AUSTRALIAN DENTAL ASSOCIATION INC.

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10 April 2015

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir,

Re: Private Health Insurance Amendment Bill (No. 2) 2014

Thank you for the opportunity to provide input into the consideration of the Private Health Insurance Amendment Bill (No.2) 2014. The purpose of the Bill among other things is to transfer the function of the Private Health Insurance Ombudsman (PHIO) to the Office of the Commonwealth Ombudsman and that the person who holds the position of the Commonwealth Ombudsman will also automatically hold the position of the PHIO.

The Bill appears to ensure the functions undertaken by the PHIO will continue without disruption however the Australian Dental Association seeks to ensure that this is the case and wishes to bring to the attention of the Senate Committee a number of issues relating to other legislative changes in the private health insurance environment that should be taken in to consideration as part of the review process.

About the Australian Dental Association

The Australian Dental Association Inc. (ADA) is the peak national professional body representing the vast majority of Australia's 15,000 registered dentists as well as more than 3,000 dentist students. ADA members work in both the public and private sectors.

The primary objectives of the ADA are to encourage the improvement of the oral and general health of the public; to advance and promote the ethics, art and science of dentistry and to support members of the Association in enhancing their ability to provide safe, high quality professional oral healthcare.

Further information on the activities of the ADA and its Branches can be found at www.ada.org.au .

Private Health Insurance and Dentistry

The ADA would like to emphasise that private health insurance (PHI) has a legitimate role to play within the Australian healthcare sector. While PHI currently directly funds less than 16% of funding for dental services in Australia in 2012-13 compared to 25% from government and 59% from individuals, much can be done to improve private health insurance for consumers.[1] The ADA sees this as a critical role for the PHIO and the prudential regulator.

[1] Australian Institute of Health and Welfare (AIHW), *Health Expenditure in Australia 2012-13*, page 53, 55.

Private Health Insurance Administration Council

Although predominantly established to act as the prudential regulator of the Australian's private health insurance industry, the Private Health Insurance Administration Council (PHIAC) also plays a vital role in the protection of consumers and in the provision of information for consumers. With the transfer of the prudential activities of PHIAC to the Australian Prudential Regulation Authority (APRA), the ADA is concerned that the consumer activities undertaken by PHIAC are not lost.

It seems unlikely that these activities will be undertaken by APRA as there is no reference to such activities in the Private Health Insurance (Prudential Supervision) Bill 2015 currently under consultation. The dissemination of information about private health insurance that enables consumers to make informed choices must be an ongoing role undertaken by the Commonwealth Ombudsman. If this is not done then it is possible that consumers will be less informed about private health insurance.

It is important to provide consumers with an avenue through which to seek to have issues that confront health insurance policy holders dealt with in a way that empowers them. It is crucial that the Commonwealth Ombudsman conducts this essential role.

Consumers experience disappointment, surprise, shock and anger when they find that they are not insured or covered in the manner they expected under their PHI policy.[2] They are likely to have a greater out-of-pocket cost than expected, and are likely therefore to suffer in the level of access to the healthcare services they choose and need.

These shortcomings of PHI for consumers in Australia are due to:

- PHI policies in Australia number over 20,000, making comparison virtually impossible;[3]
- This avalanche of choice therefore makes consumers place a higher reliance on aggressive marketing and branding which tends to convey to consumers that PHI policies provide more than they actually do;
- PHIs exacerbate this information asymmetry by designing websites that make it difficult for consumers to access policy documents;
- Policy documents lack a simple to read format. Existing summary documents such as the SIS do not adequately detail the limitations and exclusions to benefits;
- Ultimately consumers are required to enter into a contract of insurance without having access to the complete Business Rules and detail about all of the rebates available to them for all their healthcare services. This further increases the risk that consumers will be misinformed and be misled about the level of assistance they will receive for their healthcare service. These terms can also be varied with little effective notice.
- Similarly, consumers are given the impression that their PHI policy will protect their choice of healthcare provider. However, consumers are not informed that PHIs' 'preferred provider schemes' risk penalising those consumers who want to maintain their existing relationship with their 'non PHI preferred' healthcare provider. The penalty in those situations is payment of a lower rebate and greater out-of-pocket expense in spite of the fact that the consumer pays the same premium as another policy holder who sees a 'preferred provider'. Preferred provider schemes interfere in the patient's continuity of care. Preferred provider schemes also risk misleading consumers about the professional competence of non-contracted healthcare providers.
- When PHIs are queried about the level of out-pocket-costs to be paid, they attempt to deflect criticism by making unwarranted statements blaming health services' fee levels rather than their own lack of regular increase of rebate levels.[4]

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[2] One example where a patient was lead to believe the non-preferred provider was to blame for the differential rebate in the patients policy can be seen in Complaint No. 29.
[3] Private Health insurance Ombudsman (PHIO), *Annual Report 2013-14*, page 43.
[4] Some examples of this occurring can be seen in Complaint No.12, 16, 23, 28.

All health professionals are required to obtain consumers' informed consent (to treatment) and informed financial consent before providing the healthcare service. However, it appears insurers are not similarly obligated to provide consumers with an adequate level of informed financial consent before purchasing their private health insurance. This should not just be the premium amount consumers pay, but also the level of rebates they will receive for each healthcare service. To require consumers to take extra steps such as 'call your PHI call centre' or 'visit your PHI branch' for more details is not good enough.

PHIs should therefore be mandated to provide open transparent disclosure of their Product Disclosure Statements and business rules, detailing all rebate levels and restrictions, as well as be required to provide more accessible means of providing all policy documents and have these documents be presented in an easy to understand manner.

Improved transparency of PHI information provided to consumers and better regulation of the PHI industry's practices that negatively impact on competition in the dental care sector would ensure:

1. Consumers' choice of their provider is protected;
2. The continued provision of independent, quality healthcare by healthcare providers; and
3. Consumers' out-of-pocket costs are reduced as much as possible.

Private Health Insurance Ombudsman

The PHIO had the important roles of:

a. assisting health fund members to resolve disputes through our independent complaints handling service;
b. identifying underlying problems in the practices of private health funds or health care providers in relation to the administration of private health insurance;
c. providing advice to government and industry about issues affecting consumers in relation to private health insurance; and
d. providing advice and recommendations to government and industry about private health insurance, specifically the performance of the sector and the nature of complaints.

The ADA's major concern with the closure of the PHIO is that the experience and resources that were made available to the PHIO may be lost or reduced with their merger into other sections of government. The staff of the PHIO no doubt built up a considerable body of knowledge and expertise in a complex area of PHI.

Therefore every effort needs to be made to ensure that the accumulated 'corporate knowledge' is retained. The roles of the PHIO has to be distinctive within the office of the Commonwealth Ombudsman to ensure the activities of PHI entities remain compliant with the Private health Insurance legislation and consumers have a convenient organisation to approach where they can address their grievances.

There must be close liaison between APRA and the Office of the Commonwealth Ombudsman as each will identify issues pertinent to the other and strong avenues of communication between the two organisations must be developed.

Yours faithfully,

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Chief Executive Officer

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