

PHIO Background Information for Productivity Commission's Draft Report *Access to Justice*

Introduction:

The office of the Private Health Insurance Ombudsman (PHIO) was originally established as the Private Health Insurance Complaints Commissioner in 1995. The Ombudsman's powers and functions are set out in Part 6-2 of the *Private Health Insurance Act 2007 (Cth)*.

PHIO is funded by a levy collected from private health insurers under the *Private Health Insurance Complaints Levy Act 1995 (Cth)*, which fully recovers the cost of its funding. PHIO is prescribed as an agency under the *Financial Management and Accountability Act 1997 (Cth)* and staff are employed under the *Public Service Act 1999 (Cth)*.

PHIO's role is to protect the interests of people who are covered by private health insurance. PHIO carries out this role in a number of ways, including:

- assisting members to resolve disputes through its independent complaints handling service;
- identifying underlying problems in the practices of private health insurers or health providers in relation to the administration of private health insurance;
- providing advice to Government and industry about issues affecting consumers in relation to private health insurance;
- mediating between health insurers and healthcare providers in relation to hospital contracting disputes;
- providing advice and recommendations to government and industry about private health insurance, specifically the performance of the sector and the nature of complaints; and
- disseminating information about private health insurance and the rights and obligations of insured people.

PHIO produces the annual *State of the Health Funds Report*, which provides information on the comparative service and performance of health insurers, to assist both current consumers and those purchasing private health insurance for the first time. PHIO also provides recommendations to insurers about product information and its presentation to improve its quality and accessibility.

PHIO also has an important consumer information and advice role regarding private health insurance. In support of this role, PHIO produces and publishes a range of tools for consumers, including the consumer website PrivateHealth.gov.au, the annual *State of the Health Funds Report*, consumer e-bulletin *Health Insurance Insider*, the "Quarterly Bulletin" and a range of brochures and factsheets.

In carrying out its role, PHIO also promotes confidence in the private health insurance industry.

Complaints Handling

PHIO's independent complaint handling service deals with complaints from consumers, health insurers and healthcare providers about private health insurance arrangements. Complaints must be about a health insurer, health insurance broker or a healthcare provider,

including a doctor or hospital. PHIO can also take complaints from a health insurer about another insurer and from a healthcare provider about a health insurer.

PHIO's jurisdiction includes over ten million consumers who hold private health insurance policies, the 34 Australian registered health insurers, health insurance brokers, over 500 private hospitals and over 700 public hospitals and healthcare providers, including doctors and suppliers of medical devices.

PHIO works collaboratively with health insurers to resolve individual complaints from members, in addition to investigating systemic issues identified through its complaints handling activity, in order to improve complaints handling within individual insurers and the industry as a whole.

The focus of PHIO's complaints handling service is on ensuring the service is independent, objective, accessible, effective and timely. Through PHIO's Client Survey, consumers advise that they value a complaints handling service that achieves these objectives. In 2012-13, 85% of those surveyed reported that they were satisfied or very satisfied with PHIO's complaints handling service.

PHIO received 2955 complaints during 2012-13. This represented a small decrease on the 2995 complaints received in the previous year. Complaints have remained at a similar level since 2010-11, when there was a 17% increase in complaints to the office.

Pleasingly, there was a 29% decrease in higher level complaints requiring investigation by PHIO in 2012-13, with 450 higher level complaints in 2012-13, compared with 630 in 2011-12.

These figures reflect PHIO's work with health insurers to address the underlying systemic issues that lead to complaints, as well as the industry's own commitment to improving its internal complaints handling. They also reflect an increased awareness among consumers of the advice and education services provided by PHIO, including the PrivateHealth.gov.au consumer website. These resources assist consumers to be better informed about their rights and responsibilities in relation to their private health insurance.

Most complaints to the office are related to concerns about the level of benefits received, followed by service issues, membership issues, information issues and waiting periods. More detailed statistical information about complaints is available at Attachment A.

