

# HEALTH INSURANCE STAR RATINGS

## IN THIS REPORT:

We research & rate hospital, extras and packaged private health insurance to uncover outstanding value for consumers



## PREMIUMS CONTINUE TO OUTPACE INFLATION

Health insurance premiums are tightly regulated, with private health insurance funds required to submit their application for premium changes to government for approval once each year. Funds calculate their projected premium increases by looking at their likely contribution income, weighed against the rising cost of health treatment, the demographic of their membership base, the likely payouts and a return on investment. Unfortunately for members, the average increase in private health insurance premiums has outstripped inflation every year over the past decade, with the 2013 average increase of 5.6% proving no exception.

Premium increases do vary slightly on a state-by-state basis, with our current analysis finding that average increases over the past twelve months on surveyed funds have been as follows:

State	Hospital Cover		Extras Cover	
	Average Change	% Difference	Average Change	% Difference
Northern Territory	\$100.84	6.17%	\$27.83	3.00%
Tasmania	\$148.47	5.97%	\$32.89	3.56%
New South Wales	\$167.10	7.32%	\$35.80	3.64%
South Australia	\$136.71	5.76%	\$33.92	3.12%
Victoria	\$165.68	6.61%	\$30.62	3.17%
Queensland	\$163.87	6.61%	\$32.57	3.47%
Western Australia	\$143.24	6.52%	\$31.95	3.35%

Source: Canstar health insurance star ratings September 2013

Not all funds increase by the same amount and among the funds surveyed, CANSTAR observed the following minimum and maximum fluctuations over the past 12 month:

Change in annual premium for hospital and extras cover over 12 months: State-by-State				
State	Hospital Cover		Extras Cover	
	Min	Max	Min	Max
Northern Territory	0.00%	13.90%	-5.06%	8.49%
Tasmania	0.00%	10.02%	-4.76%	8.46%
New South Wales	0.00%	16.56%	-4.91%	8.49%
South Australia	0.00%	14.05%	-5.05%	8.51%
Victoria	0.00%	13.93%	-4.94%	8.04%
Queensland	0.00%	12.42%	-5.38%	8.04%
Western Australia	0.00%	14.30%	-4.96%	8.50%

Source: Canstar health insurance star ratings September 2013

With current inflation running at just 2.4%, the 2013 increases in hospital cover are at least double – and in the case of NSW triple – the rate of inflation. The increases in the cost of extras cover are more modest but even so are at least 60 basis points higher than current inflation.

Given both the cost and the variation between funds, a regular review of your health insurance policy is recommended for optimum value for money. This is not easy as the terms and conditions of health insurance policies are both extensive and confusing. Luckily, CANSTAR helps to make comparison straightforward by demystifying the ever-changing world of private health insurance.

## WHAT WE RESEARCH

Each year we research the health insurance sector and award star ratings to products of merit. In this, our sixth health insurance star ratings, we identify products and insurers who offer outstanding value across eleven common profiles:

- Young singles
- Young couples (no obstetrics)
- Young couples/families (with obstetrics)
- Young families (no obstetrics)
- Young single parents
- Established single parents
- Established families
- Established singles
- Established couples
- Mature singles
- Mature couples

We looked at 943 products across three different coverage sectors – hospital, extras and packages. 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 close to home.

We do not include closed funds in our study that the general public cannot join. Closed funds are usually provided exclusively to members of an organization or those who work for a specific employer. Please see the methodology document contained in this report for further details of our assessment criteria.

## PREMIUMS ARE UP, BUT WHAT’S THE \$\$ COST?

We know that average premiums have increased across the board – but what’s the dollar value of average premiums in each state?

**Average Annual Premiums - Family Cover**



## HIGH INCOME FAMILIES COULD BE IN FOR A SHOCK

As households around the country lodge their tax returns and await their assessment, some high income families could be in for a nasty tax bill due to not manually reducing the private health insurance tax offset that they are claiming.

The income test threshold kicks in for families at \$168,001 and is applied at progressive rates up to \$260,001. The amount of rebate a family is entitled to depends on age as follows:

	<\$168,000	\$168,001-\$194,000	\$194,001-\$260,000	>\$260,001
<b>Under age 65</b>	30%	20%	10%	0%
<b>Age 65 – 69</b>	35%	25%	15%	0%
<b>Age 70+</b>	40%	30%	20%	0%

Source: [privatehealth.gov.au](http://privatehealth.gov.au)

Based on our research of average annual premiums for a family package (hospital plus extras) policy on a state-by-state basis, we estimate that high earning families who were previously receiving a 30% rebate and have not manually reduced this amount could be in for the following liability at tax time:

	<\$168,000	\$168,001-\$194,000	\$194,001-\$260,000	>\$260,001
<b>TAS</b>	\$ -	\$401.58	\$803.16	\$1,204.74
<b>NT</b>	\$ -	\$523.27	\$1,046.55	\$1,569.82
<b>NSW</b>	\$ -	\$515.46	\$1,030.93	\$1,546.39
<b>WA</b>	\$ -	\$512.71	\$1,025.41	\$1,538.12
<b>SA</b>	\$ -	\$543.94	\$1,087.87	\$1,631.81
<b>QLD</b>	\$ -	\$539.14	\$1,078.28	\$1,617.42
<b>VIC</b>	\$ -	\$515.39	\$1,030.78	\$1,546.17

Source: CANSTAR

It's important for households to realize that the income test for the private health insurance rebate involves more than just taxable income; it also includes reportable fringe benefits, net investment losses and reportable superannuation contributions. When those items are all added in, families might discover that they earn more than they thought!

