeons, anaesthetists etc) for hospital treatment of private patients.

Most funds offer a choice of different products providing hospital cover. These products may differ on the basis of the range of treatments that are covered in full or partly, the level of excess or co-payments required, price and discounts available.

The information provided in this table on average contributions and benefits and the proportion of hospital charges covered by the fund benefits presents the position taking account of all of each fund's products. It is not indicative of any individual product offered by the fund but is an average for the total fund hospital membership.

### **Persons Covered**

This indicates the number of persons covered by all of the fund's hospital memberships (as at 30 June 2006). It includes the contributor and, in the case of family memberships, all other persons included in the membership (eg. spouse and children).

### **Average Contribution (per person covered)**

This \$ figure is calculated by dividing the contributions received for hospital memberships by the total number of persons covered. It is an indicator of comparative prices that takes account of all of a fund's hospital products (both single and family memberships). It should not be taken as an indicator of price of any individual product.

### **Average Benefit (per person covered)**

This \$ figure is calculated by dividing the total benefits paid on all hospital memberships by the total number of persons covered.

Comparison of this figure with the previous column (average contribution) provides an indicator of the extent to which contributions collected are returned to the membership in benefits.

### **Hospital Charges Covered**

This column indicates what proportion of total charges associated with treatment of private patients that are covered by each fund's benefits. This includes charges for hospital accommodation, theatre costs, prostheses and associated benefits.

This averages outcomes across all of each fund's hospital products. Higher cost products will generally cover a greater proportion of charges than indicated by this average. Cheaper products may cover less.

The use of an average figure applying across all of each fund's products will mean that funds with a high proportion of their membership in lower cost/reduced cover products will have a lower average figure. Some indication of the mix of each fund's hospital product range is provided in the following (*Types of Cover*) columns.

### **Additional Information on Hospital Cover**

The separate *Health Fund Operations by State (Territory)* tables include information on the number of "agreement" hospitals under contract to each fund in each state.

For additional information on the medical gap cover provided through hospital covers refer to the separate *Medical Gap Cover* section.

The section *Selecting a Health Insurance Product* includes important advice on what to consider and what questions to ask when selecting a hospital cover product. It also includes information on government incentives relating to hospital cover such as the *Medicare Levy Surcharge Exemption* and *Lifetime Health Cover*.

## HOSPITAL COVER- Average Cost & Benefit

Abbreviated name	Persons Covered	Average Contribution (per Person Covered)	Average Benefit (per person covered)	% Hospital Charges Covered
AHM	230634	\$805.91	\$663.30	87.2%
AU	282715	\$928.82	\$791.55	91.8%
BUPA	881425	\$937.18	\$809.77	94.3%
CDH	4175	\$861.88	\$684.60	95.3%
Credicare	37418	\$941.51	\$799.22	91.5%
Druids Vic	11021	\$727.52	\$721.26	93.0%
GMHBA	121001	\$801.84	\$692.09	90.3%
GU Corporate	30859	\$883.21	\$623.16	89.3%
HBF	603360	\$717.53	\$725.40	93.4%
HCF	839202	\$719.95	\$640.74	89.9%
Healthguard	57693	\$812.41	\$687.75	93.7%
Health-Partners	48377	\$935.78	\$845.22	97.2%
HIF	35620	\$786.22	\$653.85	92.6%
Latrobe	56980	\$858.49	\$706.69	92.8%
MBF	1469544	\$875.90	\$740.02	88.0%
MBF Alliances	177313	\$865.16	\$738.61	91.5%
Medibank	2420129	\$874.82	\$740.34	91.6%
Mildura	20146	\$766.95	\$661.82	89.1%
MU	157881	\$726.15	\$592.81	81.8%
NIB	571551	\$781.11	\$611.88	86.7%
QCH	28258	\$853.99	\$695.10	92.0%
St. Luke's	36594	\$936.03	\$772.09	93.7%
Westfund	62450	\$765.65	\$660.72	89.2%
<i>ACA</i>	9135	\$832.04	\$688.21	93.1%
<i>CBHS</i>	124613	\$678.61	\$627.11	91.8%
<i>Defence Health</i>	145874	\$735.50	\$664.52	91.9%
<i>Doctors' Health</i>	10443	\$918.22	\$789.33	90.0%
<i>HCI</i>	6781	\$904.14	\$722.69	92.2%
<i>Navy Health</i>	26343	\$809.81	\$679.77	91.3%
<i>Peoplecare</i>	37449	\$804.80	\$635.18	90.0%
<i>Phoenix</i>	12442	\$873.81	\$882.90	95.9%
<i>Police Health</i>	24608	\$716.60	\$649.91	96.6%
<i>Old Teachers</i>	43327	\$973.79	\$749.14	89.8%
<i>R&amp;T Health</i>	32501	\$883.33	\$758.19	93.6%
<i>Reserve Bank</i>	3871	\$634.04	\$737.03	91.9%
<i>Teachers Fed</i>	178386	\$711.57	\$636.52	91.4%
<i>Transport</i>	5892	\$834.26	\$678.43	95.3%



## MEDICAL GAP COVER

This table provides information on the effectiveness of health fund gap cover arrangements in various states/territories in Australia.

