5 September 2011

Louise Macleod
Director
Intelligence, Infocentre and Policy Liaison Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

By email: phireport@accc.gov.au

Dear Ms Macleod,

Report to the Australian Senate on anti-competitive and other practices by health funds and providers in relation to private health insurance

I refer to a letter from Bruce Cooper, General Manager Intelligence, Infocentre and Policy Liaison Branch; received on 22nd August 2011. Bupa Australia Pty Limited (Bupa) welcomes the opportunity to provide comment in relation to the ACCC’s preparation of a report for the Australian Senate on private health insurance and we are happy to discuss with you in further detail any of the matters raised in our submission below.

PHI and the provision of preventative and primary health services

Bupa is active in the provision of preventive health and wellness programs as well as helping customers with chronic disease better manage their health for the long-term.

The cost of health care continues to grow, putting upward pressure on private health insurance premiums. Bupa seeks to ensure that private health insurance remains affordable for all Australians and as such believes it is important that we share in responsibility for helping to improve the health of our members and therefore the Australian population generally.

The health insurance industry is in a somewhat unique position to positively influence the health of the Australian population, having regular contact with not only those in the population who are already suffering from a disease, injury or condition but importantly those who are currently well. With 45% of the population covered by private health insurance hospital policies and 52.2% of the population covered by private health insurance general treatment policies, we believe there is a significant opportunity for insurers to help improve the overall health metrics of the broader population through the provision of health information, to enable customers to be actively involved in their health, and by delivering preventative health and chronic disease management programs. It is for this reason that we have been so active in this space over the past few years.

We have adopted a leading role in preventative health, implementing a wide range of initiatives, from primary intervention right through to tertiary, to improve the health of our customers and increase the value in our products. Our partnerships with healthcare providers and health industry participants, both public and private, not only build value for our customers but also help develop innovative health solutions that can be applied more broadly to benefit the entire population. Further as part the Bupa

Group, we draw upon global knowledge and activity as we work to become the top-of-mind resource on health and wellness for our customers.

Some direct examples of the range of tools and information Bupa Australia provides its members include:

**In2life**

Since late 2006 we have championed Bupa’s wellness proposition through the in2life offering. This program offers our customers a customised service including:

- Online information and services to help customers improve and better manage their health;
- Online tools which measure current health status, assess health risks and deliver an action plan with advice on how to prevent future health problems;
- Expert information and advice in relation to lifestyle, diet and physical activity;
- Information, programs and benefits aimed at reducing smoking and obesity as well as information and advice about alcohol overuse.

**Health Management**

Bupa provides its customers with access to a range of Positive Health Guides which provide information regarding the management of common conditions including: arthritis; depression; osteoporosis; asthma; congestive heart failure; coronary artery disease and angina; back pain; chronic obstructive pulmonary disease; and diabetes.

**COACH Program**

The COACH program is an evidence-based, telephone coaching program, delivered by Bupa to members who have experienced a cardiovascular or stroke-related illness. The COACH Program involves regular phone contact with a qualified health professional, such as a dietitian, employed by Bupa, for a period of 6-9 months following hospitalisation. The program is designed to optimise patient self management and to achieve the modifiable risk factor targets recommended by the National Heart Foundation and National Stroke Foundation. The program encourages patients to engage with their treating general practitioner and specialist, and supports this through written contact with treating health professionals. In achieving National Heart Foundation and National Stroke Foundation risk factor targets, patients can significantly reduce their risk of experiencing a further cardiovascular event or stroke.

**Telephonic Coaching for Chronic Disease Management – Bupa Health Dialog**

Part of the Bupa group in Australia since November 2010, Bupa Health Dialog has been offering evidence-based wellness, prevention and chronic disease management programs to help meet the health needs of Australians through highly personalised ‘whole-person’ telephone health coaching services. Bupa Health Dialog health coaching is provided by experienced, specially trained nurses and other health professionals and complements the role of healthcare professionals by empowering patients to make informed decisions about their health and healthcare. Health coaches have been found to enhance the skills and confidence of patients to improve self-care and to make informed decisions about their health.