## WHERE DO WE CLAIM THE MOST?

Despite the cost of premiums, the vast majority of the money does go back to members in the form of claimed benefits. Statistics reveal that there were approximately 3.78 million hospital treatment episodes and 77.9 million ancillary treatment services for members of private health insurance funds for the year to 30 June 2013. That equated to private health insurance payouts of \$11.3 billion for hospital and \$3.9 billion for ancillary treatment.

In terms of the most widely used services, the June 2013 quarter saw the following hospital treatment payouts:

- Accommodation and nursing (\$2.03 billion)
- Medical services (\$480 million)
- Prosthesis items (\$413 million)
- Nursing home type patients (\$2 million)

General treatment payouts during the June 2013 quarter mainly consisted of:

- Dental treatment (\$534 million)
- Optical (\$164 million)
- Physiotherapy (\$90 million)
- Chiropractic (\$73 million)



## NATIONAL HEALTH INSURANCE WINNERS

Health insurance giants **HCF**, **Bupa** and **Medibank** have performed a hat trick, all repeating their success over the past two years as providing overall Outstanding Value Health Insurance across Australia.

These insurers have figured prominently in the CANSTAR awards since they began six years ago. This is no mean feat and proves the value of consistently good products offered by these three pillars of the health insurance industry.

To find the fund that offers outstanding value private health insurance across Australia, we examined over 10,000 quotes from over 940 products and compared them against eleven profiles across seven states and territories.

Some health insurance funds did better for specific product lines, states or profiles, depending on their area of focus. Drilling down into the state awards in the three key areas of health insurance – Hospital, Extras and Packages – Medibank dominated in 5 out of the 7 states and territories for Package cover, while HCF lead four out of seven states for Hospital cover. Bupa performed strongly for extras cover in addition to ranking well for Hospital and Package.



## STATE AWARDS 2013

In Victoria the big players were muscled out of the way by smaller competitors, with local favourite Mildura District Hospital Fund winning in their area of speciality, hospital cover and Geelong-based not-for-profit fund GMHBA Limited – originally established in 1934 as the ‘Cement Workers Hospital Benefits Scheme’ - coming out tops for extras.

In Western Australia as well smaller competitors shone through, with WA-based GMF Health victorious in the area of hospital cover and HIF – which commenced life in 1954 as the 'Western Australian Government Railways (WAGR) Employees Hospital and Medical Fund' taking the extras cover award.



State	Hospital	Extras	Packages
Northern Territory	HCF	Medibank	Medibank
New South Wales	Bupa	Bupa	Bupa
Victoria	Mildura District Hospital Fund	GMHBA Limited	Medibank
Queensland	HCF	Bupa	Medibank
South Australia	HCF	Medibank	HCF
Western Australia	GMF Health	HIF	Medibank
Tasmania	HCF	Medibank	Medibank

Source: Canstar health insurance star ratings September 2013

Good health is the cornerstone that supports personal and career development and overall quality of life. CANSTAR congratulate all national and state winners of its health insurance star ratings for providing outstanding value for service to the communities they care for.

## HOW TO USE CANSTAR HEALTH INSURANCE STAR RATINGS

Health cover is not a one-size-fits-all but the CANSTAR 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.

To get the most from the ratings, work out which 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 investigate further. 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.

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## HEALTH INSURANCE STAR RATINGS

### What are the CANSTAR *Private Health Insurance Star Ratings*?

CANSTAR *Private Health Insurance Star Ratings* combines 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:

$$\text{TOTAL STAR RATINGS SCORE} = w_1 \text{PRICING SCORE} + w_2 \text{FEATURES SCORE}$$

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.*

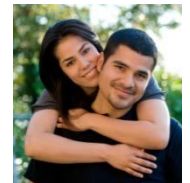


#### **YOUNG SINGLES:**

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 dental, optical, physiotherapy and chiropractic should provide all round cover for this couple.



#### **YOUNG 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 the 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 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 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.

**ESTABLISHED SINGLES:**

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.



## 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 – 7.5%
Young Couples (Non Obstetrics) – 7.5%
Young 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 – 10%
Established Couples – 10%
Mature Singles – 12.5%
Mature Couples – 12.5%

For Example:



Hospital Cover  
New South Wales



Hospital & Extras Package  
Queensland



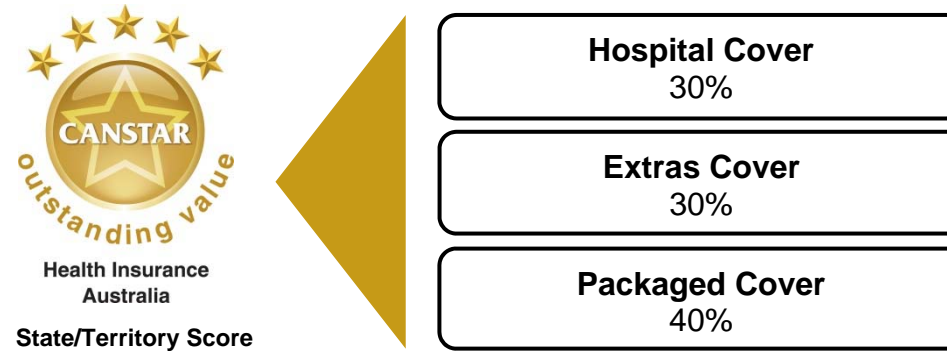
Health Insurance - Extras  
Western Australia