### FUND GAP SCHEMES AND AGREEMENTS

Doctors are free to decide, for each individual patient, whether or not to use a particular fund's gap cover arrangements.

Factors that can affect the acceptance of the scheme by doctors include:

- whether the fund has a substantial share of the health insurance market in a particular state or region;
- the level of fund benefits paid under the gap arrangements (compared with the doctor's desired fee); and
- the design of the fund's gap cover arrangements, including any administrative burden for the doctor.

Most hospital admissions involve the services of two or more health professionals, so the incidence of gaps per hospital episode can be higher than indicated. Consumer surveys indicate that around 40 percent of hospital episodes for private patients involve some gap.

### STATE BASED DIFFERENCES

Information on the percentage of services with no gaps is provided on a state basis, because the effectiveness of some funds' gap schemes can differ between states and these differences are not apparent in the national figures.

In some states, funds are able to provide more effective coverage of gaps, because doctors charge less than the national average.

In addition, where a doctor's fee for an in-hospital service is at or below the MBS fee, there will be no gap to the fund member. In the main, this is due to the level of doctor's fees, which vary significantly between different states in Australia, and between regional areas and capital cities.

If a health fund's percentage of services with no gap is higher than that of a fund in another state, it does not necessarily mean the fund's scheme is more effective, because state based differences could be the cause.

Looking at the extent of services covered with no gap, the likelihood of obtaining no gap services is higher in South Australia (92.8% of services were provided with no gap) than in any other state. Western Australia has the lowest percentage of services with no gap (76%).

## COMPARING DIFFERENT GAP SCHEMES

If a health fund has a higher percentage of services covered at no gap (in the same state/territory) compared with another fund, it is an indicator of a more effective gap scheme in that state. Over the whole fund, it is more likely that a medical service can be provided at no cost to the consumer, but it is no guarantee that a particular doctor will choose to use the fund's gap scheme.

It is also worth noting that gap schemes are funded by membership premiums, and any increases in coverage of medical gaps may place pressure on premiums for all members of that health fund.

### % OF SERVICES WITH NO GAPS

The percentage indicated is the proportion of services for which a gap is not payable after the impact of fund benefits, schemes and agreements.

Information is not provided for some funds in some states, as the numbers are not reported to PHIAC for states in which the fund does not have a large enough membership (in which case, these figures are counted in the state in which a fund has the largest number of members).

### **"Access Gap" Participants**

The Access Gap scheme is the gap cover scheme operated by the Australian Health Services Alliance (AHSA) for its member funds.

There were 21 funds participating in these arrangements in 2005/06. Because the scheme operates in the same way for all of these participant funds, the effectiveness measures are reported for the Access Gap arrangements as a whole.

The measures also take account of any MPPAs established by the ASHA for participant funds.

The separate table lists the funds that participated in the Access Gap arrangements.

## Medical Gap Cover

FUND / GAP SCHEME	% of Services with No Gaps						
	NSW & ACT	VIC	QLD	WA	SA	TAS	NT
BUPA	71.0%	85.8%	70.6%	57.0%	93.3%	71.2%	78.9%
CDH	80.0%	-	-	-	-	-	-
Doctors' Health Fund	74.6%	71.7%	73.6%	-	-	-	-
Druids VIC	-	61.5%	-	-	-	-	-
GMHBA	56.9%	74.1%	61.1%	47.6%	78.2%	-	-
HBF	66.9%	66.8%	62.7%	82.8%	79.0%	-	64.7%
HCF	83.5%	89.7%	85.7%	73.2%	97.4%	85.7%	80.8%
Healthguard	78.4%	85.5%	83.8%	54.4%	86.1%	-	-
Latrobe	-	74.4%	-	-	-	-	-
MBF	82.8%	83.9%	85.7%	60.8%	93.9%	92.1%	77.3%
MBF Alliances	76.8%	81.9%	77.1%	60.1%	93.6%	-	-
Medibank	79.1%	86.6%	82.6%	66.7%	93.2%	87.4%	74.2%
Mildura	65.0%	64.7%	-	-	-	-	-
NIB	76.5%	72.9%	65.4%	53.6%	86.4%	72.6%	-
St Lukes	70.7%	71.9%	58.2%	-	-	85.6%	-
Westfund	64.4%	-	50.5%	-	-	-	-
Access Gap Participants <sup>1</sup>	77.9%	87.1%	79.5%	55.8%	90.0% <sup>2</sup>	74.9%	82.3%
<b>Total / Industry outcome</b>	<b>79.3%</b>	<b>85.0%</b>	<b>82.6%</b>	<b>76.0%</b>	<b>92.8%</b>	<b>87.9%</b>	<b>76.7%</b>

<sup>1</sup>Access Gap Scheme participant funds are listed in the table below

<sup>2</sup> Gap figures for Health-Partners unavailable at time of printing.

