



METHODOLOGY

Health Insurance Star Ratings

What are the CANSTAR Private Health Insurance Star Ratings?

CANSTAR *Private Health Insurance Star Ratings* combine three separate health insurance product types (Hospital cover, Extras cover, and Packaged hospital and extras cover). The rating process for each of these product types employs a separate star ratings methodology consistent with the pricing and features model of the CANSTAR star ratings:

$$\text{TOTAL STAR RATINGS SCORE (T)} = W_1 \times \text{PRICING SCORE (P)} + W_2 \times \text{FEATURES SCORE (F)}$$

Below is a brief overview of the profiles to be rated so that consumers can use the star ratings results to find the most suitable products. The specific areas of need for both the young and mature profiles for both hospital and extras cover are listed under the inclusions heading of the star ratings methodology section of this document.

All profiles are assumed to represent the average person from that demographic rather than either ends of the risk aversion spectrum.

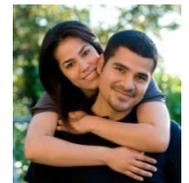


YOUNG SINGLES: MALE/FEMALE

This profile caters to young to middle-aged singles (both male and female), no dependents and no immediate plans for children. While the average young singles do not consider themselves to be invincible, they are mostly concerned about having a safety net for hospital cover if they ever need it. Dental, optical, chiropractic and physiotherapy cover are also important areas of extras cover.

YOUNG COUPLES – NON OBSTETRICS

This profile covers young to middle-aged couples who don't plan to have children or at least are postponing a family. They are looking for all-round cover from their health fund but don't need to pay for obstetrics and IVF. A good hospital plan with extras like physiotherapy, dental, optical and chiropractic should provide all-round cover for this couple.



COUPLES/FAMILIES – WITH OBSTETRICS

This profile covers young to middle-aged couples with a young child or children, as well as couples planning a family. This profile can be seen as growing families but like young singles, they are not yet concerned about cover for hip replacements and multi-focal lenses but are interested in cover for obstetrics and IVF, dental, optical, physiotherapy and chiropractic. Couples planning for children in the short-term should be taking out appropriate family cover now.

YOUNG FAMILIES – NON OBSTETRICS

This profile covers young to middle-aged couples with a young child or children, and who will not be extending the family. They are confident that they will not be needing obstetrics or IVF cover. These young families still have a distinct need for a range of hospital and extras cover for both the parents and the growing children.





YOUNG SINGLE PARENTS

This profile covers mostly young to middle-aged singles with a young child or children. The young parent is starting to think about cover they might need for their growing kids such as orthodontics but they are also thinking about other areas of cover they might have ignored when they were younger such as cardio-thoracic surgery. Dental, optical, physiotherapy and chiropractic cover are also important areas of extras cover.



ESTABLISHED SINGLE PARENTS

This profile covers mostly middle-aged to mature singles with an older but still dependent child or children. These families have stopped growing so no longer need cover for obstetrics and IVF. The parent is starting to think about cover they might need for their growing kids such as orthodontics but they are also thinking about other areas of cover they might have ignored when they were younger such as cardio-thoracic surgery. Dental, optical, physiotherapy and chiropractic cover are also important areas of extras cover.



ESTABLISHED COUPLES

This profile covers mostly middle-aged to mature couples who don't plan to have children or at least are postponing a family. The couple have started to think about cover they might have ignored when they were younger such as cardio-thoracic surgery. Dental, optical, physiotherapy and chiropractic cover are also important areas of extras cover.



MATURE COUPLES

This profile caters to mature couples that no longer have or never had dependent children. This profile is more concerned with areas of cover such as cardio-thoracic surgery, hip replacements or multi-focal lenses. Due to the natural processes of aging their health insurance requirements differ from that of young singles. Dental, optical, chiropractic and physiotherapy are also important areas of extras cover.

ESTABLISHED FAMILIES

This profile covers mostly middle-aged to mature couples with an older but still dependent child or children. These families have stopped growing so no longer need cover for obstetrics and IVF. The parents are starting to think about cover they might need for growing kids such as orthodontics but are also thinking about other areas of cover they might have ignored when they were younger such as cardio-thoracic surgery. Dental, physiotherapy, optical and chiropractic cover are also important areas of extras cover.



ESTABLISHED SINGLES: MALE/FEMALE

This profile covers mostly middle-aged to mature singles (both male and female) with no dependents and no immediate plans for children. This profile has started to think about other areas of cover they might have ignored when they were younger such as cardio-thoracic surgery. Dental, optical, physiotherapy and chiropractic cover are also important areas of extras cover.



MATURE SINGLES

This profile caters to mature singles (both male and female) that no longer have or never had dependent children. We did not wish to draw a finite line as far as the age where maturity begins but this profile is now more concerned with areas of cover such as cardio-thoracic surgery, hip replacements or multi-focal lenses. Due to the natural processes of aging, their health insurance requirements differ from that of young singles. Dental, optical, chiropractic and physiotherapy are also important areas of extras cover.



TAX PROFILE

This profile caters to singles looking for health insurance primarily to avoid tax implications associated with the Medicare Levy Surcharge (MLS) and the lifetime loading. These individuals are not as concerned with the benefits of health insurance compared to those in the other profiles, however would prefer a low-cost hospital plan.



State/territory awards

Each fund's top performing policy per state/territory across all star ratings profiles are then aggregated to come up with the state/territory awards for all three product categories: Hospital, Extras, and Packages.

The state/territory awards are awarded in the following states/territories: Queensland, New South Wales/ACT, Victoria, Tasmania, South Australia, Western Australia and Northern Territory.

Each profile is given a weighting towards the state awards.



