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17 March 2017

Mr David Salisbury
General Manager
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Sir,

Re: ACCC Report to the Senate on Private Health Insurance

Further to your letter of 17 February 2017, please find below our submission in response to the preparation of your annual report to the Senate on "any anti-competitive or other practices by health funds or providers which reduce the extent of health cover for consumers and increase their out of pocket medical or other expenses'. The report will cover the period 1 July 2015 to 30 June 2016."

We note that your focus is on a report that provides an update to the Senate on key consumer and competition developments and trends for 2015-16. You intend to report on the changes health insurers have made to their information provision practices since the publication of your previous reports.

Specifically, you are seeking:

- case studies that can illuminate market issues and trends
- details of any changes health insurers have made to information provision practices
- findings of consumer surveys or testing (which might assist to understand customer behaviour, preferences and concerns relating to their private healthcare), and
- consumer complaints/enquiries data (preferably year-on-year data that can demonstrate relevant changes/trends).

In Annexure 1 we have provided an overarching response to the specific areas to provide context and also where required, information pertinent to the specific questions outlined in your letter.

There are two key initiatives which we have recently launched to assist consumers in understanding their health cover and potential out of pocket expenses. Our "Going to Hospital" website provides consumers with a cost indicator tool to enable members to understand what an average out-of-pocket might be for a particular procedure depending on the provider they choose. Additionally we have partnered with Healthshare to provide information to general practitioners (GPs) concerning medical specialists and whether they participate in our HCF Medicover schemes. This means that at the point of referral information can be provided to the consumer.

As you have noted there is some overlap with the themes in this review and the Department of Health's PHI Roundtable Consultation Review so, where it is relevant, we have provided information which was included in our submission to them. A coalescing of the recommendations of the two reviews would be a helpful outcome for moving forward across the industry. As outlined in our submission to the Department we are focussed on improving the health of Australians by making health care affordable, understandable, of high quality and customer centric.

Please do not hesitate to contact me directly on (02) 9290 0381 if you have any questions.

Regards,

Cindy Shay
Chief Benefits Officer

Annexure 1

Case studies that can illuminate market issues and trends

The provision of healthcare services and associated funding is complex. In some circumstances it is changes by service providers that increase the confusion for the consumer as to coverage. This has been very well demonstrated in the area of Ambulance coverage over the last 12 months.

In May 2016 we became aware that SA Ambulance was intending to change its coverage effective 1 June 2016 that they would not provide coverage to residents who required Ambulance transportation outside of South Australia. After some lobbying SA Ambulance reconsidered and introduced a two tier scheme effective November 2016, one of which provides coverage within SA and the other provides coverage inside and outside of South Australia. They have also made changes such that should a transportation be either to or from a private hospital the consumer will not be covered under that State operated scheme. This is particularly problematic in South Australia where there is a frequent need to transport an individual from a country hospital which does not have the specialised services to treat a patient to Adelaide. Should the patient, upon arrival, be admitted to a private hospital it is only then will they discover that their air ambulance transportation is not covered by the State scheme.

Most recently NSW Health has issued a consultation paper to change the definition of an ambulance effective 1 April so that non-emergency transportation services will no longer be considered "ambulance" and consumers will now be subject to a charge for a non-emergency transportation. The NSW government applies a levy to all health funds to cover the provision of ambulance services, however consumers are now about to discover that they need to enquire before being placed in an Ambulance whether this is a non-emergency or emergency transportation.

What is disturbing about both of these cases is that neither entity has made provision for communication to consumers of changes to the service provision.

Details of any changes health insurers have made to information provision practices

As part of our HCF2020 strategy one of the pillars we have been working towards is improving the transparency around what members are covered for. The better informed a consumer is about their level of cover the better equipped they are to make informed health decisions.

To that end HCF has invested in improving the consumer experience of understanding their product.