## National Awards

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



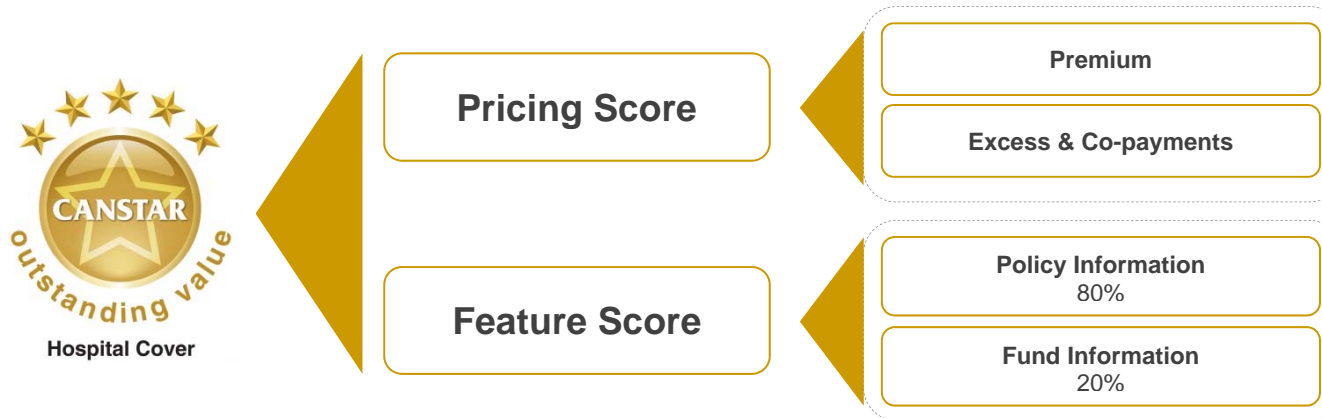
The State/Territory scores are weighted based on population data sourced from the Australian Bureau of Statistics. The national award is then awarded to the top three performing funds across Australia.



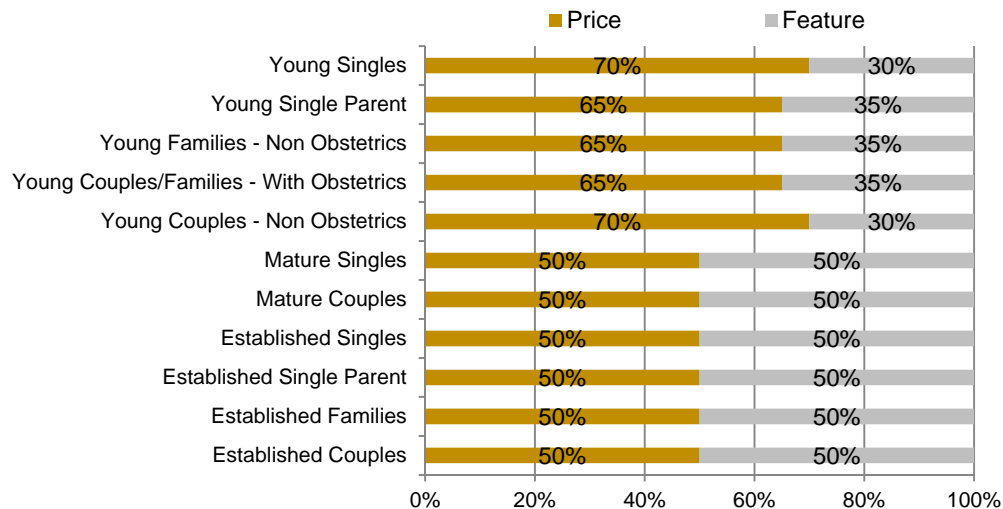
## Hospital Cover Star Ratings

Hospital cover products will be rated across 7 States/Territories and 11 profiles so that consumers from any demographic will be able to identify a short list of 5 star products that are best suited for their individual needs. Eligibility for each of the 77 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 & families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with 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 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 of Medicare Levy Surcharge;
- Available for new policy holders; and
- Be approved by PHIO.

