



**Private Healthcare Australia**  
Better Cover. Better Access. Better Care.

Unit 17G, Level 1, 2 King St, Deakin ACT 2600  
T (+61) 2 6202 1000  
F (+61) 2 6202 1001  
[www.privatehealthcareaustralia.org.au](http://www.privatehealthcareaustralia.org.au)  
ABN: 35 008 621 994

6 May 2015

Senator Zed Seselja  
Chair  
Senate Community Affairs Legislation Committee  
[community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Dear Senator

**Private Health Insurance Amendment Bill (No.2) 2014**

Thank you for the opportunity to provide input regarding the above legislation.

Private Healthcare Australia (PHA) is the industry association representing Australia's private health insurance funds. Its member funds collectively insure around 97% of the 13 million Australians who hold private health insurance and provide \$17 billion per year in benefits to pay for the healthcare of fund members.<sup>1</sup>

It is important to note that evidence demonstrates private health insurance generates low levels of consumer complaint in proportion to the size of the industry and the volume of transactions processed. In 2013-14 PHIO received 3,417 complaints about health insurers.<sup>2</sup> Of these, only 580 (18%) progressed to the dispute stage, with the remainder resolved with the provision of information by PHIO staff. With an insured population of over 13 million people generating around 120 million health insurance transactions each year, this amounts to one complaint for every 3,805 insured persons, and one complaint for every 35,118 transactions.

The current PHIO structure is an inequitable dispute resolution facility in which health insurers are often at a disadvantage. PHIO can request information from both sides of a dispute (for example, from a customer and a health insurer) but only the insurer is compelled to actually provide the information. The results of the arbitration are only binding on the insurer and not on the other party in the dispute. This leads to an unbalanced dispute resolution process.

In addition, the mere existence of a private health insurance ombudsman and the absence of a similar dispute resolution facility in other parts of the healthcare system has led to health insurers being drawn into claims being made through PHIO that are actually disputes between consumers and health providers (not insurers).

This has led to health insurers expending significant time and resources complying with information requests relating to claims that are spurious, vexatious or lacking in substance.

---

<sup>1</sup> Private Health Insurance Administration Council – *Quarterly Statistics*, November 2014

<sup>2</sup> PHIO annual reports

Given that PHIO is funded by the health insurers through a compulsory industry levy, this lack of fairness is unconscionable and must be addressed through this restructure.

PHA has reviewed the detail of the Bill and identified the main changes as being:

- Removal of section 241-50 which previously allowed the Minister of Health to direct PHIO to investigate or to continue to investigate a complaint – and other sections related to this function.
- Removal of the definition relating to an offence and the penalty which applies to it. This has been removed wherever it appears, for example Section 241-55 in the current legislation.
- Provisions on information gathering are quite different to those set out in Section 250-1 of the current legislation.
- Section 253-50 of the current legislation details the reports which PHIO is required to publish. The changes proposed in this Bill remove the specific requirements of what needs to be reported from the legislation.

PHA is of the view that the proposed changes seem reasonable in isolation, although the industry will be seeking dialogue with the relevant agencies on specific implementation issues such as:

- Will classifications and process stay the same?
- How will this be communicated to health insurers and fund members?
- How much notice will we be given for health insurers to update member communication materials?
- Will the PHIO brochures and bulletin still be produced (free of charge)?
- Will there be any changes to the industry levy?

We would be pleased to elaborate on any element of this submission if required.

Yours sincerely

**HON DR MICHEAL ARMITAGE**  
**CHIEF EXECUTIVE OFFICER**