



AMA

PRIVATE HEALTH INSURANCE
REPORT CARD 2016

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In Australia, people take out private health cover to have more control over their health care: choice of services they use, choice of health practitioners and timing of appointments. Private health insurance is one of the more complex forms of insurance that people own, making choosing a product that provides the best value difficult.

There are two aspects about private health insurance for hospital treatment that are most commonly misunderstood:

1. Not all policies cover every medical treatment, and there is a large difference between what is covered under a top and a basic level of cover; and
2. Patients will sometimes have out-of-pocket costs even when their policy covers the medical treatment they need.

This report card provides 'at a glance' information to show the differences between private health insurance policies, and the disparity of benefits paid by health insurers for medical treatment which may lead to out of pocket expenses.

Cover

It is commonplace for doctors to see patients who think they are covered for a treatment, but aren't. Health insurance providers can change their terms and conditions at any time, downgrading the amount of benefits they pay or excluding more items. This can lead to misunderstanding about what is covered. Patients know they have private health insurance. They know it costs a lot, and most assume it covers everything.

Sometimes, treatment is planned and surgery is booked, only to be cancelled shortly beforehand because the patient is not covered for that treatment. Patients either have to upgrade their policy and serve the waiting period, or go on the public hospital waiting list. They can't have the treatment they need when they need it, which means their condition can get worse.

The AMA wants every person who has private health insurance to know what their policy covers them for, and to review it every year to make sure it continues to meet their needs.

Out-of-pocket costs

In any conversation about the value of private health insurance, there is usually a story about someone who had insurance and still had to pay a gap to their doctor. The main reason for this is that insurers set the amount of benefit they will pay for a medical service. Different insurers pay different benefit amounts for the same medical service. For example, for an uncomplicated delivery of a baby, one fund will pay a benefit of \$2150.35, while another pays \$832.74 - a difference of 158 per cent.

Privately insured in-hospital medical treatment is only partially covered by Medicare under the Medicare Benefits Schedule (MBS). The full cost of treatment is comprised of a payment by Medicare (75 per cent of the MBS fee), the private health insurer (25 per cent of the MBS fee or more) and the remainder of the costs, if any, is paid by the patient.

Insurers will only cover 100 per cent of a medical practitioner's fee if they agree to charge exactly the amount set by the patient's insurer. This is called a 'no gap' service. It is similar to bulk billing by general practitioners.

Sometimes there is a set amount of gap, a 'known gap'. This is where the insurer lets the practitioner charge a fee that is a set amount above the medical benefit level. The amount of 'known gap' also varies between insurers.

In most cases, doctors provide the service at 'no gap'. When this is not possible, the gap will be the difference between the doctor's fee and the Medicare rebate plus the benefit paid by the insurer.

The AMA PHI report card

The AMA has prepared this report to provide information for consumers to assist them to buy the most appropriate health insurance product for their individual circumstances. This report demonstrates, for the first time, that there are real differences in the amount of benefits that insurers pay for medical services. It also provides a quick reference tool to assist consumers to see if their policy is likely to provide the level of cover that they would like.

We hope the report card encourages people to consider their health insurance needs and understand what is covered so that they can find the cover that is best for them. If the policy does not provide the cover needed - it could be time to switch. We also hope this information helps people to understand why, if they are unfortunate enough to need medical treatment in a hospital, they might have an out-of-pocket cost. This report is a compilation of information gathered from a range of sources, and is not tailored for individual circumstances. As with any insurance product, you should consider carefully which product is right for you, and seek professional advice where necessary. This report card is not intended as a substitute for proper enquiries.



Prof Brian Owler
President
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COVER

One of the fundamental reasons people purchase health insurance is to provide 'peace of mind'. There are thousands of products available for you to choose from. Compare them in detail and think carefully before shopping for price alone. The general rule is that the cheaper the premium, the less the policy will cover. Cheap policies may contain a number of important exclusions for common procedures (hips and knees) or higher out of pocket expenses and smaller rebates.

Private health insurance is categorised into four levels of cover.

