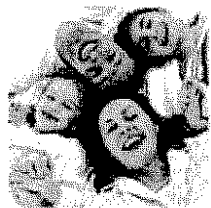


Home > Money & Rights > Insurance

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## Test: Health insurance

Use our database to give your private hospital cover a check-up.  
Updated 07/06

### Contents

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Step-by-step guide	Step 4: Read the fine print
Step 1: Do you need it?	Step 5: How to switch – checklist
Step 2: How to save	Compare-a-policy tool and best buys

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## Hospital insurance

### Results for 84 hospital policies (ancillary not included)

We analysed private hospital insurance policies on their:

- price
- conditions
- restrictions
- benefits

How are CHOICE reports different? We're completely independent - no industry kickbacks, no government funding. We're non-profit, we don't take ads and our work is funded solely by people like you.

### Findings

Choose one of our best buys and save\* up to:

- \$730 (policies with Nil **excess**)
- \$490 (policies with \$500 total **excess/ co-payment**)
- \$720 (policies with \$1000 total **excess/ co-payment**)


**\*Compared with similar full cover family policies on average across all states per year.**

**Note:** This report contains information on how to buy hospital policies but **doesn't include** details and results for **extras (ancillary) or combined policies** (extras policies cover dental or optical for example).

## Funds covered

- AHMG (Government Employees)
- Australian Unity
- GMHBA
- HBA
- HBF
- HCF
- Health Partners
- Latrobe
- MBF
- Medibank Private
- Mutual Community
- NIB
- NRMA
- SGIC
- SGIO
- St Lukes

## What you'll get in this report

- **Hospital best buys:** Hospital policies that offer good benefits but are considerably cheaper than comparable plans.
-  **Hospital compare-a-policy tool:** You choose what's important and we'll find the hospital policies that suit.
- **Step-by-step guide:** We'll guide you through the process of buying insurance.
- **Fine print checklist:** A practical checklist of questions to ask and conditions to check. Read this before you shop around.
- **Switching checklist:** How to avoid switching traps.

## Step-by-step guide

Broadly speaking, you can choose hospital cover and extras/ancillary cover. These are available separately or combined.

### Hospital cover pays:

- Some of the **doctors' fees**.
- A benefit for **accommodation**
- Some **treatment costs** in hospitals the fund has an agreement with.
- But it **may not include** cover for other costs such as **phone calls** or **television sets**.

### Extras/ancillary cover contributes to:

- The cost of **non-hospital treatments** that aren't covered by Medicare.
- This usually includes **dental** or **physiotherapy** treatment and products like **glasses** and **contact lenses** and may also include less common treatments such as **acupuncture** or **podiatry**.
- The range of benefits paid varies between funds, and the payout is unlikely to cover the whole cost of the treatment.

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## Step-by-step guide to health insurance

- **Step 1: Do you need private insurance?**

Every Australian is entitled to free treatment in a public hospital. Private health insurance can have the following advantages: More certainty you'll have choice of doctor, shorter waiting times for elective surgery and access to private hospitals.

- **Step 2: How to save**

Use our strategies to save money while taking out hospital insurance.

- **Step 3: Compare products**

A key factor in choosing hospital insurance is which private hospitals a particular fund lets you use. It's also important to check restrictions that apply to the hospital cover you're considering. Some funds restrict the overall cover for extras by combining the maximum limits — for example, saying you can have \$400 worth of physiotherapy and chiropractic in a year instead of \$400 for each. This restriction can mean very large differences in how much you'll get.

- **Step 4: Read the fine print – checklist**

Before signing up with any fund, read its brochure and key features guide thoroughly. If there's anything about your entitlements that you don't completely understand, write to the insurer and get written answers to your questions before you join. Our fine print **checklist** includes questions to ask when you take out insurance, when you're reviewing it and before you go into hospital.

- **Step 5: How to switch - checklist**

Health funds often claim it's easy to switch. But switching can become stressful if things go wrong.

- **Compare-a-policy tool**

For hospital policy information and **best buys** go to the **Compare-a-policy tool**.

**ACA campaigns on private health insurance. Read more ..**

**This article last reviewed July 2006**

## Step 1: Do you need it?

Private hospital insurance means you can be more certain of having your choice of doctor. If you're admitted as a public patient, the hospital assigns a doctor to you.