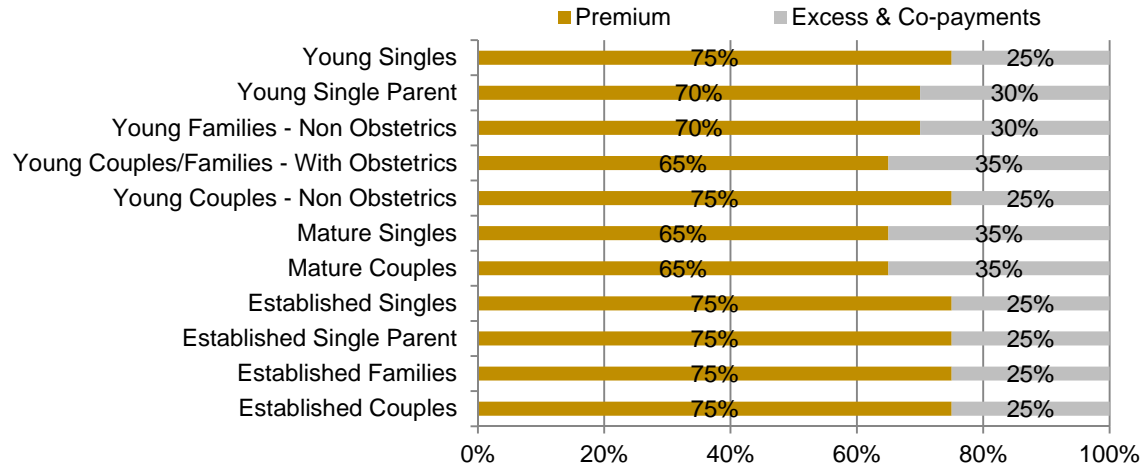
There are seven profiles which have a minimum level of comprehensive cover for a policy to be considered:

Profile Name	Cardiac	Joint Replacement	Obstetric
Established Families	✓		
Established Single Parent	✓		
Established Singles	✓		
Established Couples	✓		
Mature Couples	✓	✓	
Mature Singles	✓	✓	
Young Couples/Families - With Obstetrics			✓



## Price Score

The weights applied to the premium and excess & 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 lowest cost policy (e.g. if a product costs twice as much as the cheapest, it will earn half the base premium score of the cheapest product).

### Excess & Co-Payments

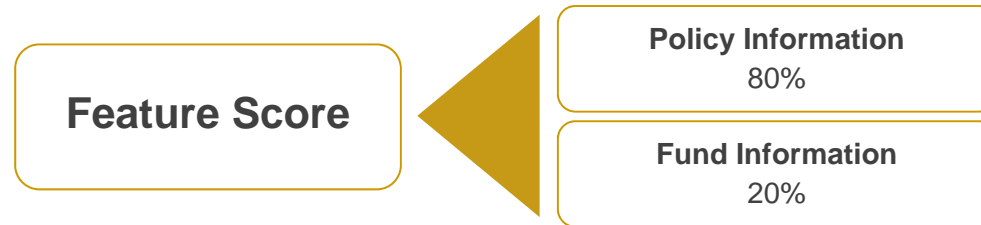
This is a scenario based assessments to assess the amount of excess or co-payment required for each hospitalisation. There are six scenarios used in the assessment:

Scenario	No of Admissions/year	Length of Stay/Admission	Weight
1	1	0 nights	30%
2	3	0 nights	10%
3	1	2 nights	30%
4	3	2 nights	10%
5	1	14 nights	10%
6	3	7 nights	10%



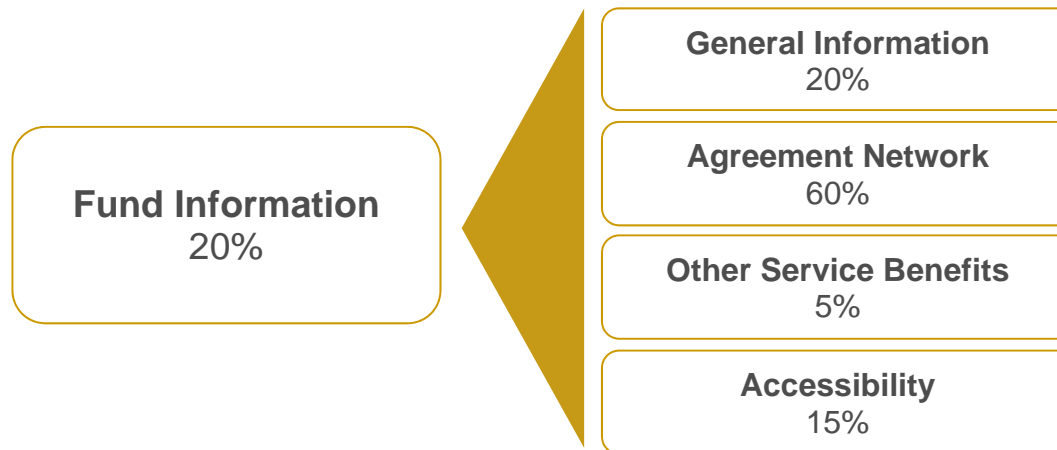
## Feature Score

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 are 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 health care 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 their 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 health care 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 their 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 doctors 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

Each access area is weighted as follows:



## 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.

Category	Young Single	Young Couple – non Obstetric	Young Couple/ Family – with Obstetric	Young Family – non Obstetric	Young Single Parent	Established Family	Established Single Parent	Established Single	Established Couple	Mature Single	Mature Couple
<b>Assisted Reproductive</b>	3%	-	5%	-	-	-	-	-	2%	-	-
<b>Cardiac</b>	10%	12%	10%	12%	12%	15%	15%	15%	16%	25%	25%
<b>Cataract Eye Lens</b>	1%	1%	1%	1%	1%	5%	5%	10%	8%	12%	12%
<b>Orthopaedic</b>	23%	25%	15%	25%	25%	20%	20%	19%	15%	20%	20%
<b>Joint Replacement</b>	12%	12%	12%	12%	12%	25%	25%	40%	40%	83%	83%
<b>Reconstructions</b>	88%	88%	88%	88%	88%	75%	75%	60%	60%	17%	17%
<b>Obstetric</b>	10%	-	20%	-	-	-	-	-	3%	-	-
<b>Palliative</b>	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%	2%
<b>Plastic Non Cosmetic</b>	5%	7%	5%	5%	5%	5%	5%	5%	5%	2%	2%
<b>Psychiatric</b>	15%	17%	14%	15%	15%	11%	11%	10%	10%	10%	10%
<b>Rehabilitation</b>	8%	10%	8%	12%	12%	8%	8%	8%	8%	6%	6%
<b>Renal Dialysis</b>	1%	1%	1%	2%	2%	5%	5%	5%	5%	10%	10%
<b>Sterilisation</b>	1%	1%	-	1%	1%	2%	2%	2%	2%	1%	1%
<b>Ear, Nose &amp; Throat</b>	10%	12%	10%	12%	12%	12%	12%	10%	10%	1%	1%
<b>Colonoscopy</b>	5%	6%	6%	10%	10%	10%	10%	10%	10%	10%	10%
<b>Gastric Banding</b>	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
<b>Wisdom Teeth</b>	5%	5%	2%	2%	2%	3%	3%	2%	2%	-	-
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

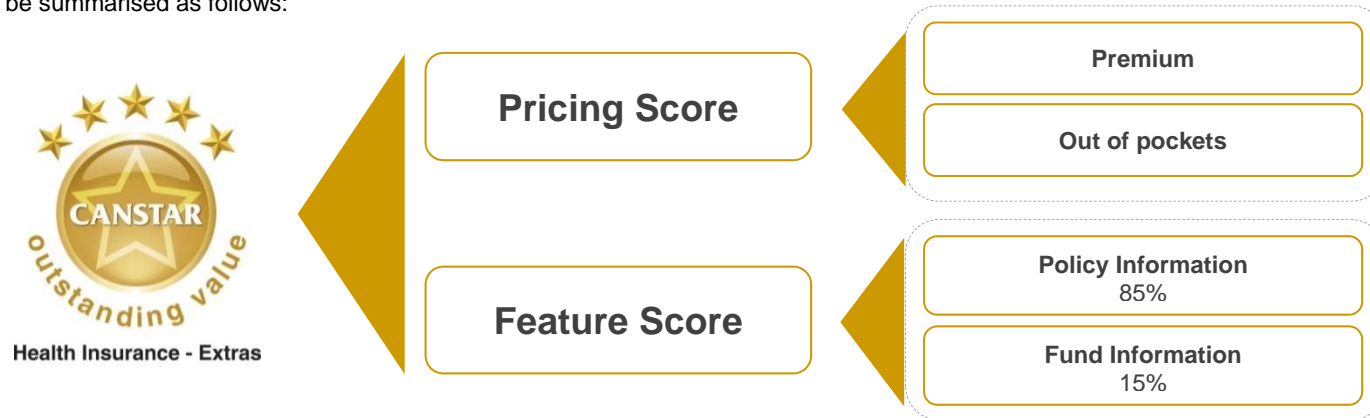




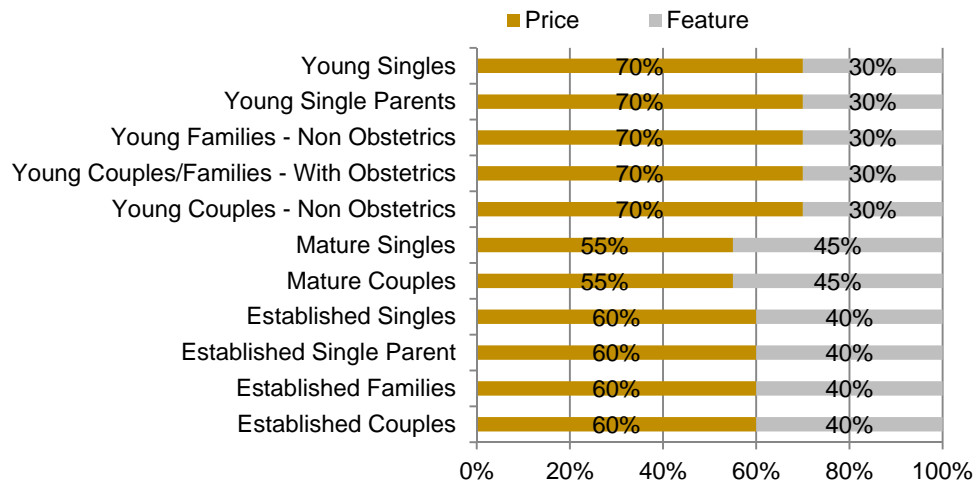
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## Eligibility Requirements

