



# HEALTH INSURANCE STAR RATINGS

**IN THIS REPORT:** We look at private health insurance news, as well as naming outstanding funds for hospital, extras and packaged private health insurance cover.



## STAR RATINGS DEMISTIFY HEALTH INSURANCE

The world of private health insurance can be confusing, as it changes regularly. This is mainly due to premium increases, government tinkering with rebate rules and, of course, changes in consumers' own life stages which may require altered levels of cover.



With this in mind, plus an array of medical terminology to decipher, how do you know what's right for you? And how do you know if you're really getting value from your current health insurer?

Private health insurance is vitally important to a large percentage of the population. Like any financial product, particularly in tight times, your health insurance policy needs to be reviewed to ensure you are getting the cover you need at the best possible price.

CANSTAR CANNEX makes comparison of health insurers fair and much easier in this, our second health insurance star ratings which identify products and insurers who offer outstanding value in the eight common customer profiles detailed below.

We looked at over 1,500 products across three different coverage sectors – hospital, extras and packages. The latter consists of hospital and extras cover rolled into one, as many of these are not available as stand-alone products.

As well as comparing the health cover according to profile, we also looked at how things differ in each state and territory of Australia to give consumers a more accurate snapshot of the cost of private health cover where they live.

## WHERE DO YOU FIT IN?

While not everyone is exactly the same in terms of medical coverage, a reasonably accurate snapshot can be obtained by dividing the population into segments according to life stage. This is the best way of determining which health insurance policy may suit you.

We have identified eight different profiles that reflect the majority of the spectrum. Each profile has different expectations of their health insurance cover and so the CANSTAR CANNEX star ratings assigns different importance to fees and features in each profile. We realise that not everyone will slot neatly into one of the categories listed but results, however will be helpful for the bulk of Australians in the following profiles:

### YOUNG SINGLES:

This profile caters to young to middle-aged singles (both male and female) that have 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 SINGLE PARENTS:** This profile covers single young to middle-aged adults with a dependent child or children. These families for the purpose of our star ratings will be considered to have stopped growing and so cover for obstetrics and IVF are not that important. Being



young to middle-aged, this profile is not yet concerned about cover for hip replacements and multi-focal lenses but is interested in having a basic safety net hospital cover as well as dental, optical, physiotherapy and chiropractic.

**YOUNG FAMILIES / COUPLES (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 the appropriate family cover now.

**YOUNG COUPLES (NO 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 dental, optical, physiotherapy and chiropractic should provide all round cover for this couple.



**YOUNG FAMILIES (NO 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 growing families still have a distinct need for a range of hospital and extras cover for both the parents and the growing children.



**ESTABLISHED FAMILIES:**

This profile covers mostly middle-aged to mature couples with 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 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.



**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.



**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.



## CARROT AND STICK IN USE AGAIN

Despite the fact that the federal government approved a 6.02% increase in private health insurance premiums in April, growth figures in the sector remain healthy. Private health insurance is always one of the first areas a new Government operates on. In the past we've seen a number of carrot-and-stick measures by governments in their quest to bolster the health insurance sector and lessen the demands on the groaning, federally-funded public health system.



The government has encouraged participation in private health insurance through measures that, on one hand sanction non-participation and on the other reward participation.

Sticks include:

- the introduction of the Medicare levy
- higher premiums for each year's delay in taking out lifetime health cover after age 30

Carrots include:

- 30% tax rebate on premiums
- low, base premium if under 30s join lifetime health cover

## PRIVATE HEALTH INSURANCE IN THE POLITICAL SPOTLIGHT

The Rudd government is currently eyeing off private health insurance with a view to saving an estimated \$1.9 billion and further lighten the load on the public health system. It has flagged plans to do this by changing the private health insurance rebate and also the Medicare levy. This proposal has not yet been implemented, after being soundly defeated in the Senate earlier this month. The decision to recall the Senate over this bill is still pending.



The chart below shows the government's proposed tier structure for the rebate and Medicare levy surcharge across the income levels for singles and families.