The other key attraction is that private patients usually have shorter waiting times for elective surgery. '**Elective surgery**' is treatment for a condition that isn't immediately life-threatening. But that doesn't mean that surgery is unnecessary or that the condition is not painful. For example, if you need a back operation or kidney stones removed, the shorter the wait, the better.

Not all hospital costs are covered under hospital insurance. What you may not get:

- 100% cover in all hospitals
- Any **excess** or **co-payment** you agreed to pay for a discount on your premium
- The gap between the amount your doctor or the hospital charges and what's covered by Medicare and your fund
- The cost of any pharmaceuticals not covered by the PBS
- A guarantee of a private room

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## Government incentives

In the last few years the Government has introduced initiatives designed to make private hospital insurance more attractive for you. They include:

- **Lifetime health cover** penalises people who take out hospital insurance later in life with higher premiums. If you join after July 1 after your 31st birthday you pay a 2% surcharge per year, up to a maximum surcharge of 70%. So, for example, if you join at 45 you pay 30% more than someone who joined at 30.
  - **Medicare levy surcharge:** Singles earning more than \$50,000 and couples/families with incomes over \$100,000 (plus \$1500 for each child after the first) pay an extra 1% Medicare surcharge — on top of the 1.5% Medicare levy most people pay. That means at least an extra \$500 or \$1000 each year. You can avoid this by taking out hospital insurance.
- 

## Your age

- If you're young and healthy and your concerns are accidents or emergencies, you're unlikely to have a significant wait for any hospital treatment, regardless of whether you have health insurance or not. However, if you need elective surgery such as a knee replacement, for example, because of a sporting injury you may be on a waiting list.
  - People approaching an age where illness is considered more likely, or those who think they might need elective treatment, may decide private health insurance is valuable for them.
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## Treatment in a private hospital

- Private hospitals may be more comfortable and give a greater choice of admission dates. They may also offer '**luxuries**' such as single rooms, private bathrooms and TVs. However, there's no evidence that you get better treatment in the private system.
  - If staying in a private hospital isn't important to you, basic private health insurance policies that cover you as a private patient in a public hospital may be all you need. These basic private policies tend to be cheaper than other private policies, and you still get your choice of doctor. However, it's not suitable if you want to go to a private hospital as you would have to pay some accommodation and other costs yourself. Use the **compare-a-policy tool** which includes the best buys.
- 

## Cover for extras/ancillary

- If you have regular trips to the dentist or physiotherapist, or you need glasses, you may want to consider **extras cover**. Some extras cover policies pay a benefit for

natural therapies like acupuncture or naturopathy.

- There are no complex government rules affecting **extras health insurance** — you can take it out later in life without getting penalised. So it's worth calculating how much money you got back from your claims in the past year and comparing it with the price of the policy. Are you getting value for money?

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[Send us feedback](#)

**This article last reviewed July 2006**

## Step 2: How to save

You can save on your private hospital insurance premium by buying a product:

- **With an excess** (an amount of money you have to pay for a hospital stay out of your own pocket, before the private health fund starts paying).
- Where you **pay a co-payment** if you go into hospital (you pay an agreed amount each time a service is provided — usually a set amount per day).
- That **excludes treatment** for some conditions. But remember if you need them you'll only be covered as a public patient in a public hospital — like someone without private health insurance.
- That only covers you as a **private patient** in a public hospital for some or all conditions.

If you decide to go for one of these types of policies, check the **fine print** carefully. For example, with some policies the excess is applied once a year; other policies could apply the excess up to five times.

If you want to take out hospital insurance to avoid paying the **Medicare levy surcharge** you need to be especially careful:

- Some policies with a high excess (more than \$500 for singles and \$1000 for couples/families) are exempt, which means you'd still pay the extra levy even though you've paid for insurance.
- Check with the fund before you buy.

As a general rule, it's better to save money by choosing a product with a **high excess** or a **co-payment** rather than one that excludes treatment for some conditions.

To save use our **best buys**. Choose one of them and save\* on average up to:

- \$730 (policies with Nil **excess**)
- \$490 (policies with max \$500 total **excess/ co-payment**),
- \$720 (policies with max \$1000 total **excess/ co-payment**)

\*Compared with similar full cover family policies on average across all states per year.

