



**Submission by the
Commonwealth Ombudsman**

**Senate Community Affairs Legislation
Committee Inquiry into Private Health
Insurance Legislation Amendment Bill
2018 and related bills**

Submission by the Commonwealth Ombudsman, Michael Manthorpe

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Introduction and summary

The Office of the Commonwealth Ombudsman (the Office) provides this submission in response to a request seeking submissions into the Inquiry into the *Private Health Insurance Legislation Amendment Bill 2018* (the Bill) and related Bills.

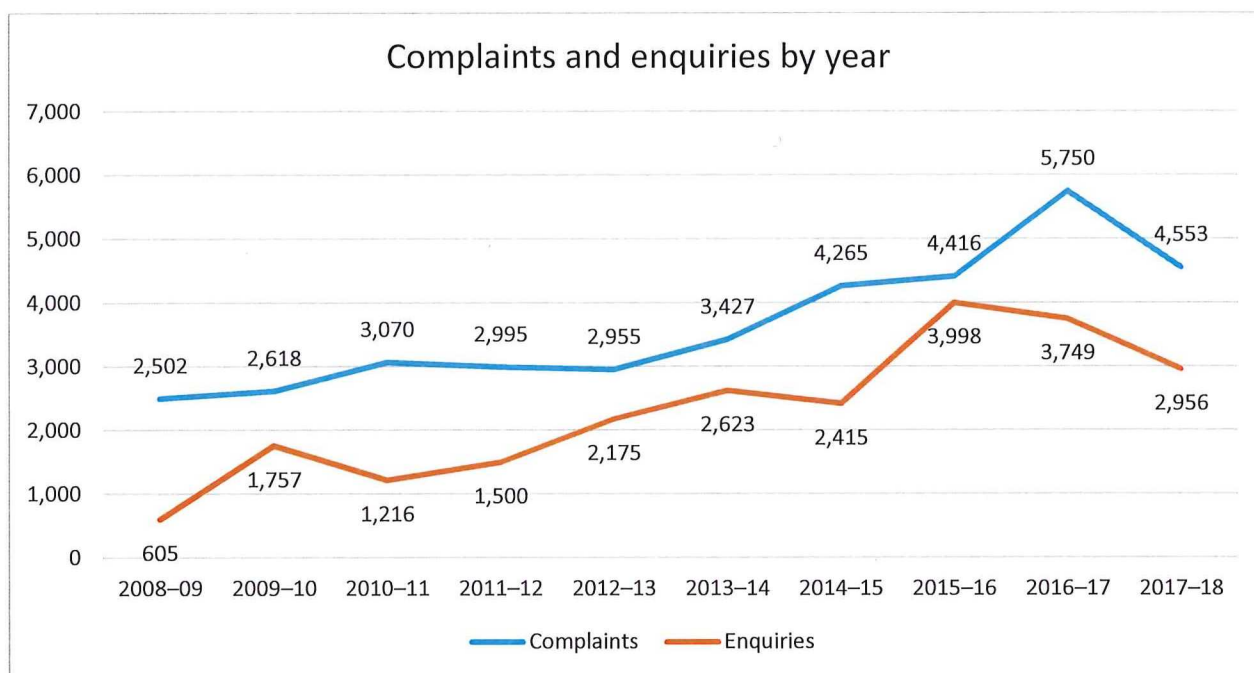
This submission provides an overview of the Commonwealth Ombudsman’s role as the Private Health Insurance Ombudsman, improvements to the consumer website privatehealth.gov.au and the proposed approach by the Office to the introduction of the inspection and audits of health insurers and brokers, should the Bill be passed.

Role of the Private Health Insurance Ombudsman

The Commonwealth Ombudsman’s role as the Private Health Insurance Ombudsman (PHIO) is to protect the interests of private health insurance consumers, including:

- assisting health fund members to resolve disputes through our independent complaint-handling service
- identifying underlying problems in the practices of private health funds or health care 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
- providing advice and recommendations to government and industry about private health insurance, specifically the performance of the sector and the nature of complaints.

The number of private health insurance complaints received by the Office has increased significantly over the last decade. In 2016–17, we received 5,750 complaints, compared to 4,416 in 2015–16. This was an increase of over 1,300 complaints within one year, which is the largest increase we have experienced over the past 10 years. Although complaints have moderated in 2017–18, there remains a steady increase in trend terms.



The most common issues raised in complaints to our Office are the provision of information to consumers which is unclear, insurers providing poor service, the amount of health insurance benefit available to consumers and the complexity of product design.

The Office welcomes the intent of the proposed private health insurance reforms, to simplify policies for consumers. The simplification of health insurance policies should enable the industry to provide clear information to consumers more easily. Health insurance customer service officers who currently need to convey complex policy details to consumers should also benefit from the reforms.

There is only a limited period between the anticipated passage of the Bill and the implementation of the new private health insurance policy framework. It will be critical, therefore, for insurers to settle how their policies transition to the new scheme quickly and then to communicate any impacts on consumers clearly and in a timely manner, so consumers can make informed decisions about their choice of cover under the new arrangements.