Health Insurance
Hospital Cover
Extras Cover
Package Cover

Young singles male/female – 3.75% each
Young couples – non-obstetrics – 7.5%
Couples/families – with obstetrics – 12.5%
Young families – non obstetrics – 7.5%
Young single parents – 5%
Established families – 10%
Established single parents – 5%
Established singles male/female – 5% each
Established couples – 10%
Mature singles – 12.5%
Mature couples – 12.5%

For example:



Hospital Cover
New South Wales



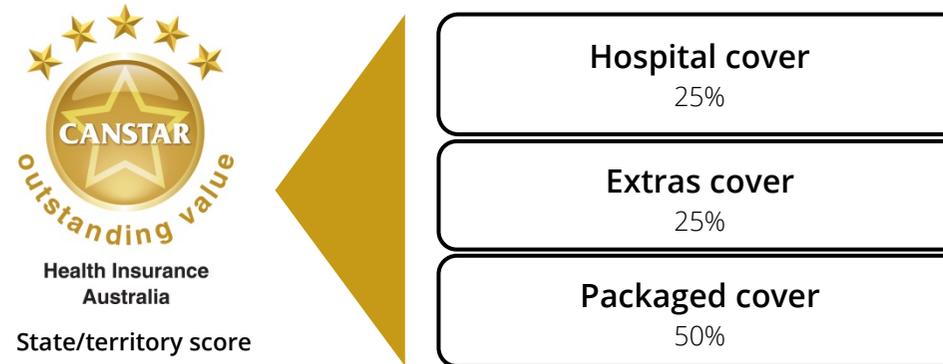
Hospital & Extras Package
Queensland



Health Insurance - Extras
Western Australia

National awards

Each fund's state/territory performance across the three product categories is weighted to supply a state/territory score. Below outlines the weightings for each product category:



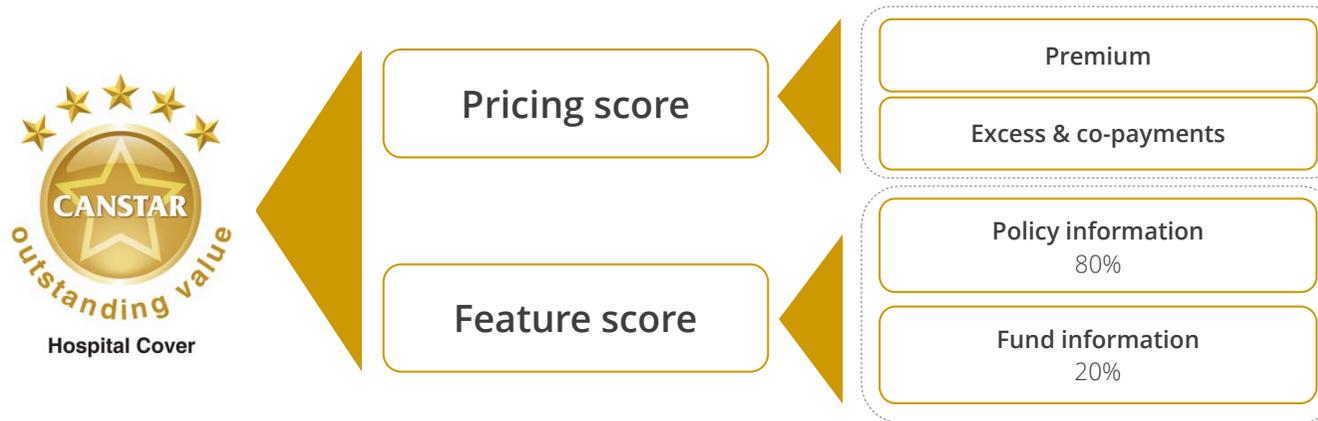
The state/territory scores are weighted based on population data sourced from the Australian Bureau of Statistics. The national award is then awarded to the top three performing funds across Australia.



Hospital cover star ratings

Hospital cover products will be rated across seven states/territories and 14 profiles so that consumers from any demographic will be able to identify a shortlist of five-star products that are best suited to their individual needs. Eligibility for each of the 98 state/territory-profile combinations will depend on product availability for the state/territory and whether the insurance cover is for singles, single parents or couples and families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with the sales practices of the private health insurance industry.

The methodology can be summarised as follows:



Each profile combination is subject to different weightings depending on preference to price or features. Based on our profile descriptions, the weightings for each of the profiles are as follows:



Eligibility requirements

For a Hospital policy to be considered in CANSTAR's ratings it needs to meet the following criteria:

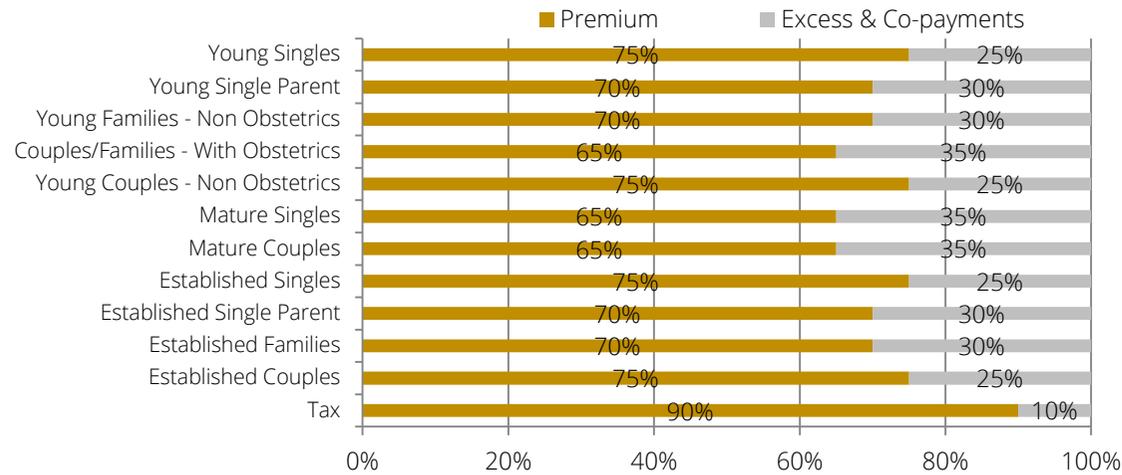
- Not be restricted to certain groups or a corporate policy
- Not be a public hospital or public shared policy
- Exempt the policy holder from the Medicare Levy Surcharge
- Available for new policy holders
- Be approved by the Private Health Insurance Ombudsman (PHIO).

There are seven profiles that have a minimum level of comprehensive cover for a policy to be considered:

Profiles	Cardiac	Joint replacement (hip and knee)	Obstetric
Established	✓		
Mature	✓	✓	
Couples/families – with obstetrics			✓

Price score

The weights applied to the premium and excess and co-payments components are profile specific. The weights for each profile can be summarised below:



Premium

The base premium for Hospital cover insurance products will be used as the main point of cost comparison. Peer products will be compared and the product with the lowest cost will be awarded the highest base premium score. All other peer products will be awarded a relative score based on their cost in comparison to the market average premium.