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## Self insurance

It's important to remember that, under Medicare, all Australians are entitled to free treatment in a public hospital, regardless of their insurance status. Self-insurance involves meeting your own costs for private treatment. This may mean saving the money you would have spent on insurance in a separate account or an accessible investment.

The problem with self-insurance is you don't know how much you'll have to pay. If you're in hospital for longer than you expected you could end up with a very large bill. If your money runs out, you may have to become a public patient in a public hospital, which could be unsettling and complicated partway through treatment.

One possible incentive for self insuring is you can claim a 20% tax rebate on your medical costs if you spend more than \$1500. For more information check the **fact sheet** on the ATO's website.

### Self insurance traps:

- You can't make use of any of the government incentives like the 30% rebate
- You may have to pay the **Medicare levy surcharge** if you're above a certain income
- You may have to pay a higher premium if you decide to take up hospital insurance **later in life**

This article last reviewed July 2006

## Step 3: Compare products

### Which hospitals are covered?

A key factor in choosing hospital insurance is the private hospitals you can go to with a particular fund. It's becoming common for funds to have an 'agreement' with certain hospitals:

- if you have full cover and stay in these hospitals, 100% of your accommodation costs will be paid (apart from any **excess** or **co-payment**).
- the cover you get in a non-agreement hospital depends on the fund: some only pay a basic rate set by the government, while others pay a bit more. Either way you're likely to have extra costs after a stay in a non-agreement hospital.

If you're looking for hospital cover, make sure you get a list of the hospitals the fund has an agreement with. If your preferred hospital or the hospital your specialist has an agreement with isn't listed you should probably choose a different fund, but bear in mind that agreement hospitals can change over time. Check periodically that the one you want is still covered.

If you're in a **rural area** it's especially important to check how far you'd have to travel to the nearest agreement hospital.

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## What treatments aren't covered?

It's also important to check any other restrictions that apply to the hospital cover you're considering. For example a number of policies also place limits on some treatments (which means that the fund will only meet part of the costs) and may exclude coverage for some treatments altogether.

Commonly limited and excluded treatments include:

- Assisted reproduction
- Bone marrow transplants
- Coronary bypass and major heart surgery
- Cataract eye surgery
- Dialysis
- Hip, knee and other joint replacements
- Obstetrics and birth related care
- Plastic surgery and cosmetic surgery
- Psychiatric care
- Rehabilitation

So remember, if you specifically want coverage for any of these things, make sure you check and double check with your health fund to make sure they aren't excluded or limited in any way.

Remember even younger people can sometimes require treatments such as cardiac surgery and hip or knee replacements.

Use the **compare-a-policy tool**.

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## Extras/ancillary cover

Extras health insurance covers **non-hospital treatments** that aren't covered by Medicare — for example, dental treatment, physiotherapy, glasses and contact lenses, plus less common treatments such as acupuncture and podiatry. Some **extras policies** cover complementary treatments like massage.

Some funds restrict the overall limit by combining the maximum limits — for example, saying you can have \$400 worth of physiotherapy and chiropractic in a year instead of \$400 for each. This restriction can mean very large differences in how much you'll get. It's also worth noting the difference between family limits and single limits. Some products limit the number of times a family can claim for some services.

For ancillary/extras cover, especially if you're in a **rural area**, check whether the healthcare provider of your choice (such as an acupuncturist) is covered by the fund.

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## Different rates for different people?

Health insurance used to be available as either family or single cover — with single cover being half the cost of family. These days there are essentially four categories: family,

single, single-parent and couple.

Despite this change we found that single insurance usually still costs half the family rate, with couple and single-parent rates for the most part being the same as family.

**Tip:**

If there's no difference in cost, single-parent families and couples may be better off choosing a family policy. That way you don't have to alter your cover if your circumstances change.

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**The 'bells and whistles'**

Many funds have other features, including their own dental or optical clinics that entitle you to a higher benefit, ambulance cover included with ancillary cover, cover for Chinese herbalism or massage therapy.

If you want some particular **extra features**, this may be a factor in which fund to choose. However, **read the brochures carefully** and check if the fund is more expensive than a fund without the trimmings especially if you don't think you'll be using them.

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**This article last reviewed July 2006**

**Step 4: Read the fine print**

Before signing up with any fund, read its brochure and key features guide thoroughly. If there's anything you don't completely understand about your entitlements, write to the insurer and get written answers to your questions before you join.