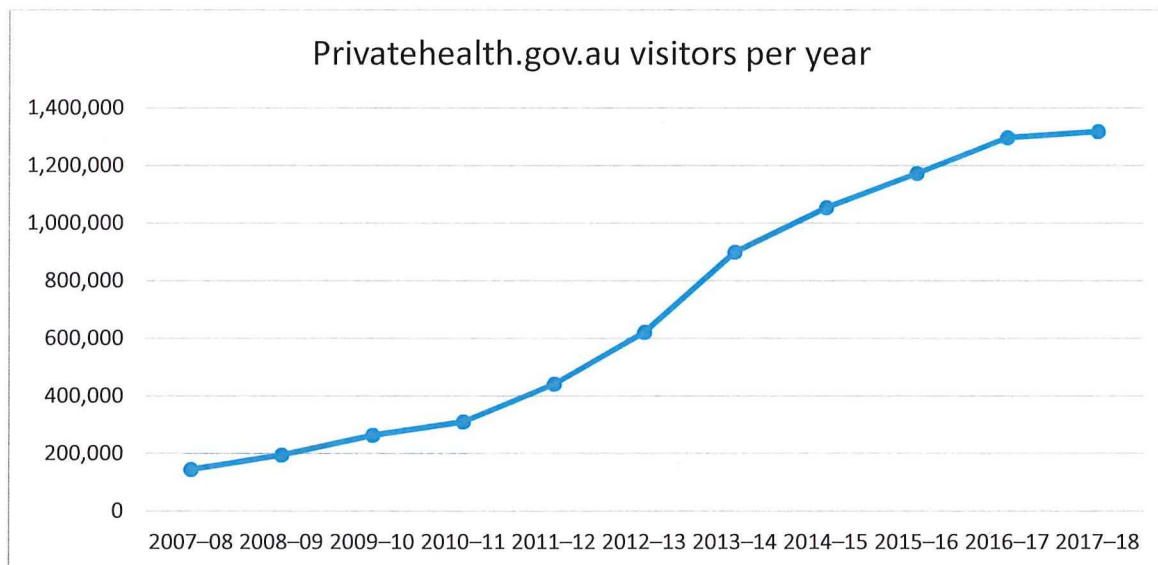
Privatehealth.gov.au

In response to the reforms contained in the Bill, the Office has been funded to redevelop the consumer website privatehealth.gov.au to better assist consumers to choose a private health insurance product that best meets their needs.

The redevelopment will include:

- updating the website content management system (CMS) to enable insurers to input and update minimum data sets for all private health insurance policies in Australia,
- publishing minimum data sets for all private health insurance policies in Australia on the website,
- updating the look and feel of the website including mobile site optimisation,
- upgrading the Compare Policies feature to enable consumers to effectively compare product information, and
- making product data provided by insurers available to third parties in a consolidated and downloadable format.

Privatehealth.gov.au was launched on 1 April 2007. Since its launch, the website has been regularly updated to improve the search features and respond to changes in health insurance. Usage of the website by consumers has increased annually, with 1,297,851 unique visitors in 2016–17, as shown in the figure below.



Strengthening the powers of the Private Health Insurance Ombudsman

Division 3A of the Bill will provide the Private Health Insurance Ombudsman with the power to conduct inspections and investigations associated with complaints or complaint-related matters, and to conduct audits at the premises of private health insurers or brokers.¹ Under Subdivision-B, Section 20ZHB and Section 20ZIA, offence provisions have been established to support the enforcement of these powers.²

The Office is committed to working with the private health insurance industry and other stakeholders to develop a practical inspection and audit process that will assist the industry in improving practices for the benefit of consumers. The Office believes that a process that aims to educate and inform insurers and brokers with an external assessment of their processes will drive improvements across the private health insurance industry and as a result better outcomes for consumers.

The Office has commenced preliminary planning for the inspection and audit function, pending the passage of the Bill. The expanded powers for the Office will complement existing inspection and audit functions which the Office currently undertakes, which include oversight and inspection of approximately 20 law enforcement agencies and their use of certain covert and intrusive powers.

In implementing an inspection power, the Office will consider how inspections of private health insurers and brokers can also educate organisations within the industry and increase their understanding of how they can improve practices to reduce the causes of consumer complaints.

While the use of the inspection powers will be considered in more detail as procedures are developed by the Office, an example of the type of consumer complaint issue that might be addressed by inspection of health insurers is the record keeping of verbal advice provided by health insurer telephone and retail centres. The Office is already aware that there are a variety of

¹ *Private Health Insurance Legislation Amendment Bill 2018*, Division 3A—Inspection and audit.

² *Private Health Insurance Legislation Amendment Bill 2018*, Section 20ZHB Responsibility to provide facilities and assistance, and Section 20ZIA Identity cards.

practices and procedures adopted by health insurers with respect to the storing, reporting and destruction of consumer records of health insurer advice, some of which result in records not being readily accessible or fulsome when required to deal with a complaint.

If the Bill is passed, the Office will deliver a series of educational forums for industry and other stakeholders, including meetings across the major cities in January to March 2019 in relation to the Office's inspection and investigation powers. The Office will consult with industry stakeholders to refine the agreed processes before commencing inspections and audits. Following consultation and feedback, the Office will publish finalised process manuals online prior to the first inspections which are anticipated to take place from April 2019 onwards.