

# We are hirmaa

29 August, 2013

Mr Bruce Cooper  
General Manager  
Intelligence, Intelligence, International and Advocacy Branch  
Australian Competition and Consumer Commission  
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Dear Mr Cooper

Thank you for the opportunity to make a submission to the Australian Competition and Consumer Commission (ACCC) regarding the practices by health funds and providers in relation to private health insurance (PHI) for the period 1 July 2012 to 30 June 2013.

By way of introduction, hirmaa is a peak industry body representing all twelve (12) restricted access insurers and six (6) open access regional private health insurers. (Attachment A)

Since its formation in 1978, hirmaa has advocated for the preservation of competition, believing it to be fundamental to Australians having access to the best value health care services. hirmaa has done this by:

- promoting legislation, regulations, policies and practices which increase the capacity of its member organisations to deliver best value health care services; and,
- vigorously resisting the efforts of those who seek to gain by concentrating the provision of PHI into the hands of a few large organisations. As previously reported to the ACCC, hirmaa has, in recent times, expressed strong reservations regarding the merger of BUPA Australia Ltd with MBF Australia Ltd and the acquisition of Australian Health Management Group Ltd (AHM) by Medibank Private Ltd. In both cases, hirmaa argued that the merger/acquisition represented a concentration of the industry that will be detrimental to the consumer and that the preservation of a competitive market is essential to the integrity and viability of the PHI industry.

A number of characteristics distinguish the hirmaa member funds. They:

- are value-based as opposed to being profit-based;
- continue to offer various levels of insurance at highly competitive premiums;
- optimise benefit entitlements and premiums;

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- continue to tangibly grow their membership numbers, sometimes in contrast to the overall industry trend;
- in terms of the restricted insurers, have their unique nature acknowledged in the *Private Health Insurance Act 2007*.

### **ACCC report 2013**

hirmaa notes that in 2013, the ACCC proposes to “examine the practice by some insurers, comparison services, brokers and intermediaries of using end of financial year or “tax time” advertising as a tool to encourage consumers to sign up to a fund, or to transfer between funds in order to “beat the yearly premium increase” or to “avoid crunch time”.

The ACCC notes that in the past few years, policy changes such as the Lifetime Health Cover loading, the Medicare Levy Surcharge and the 30% Government rebate have resulted in some consumers becoming more sensitive to end of financial year advertising, whether or not the policy changes apply to them specifically.

For this reason, the ACCC is interested to examine the features of such advertising and its impact on consumers. In particular, it would like to gain a better understanding of consumers’ experiences when signing up to, or transferring between insurers, as a result of such campaigns.

Rather than investigating whether particular advertisements or representations contravene the Australian Consumer law, the ACCC intends that its report will consider whether the practice in general is impacting on the ability of consumers to make informed choices when purchasing PHI.

In terms of the issues put forward by the ACCC for investigation, hirmaa makes the following observations:

- As a general observation, hirmaa would suggest that the various advertising campaigns, both at end of financial year and more broadly are evidence of strong competition between the funds and within the PHI industry. hirmaa is confident that, while recognizing the complexity surrounding PHI and the range of products, consumers are able to navigate their way through such advertising.
- With regard to advertising campaigns being run around certain times (end of financial year, price change etc) hirmaa would contend that health insurers are not alone in this area. For example, hirmaa would cite motor vehicle companies, subscription TV, office suppliers, to name just a few, as regularly using end of financial year advertising. On this basis, it is somewhat surprising that the PHI industry would be singled out for specific investigation.
- Unlike many of the other industries (as mentioned above) running advertising campaigns, some consumers can achieve significant savings by following the advice in PHI campaigns. Unlike other industries, some PHI customers do face

tax and other penalties, based on age and income, for not purchasing appropriate PHI products.

hirmaa notes that the ACCC considers that in an environment of perceived “urgency” consumers may be less inclined to ask insurers or brokers the questions they are normally advised to ask to ensure that they are in a position to give informed financial consent to a policy that meets their health needs and does not contain unexpected gaps and exclusions.

While not commenting on the practices of brokers and intermediaries, hirmaa is confident that its constituent funds provide their Members with detailed information, before and after joining a fund. As not-for-profit mutuals, hirmaa funds have the best interests of the consumer always at the forefront of their campaigns and strategies. In addition to the respectful treatment hirmaa funds apply to their Members, the following general rules apply to all consumers of PHI:

- Every consumer of PHI must receive a standard information statement (SIS) on joining a fund and annually thereafter. There should be no doubt about what is covered by the policy and if there is any ambiguity the consumer can seek clarification from the fund.
- Consumers have full portability – they can change products or insurers at any time without waiting period penalties and with refund of premiums, all within the terms of Division 78 of the *Private Health Insurance Act 2007*. The portability issue in PHI is currently marred by the slowness of some insurers, not hirmaa funds, to comply with clearance certificates’ regulations and protocols.
- Whatever product consumers purchase, they are protected by the detailed regulations covering every aspect of PHI (pricing, product design, insurer solvency, etc).
- The PHI industry is well regulated with a strong and active presence by the Private Health Insurance Administration Council (PHIAC) and the Private Health Insurance Ombudsman (PHIO).

Finally, if advertising is misleading in any way there are existing laws and regulations against such behaviour and appropriate action should be taken.

- The particular example raised in the ACCC letter to stakeholders (the pressure on 30 year olds) seems misplaced. Since every 30 year old receives a personal letter from the Government, there can be no ambiguity about the facts facing these consumers.

### **ACCC stakeholder engagement**

hirmaa welcomes the engagement of stakeholders by the ACCC in preparing its annual report to the Senate on PHI. The engagement of stakeholders gives organisations such as hirmaa the ability to comment on contemporary issues impacting upon the PHI industry. hirmaa notes that the ACCC attracts a diversity of viewpoints and this clash of ideas and

open discussion should contribute to the development of better public policy and better outcomes for Australian consumers.

hirmaa funds welcome maximum competition in the PHI industry believing that it delivers the best products and best health outcomes for PHI consumers. Given that 12.67 million Australians currently have access to PHI, it is imperative that maximum competition is the goal of all participants.

Thank you for the opportunity to provide a submission on these important issues.

Yours sincerely



**RON WILSON**  
**Chief Executive Officer**

**Attachment A**

ACA Health Benefits Fund Ltd

CBHS Health Fund Ltd

Defence Health Ltd

Health Care Insurance Ltd\*

Health Partners Ltd\*

Lysaght Peoplecare Ltd\*

Navy Health Ltd

Mildura District Hospital Fund Ltd\*

Phoenix Health Fund Ltd

Police Health Ltd

Queensland Country Health Fund Ltd\*

Queensland Teachers' Union Health Fund Ltd

Railway and Transport Health Fund Ltd

Reserve Bank Health Society Ltd

Teachers Federation Health Ltd

The Doctors' Health Fund Ltd

Transport Health Pty Ltd

Westfund Ltd\*

\* denotes regional open fund