- Top Private Hospital Cover - must cover all services where Medicare pays a benefit.
- Medium Private Hospital Cover - excludes or restricts one or more of the following but includes any services in the basic classification: pregnancy and birth-related services, assisted reproductive services, cataract and eye lens procedures, joint replacements i.e. shoulder, knee, hip and elbow including revisions, hip and knee replacements, hip replacements, dialysis for chronic renal failure, and sterilisation.
- Basic Private Hospital Cover - excludes or restricts one or more of the following: cardiac and cardiac related services, non-cosmetic plastic surgery, rehabilitation, psychiatric services, and palliative care.
- Public Hospital Cover - covers minimum benefits for treatment in public hospital only. Public hospital waiting lists still apply.

The premiums for policies in the Top Cover category are more expensive than premiums for policies in the other categories.

The AMA recommends that all policy holders carefully read any information their insurer sends them about their policy. People with policies in the Medium or Basic private hospital category generally need to pay more attention to their private health insurance, as terms and conditions (exclusions and rebates) can change at any time during the policy. You will have to upgrade your policy if you want to be covered for any services that are removed or not included in these policies.

The following table lists the names of the insurers' policies under the Top, Medium, Basic Private Hospital, and Public Hospital categories. This will allow you to easily identify the level of cover you are being provided and if your policy is likely to change.

Insurer	Top Cover	Medium Cover	Basic Private Hospital Cover	Public Hospital Cover
ACA Health Benefits Fund	Deluxe Hospital Private Hospital			Basic Hospital
AHM Health Insurance	Top Hospital	Essential Hospital	Basic Hospital Budget Hospital Classic Hospital Top Hospital (no obstetrics)	
Australian Unity Health Ltd	Platinum Hospital Comprehensive Hospital Cover Preferred Hospital Cover Premier Hospital	Gold Hospital Selective Hospital Cover (Q2) and (R2)	Basic Hospital Budget Hospital Bronze Hospital Mid Hospital Hospital Essentials Pricepoint Hospital Priority Hospital Priority Saver Hospital Selective Hospital	Primary Hospital Primary Saver Hospital
BUPA Australia Pty Ltd	Top Hospital Cover Advantage Hospital Hospital Economy Cover Start 'n Save	Standard Hospital	Budget Hospital - Excess	Family Essentials Hospital Cover Public Hospital
CBHS Health Fund Limited (CBH)	Comprehensive Hospital Hospital 'a' Excess		Limited Hospital Active Hospital 100 Hospital 'b' Excess	Basic Hospital
CDH Benefits Fund	Top Hospital Cover			Basic Hospital Cover
CUA Health Ltd	Private Hospital 65, 75, 85, 90, 100%			Public Hospital 100%
Defence Health	Premier Hospital, 200, 400 Top Hospital, 300, 500, 800		Essential Hospital 200 Value Hospital 200, 400	Public Hospital
Doctors' Healthfund	Top Cover Prime Choice		Smart Starter	
GMF Health	Complete Hospital Silver Hospital	Complete no maternity Mid Hospital Mid no maternity	Lite Hospital	

Insurer	Top Cover	Medium Cover	Basic Private Hospital Cover	Public Hospital Cover
GMHBA Ltd	Budget Direct Top Hospital Frank Best Hospital Gold Hospital levels 0, 1, and 2	Budget Direct Mid Hospital Frank Better Hospital Frank Best Hospital GMHBA Gold Hospital level 0, 1, 2 Silver Hospital levels 0, 1, 2	Frank Best Hospital (some private)	Bronze Public Hospital Levels 0, 1, 2 Budget Direct Public Hospital Frank Basic Hospital
Grand United Corporate Health			Diamond Hospital	
HBF Health Ltd	Top Hospital Cover Intermediate Hospital	Mid Hospital cover (WA only) Mid Family Hospital Cover	Healthy Saver Hospital Cover Young Saver Hospital Cover Super Saver Hospital Cover Saver Hospital Cover	
HCF	Premium Hospital Top Hospital Top Plus	Mid Hospital Cover	Accident Hospital Only Cover Basic Hospital Mid Hospital HealthStart Healthy First Budget Hospital Hospital Advanced Savings	
Health Care Insurance Ltd	Premium Hospital			Public Hospital
Health Insurance Fund of Australia Ltd	Gold Hospital GoldStar Hospital		GoldSaver Hospital GoldStarter Hospital	Basic Hospital
Health Partners	Gold Hospital Silver Hospital		Bronze Hospital	
Health.com.au			Basic Hospital High Hospital	