Access Gap - Participating Funds	
Open Membership Funds	Restricted Membership Funds
AHM	ACA
AU	CBHS
Credicare	Defence
GU Corporate	HCI
Health Partners	Navy
HIF	Peoplecare
MU	Phoenix
QCH	Police
	Old Teachers
	R&T Health
	Reserve Bank
	Teachers Fed
	Transport

## ANCILLARY (EXTRAS) COVER

Ancillary cover, also known as “Extras” cover<sup>1</sup>, provides benefits to cover (normally partly cover) a range of health related services not provided by a doctor including:

- Dental fees and charges;
- Optometry: costs of glasses and lenses
- Physiotherapy, Chiropractic services and other therapies including natural and complementary therapies
- Prescribed medicines not covered by the Pharmaceutical Benefits Scheme

The information provided in this table on average contributions and benefits and the proportion of charges covered by the fund benefits presents the position taking account of all of each fund’s products. It is not indicative of any individual product offered by the fund but is an average for the total fund ancillary membership.

### **Persons Covered**

This indicates the total number of persons covered by all of the fund’s ancillary memberships as at 30 June 2006. It includes the contributor and other persons included in the membership (eg. spouse and children).

### **Average Contribution (per person covered)**

This \$ figure is calculated by dividing the contributions received for ancillary memberships by the total number of persons covered. It is an indicator of comparative prices that takes account of all of a fund’s ancillary products (both single and family memberships). It should not be taken as an indicator of price of any individual product.

### **Average Benefit (per person covered)**

This \$ figure is calculated by dividing the total benefits paid on all ancillary memberships by the total number of persons covered. Comparison of this figure with the previous column (average contribution) provides an indicator of the extent to which contributions collected are returned to the membership in benefits.

### **% Charges Covered, All Services**

This column indicates what proportion of total charges, associated with ancillary services, is covered by each fund’s benefits. This averages outcomes across all of each fund’s ancillary products and all ancillary services. Higher cost products will generally cover a greater proportion of charges than indicated by this average. Cheaper products may cover less.

## PREFERRED PROVIDERS FOR EXTRAS SERVICES

Many funds establish “preferred provider” or “participating provider” arrangements with some suppliers of ancillary services. Those providers offer a discounted charge for fund members, resulting in lower out of pocket costs for members after fund benefits are taken into account. It is usually worth checking with your fund to see if a suitable preferred provider is available.

## FUND DENTAL AND EYECARE CENTRES

In some states some funds operate their own dental and optical centres. These are usually only located in capital cities or major population centres.

Consumers who choose to use a fund’s own dental or optical centres will normally get services at a much lower cost.

### **% Claims Processed in 5 days**

An increasing number of claims for ancillary benefits are now processed via an electronic link to the health fund. When this occurs the fund pays the benefit directly to the provider who deducts the benefit amount from the consumer’s bill. Where the automatic facility is not available, claims for ancillary benefits are paid as refunds to the contributor, after the contributor has paid the full provider charge. This column provides a comparison of the timeliness of processing such claims. The measure used was the percentage reported to PHIAC for industry agreed efficiency indicators. (Funds reporting 100% may be rounding their results.)

## **ANCILLARY (EXTRAS) COVER (II)** **% Costs Covered for each Service Type**

This additional table provides information on the proportion of the total charge for each service type covered by each fund on average (across all of the fund’s ancillary products).

This is intended to provide a broad comparative indicator of fund ancillary benefits to allow comparisons between funds and should not be regarded as an indicator of how much of a bill for any particular service will be covered.

In general this will understate the proportion of an ancillary bill that will be covered for the most common (lower cost services) and will overstate the proportion of the costs covered for some higher cost services.

### *Ambulance*

Some funds do not provide ambulance cover through any of their ancillary products but offer this as a component of hospital cover. These funds show as 0% under the ambulance column. Most ambulance services in Queensland and Tasmania are provided free to residents of those states.