Excess and co-payments

This is a scenario based on assessments to assess the amount of excess or co-payment required for each hospitalisation. There are seven scenarios used in the assessment:

Scenario	No. of admissions/year	Length of stay/admission	Weight
1	1	0 nights	25%
2	3	0 nights	25%
3	1	2 nights	15%
4	3	2 nights	10%
5	1	4 nights	15%
6	3	7 nights	5%
7	1	14 nights	5%

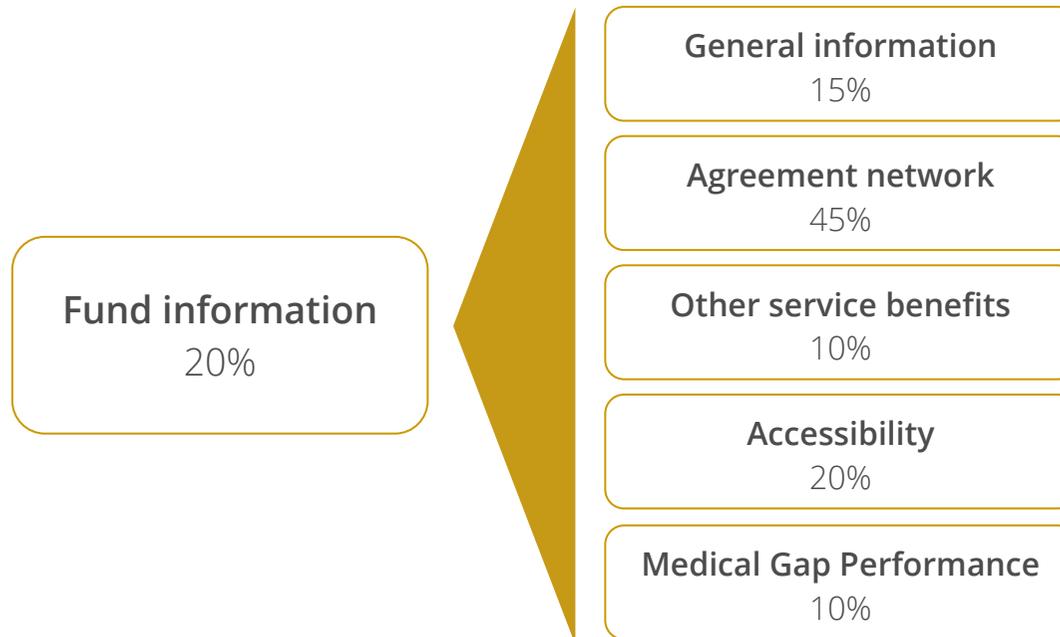
Feature score

The feature score is made up of two assessments based on product-specific features and fund-specific features. These are weighted respectively at 80% and 20%.



Fund information

Fund information is made up of the following sections provided by the private health fund. More information on each of the sections is discussed in the following pages. Below summarises the weights of each of the sections:



General information

This section includes general information relating to the health fund. This includes but is not limited to online application, direct debit payments, payment frequencies and maximum age of dependants.

Agreement network

The breakdown of agreement network and its relative weightings are outlined as follows:



Agreement private hospitals

The number of agreement hospitals available in a state represents the level of choice a patient has in healthcare providers *that will not charge a gap fee*. For each state-profile combination, the number of no-gap hospitals for the relevant state will be compared against the number for other health funds to determine the no-gap hospital contribution to the star ratings score. The health fund that has the most total no-gap hospitals in that state will earn the maximum score towards all its eligible hospital cover products while all other health funds will be awarded a score based on their number of no-gap hospitals relative to the institution with the most no-gap arrangements.

Agreement day hospitals

The number of agreement day hospitals available in a state represents the level of choice a patient has in healthcare providers *that will not charge a gap fee*. For each state-profile combination, the number of no-gap day-hospitals for the relevant state will be compared against the number for other health funds to determine the no-gap day-hospital contribution to the star ratings score. The health fund that has the most no-gap day-hospitals in that state will earn the maximum score towards all its eligible hospital cover products while all other health funds will be awarded a score based on their number of no-gap day-hospitals relative to the institution with the most no-gap arrangements.

Other service benefits

This section looks at a number of additional services provided by the provider at a fund level. These additional services include:

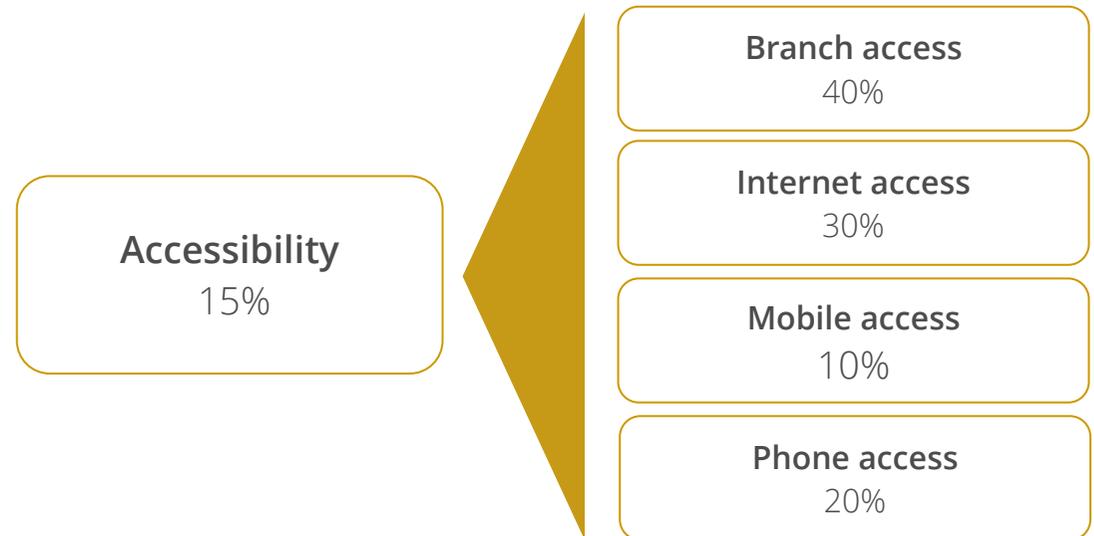
- Health/nurses hotline – availability and hours of operation
- Home doctor services/after-hours doctor service – availability and hours of operation
- Wellness and health guides (electronic or hard copy)
- Pre/post-hospital services (e.g. obstetrics and cardiac)

Accessibility

Accessibility is measured across the following:

- Branch access: The number of branches per state/territory
- Online access: Functionality through the health fund's online member services
- Mobile access: Functionality through the health fund's mobile application
- Phone access: Functionality through the health fund's phone service

Each access area is weighted as follows:



Medical Gap Performance

Medical gap refers to the difference between doctors' fees for in-hospital services and the benefit paid by health funds. Some health funds have agreements with doctors for members to not to incur any out-of-pocket expenses. Whilst doctors can decide whether a particular patient is covered by a fund's gap scheme, a good indicator of the quality of a fund's gap cover arrangements is the percentage of medical services that incurred no gap payments. This data is sourced from the Private Health Insurance Ombudsman's (PHIO) State of the Health Funds Report.

