

We are hirmaa

30 September, 2010

Mr Richard Fitzpatrick
Compliance Strategies Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Email : richard.fitzpatrick@accc.gov.au

Dear Mr Fitzpatrick

Thank you for the opportunity to make a submission to the Australian Competition and Consumer Commission (ACCC) regarding the practices by health funds and providers in relation to private health insurance (PHI) for the period 1 July 2009 to 30 June 2010.

By way of introduction, the Health Insurance Restricted and Regional Membership Association of Australia (HIRMAA) is a peak industry body representing all thirteen (13) restricted access insurers and four (4) non-restricted access regional private health insurers. (Attachment A)

Since its formation in 1978, HIRMAA has advocated for the preservation of competition, believing it to be fundamental to Australians having access to the best value health care services. HIRMAA has done this by:

- promoting legislation, regulations, policies and practices which increase the capacity of its member organisations to deliver best value health care services; and,
- vigorously resisting the efforts of those who seek to gain by concentrating the provision of PHI into the hands of a few large organisations. As previously reported to the ACCC, HIRMAA has, in recent times, expressed strong reservations regarding the merger of BUPA Australia Ltd with MBF Australia Ltd and the acquisition of Australian Health Management Group Ltd (AHM) by Medibank Private Ltd. In both cases, HIRMAA argued that the merger/ acquisition represented a concentration of the industry that will be detrimental to the consumer and that the preservation of a competitive market is essential to the integrity and viability of the PHI industry.

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A number of characteristics distinguish the HIRMAA member funds. They:

- are value-based as opposed to being profit-based;
- continue to offer various levels of insurance at highly competitive premiums;
- optimize benefit entitlements and premiums;
- continue to tangibly grow their membership numbers, sometimes in contrast to the overall industry trend;
- in terms of the restricted insurers, have their unique nature acknowledged in the *Private Health Insurance Act 2007*.

Contractual environment between health funds and service providers

HIRMAA founded the Australian Health Service Alliance (AHSA) in 1994. We are pleased that, fifteen years later, there is irrefutable data that substantiates the objective of providing our combined membership with national access to accredited private hospitals at rates which enables HIRMAA funds to maintain competitive premium levels. HIRMAA funds seek to obtain maximum consumer choice and benefit by AHSA facilitating arrangements between hospitals, doctors and health service providers on behalf of its participating funds.

Information to consumers – Informed Financial Consent

As stated in previous submissions to the ACCC, HIRMAA has been and remains a strong advocate of rigorous Informed Financial Consent (IFC). As such, HIRMAA notes the ACCC's view expressed in its most recent report that *"health care providers should give consumers full information about the likely costs of procedures or treatments they are expected to undergo, including the costs of third parties involved in the procedure (e.g. anaesthetists in the case of surgical procedures). In regard to health insurance benefits (or rebates), providers cannot be expected to know the relevant benefits available from all health insurers but should be able to advise which insurers they have arrangements with and the usual benefits they pay for the procedures being considered. This, plus full information about costs, should equip consumers with sufficient information to make informed decisions."*

HIRMAA was disappointed with the view of the Australian Dental Association (ADA) expressed in last year's ACCC report – *"responsibility for provision of IFC of arrangements between insurer and patient must be provided by the insurer alone. It is completely outside the scope of the practitioner's sphere of practice."* It is the strong view of HIRMAA that there is an undeniable need for all parties to take responsibility for a greater commitment to IFC. To this end, HIRMAA notes the statement of the Private Health Insurance Ombudsman (PHIO) in the *State of the Health Fund Report 2009* that *"as has been noted in previous reports, processes for providing IFC in private hospitals are generally good. Most of the complaints the PHIO receives about lack of IFC relate to gaps for medical services."*

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HIRMAA notes the further observation of the PHIO that *“it can be seen from this that although the number of IFC complaints received is small, the individual consumers have experienced significant gap amounts. In order to assist consumers with complaints about gaps and lack of IFC, the PHIO produces a brochure about medical gaps and steps for ensuring IFC is provided, as well as options where it hasn't been provided.”* HIRMAA congratulates the PHIO for its work in the area of IFC and practical assistance to consumers by the provision of such brochures and other information.

In summary, the biggest problem still confronting health insurers is that many medical specialists are not complying with IFC requirements. This results in consumers receiving, without advance notice, a significant out of pocket expense after discharge from hospital. Given that insurers, or at least AHSA members, readily pay up to 130% of the schedule, there is little insurers can do to eliminate these unforeseen patient costs unless the medical profession embraces the true spirit of IFC.