<sup>1</sup> Known as “Essentials” cover in WA

## ANCILLARY COVER - General Cost & Benefits

Abbreviated name	Persons Covered	Average Contribution per Person Covered	Average Benefit per Person Covered	% of Charges Covered, All Services	% Claims Processed in 5-days
AHM	204408	\$487.99	\$236.92	47.1%	96.8%
AU	225172	\$375.68	\$274.79	49.1%	98.2%
BUPA	758419	\$337.75	\$245.06	47.2%	100.0%
CDH	3824	\$244.27	\$186.57	46.6%	99.8%
Credicare	35493	\$350.43	\$279.05	48.9%	99.9%
Druids Vic	9037	\$270.00	\$204.27	50.5%	92.0%
GMHBA	121410	\$307.02	\$269.76	51.5%	97.7%
GU Corporate	29200	\$622.26	\$494.01	71.4%	79.5%
HBF	775240	\$329.60	\$203.59	47.2%	75.9%
HCF	815330	\$335.84	\$271.17	50.1%	99.8%
Healthguard	43353	\$349.25	\$536.23	51.5%	25.8%
Health-Partners	62415	\$389.34	\$168.46	54.1%	91.7%
HIF	39644	\$399.78	\$245.59	47.0%	87.4%
Latrobe	41126	\$299.20	\$206.75	46.6%	99.9%
MBF	1467065	\$314.40	\$273.08	50.6%	91.0%
MBF Alliances	204942	\$431.40	\$347.09	56.7%	98.1%
Medibank	2271187	\$299.17	\$264.51	47.1%	99.8%
Mildura	25346	\$267.42	\$209.50	53.0%	100.0%
MU	158054	\$329.88	\$249.49	51.3%	87.3%
NIB	591459	\$278.11	\$226.57	50.6%	97.3%
QCH	26303	\$355.13	\$246.89	51.2%	99.6%
St. Luke's	36021	\$334.61	\$233.89	49.7%	99.8%
Westfund	81905	\$291.63	\$157.08	55.4%	99.4%
<i>ACA</i>	9526	\$517.58	\$472.13	64.1%	99.6%
<i>CBHS</i>	128893	\$361.66	\$312.34	53.0%	81.3%
<i>Defence Health</i>	154876	\$299.73	\$257.35	53.6%	99.7%
<i>Doctors' Health</i>	6064	\$425.96	\$335.42	42.4%	92.0%
<i>HCI</i>	7822	\$305.04	\$238.98	53.3%	99.9%
<i>Navy Health</i>	26216	\$407.69	\$267.38	49.3%	100.0%
<i>Peoplecare</i>	39340	\$399.64	\$323.31	56.6%	100.0%
<i>Phoenix</i>	12435	\$430.32	\$355.69	57.3%	99.9%
<i>Police Health</i>	23787	\$377.05	\$320.51	69.6%	91.8%
<i>Old Teachers</i>	42219	\$480.37	\$418.84	55.4%	97.9%
<i>R&amp;T Health</i>	23300	\$378.07	\$301.46	60.7%	41.4%
<i>Reserve Bank</i>	3846	\$789.77	\$648.19	78.1%	97.3%
<i>Teachers Fed</i>	165431	\$438.67	\$371.39	56.5%	85.5%
<i>Transport</i>	5850	\$382.45	\$349.52	67.7%	75.9%

Note: All % figures based on health fund reporting to PHIAC. Rounding is to one decimal place

## Ancillary Cover(II)- Average Amount of Costs Covered by Service

### Open Membership Funds

Fund	Dental <sup>1</sup>	Optical <sup>1</sup>	Physiotherapy	Chiropractic	Pharmacy	Podiatry	Natural Therapies	Ambulance	Acupuncture	Psych/Group Therapy	Preventative Health Products	Hearing Aids & Audiology	Occupational Therapy
AHM	44%	65%	51%	56%	37%	54%	40%	100%	49%	37%	61%	20%	42%
AU	47%	52%	62%	52%	36%	58%	52%	45%	48%	37%	55%	17%	50%
BUPA	48%	46%	59%	48%	36%	48%	33%	100%	43%	41%	0%	17%	40%
CDH	51%	41%	65%	56%	51%	46%	42%	0%	64%	29%	30%	0%	37%
Credicare	49%	46%	51%	55%	39%	56%	47%	100%	47%	54%	0%	34%	60%
Druids Vic	56%	37%	53%	62%	34%	49%	50%	98%	50%	31%	77%	14%	36%
GMHBA	53%	48%	52%	53%	47%	57%	41%	94%	41%	35%	70%	18%	48%
GU Corporate	73%	66%	75%	76%	50%	75%	74%	0%	75%	74%	65%	16%	84%
HBF	47%	41%	52%	45%	38%	53%	46%	100%	0%	45%	70%	25%	64%
HCF	52%	44%	51%	53%	45%	56%	36%	100%	52%	0%	51%	32%	59%
Healthguard	43%	77%	58%	45%	38%	71%	35%	100%	31%	46%	0%	22%	66%
Health-Partners	60%	44%	58%	52%	43%	51%	37%	97%	46%	47%	0%	32%	60%
HIF	46%	45%	50%	46%	51%	52%	42%	94%	38%	49%	24%	32%	59%
Latrobe	44%	53%	48%	50%	21%	54%	41%	73%	48%	48%	26%	16%	55%
MBF	53%	42%	54%	57%	60%	53%	42%	100%	58%	49%	25%	26%	57%
MBF Alliances	58%	47%	64%	66%	47%	61%	58%	100%	73%	61%	0%	21%	62%
Medibank	45%	48%	51%	49%	35%	50%	36%	100%	56%	40%	26%	22%	42%
Mildura	53%	46%	55%	63%	0%	56%	61%	50%	52%	32%	0%	15%	0%
MU	49%	43%	57%	60%	45%	51%	45%	97%	48%	41%	33%	27%	46%
NIB	53%	48%	57%	55%	37%	60%	41%	100%	55%	40%	69%	18%	49%
QCH	49%	54%	53%	60%	37%	68%	43%	0%	51%	56%	70%	59%	50%
St. Luke's	48%	50%	54%	64%	43%	59%	55%	89%	48%	42%	46%	40%	40%
Westfund	60%	43%	54%	60%	46%	64%	52%	95%	56%	0%	0%	15%	0%