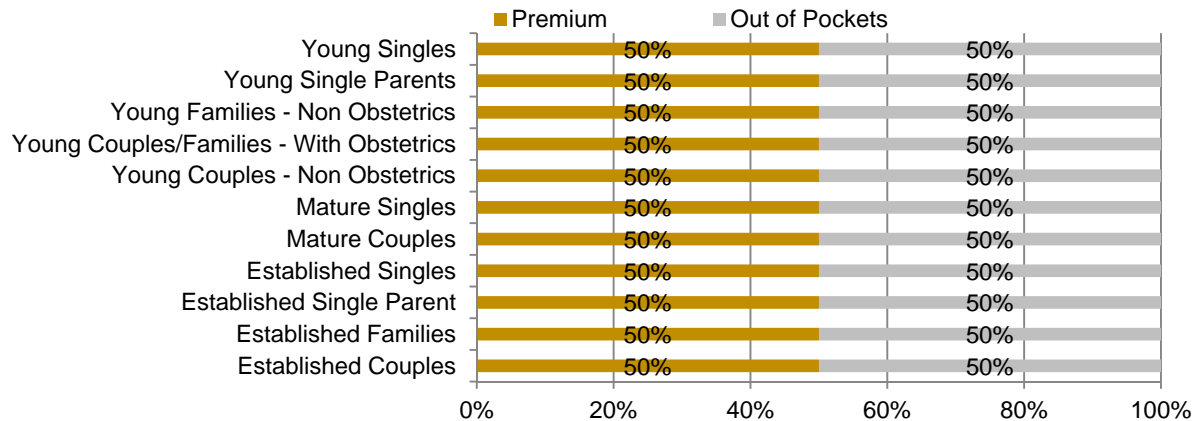
For an Extras Policy to be considered in CANSTAR ratings it needs to meet the following criteria:

- Not be restricted to certain groups or a corporate policy;
- Available for new policy holders; and
- 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 profile specific. The weights for each profile can be summarised below:



### **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 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.

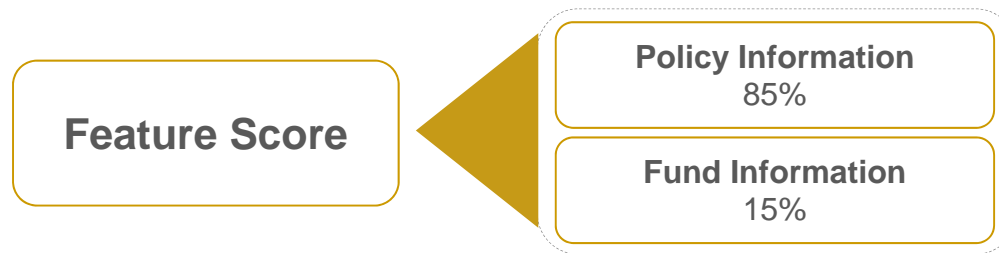
The policy holder usage is based on PHIA data with the min/max usage based on the star ratings profiles. The cost for the services used is based on the national average cost.

Where a health fund has network providers we have used their standard schedule costs for the proportion of their 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.