Insurer	Top Cover	Medium Cover	Basic Private Hospital Cover	Public Hospital Cover
Latrobe Health Services	Top Hospital Cover Loyal Members Top Hospital Top Hospital with Member Share Co-payment Top Hospital CoverWise	Essential Hospital Maximum Hospital Cover		Basic Hospital Cover for Public Hospital
Medibank Private Ltd	Top Hospital Priority Gold Hospital Cover Smart Choice Hospital Cover		Accident Cover Basic Hospital Standard Hospital Top Hospital Essentials Young Hospital Priority Bronze Hospital Cover Priority Silver Hospital Cover	Public Hospital Cover
Mildura Health Fund	Five Star Hospital, Levels 1, 2, 3 Five Star Hospital Benefits			Basic Hospital - H1
National Health Benefits Australia Pty Ltd (onemedifund)	Private Plus			
Navy Health Ltd (NHB)	Healthy Hospital Premium Hospital NT Hospital (NT only)		Saver Hospital	
NIB Health Funds Ltd.	Top Hospital Just Hospital Top Hospital	Apia Premium Hospital Top Hospital (no pregnancy) Top Private Hospital	Advantage Hospital Apia Essential Hospital Basic Hospital Standard Hospital Mid Hospital Standard Hospital	Public Hospital
Peoplecare Health Insurance	Premium Hospital		Mid Hospital Excess Basic Hospital - Excess	Public Hospital

Insurer	Top Cover	Medium Cover	Basic Private Hospital Cover	Public Hospital Cover
Phoenix Health Fund Ltd	Top Hospital		Mid Hospital Basic Hospital	Public Hospital Family
Police Health	Top Hospital			
Queensland Country Health Fund Ltd (QCH)	Top Hospital, 250, 500		Intermediate Hospital, 250, 500	Public Hospital
Railway and Transport Health Fund Limited (RTE)	Premium Hospital		Smart Hospital Value Hospital	Public Hospital
Reserve Bank Health Society Ltd (RBH)	Gold Hospital			
St Lukes Health	Hospital 200, 300, 500 & 1000 Hospital Platinum		Budget 500	
Teacher's Health Fund	Top Hospital UniHealth - Top Hospital	Mid Hospital UniHealth - Mid Hospital	Basic Hospital UniHealth - Basic Hospital	Public Hospital
Transport Health Pty Ltd	Couple Top Hospital Primary Platinum Hospital Family Top Hospital		Primary Accident Cover Primary Bronze Hospital Primary Budget Hospital Primary Gold Hospital Primary Silver Hospital Single Healthy Choice Hospital Couple Healthy Choice Hospital Family Healthy Choice Hospital	Single Basic Hospital (Public Hospital) Couple Basic Hospital (Public Hospital) Family Basic Hospital
TUH (Qld Teacher's Union)	Total Care Hospital	Intermediate Hospital	Budget Hospital	
Westfund Ltd			Platinum Hospital	

This table was compiled from data sourced from www.privatehealth.gov.au on 21 January 2016. Policies may move between categories in the future. The search provided results for policies that are open or closed for singles, and couples, with or without dependants. This list contains the names of the primary policy, and does not include all excesses, co-payments, GapSaver and benefit payment variations. It is therefore not exhaustive, and some products may not be listed. While every care has been taken to provide accurate information, the AMA does not warrant the accuracy or currency of the information provided.

To better understand your policy options, visit www.privatehealth.gov.au or contact your private health insurer to obtain a copy of the Standard Information Statement for your policy. This document will tell you what medical services are NOT covered by your policy and any restrictions that apply.

OUT-OF-POCKET COSTS

The Government sets a benefit amount to be paid for most medical procedures through the MBS. If you choose to be treated as a private patient in a hospital (public or private), Medicare will cover you for 75 per cent of the MBS fee for associated medical costs. The remaining hospital and medical costs will be charged to you - some or all of these costs may be covered by your private health insurance, depending on your policy.

If you are covered, the private health insurer is required to pay a benefit of at least 25 per cent of the MBS fee for the treatment. They can pay more. Insurers will only cover 100 per cent of a medical practitioner's fee if they charge a fee equal to the benefit amount set by the patient's private health insurer. The insurance benefit amounts are often greater than the MBS fee, acknowledging the indexation of the MBS has not kept pace with the costs of providing medical care, but they vary considerably from insurer to insurer.

The following table shows the different benefit amounts paid by insurers for a select range of the most common procedures. Red indicates a low level of benefits and dark blue indicates a high level of benefits.