**Corporate Wellness**

As part of our commitment to health and wellness in the Australian workforce, the Bupa group in Australia acquired PEAK Health Management. PEAK Health Management offers integrated wellness solutions including behaviour change and intervention programs targeting high risk areas identified via corporate health profiling and/or health checks; consultations for diet & nutrition, life coaching, naturopathy and financially well consultations; natural therapy based services such as massage, reflexology, cellular age assessments and iridology; ergonomic based services such as workstation assessments, educational products and ergonomic seminars and workshops.
Further examples of Bupa’s preventative and primary health activities can be found in Annexure A to this submission.

**Preferred provider schemes**

Bupa operates a provider network which covers over 10,000 dental, optical, chiropractic or physiotherapy practitioners throughout Australia branded as MBF MemberCare and HBA/Mutual Community MembersFirst Network (Bupa’s provider network).

Bupa believes that there is no negative impact on competition created as a result of the existence of provider networks and that in fact they deliver substantial value to private health insurance members. Importantly, the existence of provider networks does not remove or restrict the ability of consumers to make a choice in relation to which provider they obtain services from.

Provider networks for ancillary services have been in existence for some 13 years now, they were introduced to address the biggest issue facing consumers at that point of time, that was - unexpected gaps in ancillary services and a lack of informed financial consent. Bupa’s provider network provides customers with certainty regarding the out-of-pocket expenses they will experience in relation to services covered by the networks and therefore ensures they have been provided informed financial consent in relation to those services.

The payment of a benefit to a provider in relation to goods or services they have provided our member represents the member’s entitlement under their contract of insurance. Division 81 of the *Private Health Insurance Act 2007* (Cth) (the PHI Act) prohibits insurers from paying benefits for any treatment that does not meet the standards set out in the Private Health Insurance (Accreditation) Rules 2008 (the Accreditation Rules). Accordingly Bupa Australia has in place a provider recognition process that requires providers to demonstrate that they meet the requirements set out in the Rules. Benefits are only payable under the member’s private health insurance policy for services rendered by providers who are recognised by Bupa Australia. Any provider who meets Bupa Australia’s recognition criteria can apply for and be recognised and members who attend any recognised provider are entitled to receive a benefit for eligible services they receive.

While there are conditions under the member’s private health insurance policy which must be met before a benefit is payable there is no requirement that the provider be a member of Bupa’s provider network in order for a benefit to be payable. Members remain completely free to choose the provider they attend and provided their provider of choice is recognised by Bupa Australia they will receive a benefit towards any eligible service.

While a different level of benefit is payable to the member if they choose to attend a Bupa network provider, this simply reflects the contractual arrangement in place between Bupa Australia and the provider which delivers the member certainty regarding their out-of-pocket expenses.

Providers who agree to participate in Bupa’s provider network agree to charge a maximum fee to our members for particular services. In return for this agreement Bupa Australia agrees to provide its members a higher benefit for those services.

Importantly providers who are part of the network are free to charge whatever they like up the maximum fee; they can change the amount they charge whenever they like provided the new amount does not exceed the agreed maximum fee. These arrangements allow us to guarantee our customers a known, or in some cases, no gap experience at these providers. Being able to offer consumers a guaranteed known or no gap is something that they value. Any dental, optical, chiropractic or physiotherapy practitioner may apply to join Bupa’s provider network.

It is also important to note that Bupa trains its employees not to make comment on the level of service or charging practices of providers who do not participate in our provider networks.
Online comparator tools

Bupa believes that consideration needs to be given to the introduction of additional regulatory protections for consumers in relation to on-line retail brokers.

We note that currently there is effective regulation in place covering retail brokers in all other areas of insurance, while the only protection afforded to consumers for such services in health insurance is through the CCA and the various State and Territory fair trading legislation. This seems to us to be an anomaly given the stringent additional regulation placed on health insurers through the PHI Act clearly indicating the importance of consumer protection for these products.