Policy information

Hospital cover policies vary in the types of procedures that are insured. The table below lists some of the more common hospital inclusions and their relative importance to the various profiles.

These additional inclusions are considered in consumer profiles where female-only inclusions are more likely to be required.

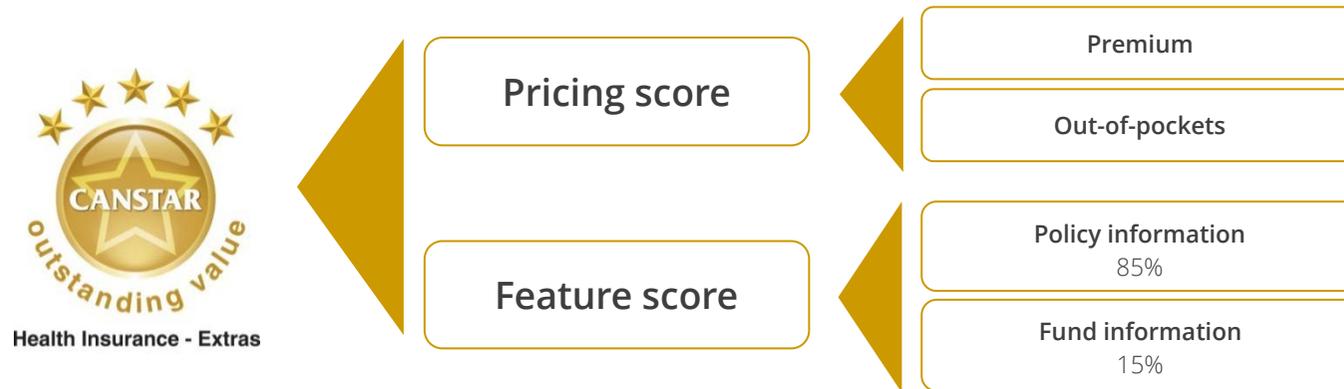
Category	Young	Established	Mature
Assisted reproductive	5%	3%	-
Obstetrics	10% ¹	5%	-
Hysterectomy	2%	1%	1%
Cardiac	10%	15%	25%
Cataract eye lens	1%	5%	10%
Orthopaedic	20%	20%	18%
<i>Joint replacement</i>	<i>12%</i>	<i>25%</i>	<i>83%</i>
<i>Reconstructions</i>	<i>88%</i>	<i>75%</i>	<i>17%</i>
Palliative	1%	2%	2%
Plastic non-cosmetic	5%	5%	2%
Psychiatric	15%	10%	13%
Rehabilitation	10%	8%	10%
Renal dialysis	1%	5%	7%
Sterilisation	1%	2%	1%
Ear, nose and throat	10%	12%	1%
Colonoscopy	4%	10%	9%
Gastric banding	2%	2%	1%
Wisdom teeth	5%	2%	-
Emergency accidental	15%	2%	1%

¹ Obstetrics cover is required for policies in the “Couples/Families with Obstetrics” profile, and so is not included in the feature score.

Extra cover star ratings

Extras cover products will be rated across seven states/ territories and 13 profiles so that consumers from any demographic will be able to identify a shortlist of five-star products that are best suited to their individual needs. Eligibility for each of the 91 state-profile combinations will depend on product availability for the state and whether the insurance cover is for singles, single parents or couples and families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with the sales practices of the private health insurance industry.

The methodology can be summarised as follows:



All profiles are subject to the same weightings for price and features. This recognises that although the mix of services required may change over various life stages, extras cover is taken out less for the purpose of 'insurance' but more to be used on a regular basis.



Eligibility requirements

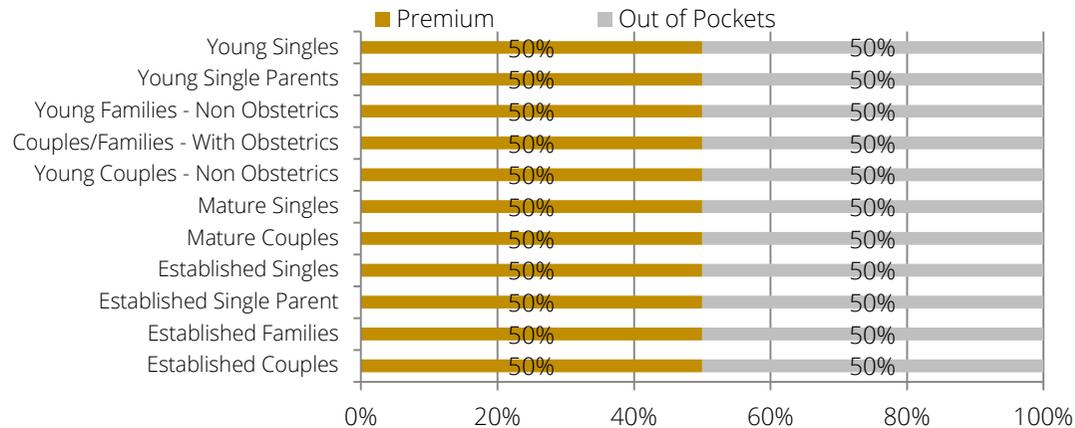
For an Extras policy to be considered in CANSTAR ratings it needs to meet the following criteria:

- Not be restricted to certain groups or a corporate policy
- Available for new policy holders
- Be approved by PHIO.

There are no individual profile eligibility requirements.

Pricing score

The weights applied to the premium and out-of-pocket components are the same across all profiles.