MBS Item	MBS Description	MBS Fee	HBF	St Lukes	AHSA (NSW)	BUPA (NSW)	Medibank/AHM	NIB	MDHF	GMHBA
42702	Cataract Surgery	760.55	1242.25	1163.30	1239.70	1184.20	1126.25	1144.90	912.80	912.80
32500	Varicose Veins	109.80	149.95	169.05	164.80	164.45	160.70	148.35	131.80	131.80
41789	Tonsils or Tonsils and Adenoids	295.70	522.05	493.85	513.90	481.30	472.35	442.65	354.85	354.85
49318	Hip Replacement	1317.80	2146.75	2318.15	2214.50	2094.35	2000.75	2013.85	1581.40	1581.40
49518	Knee Replacement	1317.80	2146.75	2318.15	2563.40	2094.35	2000.75	2013.85	1581.40	1581.40
38500	Coronary Artery Bypass	2200.00	3665.20	3404.40	3783.30	3294.85	3265.15	3064.80	2640.00	2640.00
39709	Craniotomy	1586.75	2631.75	2443.70	2420.80	2602.05	2322.10	2393.60	1904.10	1904.10
30445	Cholecystectomy	739.35	1019.80	1045.10	1091.90	1054.85	1012.45	993.60	887.25	887.25
32090	Colonoscopy	334.35	456.45	461.95	435.00	470.25	442.50	429.80	401.22	401.22
16522	Complicated Delivery (of baby)	1629.35	2649.15	2307.90	1855.90	2406.65	2198.50	2280.10	1955.20	1955.25
16519	Uncomplicated Delivery (of baby)	693.95	2150.35	1979.05	1484.50	2057.05	1886.95	1550.60	832.74	832.74
39331	Carpal Tunnel Release	276.80	459.05	426.80	440.20	453.75	404.90	417.55	332.20	332.20
30572	Appendectomy	445.40	614.45	629.45	632.10	635.45	609.95	597.45	534.50	534.40
30609	Femoral on Inguinal Hernia	464.50	640.60	657.50	909.70	662.70	636.05	623.05	557.40	557.40
32139	Haemorrhoidectomy	367.75	502.25	524.65	602.90	517.20	503.80	472.75	441.30	441.30
37623	Vasectomy	229.85	317.20	365.95	343.80	353.15	348.95	349.30	275.85	275.85
35657	Vaginal Hysterectomy	674.70	1252.85	1024.65	1066.20	1076.80	986.20	1012.05	809.65	809.65
31255	Basal Cell Carcinoma or Squamous Cell Carcinoma removal from nose, eyelid, lip, ear, digit or genitalia	221.35	335.85	311.85	366.10	315.80	303.15	296.90	265.65	265.65
13918	Cytotoxic Chemotherapy	97.95	127.55	119.60	107.80	118.05	115.30	111.00	117.55	117.55
12203	Overnight investigation for sleep apnoea	588.00	747.65	707.85	682.20	703.45	694.25	709.40	705.60	705.60
31500	Breast, benign lesion surgical biopsy of excision	260.05	355.20	367.25	356.40	380.55	355.30	348.80	312.10	312.10
38306	Stent for coronary artery	762.35	1157.25	1138.10	1259.10	1097.85	1111.65	1020.40	914.85	914.85
	Known Gap		Varies according to the HBF Known gap benefits schedule	Within 10% of St Lukes benefits schedule	Varies according to the AHSA access gap benefits schedule	Up to \$500 per episode of care	Up to \$500 per doctor, per claim	Not available	Varies between 100 and 120% of the MBS fee	Varies according to the GMHBA benefits schedule

This table was compiled from data from the private health insurers' websites on 28 January 2016. While every care has been taken to provide accurate information, the AMA does not warrant the accuracy or currency of the information provided. Insurers can provide different benefits depending upon the state the procedure is performed. The NSW benefits lists for Bupa and AHSA was used. AHSA represents ACA Health Benefits fund, Australian Health Unity Limited, Budget Direct Health Insurance (GMHBA), CBHS Health Fund, Central West Health cover (HBF), CUA Health Limited, Defence Health, Frank Health Insurance (GMHBA), GMF Health (HBF), GMHBA, GU Health, HBF Health Ltd, Health Care Insurance Limited, Health.com.au, Health Partners, Health Insurance Fund of Australia Limited, Navy Health, Onemedifund, Peoplecare Health Insurance, Phoenix Health Fund, Police Health Limited, Queensland Country Health Fund Ltd, RACT Health Insurance (GMHBA), Reserve Bank Health Society Ltd, Rt health fund, Teachers Health Fund, The Doctor's Health Fund Pty Ltd, Transport Health, TUH, UniHealth Insurance, Westfund. The AHSA schedule does not include HBF Health Cover or the suite of GMHBA products.