Introduction of additional consumer protection, in a similar form to that which currently applies to ‘financial advisers’ under Chapter 7 of the Corporations Act 2007 (C'th), requiring registration and regulation of parties acting in a broker type capacity and making recommendations on products for retail customers in relation to health insurance, is required. The introduction of such regulation could provide additional protection for these consumers through such things as:

- requirement for full disclosure of arrangements with participating private health insurers;
- full details of commissions that would be received in relation to particular products including up-front and trailing commissions;
- transparency in relation to product recommendations, including the number of products/insurers that were considered in reaching the recommendation; and
- detailed reasons for selection of one product/insurer over another product/insurer including the benefits offered by the product being recommended.

If you have any questions or require further information, please do not hesitate to contact me on (02) 9323 9898.

Yours sincerely,

Ayela Thilo
Head of Regulatory Relations
ANNEXURE A - Further examples of Bupa Australia's preventive health activities

Population Health Analytics – Bupa Health Dialog
As well as offering evidence-based wellness, prevention and chronic disease management services, Bupa Health Dialog provides population health analytics services. Using proprietary population health analytic tools, Bupa Health Dialog are able to analyse system-wide healthcare data, including claims, and usage information, to identify local, regional, state and national variations in healthcare utilisation, effectiveness and efficiency. Bupa Health Dialog’s population health analytics services are able to focus on identifying individuals that are at greater health risk than others and who are most likely to benefit from health coaching, or other healthcare interventions.

The predictive modelling tools used have been developed by Health Dialog, in partnership with the Dartmouth Institute for Health Policy and Clinical Practice. These tools enable health service planners and policy makers to take a practical and informed approach to the development of solutions along the full continuum of care.

Examples of Bupa Australia’s public activities
The focus of Bupa Australia’s approach to wellness goes beyond the core customer base of our funds.

In relation to the general population, initiatives are largely related to the provision of information and the funding of research pilots which, if successful, will benefit both our customers and the greater population. Some examples of our public activities include:

- Bupa Australia invests in health innovation and research through the Bupa Health Foundation - one of the largest corporate foundations dedicated to health in Australia. To date, Bupa Australia has invested over $21 million in the Bupa Health Foundation who currently partners with more than 40 organisations in the areas of: healthy ageing; managing chronic disease; keeping the cost of healthcare affordable; promoting wellbeing and empowering people about their health.

- The ‘Speaking from Experience’ online program was launched in October 2008. This program is a series of Australian video clips which share peoples’ personal stories about having an illness or condition, or being close to someone who does. It is available for public viewing on our website.

- Bupa Australia has also commissioned one of the world’s largest studies to establish whether a simple blood test can detect the early stages of heart failure, allowing for earlier intervention and possible avoidance of the disability and recurrent hospitalisation associated with this chronic condition. The Screen-HF trial is being run in conjunction with the Centre of Clinical Research Excellence (CCRE) in Therapeutics, Monash University based at the Alfred Hospital. We have made a significant commitment financially and by providing clinical input. The study involves the investigation of a hormone released by the heart in response increased pressure or stretch. This hormone is called brain natriuretic peptide (BNP). If the study is successful we will be better placed to assist people who are susceptible to heart failure get treatment and prevent heart failure developing and progressing. Pending the results, we believe this test will be valuable for the general population as a whole.

- We are an active and vocal advocate in the media on important health issues that affect not only our customers but the population as a whole, such as dental health in children. Our Chief Medical Officer regularly appears in the media delivering public health messages such as being breast aware; managing depression; the importance of prostate checkups; cervical cancer vaccine; and calling for food labelling.

- We also make available on our public website a significant amount of information on common health conditions, tests and procedures as well as information to help consumers make better decisions regarding their healthcare and to assist them with navigating around the Australian health system.

- Access to a range of free calculators which help calculate the cost of smoking, your ideal weight ranges and waist/hip ratio are also publicly available on our website.