Premium

The base premium for extras cover insurance products will be used as the main point of cost comparison. Peer products will be compared and the product with the lowest cost will be awarded the highest base premium score. All other peer products will be awarded a score based on their relative price against the average market price.

Out-of-pockets

The out-of-pockets component of the pricing score is a scenario-based calculation. The calculation uses 100 hypothetical new policy holders who have met all the waiting period requirements and their use of dental, optical, physiotherapy and chiropractic over a 12-month period.

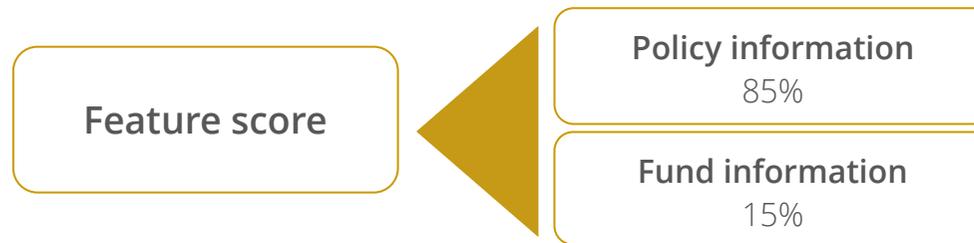
The policy holder usage is based on PHIA data with the min/max usage based on the star ratings profiles. The cost for the services used is based on the national average cost.

Where a health fund has network providers, we have used its standard schedule costs for the proportion of policy holders who use a network provider. Where a health fund does not have network providers, the standard costing will be used in the calculations.

All limits are incorporated into the calculations including item limits, sub limits, category limits and group limits. The total out-of-pockets is indexed for each of the 100 policy holders per policy. The policy with the lowest out-of-pocket scores will receive the full score. The 100 indexed scores are then averaged to provide a policy out-of-pocket score. The policy with the greatest average out-of-pocket score will receive a full score and all other policies' scores will be indexed.

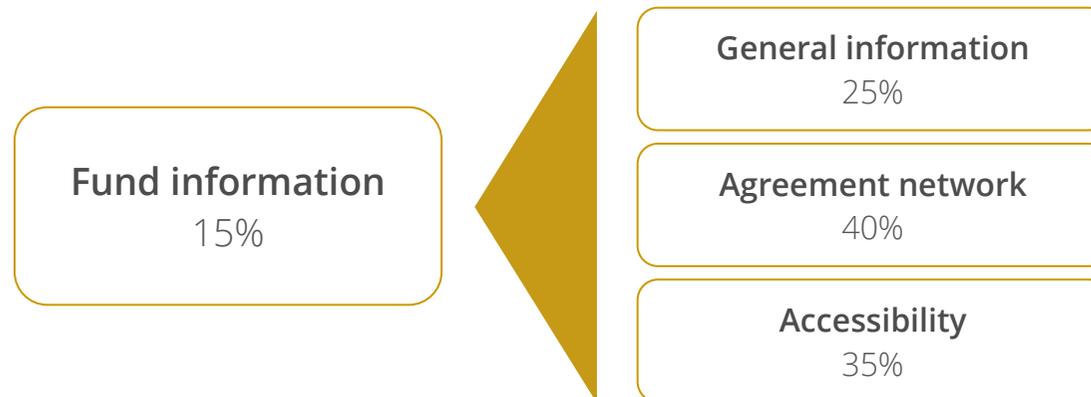
Feature score

The feature score is made up of two assessments based on product-specific features and fund-specific features. These are weighted at 85% and 15% respectively.



Fund information

Fund information is made up of the following sections provided by the private health fund. More information on each of the sections is available in the following pages. Below summarises the weights of each of the sections:

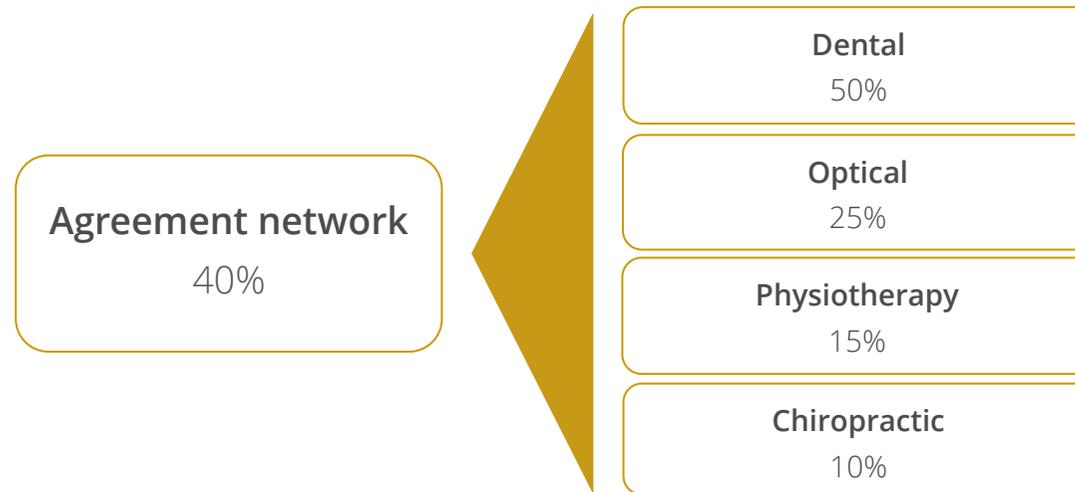


General information

This section includes general information relating to the health fund. This includes but is not limited to online application, direct debit payments, payment frequencies and maximum age of dependants.

Agreement network

The Agreement network looks at the number of providers that a health fund has an agreement with. The fund with the greatest amount of agreement providers in a particular speciality will receive a full score and the remainder of funds will be indexed off the greatest amount.