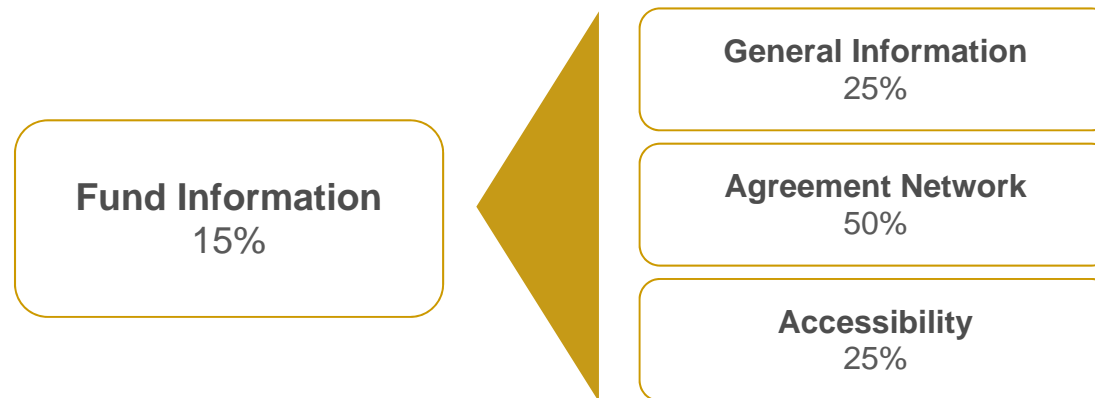
## Feature Score

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



## Fund Information

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

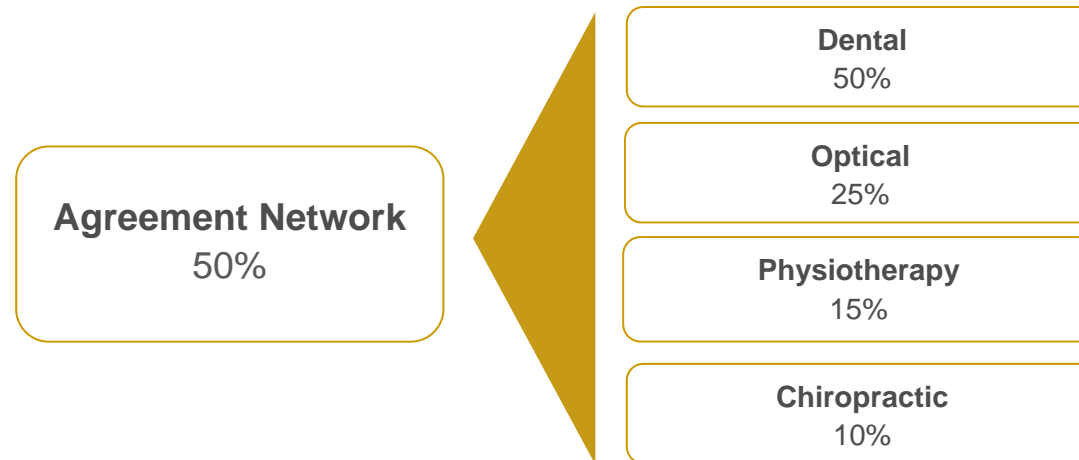


## General Information

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 Agreement Network looks at the number of providers which 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.

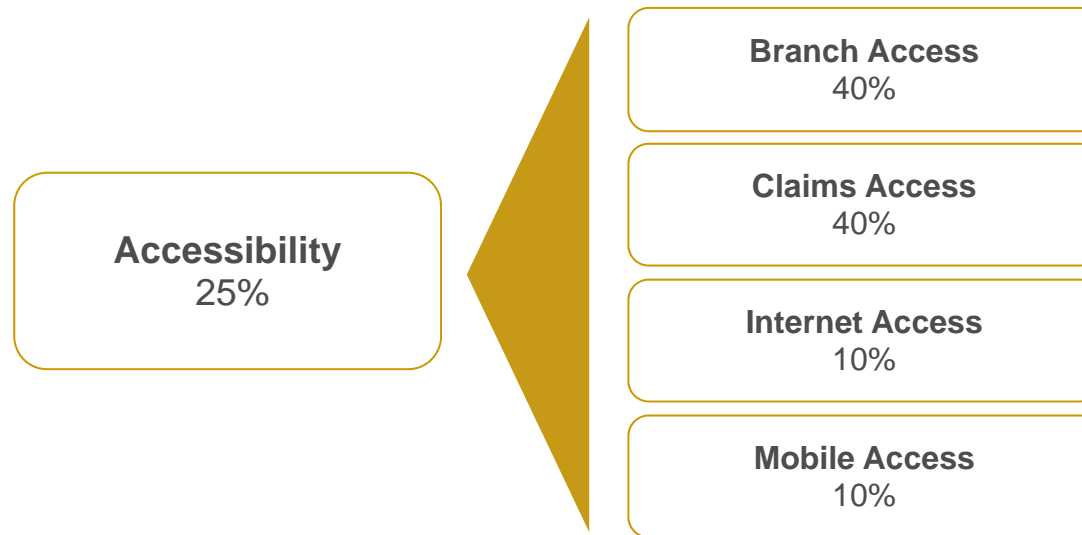


## Accessibility

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

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.