In last year's submission to the ACCC, HIRMAA noted the statement by the Minister for Health & Ageing, the Hon Nicola Roxon MP, at the Australian Health Insurance Association (AHIA) 2008 conference. It is worth repeating as a strong statement of Government policy in this area - *“I firmly believe that more could be done to ensure that consumers obtain unambiguous informed financial consent from their doctors prior to receiving a service. This is every patient's right ... I know your industry has campaigned for better informed financial consent and we would like to work with you, as well as hospitals and the medical profession to take the next steps to make this reality. It is time to get this right, and provide some certainty for consumers.”*

HIRMAA again reiterates its strong contention that a rigorous IFC regime will only benefit consumers when Government and its agencies, insurers, hospitals and the medical profession share the same level of commitment. HIRMAA reiterates that it will co-operate and assist the Government in current and future endeavours to entrench IFC as a standard practice.

PHIO State of the Health Funds Report

In its submission to the ACCC in 2005, HIRMAA offered a detailed analysis of the methodology behind the production of PHIO's first *State of the Health Funds* report in February 2005. Specifically, HIRMAA submitted that :

HIRMAA was not concerned with a *State of the Health Funds* report per se, but rather that the report was going to try and rank health funds on a whole range of components which are quite frankly impossible to rank in any scientifically defensible manner. The ranking system applied was flawed...

HIRMAA contends that the report must be constructed in a manner that avoids giving consumers a false and misleading impression of the performance and actions of private health insurers.

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HIRMAA notes the comments of the PHIO in the 2005 ACCC report to the Senate that :

The Ombudsman intends to continually improve and refine the content and format of the report over time taking account of feedback and following appropriate consultation.

HIRMAA reiterates its view that the PHIO has honoured the commitment to improve and refine the content and format and that the *State of the Health Funds Report 2009* is further evidence of this commitment. HIRMAA notes the comments of the Ombudsman in the Foreword to the 2009 report that *“the main aim of publishing the report is to give consumers some extra information to help them make 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 a comparison of some service and performance at the fund level. The information on the (PHIO) website, together with the State of the Health Funds Report, greatly increases the information available to consumers about private health insurance. This makes it easier for them to choose health insurance policies that better meet their individual needs.”* HIRMAA believes that these goals, as outlined by the Ombudsman, are admirable and well worth the support of the PHI industry.

HIRMAA notes that the most recent report indicates that there were 2502 complaints during 2008-09, a small increase on the 2385 complaints received in 2007-08. HIRMAA notes the observations of the PHIO that some of these complaints can be attributed to fund demutualization issues.

We further note that the number of high level complains requiring more detailed investigation by the PHIO decreased slightly in 2008-09 and the PHIO’s observation that *“the continued decline in higher level complaints indicates the industry overall is continuing to improve its own internal complaint handling practices, so that lower numbers need to be investigated by the PHIO.”* HIRMAA again welcomes these observations and agrees with the PHIO that most insurers have developed good internal complaint handling practices thus reducing the number of external complaints. HIRMAA welcomes the PHIO’s observation that *“this is positive news for consumers.”*

As mentioned in previous submissions to the ACCC, HIRMAA has established a close working relationship with the PHIO. Our members have valued the willingness of the PHIO to attend our organisation’s quarterly meetings to discuss relevant issues, including the role and powers of the Ombudsman and the development of the consumer website.

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PHI Premiums

Two issues are worth highlighting:

1. There is sound evidence of very significant variances in the cost from hospitals for identical procedures. This makes it very difficult to provide comprehensive hospital cover and to set completely accurate premiums.
2. Health insurers are vigorously regulated and variations in premiums strictly monitored with an annual premium increase process. Hospitals and the medical specialists are not subject to any equivalent scrutiny or required to provide details of their financial position – yet 90% of insurers' outlays are linked to those two cost centres, prosthetics included.

Private Health Insurance Code of Conduct

The Australian Health Insurance Association (AHIA) and HIRMAA have developed and adopted the *Private Health Insurance Code of Conduct*. The Code is an excellent framework which offers funds greater integrity in their processes, including training regimes for staff. It provides greater confidence to providers and consumers.

As such, HIRMAA remains a strong advocate for the Code. Until recently, the HIRMAA representative to the *Private Health Insurance Code of Conduct Compliance Committee* served as its inaugural chairman. HIRMAA is now represented on the Committee by its Executive Director. In addition, three chief executive officers of constituent HIRMAA funds serve on the committee, including the current chairman. All of these appointments to the Committee signify the strong commitment of HIRMAA to the Code of Conduct.

Thank you for the opportunity to provide a submission on these important issues.

Yours sincerely

RON WILSON
Executive Director

[Attach. \(1\)](#)

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Attachment A

ACA Health Benefits Fund Ltd

CBHS Health Fund Ltd

Defence Health Ltd

Health Care Insurance Ltd

Health Partners Ltd*

Lysaght Peoplecare Ltd*

Navy Health Ltd

Phoenix Health Fund Ltd

Police Health Ltd

Queensland Country Health Fund Ltd*

Queensland Teachers' Union Health Fund Ltd

Railway and Transport Health Fund Ltd

Reserve Bank Health Society Ltd

Teachers Federation Health Ltd

The Doctors' Health Fund Ltd

Transport Health Pty Ltd

Westfund Ltd*

* denotes regional open fund