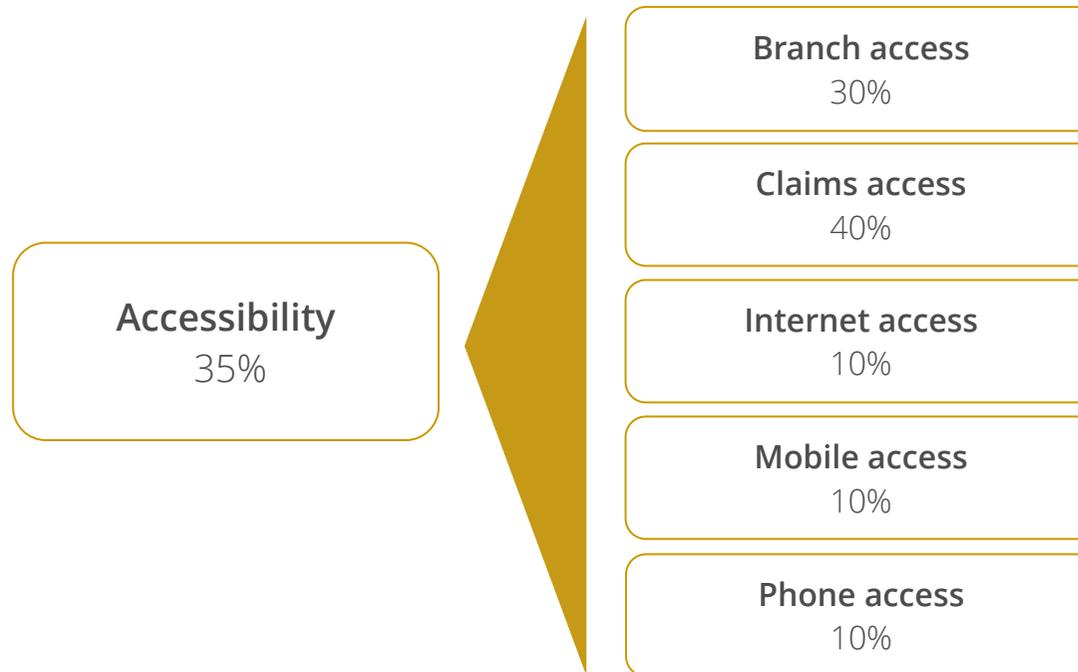


Accessibility

Accessibility is measured across the following:

- Branch access: The number of branches per state/territory
- Claim access: The points where a policy holder is able to claim outside of branches including phone, post, online and HICAPS
- Internet access: Online functionality including claiming
- Mobile access: Functionality through mobile including claiming
- Phone access: Functionality through the health fund's phone service

Each access area is weighted as follows:



Policy Information

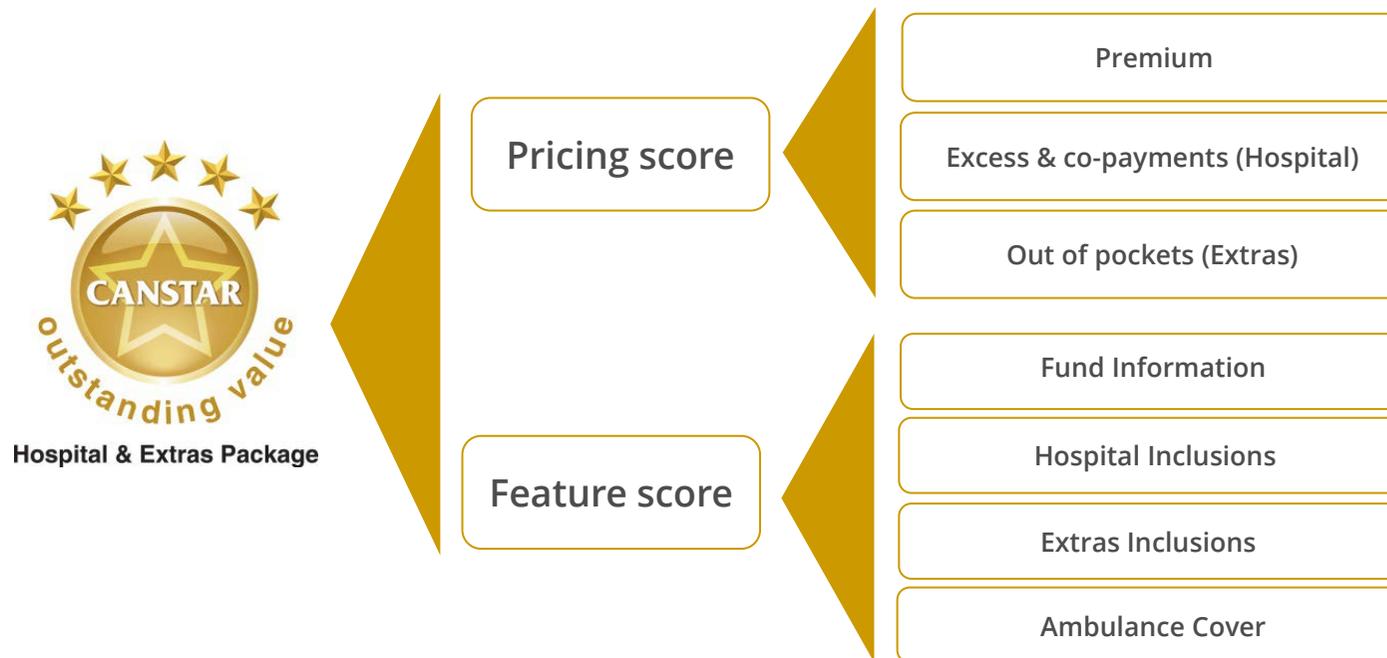
Extras cover policies vary in the types of services that are insured. The table below lists some of the more common extras inclusions and their relative importance to the various profiles.

Category	Couple/ family – with obstetrics	Young singles (male and female) and couples	Young families and single parents (non- obstetrics)	Established singles (male and female) and couples	Established families and singles parents	Mature (singles and couples)
Dental Inclusions	42%	40%	42%	41%	43%	34%
General dental	65%	63%	64%	66%	63%	74%
Major dental	17%	20%	17%	17%	19%	18%
Orthodontic	11%	12%	12%	10%	11%	-
Endodontic	7%	5%	7%	7%	7%	8%
Major Inclusions	42%	43%	42%	39%	40%	40%
Optical	43%	42%	42%	38%	40%	40%
Chiropractic	21%	21%	22%	26%	25%	28%
Physiotherapy	36%	37%	36%	36%	35%	32%
Minor Inclusions	16%	17%	16%	20%	17%	26%
Acupuncture	13%	12%	13%	10%	6%	4%
Podiatry	19%	24%	19%	20%	18%	27%
Psychology	13%	18%	12%	10%	11%	12%
Glucose monitor	6%	5%	6%	5%	6%	7%
Hearing aids	-	-	-	5%	6%	12%
Ambulance	6%	5%	6%	5%	6%	8%
NonPBS	-	-	-	10%	12%	7%
Massage	19%	19%	19%	10%	6%	4%
Naturopathy	6%	5%	6%	5%	6%	4%
Speech therapy	6%	-	6%	5%	6%	4%
Occup. therapy	-	-	-	5%	6%	4%
Wellness	12%	12%	13%	10%	11%	7%

Package cover star ratings

Packaged hospital and extras cover products are rated across seven states/territories and 13 profiles so that consumers from any demographic will be able to identify a shortlist of five-star products that are best suited for their individual needs. Eligibility for each of the 91 state-profile combinations depends on product availability for the state and whether the insurance cover is for singles, single parents or couples and families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with the sales practices of the private health insurance industry.