### Proposed Medicare Levy Surcharge changes:

	Current Surcharge Thresholds (projected 2010-11)	TIER 1	TIER 2	TIER 3
<b>Singles</b>	\$0-\$75,000	\$75,001 - \$90,000	\$90,001 - \$120,000	\$120,001+
<b>Families</b>	\$0-\$150,000	\$150,001 - \$180,000	\$180,001 - \$240,000	\$240,001+
<b>Medicare Levy Surcharge</b>	nil	1.00%	1.25%	1.50%

### Proposed Health Insurance Rebate changes:

	Current Surcharge Thresholds (projected 2010-11)	TIER 1	TIER 2	TIER 3
<b>Singles</b>	\$0-\$75,000	\$75,001 - \$90,000	\$90,001 - \$120,000	\$120,001+
<b>Families</b>	\$0-\$150,000	\$150,001 - \$180,000	\$180,001 - \$240,000	\$240,001+
<b>Less than 65 Years</b>	30%	20%	10%	nil
<b>65 to 69 Years</b>	35%	25%	15%	nil
<b>70 Years or over</b>	40%	30%	20%	nil

## STAY OR GO?

The rebate has been reduced for many participants, encouraging exit from private health insurance. However, if you do exit you will be hit with a higher Medicare surcharge.

Naturally, it's expected there will be some reshuffling in the industry but just how much is anybody's guess. Private health insurance is an important safety net for many people and it's hard to imagine them dropping it altogether. Downgrading is more likely if the economy continues to tighten. Before taking action though, it's crucial to revisit your cover and make sure you are getting what you need and not paying for what you will never use. There are other ways you can save on your premium and these may be the catalyst needed in the decision to stay or go.

## TOP TIPS TO SAVE A BUNDLE

Tailoring health cover to your life stage and needs is the smartest thing you can do financially. Our *health insurance star ratings* are designed to help you shop around and identify products that suit your lifestyle and will most likely save you money at the same time.

Three hints to help you save on your health insurance premiums are:

1. **Pay only for what you need** – it makes no sense to pay for obstetrics and IVF if you are in the mature stage of your life. The same applies to a young person paying for hip replacement cover. Look closely at policies and review regularly to make sure you are paying only for what is useful to you. Bear in mind, that your needs will change as your life progresses.
2. **Pay a higher excess/co-payment** – you can lower the premium on your private health policy by opting to pay a higher excess. This strategy may well suit a young, healthy person who does not envisage regular trips to hospital whereas an older person may not want to take that risk.
3. **Shop around** – you will be surprised what you find when you compare policies. You may get the same cover for less or more cover for the price you are currently paying. As with anything financial, it pays to keep tabs on what's happening in the market., as nothing stays the same. The CANSTAR CANNEX *health insurance star ratings* is a great place to start.

There may be other medical procedures on your shopping list and you should specifically look out for these. For instance, you may want obstetrics and IVF,

psychiatric care, heart surgery, joint replacement, plastic surgery, bone marrow transplants or any other major, expensive procedures. Many of these are excluded in normal health cover by insurers so it is to your own detriment to overlook the fine print and mistakenly think you are covered for something when in fact you are not.

## START YOUNG, SAVE HEAPS

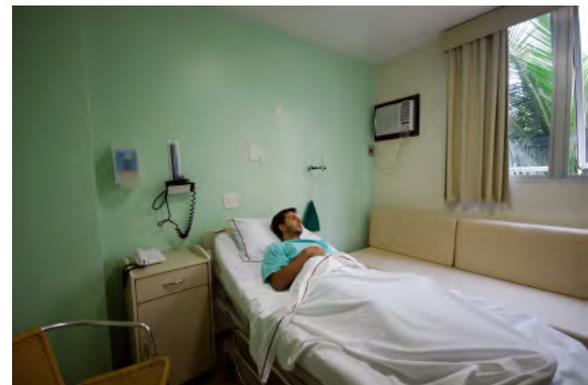
Signing up for private health insurance before you reach the age of 30 is one of the major carrots offered by the government under its Lifetime Health Cover plan. Anyone joining a health insurance fund up to the age of 30 pays the base premium. A person joining after age 30 pays a premium that is 2% higher for each year over age 30 that they are when they first take out cover.