**Note:** All percentages based on health fund reporting to PHIAC. 1. For some funds data does not take account of discounts at some providers or fund Dental / Optical centres.

## Ancillary Cover(II)- Average Amount of Costs Covered by Service

### Restricted Membership Funds

Fund	Dental <sup>1</sup>	Optical <sup>1</sup>	Physiotherapy	Chiropractic	Pharmacy	Podiatry	Natural Therapies	Ambulance	Acupuncture	Psych/ Group Therapy	Preventative Health Products	Hearing Aids & Audiology	Occupational Therapy
ACA	69%	62%	69%	67%	54%	76%	36%	100%	0%	42%	0%	45%	77%
CBHS	54%	49%	63%	65%	55%	63%	49%	93%	53%	56%	24%	39%	50%
Defence Health	54%	49%	50%	58%	52%	55%	46%	100%	50%	47%	47%	34%	51%
Doctors' Health	42%	36%	55%	0%	42%	63%	0%	0%	0%	73%	0%	16%	38%
HCI	54%	50%	63%	63%	53%	66%	58%	97%	42%	41%	31%	28%	67%
Navy Health	48%	50%	53%	61%	43%	50%	54%	100%	0%	44%	0%	21%	41%
Peopelcare	55%	62%	61%	58%	44%	61%	50%	100%	52%	48%	55%	41%	65%
Phoenix	61%	52%	63%	61%	47%	68%	40%	100%	57%	54%	0%	47%	60%
Police Health	70%	58%	76%	77%	51%	73%	65%	100%	69%	77%	0%	27%	67%
Old Teachers	54%	46%	63%	66%	45%	73%	62%	0%	58%	58%	75%	35%	64%
R&T Health	59%	63%	71%	62%	51%	80%	56%	94%	79%	48%	0%	42%	56%
Reserve Bank	80%	79%	82%	82%	59%	87%	83%	100%	83%	85%	0%	63%	79%
Teachers Fed	58%	50%	65%	64%	53%	65%	60%	100%	65%	48%	36%	39%	66%
Transport	75%	62%	60%	59%	37%	60%	47%	100%	50%	41%	68%	24%	34%

**Note:** All percentages based on health fund reporting to PHIAC. 1. For some funds data does not take account of discounts at some providers or fund Dental / Optical centres.

## FINANCES AND COSTS

### *The Regulation of Health Fund Finances*

The financial performance of health funds is closely regulated to ensure that funds remain financially viable and that contributors' funds are protected.

The *National Health Act 1953* (the Act) specifies solvency and capital adequacy standards for funds to meet and outlines financial management and reporting requirements for all funds. The Act also establishes the Private Health Insurance Administration Council (PHIAC) – an independent organisation with responsibility for monitoring the financial performance of the funds and ensuring that they meet prudential requirements.

PHIAC produces an annual publication providing financial and operational statistics for the funds for each financial year<sup>1</sup>. Information included in the Financial Performance table is drawn from data collected by PHIAC for that purpose.

### **Benefits as a % of Contributions**

This column shows the percentage of total contributions, received by the fund, returned to contributors in benefits. Funds will generally aim to set premium levels so that contribution income covers the expected costs of benefits plus the fund's administration costs.

A very high percentage of contributions returned as benefits may not necessarily be a positive factor for consumers, particularly if it means that the fund is making a loss on its health insurance business.

This indicator should therefore be considered in conjunction with other factors, such as the Surplus (- Loss) and Management Expenses ratings.

### **Management Expenses**

Management expenses are the costs of administering the fund. They include rent, staff salaries, marketing costs etc.

### *Ratio*

The management expense ratio is regarded as a key measure of fund efficiency. In this report the management expense ratio shows total management expenses as a proportion of total contribution income.