The methodology can be summarised as follows:

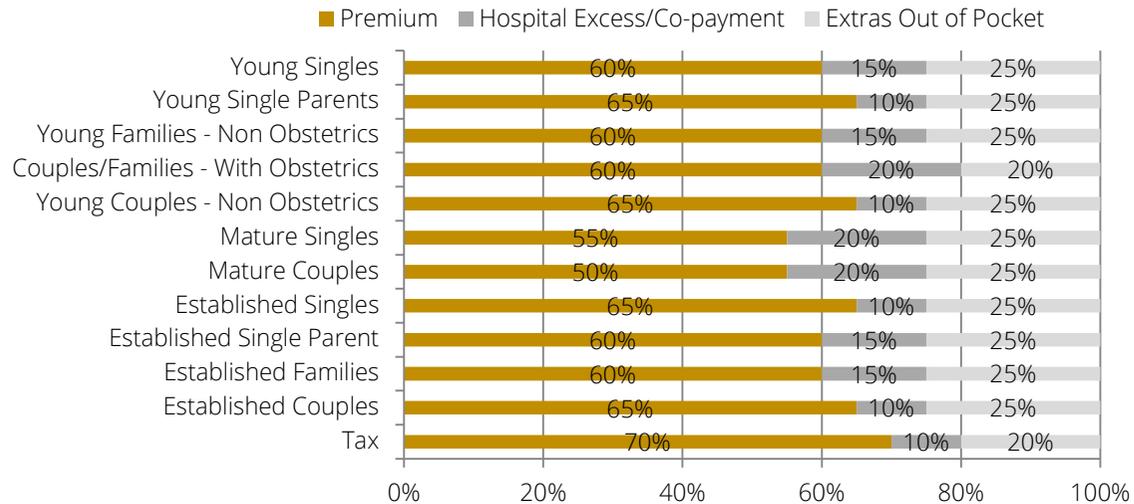


Each profile combination is subject to different weightings depending on preference to price or features. The weightings for each of the profiles are as follows:



Pricing score

The weights applied to the premium and out-of-pocket components are profile specific. See below for weights:



Premium

The base premium for extras cover insurance products will be used as the main point of cost comparison. Peer products will be compared and the product with the lowest cost will be awarded the highest base premium score. All other peer products will be awarded a relative score based on how much more expensive they are (i.e. if a product costs twice as much as the cheapest, it will earn half the base premium score of the cheapest product).

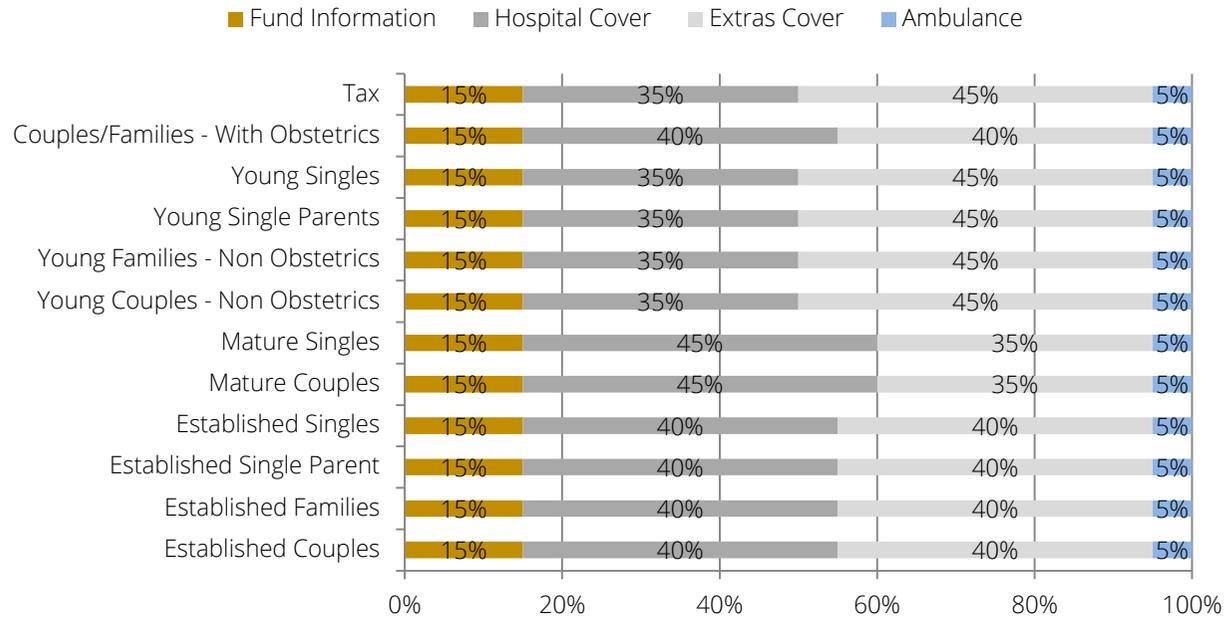
Out-of-pocket payments

The out-of-pockets component of the pricing score is a scenario-based calculation for both hospital and extras cover. For hospital cover, we use six scenarios to calculate the amount of excess or co-payment required for each hospitalisation. See page 10 for more information.

For extras cover, the calculation uses 100 hypothetical new policy holders who have met all the waiting period requirements and their use of dental, optical, physiotherapy and chiropractic over a 12-month period. See page 14 for more information.