For example – a person who does not have health insurance and joins a fund when they are 40 years of age will pay a premium loading of 20% (10 years multiplied by 2%). Provided they remain covered, that loading does not increase with age – it will stay at 20%.

The 'continuity' benefit is transferable between funds and allowance is made for small gaps in cover. The maximum loading is 70% and that loading would apply to anyone who first takes out health insurance at age 65 or more. The loading is removed once a person has held private health insurance continuously for 10 years.

## REASONS FOR GOING PRIVATE

People take out private health insurance for a number of reasons – to avoid the Medicare levy surcharge, to opt in to lifetime cover



and save, or just to have the peace of mind that comes with circumventing public hospital waiting lists. Choosing your preferred hospital, doctor or surgeon without a long wait can be valuable, particularly for elective surgery.

The general waiting period for an operation in a public hospital is usually two months plus but it can be a lot longer. In addition to this waiting period, operations are put in order of priority; meaning that you may need to wait two months for an operation, only to be told that it has been pushed back for another patient whose situation is more critical.

Even though surgery is at times postponed in the private system as well, private health members generally enjoy a waiting period that is less; usually no longer than a month, and can sometimes be immediate. This is dependant of course on the doctor, hospital and the condition. Those with private health insurance also have the security of a 'locked in date', meaning that their operation will not be pushed back due to another patient's needs.

Another obvious benefit of private health insurance is the option of a private room. In a public hospital you are often placed in a room with four to six other people who are suffering various conditions. Private health members are able to request a private room, whether in a public or private hospital. These are usually subject to availability. You may still share in a private hospital but the odds are much reduced.

Finally, with private health insurance you can select your preferred doctor or surgeon to carry out an operation. However, in a public hospital the doctor who carries out your medical procedure will be the one on duty at the time. In some circumstances, you may be able to time your admission to a public hospital to fit with your preferred doctor's session at that hospital.

### “RESTRICTED” CAN MEAN YOU GO “PUBLIC”

Most health insurance policies group services up into three categories - included, restricted and excluded. Which services are covered by your policy is entirely dependant on the policy you choose, as every insurer has different inclusions, restricted services and exclusions.

**Restricted** services are usually not covered in full, but you may receive some cover. Typically, your private health insurance will match the amount which the government would pay towards the service if you were in a

public hospital, leaving you to foot the 'gap' payment.

Restricted can mean just the cost of a hospital room and you may find yourself up for the majority of the cost of the procedure. This could be many thousands of dollars. The effect can mean in reality that you end up back in the public system and potentially on a long waiting list. Be aware of this when you choose your policy.



## NARROWING THE GAP

A gap payment, also known as out-of-pocket expense, is the amounts outstanding between what a specialist charges and what a health fund covers. You, the patient, will have to wear this outstanding amount.

Gap payments can be hefty and they are very annoying. Many consumers have been caught out at the worst possible time with a huge gap payment after a hospital procedure they believed they were covered for.

There are ways you can narrow or avoid gap payments and get better value from your private health insurance. Talk to your fund first and ask which specialists and hospitals they have a “preferred provider contract” with. Using these doctors and hospitals will usually ensure the full costs are met by your health insurer.

The gap between specialist fees and Medicare cover can also be avoided by asking your specialist to bill you under your fund's gap scheme. This is where the specialist negotiates the fee directly with your fund.

## DENTAL MOST WANTED EXTRA

While hospital cover is pretty self explanatory, extras cover offers a wide range of services. These include optical, dental, chiropractic, physiotherapy and more.



According to a recent report from PHIAC, dental expenses are the driving factor for people taking out cover for extras. PHIAC reports an increase of 8.5% in dental benefits paid out last year.