### *Per Person Covered*

A comparison of the relative amount each fund spends on administration costs is also demonstrated through provision of information on the level of management expenses per person covered by each fund.

On average, restricted membership funds have much lower management expenses as a proportion of benefits paid, compared to open membership funds. This is partially due to lower expenditure on marketing. However, unusually low management expenses by some restricted membership funds can also be the result of those funds receiving free or subsidised administrative services from the organisations with which they are associated.

### **Surplus (- Loss) from health insurance**

The surplus or loss (indicated as a negative figure) made by the fund in 2005-2006 from their health insurance business is expressed as a percentage of the fund's contribution income. This does not take account of additional income that the fund may derive from investment or other (non health insurance) activities.

All health funds maintain a sufficient level of reserves to cover losses from year to year. However funds with high or continuing losses might be expected to have to increase premiums by a relatively higher amount than other funds.

### **Overall Profit (-Loss) as a % of total revenue**

The overall profit or loss (indicated as a negative figure) takes account of additional income made by the fund, mainly through investment. This is shown as a % of all revenue received by the fund to allow a comparison of performance between funds of differing sizes.

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<sup>1</sup> "Operations of the Registered Health Benefits Organisations - Annual Report" – This report is available on the PHIAC website: [www.phiac.gov.au](http://www.phiac.gov.au)

## FINANCES & COSTS

Abbreviated name	Benefits as % Contributions	Management Expenses		Surplus (-Loss) from health insurance	Overall Profit (- Loss) as % total revenue
		Ratio	Per Person Covered		
AHM	72.1%	11.2%	\$131	16.6%	13.9%
AU	82.7%	9.7%	\$111	7.3%	8.5%
BUPA	83.3%	8.3%	\$93	8.5%	7.4%
CDH	81.4%	13.6%	\$139	5.0%	10.0%
Credicare	83.6%	9.3%	\$101	7.1%	8.2%
Druids Vic	93.7%	13.0%	\$128	-6.7%	-1.8%
GMHBA	86.9%	9.1%	\$81	4.0%	9.3%
GU Corporate	74.7%	17.4%	\$251	7.9%	7.7%
HBF	87.6%	9.2%	\$80	3.2%	10.7%
HCF	89.0%	8.3%	\$77	2.7%	7.2%
Healthguard	81.2%	10.9%	\$105	7.9%	7.1%
Health-Partners	92.2%	8.4%	\$87	-0.6%	13.6%
HIF	75.3%	9.9%	\$106	14.8%	17.8%
Latrobe	79.7%	10.9%	\$109	9.4%	23.1%
MBF	86.3%	9.3%	\$98	4.3%	10.2%
MBF Alliances	84.6%	8.2%	\$83	7.2%	6.0%
Medibank	86.4%	10.2%	\$102	3.5%	6.9%
Mildura	83.9%	8.1%	\$65	8.0%	13.9%
MU	81.8%	13.7%	\$148	4.4%	6.8%
NIB	81.7%	9.2%	\$89	9.0%	9.7%
QCH	78.1%	7.9%	\$92	13.9%	16.5%
St. Luke's	79.3%	11.4%	\$128	9.3%	12.4%
Westfund	77.0%	11.7%	\$103	11.3%	15.0%
<i>ACA</i>	87.6%	6.7%	\$85	5.8%	9.8%
<i>CBHS</i>	91.7%	5.8%	\$58	2.5%	5.3%
<i>Defence Health</i>	89.8%	6.0%	\$57	4.1%	9.2%
<i>Doctors' Health</i>	85.9%	13.1%	\$152	0.9%	7.4%
<i>HCI</i>	79.6%	11.7%	\$119	8.8%	12.3%
<i>Navy Health</i>	79.3%	10.2%	\$113	10.5%	16.1%
<i>Peoplecare</i>	81.2%	7.4%	\$83	11.4%	13.8%
<i>Phoenix</i>	96.2%	7.2%	\$87	-3.4%	-0.6%
<i>Police Health</i>	88.8%	8.5%	\$94	2.8%	6.1%
<i>Old Teachers</i>	80.3%	10.3%	\$142	9.4%	10.5%
<i>R&amp;T Health</i>	86.3%	10.6%	\$116	3.0%	7.0%
<i>Reserve Bank</i>	99.2%	1.6%	\$22	-0.8%	2.7%
<i>Teachers Fed</i>	90.4%	5.8%	\$62	3.8%	6.7%
<i>Transport</i>	84.5%	6.7%	\$73	8.8%	13.2%



## SELECTING A HEALTH INSURANCE PRODUCT

### HOSPITAL COVER

Apart from checking the price, here are the important questions to get answered about any hospital product.