It may seem like a hassle, but not in comparison to the problems you'll encounter if your cover doesn't match your expectations.

**Fine-print checklist**

Here are a few of the questions to ask the fund — when you take out insurance, when you're reviewing it and before you go into hospital:

- **Who counts as a member?** Family cover generally includes your partner and children under a certain age — the age varies from fund to fund, it could be 16, 21 or even up to 23. Some policies may include full-time students under 25 or other dependants. If this extended cover for family members is offered, does it cost extra?
  - Are there any **advantages to longer membership?** These may include higher benefits or benefit limits, or lower excesses the longer you're a member.
  - What **waiting periods** will apply?
  - If you want to go to a specific private hospital or be covered for treatment by a specific health practitioner will there be **out-of-pocket expenses?**
- 

**Hospital cover**



- Are any **treatments excluded**?
  - Are any **treatments restricted** to public hospitals?
  - Are any treatments initially **limited** to care as a private patient in a public hospital?
  - Are there any **limits to treatment**, even with so-called 100% cover? For example, you may only be entitled to a certain number of overnight stays overall or there may be day limits for specific treatments like for psychiatric or intensive care.
  - What **excess/co-payment** applies, is there an annual maximum per membership? How does your excess or co-payment work?
  - Is the hospital you want to go to an agreement hospital with the fund?
  - Does the fund have an agreement with any doctors to cover the '**gap**' between the actual charge and the Medicare Schedule fee?
- 

### Extras/ancillary cover

- If **extras** benefits are listed as a percentage, is it a percentage of any fee charged or of a 'reasonable fee' set by the fund?
  - What are the **annual limits** for extras benefits and do these apply per person or per membership?
  - Do providers of extras services need to be registered with the fund? Some funds require practitioners to be registered with the appropriate state board. Others require them to be **specifically registered** with the fund, which can limit the practitioners you can go to. If there is a specific register, make sure you contact the fund to find out if a practitioner is on it before you get treatment, otherwise you won't get a benefit.
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### Ambulance cover

- Usually included in hospital policies and sometimes offered with extras policies: **Ambulance cover** can vary greatly between funds. Some only cover emergency transport direct to hospital after an accident (and no further transport if you need to be sent on to another hospital).
- Others cover all types of ambulance transport, so **check the fine print** as your cover may not be as good as you think.

Use the **compare-a-policy tool** which includes the best buys.

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**This article last reviewed July 2006**

## Step 5: How to switch – checklist

To review your current policy use the **compare-a-policy tool** which includes the best buys.

Health funds often claim it's easy to switch. But switching can become stressful if things go wrong.

If your new fund doesn't get the necessary paperwork in time, **additional costs** may apply. Or worse, there may be a gap in membership leaving you without any private cover and liable to pay a part of the **Medicare levy surcharge**. Use our tips to avoid switching traps.

### Steps to complete when switching funds:

- Get a **detailed quote** in writing, showing applicable government rebate, discounts and Lifetime Cover loading.
- **Apply** for cover with the new fund.
- Ask the new fund to **commence** its cover only when the old cover is cancelled.
- Arrange the **cancellation** of your old cover yourself. Request a clearance certificate (shows membership level and Lifetime Cover status) and an itemised claims statement from your old fund.
- The new fund may give you a **request form** to send to your old fund. Check back with your old fund if you haven't received an answer within one or two weeks.
- **Keep a copy** of both statements and send them to the new fund.
- **Check your bank statement** to make sure membership has commenced with the new fund and there's no overlap.
- If you pay via **direct debit**, cancel this with the old fund and advise your bank of the **cancellation**.

**Tip:**

- Health funds may offer special incentives such as free cover for a period of time. Ask the fund you'd like to join if it has any special offers or is prepared to match an offer from another fund.
- Some health funds reward long-term members with special bonuses such as a higher claims limit for extras treatments. If you're entitled to these bonuses with your old fund, some funds may match them if you ask.

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**Ombudsman can help with complaints**

- If you have a complaint about your health insurance fund that you can't resolve with the fund contact the Private Health Insurance Ombudsman on 1800 640 695 or go to [www.phio.org.au](http://www.phio.org.au) for information about health funds and to order the free booklet about switching "**The Right to Change**".

**This article last reviewed July 2006**

**Compare-a-policy tool and best buys**

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The compare-a-policy tool also contains our **best buys**. Choose one of them and save\* up to

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