Orthodontic services are not cheap but are necessary, particularly if you have children. However, cover for orthodontics is also expensive so if you believe you have no further need for this, you will save big bucks by removing it from your extras cover.

## WELLNESS IS BETTER THAN ANY CURE

When it comes to wellness programs, there is no shortage of support from the health insurers. According to CANSTAR CANNEX research, 45% of health insurers surveyed will cover gym membership if it is deemed medically necessary by a doctor.



51% of funds will cover a consultation with a nutritionist, while 63% will cover the membership costs of an eligible weight loss or quit smoking program. The idea is that by improving and maintaining the health of

members, the cost of having those members can be reduced in the long run as they will hopefully require less medical treatment.

This proactive approach seems to be common across the industry, and it is worthwhile investigating what wellness programs you could benefit from. Apart from saving you money, they could turn your life around and get you into a healthier lifestyle pattern.

## HOW HIGH WILL PREMIUMS GO?

According to statistics released by the Private Health Insurance Administration Council, Health insurance premiums increased by 5.99% over the last 12 months. The government has approved a further 6.02% increase, effective from 1<sup>st</sup> April 2009



To understand why premiums are going up it is important to look at the various factors involved.

- The amount of premium revenue (the number of consumers with health insurance)
- The amount of claims paid out in dollar terms.
- The cost of medical procedures.

Premium revenues over the past 12 months have risen by 8%, but claims payouts have increased by 12.3% (PHIAC). The health insurance market is constantly being impacted by increasing medical costs, increasing life expectancy, higher survival rates for people with chronic conditions and the ageing population.

In order for health insurers to continue to provide cover, there really is no way round increasing premiums. The important thing is that these increases remain reasonable, so that health insurance is affordable to all.

## CASE STUDY

### Knees necessary for immediate function

James had a basic level of hospital cover for young people. He injured his knee while playing football and required reconstructive surgery. Unfortunately, his private health insurance did not have knee reconstructions as one of their listed inclusions. It was a restricted service.

James was forced to choose between paying a gap bill of \$13,500 to have the operation in a private hospital, or to go public to have his operation at no cost. The trade-off for zero cost in the public hospital was a two-month waiting list which was likely to blow out, as knee reconstructions are not considered life threatening in the public system.

James, however, simply couldn't function or cope with the pain of a crook knee for that length of time and so opted to go private straight away. A struggling student, James was saved by his parents who put up the \$13,500 loan needed to get him back on his feet again. James now looks more carefully at restrictions on his policy.



## CASE STUDY

### Plastic surgery not always cosmetic

A bad accident left **Matt** in need of plastic surgery on his face. Matt had health insurance, but never thought he'd need cosmetic surgery and did not mind that he did not initially cover for it.

The facial reconstruction work Matt had to undergo as a result of the accident was listed as medical cosmetic surgery and was covered by his private health insurance.

Matt was able to claim money back from his private health fund and concentrate on recuperation rather than where the monetary shortfall was going to come from. Anyone, at any stage, might need plastic surgery after an accident and cover should not be ignored.

## WHO CAME OUT ON TOP?

To find the fund that offers outstanding value private health insurance across Australia, we examined over 10,000 quotes from 1,500 products and compared them against eight profiles and eight states. This time around we found there were three funds that could not be separated – HCF, MBF and Medibank Private.



Health Insurance  
Australia



Some health insurance funds did better for specific product lines, states or profiles, depending on their area of focus. As we collated the findings of our research, it became obvious that **HCF**, **MBF** and **Medibank Private** figured prominently in the three areas of cover in the different states and territories researched. These major funds didn't have it all their own way, as a diverse range of names popped up in the final results of funds offering the best value in the different states.

**Peoplecare** proved the best for hospital cover in Victoria, while **Queensland Country Health** came up trumps for hospital cover in its home state. Another home state winner was **Health Partners** in South Australia. **GMHBA** proved best in Western Australia.