#### How long do I have to wait before benefits can be paid?

Most funds will apply the following *Waiting Periods*:

- A general two-month wait for any benefits. (Some funds will waive this general waiting period. It is always worth asking if this can be done.)
- A twelve-month wait for benefits on any pre-existing conditions. (A condition can be classed as pre-existing even if it hadn't been diagnosed before you joined.)
- A twelve-month wait for benefits for obstetric treatment (birth).

The twelve-month wait for benefits for pre-existing conditions and obstetrics should not apply if you are changing funds and have already served those waiting periods. However, if your new product offers some benefits that your old product didn't, those twelve-month waiting periods may apply to the extra benefits.

Some hospital products also have *Benefit Limitation Periods* for some types of hospital treatment. If you have that type of treatment the fund will only pay a limited benefit. If you are considering one of these products, make sure you know which treatments have limited benefits and that you are prepared to take the risk of not being fully covered for those treatments for the period involved.

#### If I go to hospital will I have to pay an excess or make any co-payments?

An *Excess* is an amount you have to pay before the fund will pay its benefits. You need to find out how much the excess will be and how often you'd have to pay it (once a year? every admission? once per membership? per person? etc)

A *Co-payment* is an amount you agree to pay each time the fund pays benefits for you. Normally a co-payment is payable for each day of hospitalisation up to a maximum annual amount. You need to check the amount of any co-payments, when they apply and if there is a limit on how much you'd have to pay.

#### Are there any treatments that I won't get full hospital benefits for?

Some hospital insurance products exclude certain treatments from benefits or permanently restrict the amount of benefits they will pay for certain treatments.

If a product involves *Exclusions*, the fund will not pay any benefits for the treatments listed as exclusions.

If a product involves *Restrictions*, the fund will only pay a limited benefit for the treatments listed as restricted. The limited benefit will cover the cost of having that treatment as a private patient in a public hospital but if you are treated at a private hospital you'll have to meet a lot of the cost yourself.

If you are considering one of these products, make sure you know which treatments are excluded or restricted and that you are prepared to take the risk of not being fully covered for those treatments.

#### Does this fund have agreements with the private hospitals I might need to attend?

Check that the fund has agreements with private hospitals in your area or other private hospitals you might attend. If you are treated at a private hospital that your fund doesn't have an agreement with, you may have to meet a considerable amount of the cost yourself.

#### How does this fund's gap cover scheme work?

Doctors who treat you as a private patient in hospital can bill you separately for their services. Gap cover schemes provide extra benefits for those services, provided your doctor agrees to participate in the scheme. The extra benefits mean any gap you might have to pay yourself is eliminated or significantly reduced.

Find out how much of the doctor's bill your fund's gap scheme will cover and whether any doctors you are likely to use participate in the gap cover scheme.

#### Will this product exempt me from the Medicare Levy Surcharge?

Most Australian taxpayers have a Medicare Levy of 1.5% of their income included in the amount of tax they pay.

However, if you are a single person and your taxable income is above \$50,000 a year, you will have to pay an extra 1% Medicare Levy, unless you have an approved hospital cover with a registered health fund. A couple or family without approved hospital cover will have to pay the extra 1% Medicare levy if their combined income is more than \$100,000 a year.

If you are in this situation you need to make sure that the product you are considering will exempt you from the extra levy.

## SELECTING A HEALTH INSURANCE PRODUCT

### LIFETIME HEALTH COVER

The Government wants to encourage people to take out private health insurance (hospital cover) early in their life and keep it. Health funds are therefore required to charge extra to people who join a hospital cover after the age of 31. (There are some special rules for new residents and people who were overseas when they turned 31.)

The extra charge is 2% on top of the normal premium for each year you are over 30 years of age. For example:

- If you don't take out hospital insurance until you are 40 you'll pay an extra 20%.
- If you wait until you are 50 it's an extra 40%.

### ANCILLARY (EXTRAS) COVER

Here are some key steps in selecting a health insurance product to cover extras.

- Make a list of the sorts of services you are likely to want to use. (For example: dental, orthodontics, optical, natural therapies etc.)
- Check that the product you are considering pays benefits for those services.
- Ask what waiting periods apply for each of the types of service you might use.
- Ask how much of the cost of each service the fund benefits will cover. (If you have old bills or receipts ask how much the fund would have paid on that bill.)
- Find out what annual limits apply (maximum total benefit payable or maximum number of services for which the fund will pay benefits).
- Check when the annual limits are reset (each new year, at the end of the financial year etc).
- Find out if the limits will increase over time if you stay with the fund.
- Check the price and ask if any discounts are available (eg. for paying in advance or by direct deduction from your account).

If you are changing your extras cover to another fund, your new fund can make you serve waiting periods - but many don't. It is worth asking if the fund will waive or reduce any waiting periods.

All funds operate their extras covers quite differently so you should always recheck the benefits as well as any annual limits and how they work. It is worth asking if the new fund will match any extra limits you might have built up with your old fund.