Feature score

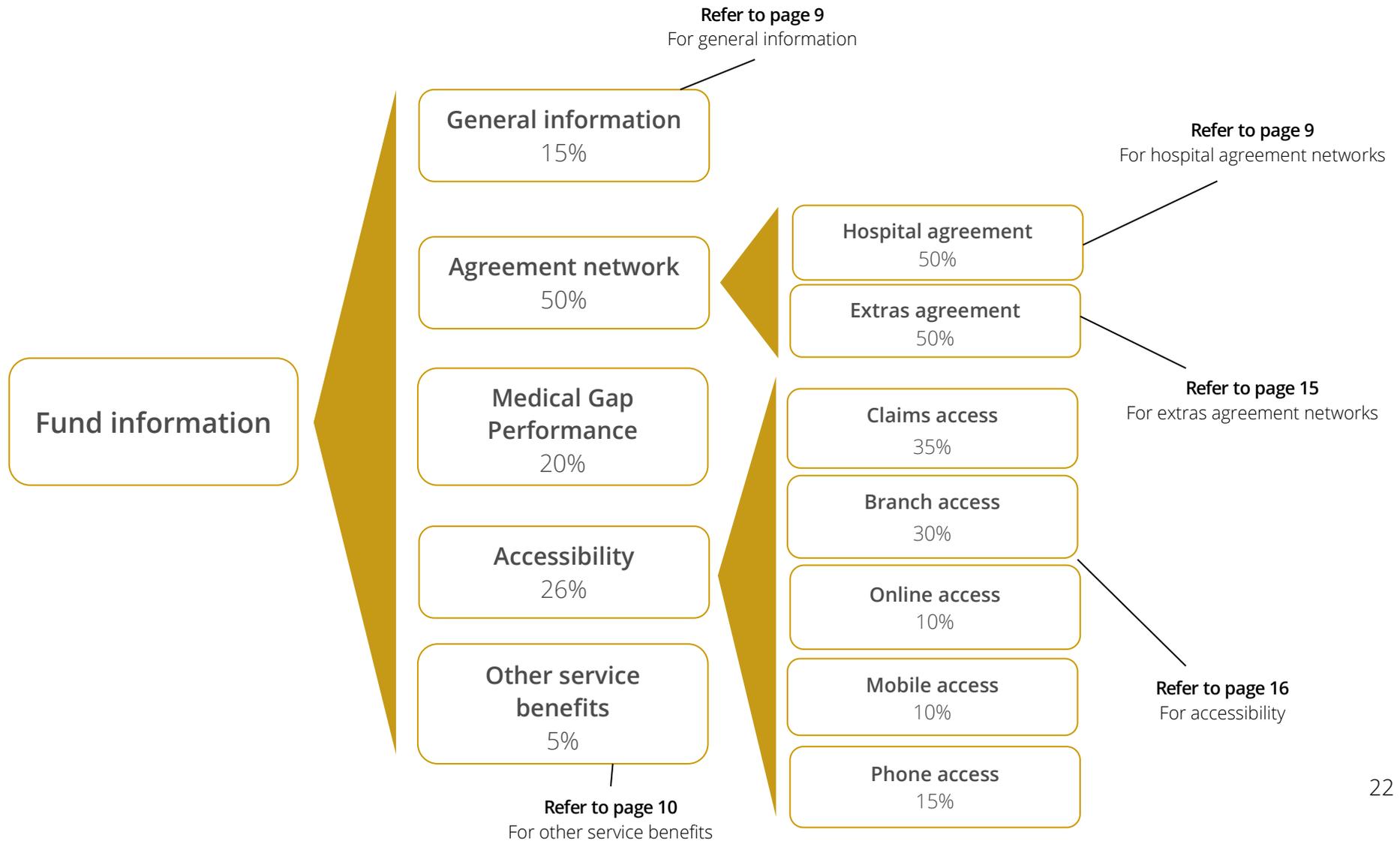
The feature score is made up of three assessments based on product-specific features of hospital and extras cover and fund-specific features. The weights applied to each of the three assessments are profile specific. The chart below outlines the weights for each of the profiles:



Ambulance cover is included separately as some package products include it in their hospital cover and others in the extras component.

Fund information

Fund information is made up of the following sections provided by the private health fund. More information on each of the sections can be found in previous pages of this methodology, which is referred to in the methodology tree below. Below also outlines the weights of each of the sections:



Policy information

Package cover policies vary in the different level of cover for each type of insurance (hospital and extras).

To see an outline on how each of the covers are measured, refer to page 12 for hospital inclusions and page 20 for extras inclusions.

Fund eligibility

To be included in a states/territory star ratings a health fund (fund) is required to have a minimum market share of 0.4% in that particular state/territory or have a minimum of 5% of its total policies in that particular state/territory. Should a fund not meet either criterion, it will be entered into its "home state" only.

To be eligible for a state/territory award, the fund will be required to have a minimum of 0.4% market share. Should a fund not be eligible for a state/territory award, that state/territory will carry a zero score towards the national award.

Does CANSTAR rate all products available in the market?

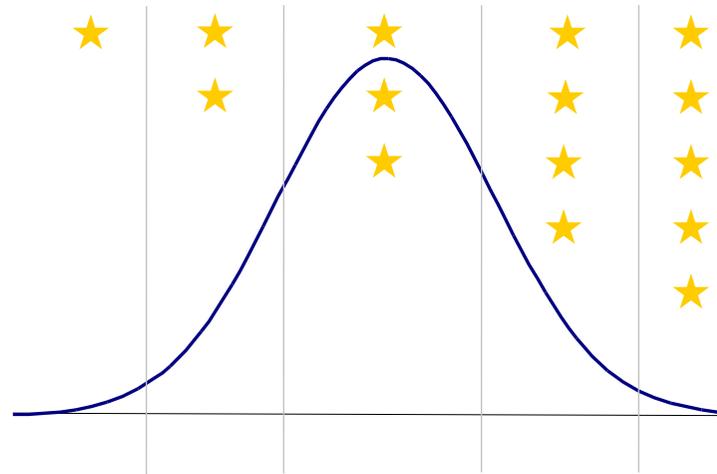
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are all the products reviewed for ratings purposes?

All ratings are recalculated annually based on the latest features offered by each provider. CANSTAR also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

How are stars awarded?

The products are ranked with each category based on the total score received. The stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the CANSTAR five-star rating. The results are reflected in a consumer-friendly CANSTAR star rating concept, with five stars denoting outstanding value.



Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings reports of interest.



- Account based pensions
- Business life insurance
- Deposit accounts
- Health insurance
- Landlord insurance
- Margin lending
- Package banking
- Reward programs
- Travel insurance
- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking

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