Insurers who have not published an online benefits schedule were not included.

If the treating medical practitioner is not able to accept the benefit amount set by the patient's private health insurer¹, the patient will be required to pay the difference between the doctor's fee and the Medicare rebate, plus the benefit amount paid by their private health insurer.

This is why having private health insurance – even a Top Cover policy – doesn't guarantee that you will not have any out of pocket costs for your medical bills.

Most insurers will pay a benefit for a 'known gap'. This is where the insurer will allow the doctor to charge a fee that is a specific amount above the level of the medical benefit. Using total hip replacement (MBS item 49318) as an example, the following table shows the three billing and payment scenarios, where the insurer has set a medical benefit of \$2,000.75 and a 'known gap' amount of \$500.

	Doctor's fee	MBS fee	MBS rebate (75%)	PHI medical benefit	Out-of-pocket cost
Doctor accepts PHI medical benefit	\$2,000.75	\$1,317.80	\$988.35	\$2000.75	\$0.00
Doctor accepts PHI known gap arrangement	\$2,500.75	\$1,317.80	\$988.35	\$2000.75	\$500.00
Doctor does not accept PHI medical benefit level	\$2,610.00	\$1,317.80	\$988.35	\$329.45	\$1,292.20

Where possible, it is strongly recommended you ask your medical practitioner for an estimate regarding your treatment which includes the Medicare item numbers. The AMA informed financial consent policy recommends that you ask about your doctors' fees, and the fees of other doctors that may be involved in your care. In addition, if your procedure involves the use of an implantable device or prostheses, you should ask about the cost of that too. Once you have these details, you can contact your insurer to find out how much of the cost will be covered, and what you will have to pay out-of-pocket, before undertaking any treatment.

The AMA policy on informed financial consent can be found here:
<https://ama.com.au/article/ama-informed-financial-consent>

¹ Medical practitioners set their own fees, which have to cover the cost of running their medical practice, including wages for practice staff, rent, electricity, cleaning, insurances and ongoing medical education. They are not bound to charge either the MBS fee or the medical benefit amount set by private health insurers.

TRANSPARENT INFORMATION

Third party comparator websites

Many people get a quote from one of the online health insurance comparison websites. However, there are concerns as to whether these sites provide people with the best information that ultimately leads to them getting the best policy for them and their family.

The Australian Competition and Consumer Commission advises that you should be alert to the fact that “these sites may provide only some of the relevant information about a very diverse marketplace. They don’t necessarily cover every insurer or every type of policy available, and they may have commercial relationships with, or receive financial inducements from, listed businesses”.

When you buy insurance through an online comparison site, the provider may be paying a commission to the site, either as a fixed percentage of the premium, or as a set fee per sale. These incentives could be encouraging the sale of particular products, and may also entice more switching in instances when it is not necessary. There should be more scrutiny from Government and regulators as to whether this practice is distorting the market even further, including through reduced transparency.

Further scrutiny is also required as to whether these comparators unnecessarily focus on price rather than health needs. The expansion of these sites, which provide information on only a small range of products, could also be adding to consumer confusion.

The Australian Government hosts a website that provides a tool for an independent comparison all health insurance policies on offer and the Standard Information Statements for every policy. For independent advice, visit www.privatehealth.gov.au

The Private Health Insurance Ombudsman

The experience of medical practitioners is that some insurers are easier to deal with than others. Unexpected rejection of claims by insurers are distressing for patients, particularly at a time when they are recovering from treatment.

The Private Health Insurance Ombudsman (PHIO) protects the interests of people covered by private health insurance. PHIO carries out this role in a number of ways, including an independent complaints handling service. PHIO provides information on complaints about insurers and how they are resolved.

Visit www.privatehealth.gov.au

More information about medical fees

To read more about how the health care system funds medical care, visit: www.ama.com.au/article/guide-patients-how-health-care-system-funds-medical-care