Extras cover was a two-horse race with **Medibank Private** leading **MBF** in a four-to-three finish for providing consumers with the best value products in this area of health cover.

Apart from **Westfund** being named as providing best value package cover in Queensland, **HCF**, **Medibank Private** and **MBF** filled in the rest of the gaps in each state, as the results below illustrate.

While undertaking this major research, CANSTAR CANNEX noted the strength and competitiveness of the private health insurance industry in this country. We congratulate all finalists for their achievements state-wide, particularly **HCF**, **Medibank Private** and **MBF** for their convincing performances that resulted in them being named outstanding nationally.

## State Awards

	Outstanding Value Hospital Cover	Outstanding Value Extras Cover	Outstanding Value Package Cover
NSW/ACT	HCF	MBF	HCF
VIC	Peoplecare	Medibank Private	HCF
QLD	Queensland Country Health	Medibank Private	Westfund
SA	Health Partners	Medibank Private	HCF
NT	Medibank Private	MBF	Medibank Private
TAS	HCF	Medibank Private	HCF
WA	GMHBA	MBF	MBF

## WHICH STATES COST MORE?

Premiums for private health insurance are governed by the cost of medical care in each state, the number of people in funds and the number of claims made in each state. Hence there are mostly slight variances in the average premiums paid according to different states.

Bundling coverage for hospitals and extras together can provide benefits in cost, features and convenience for consumers, as funds have more scope when economy of scale kicks in to these packages, many of which are not available as stand-alone products.

We looked at packaged hospital and extras cover for a family to give an idea of premium costs across the country, shown in the chart and table below.



Of the eastern states, residents in New South Wales and Canberra get a good deal with packaged health cover. They pay significantly less on average than Victoria, Queensland and even South Australian residents. According to the recent statistical report released by PHIAC, the percentage of insured people in New South Wales is well above the national average.

Last year, we noted that Victorians paid the most expensive premiums for packaged cover. This time around, Queenslanders have taken that crown, with Victoria and South Australia hot on their heels. Unsurprisingly, Territorians pay the least for hospital and extras cover.

## Packaged Hospital and Extras cover

**Average Annual Premiums - Packaged Cover  
(by family group)**



AVERAGE ANNUAL PREMIUMS - PACKAGED HOSPITAL & EXTRAS COVER							
	NSW/ACT	NT	QLD	SA	TAS	VIC	WA
Family	\$2,865.05	\$2,602.35	\$2,973.54	\$2,881.02	\$2,802.82	\$2,959.43	\$2,683.91

## HOW TO USE CANSTAR CANNEX STAR RATINGS

The second annual star ratings of health insurance by CANSTAR CANNEX was a mammoth effort, way beyond the scope of ordinary consumers. That's why the report is so important and an immensely valuable resource for those who are serious about comparing health funds and products.

We reviewed no less than 1,544 private health insurance products, 753 of those were for hospital cover, 330 for extras cover and 461 were for packaged hospital and extras cover.

In looking up the best cover for you or to check out how your current health fund rates, an added bonus is that you'll find out a lot more information along the way, thanks to stories, hints and tips, comments and video

clips on [www.canstarcannex.com.au](http://www.canstarcannex.com.au)

The first thing to do is check what profile would best describe you, then go straight to your state of residence and the profile you have chosen. You will then bring up our Five Star Summary of five star products in all three categories of cover - Hospital, Extras and Hospital & Extras Packages.

This provides a short list of products to further investigate. Don't discount four star products, though. It may be that you require features that are necessary for you but are more expensive such as orthodontic, psychology or blood glucose monitoring. These and other expensive features may not necessarily be offered in the five star products but are still offered in plenty of good, fully featured products rated at four stars and below. You just need to know what features are important to you and search them out.



Health cover is not a one-size-fits-all but the CANSTAR CANNEX star ratings are as close as you can get to a complete and fair comparison of all products, right down to providing the average monthly premium associated with each product.

## LIKE TO KNOW HOW WE DID IT?

For more in-depth information on how we conducted this report, read our [methodology](#).

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