PHIO has recommendatory powers under the *Private Health Insurance Act 2007 (Cth)*. These enable the Ombudsman to make a formal recommendation to an insurer, broker or healthcare provider to take a specific course of action in relation to a complaint, following an investigation by PHIO.

PHIO works collaboratively with its industry stakeholders and aims to resolve the majority of complaints and disputes without the need for a formal recommendation. In the majority of cases where PHIO has investigated and formed a view about how a complaint should be resolved, the insurer, broker or healthcare provider has agreed to resolve the matter in the way PHIO has suggested. During 2012-13, there were no matters that required PHIO to make a formal recommendation to an insurer, broker or healthcare provider.

Consumer Website, PrivateHealth.gov.au

The consumer website, PrivateHealth.gov.au, is a significant resource for consumers, which was developed and is managed by PHIO. The website, which is Australia's leading source of independent information about private health insurance, has been in operation since April 2007. During that time, there has been steady growth in visits to the site each year, as increasing numbers of consumers become aware of this important resource. The increase in visits to the site is attributable to PHIO initiatives to promote the site, the Department of Health's annual Lifetime Health Cover mailings and the site becoming better known through internet searches.

The website's major features include:

- **View Policies:** The website contains copies of Standard Information Statements (SISs) for all complying health insurance policies sold in Australia. These one page statements enable consumers to see at a glance the main features of their cover, including waiting periods, exclusions and restrictions;
- **Compare Policies:** consumers can use the Compare Policies feature to easily compare Standard Information Statements. This is the only independent website that has information on every health insurance policy available from every registered health insurer in Australia, comparing over 20,000 policies;
- **Health Insurance Explained:** comprehensive and independent information on all aspects of private health insurance including government surcharges and incentives;
- **Lifetime Health Cover Calculator:** consumers can calculate how much Lifetime Health Cover (LHC) loading applies to their hospital policy premiums, or if they already have a loading they can calculate if they have completed enough time to have the loading removed;
- **Agreement Hospitals Locator:** check which insurers and hospitals have agreements, meaning out-of-pocket expenses for consumers are minimised; and
- **Average Dental Charges:** the website publishes information on the average cost of the most common dental procedures.

Website usage has continued to grow annually since the website's launch in 2007-08. (See graph on page 5 of Attachment A.) The website received 621,865 unique visitors during 2012-13, an increase of 41% on the previous year.

Consumers who visit the PrivateHealth.gov.au website can provide feedback about their experience of using the site via the website survey feature. Consumer feedback from the survey continues to be very positive, with consistently positive responses on the major criteria. In 2012-13, 92% of surveyed clients were happy with the website's visual appeal; 87% rated the website as easy to use; 79% rated information as easy to find and 78% rated the information as being of very good or satisfactory quality.

Contractual Agreements between Health Insurers and Hospitals

PHIO has legislative power under *the Private Health Insurance Act 2007 (Cth)* to settle complaints by mediation. PHIO was given the mediation power primarily to resolve contractual disputes between health insurers and healthcare providers that may adversely affect consumers' entitlements under their health insurance.

This usually occurs when there is a dispute between an insurer and a hospital or hospital group about the renewal of a Hospital Agreement. (A Hospital Agreement is a contract negotiated between a health insurer and a private hospital or hospital group for the provision

of hospital services at an agreed price.) If a health insurer and a hospital are not able to reach agreement about a new contract and the existing contract is terminated, members of the health insurer attending that hospital will not be fully covered and will usually incur substantial out-of-pocket costs.

In order to protect consumers who may be adversely affected by an out-of contract situation, PHIO is able to use its mediation power to help the parties to resolve the dispute. The aim of such mediation is to assist the parties to reach a position where direct negotiation between them is likely to resolve the matter. It does not involve PHIO ruling on the relative merits of the parties' negotiating positions or the prices they are seeking to pay or receive, which would not be considered an appropriate role for an Ombudsman.