In May 2016 we launched a new web page to assist consumers with information about their product options. This is obviously in addition to the Commonwealth Ombudsman website which provides detailed comparison information.

In November 2016 we launched our Preparing for Hospital website which includes information on what to expect when undergoing a procedure, videos from patients with helpful hints and a cost indicator which assists the consumer in understanding what their average out-of-pocket might be and how to minimise it - www.hcf.com.au/preparing-for-hospital.

This has been supplemented with our partnership with Healthshare which provides information to consumer and GPs concerning whether a medical specialist participates in our HCF Medicover schemes. This enables the facilitation of a discussion at the point of referral between the patient and the GP around not just clinical information but also charge information. To date we have had more than 40,000 enquiries on the Healthshare website: www.healthshare.com.au/directory/find-a-health-professional/.

Whilst our objective is to minimise confusion by members surrounding out-of-pocket expenses there are occasions where it does occur. There are however a series of safeguards for the consumer in these circumstances, the most important being the provision of informed financial consent to the member concerning any potential unexpected out of pocket. For this to be successful it does require participation by the clinician who is prescribing a particular course of treatment and the facility where that service will be provided.

Use of this protocol is high among private hospitals but not as high by individual specialists or in some cases by stand-alone day hospitals or public hospitals. We are aware that some providers (particularly where they do not have a contract with a health fund) do not meet their responsibilities of providing informed financial consent and charge the patient 100% upfront of the fee and leave it to the fund after the admission to determine the extent of coverage. Changes to the Second Tier requirements could assist the consumer by requiring hospitals to provide a quote, charge only the difference and also cap the extent to which an out-of-pocket charge can be levied.

Consumer complaints/enquiries data

The HCF Level 3 Disputes data comparison year-on-year (see table below) shows a decline over the three year period:

Level 3 Disputes	2014	2015	2016
HCF	87	83	60

We attribute this to improvements in our member communication, compliance awareness/monitoring together with face-to-face coaching and upskilling.

Notwithstanding this improvement we would like to propose an alternative to the current Commonwealth Ombudsman reporting which, in our view, does not adequately provide consumers with sufficient information and insight into the complaint handling performance of health funds.

In the table below we have provided an alternative view based on our proposed reporting structure which indicates the outcome of the Level 3 Disputes, outlining those which were found in favour of the applicant, resolved by agreement, or found in favour of the health fund.

Level 3 Dispute Outcomes	**2014**	**2015**	**2016**
Number of Disputes	87	83	60
Applicant's favour	11	0	0
Resolved by agreement	15	4	7
Health fund's favour	61	79	53

This information is readily available to the Commonwealth Ombudsman as part of the resolution process.

The current reporting methodology only highlights the total number of Level 3 Disputes received by the Commonwealth Ombudsman, but not the outcome following investigation. As a result, consumers are not given the opportunity to fairly appraise the complaints handling of a health fund as there is no basis to determine the legitimacy of these complaints. This may be misleading to consumers who may therefore unfairly assess the customer service standard and performance of the respective health fund.

With this in mind we refer you to the Financial Ombudsman Service Australia (FOS) which offers independent and accessible dispute resolution for consumers who are unable to resolve complaints with financial service providers. The reporting approach (which is consistent across all financial service providers) makes available a breakdown of dispute outcomes. This more accurately reflects the performance of a service provider and better informs consumers on the outcomes of the dispute resolution process.

An example of the FOS complaints report can be found in the following link: http://fos.org.au/comparativetables/2015-2016/.

A focus on the number of complaints, as opposed to the outcomes, also has the potential to drive inappropriate favour. For example it would be a relatively easy task to drive our dispute numbers to zero by acquiescing to every single complaint. However that would ultimately come at a cost that would have to be borne, in our case inappropriately in the overwhelming majority of cases, by the complainant's fellow policyholders.

We therefore suggest that a data reporting structure similar to FOS, with a focus on outcomes, be adopted by the Commonwealth Ombudsman.