### HOW TO MAKE THE MOST OF YOUR HEALTH INSURANCE (AND AVOID PROBLEMS)

- Make sure you keep your premium payments up to date.  
  
If you get too far behind in your payments (usually 2 months or more) the fund can cancel your policy and refuse to pay you any benefits.
- If you can, check with your fund before you book in for hospital treatment or get any extras services – to check that you're covered and how much you might have to pay yourself.
- If you go to a public hospital, check with your fund that you'll be covered for the treatment before you agree to be treated as a private patient.
- If you are likely to go to hospital as a private patient:
  - Check that your fund has an agreement with the hospital you might go to.
  - Find out what doctors will be involved in your treatment, how much they will charge and if they will use your fund's gap cover scheme.
  - Let your fund know you'll be going to hospital and check that you'll be covered for the hospital bill and any doctor's bills and how much you'll have to pay yourself.
- For extras services:
  - Consider using your fund's dental and eye care centres or preferred providers of ancillary services. You can usually save yourself quite a bit of cost if you do.
  - Know when your annual limits are due to finish and how much of them you have used.
  - Use providers that automatically claim the benefits from your fund or, if you don't, keep your receipts and make any claims for refund promptly.
- Make a note of any advice from your fund that you will be relying on, including the name or reference number given to you by fund staff (or get it in writing).
- If you have a single health insurance cover and are planning to have a baby as a private patient talk to your fund early to find out when you need to upgrade to a family cover.

This is important so that your baby will be covered if he or she needs some treatment and is registered as a patient. If you have twins, have a premature birth or your baby is unwell, your baby will probably be registered as a patient.

## About the Private Health Insurance Ombudsman

The Private Health Insurance Ombudsman deals with inquiries and complaints about any aspect of private health insurance.

The Ombudsman is independent of the private health funds, private and public hospitals and health service providers.

### What can I complain about?

Complaints need to be about private health insurance or a related matter. They can be about a private health fund, a broker, a hospital, a medical practitioner, a dentist or other practitioners (as long as the complaint relates to private health insurance).

Complaints about the quality of service or clinical treatment provided by a health professional or a hospital should be directed to the health care complaints body for your state or territory. (These are listed in the state government section of your telephone directory)

The Ombudsman cannot deal with complaints about Medicare. Complaints about Medicare should be directed to the Commonwealth Ombudsman.

### Who can make a complaint?

Generally, anyone can make a complaint, as long as the complaint is relevant to private health insurance. The objective of the Private Health Insurance Ombudsman is to **“protect the interests of people who are covered by private health insurance”**. The Ombudsman will look into complaints that concern private health insurance consumers but the office may not investigate complaints of a purely commercial nature that have do not have a significant impact on the rights of consumers.

### What should I do if I want to make a complaint?

You should first contact your health fund or the body you are complaining about. They may be able to resolve your complaint for you.

If this contact does not solve your complaint you can contact the Ombudsman by either:

- Telephoning our Complaints Hotline, **1800 640 695** (a free call from anywhere in Australia<sup>1</sup>),

or by writing, sending a fax, or emailing your complaint to the following addresses:

Private Health Insurance Ombudsman  
Level 7, 362 Kent Street  
SYDNEY NSW 2000

**Fax:** 02 8235 8778

**Email:** [info@phio.org.au](mailto:info@phio.org.au)

### What information does the Ombudsman need?

When you contact the Ombudsman you should provide the following information:

- a clear description of your complaint;
- the name of your health fund and your membership number; and
- what you think would resolve the matter for you.

The Ombudsman’s staff will let you know if any other information is needed.

### What can happen after I make a complaint?

Many complaints result from misunderstandings. The Ombudsman’s staff may be able to explain what has happened and why, and this often solves the complaint.

Otherwise, the Ombudsman’s staff will contact your health fund or the body you are complaining about to get their explanation and any suggestions they have for fixing the problem.

The Ombudsman will deal with most complaints by phone, email and fax and most can be settled quickly.

Where complaints are more complex, the Ombudsman will write to the health fund or other body, seeking further information or recommending a certain course of action.

The Ombudsman’s staff will keep you regularly informed, usually by telephone and will give you their name and contact number, in case you need to contact them.

### What if I just want some information about health insurance?

We can help with information about private health insurance arrangements. Telephone our Hotline: **1800 640 695**, email us at [info@phio.org.au](mailto:info@phio.org.au), or check out our web site at [www.phio.org.au](http://www.phio.org.au) .

We also have a number of brochures and publications about private health insurance arrangements:

- The Private Patients’ Hospital Charter
- 10 Golden Rules of Private Health Insurance
- Doctors’ Bills
- The Right to Change
- Waiting Periods
- Service Charter
- Insure? Not Sure?
- Annual Reports & Quarterly Bulletins

*These are available on our website or can be provided on request.*

<sup>1</sup> Except calls made from mobile phones