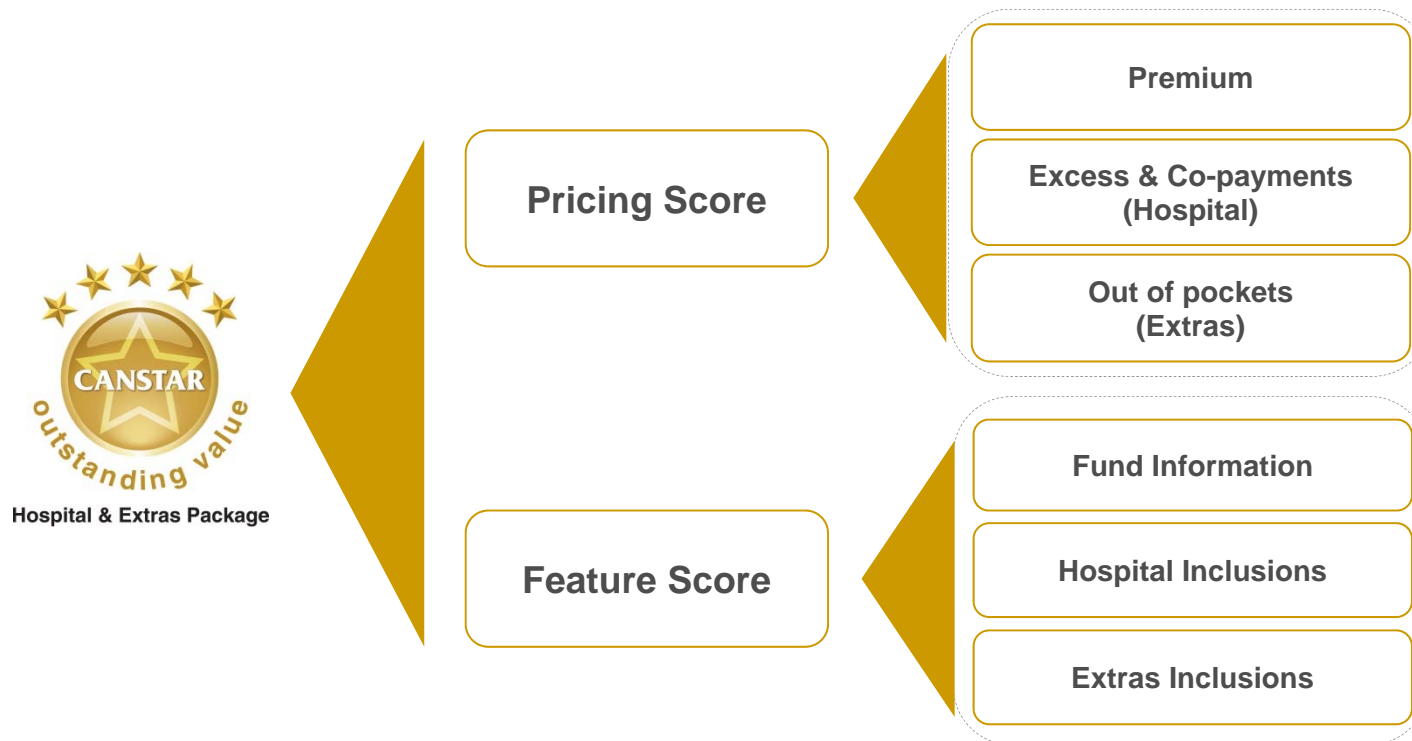
Category	Young Single	Young Couple – Non Obstetrics	Young Family – Non Obstetrics	Young Single Parents	Young Couple/Family – with Obst.	Established Family	Established Single Parent	Established Single	Established Couple	Mature Single	Mature Couple
<b>General Dental</b>	25%	25%	27%	27%	27%	27%	27%	27%	27%	25%	25%
<b>Major Dental</b>	8%	8%	7%	7%	7%	8%	8%	7%	7%	6%	6%
<b>Orthodontic</b>	5%	5%	5%	5%	5%	5%	5%	4%	4%	-	-
<b>Endodontic</b>	2%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%
<b>Optical</b>	18%	18%	18%	18%	18%	16%	16%	15%	15%	16%	16%
<b>Chiropractic</b>	9%	9%	9%	9%	9%	10%	10%	10%	10%	11%	11%
<b>Physiotherapy</b>	16%	16%	15%	15%	15%	14%	14%	14%	14%	13%	13%
<b>Acupuncture</b>	2%	2%	2%	2%	2%	1%	1%	2%	2%	1%	1%
<b>Podiatry</b>	4%	4%	3%	3%	3%	3%	3%	4%	4%	7%	7%
<b>Psychology</b>	3%	3%	2%	2%	2%	2%	2%	2%	2%	3%	3%
<b>Health Monitor</b>	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%
<b>Hearing Aids</b>	-	-	-	-	-	1%	1%	1%	1%	3%	3%
<b>Ambulance</b>	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%
<b>NonPBS</b>	-	-	-	-	-	2%	2%	2%	2%	2%	2%
<b>Massage</b>	3%	3%	3%	3%	3%	1%	1%	2%	2%	1%	1%
<b>Naturopathy</b>	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b>Speech Therapy</b>	-	-	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b>Occup. Therapy</b>	-	-	-	-	-	1%	1%	1%	1%	1%	1%
<b>Wellness</b>	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



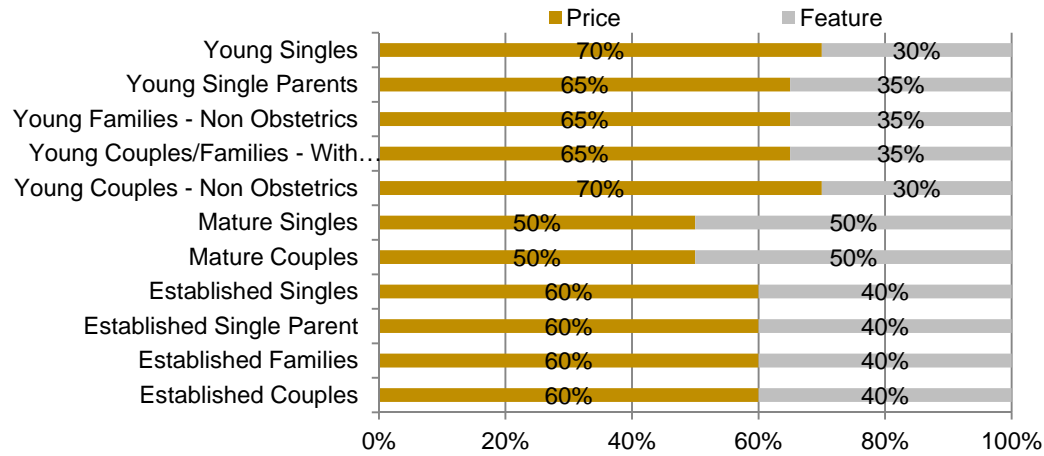
## Package Cover Star Ratings

Packaged Hospital & Extras cover products are rated across 7 States/Territories and 11 profiles so that consumers from any demographic will be able to identify a short list of 5 star products that are best suited for their individual needs. Eligibility for each of the 77 State-Profile combinations depend on product availability for the state and whether the insurance cover is for singles, single parents or couples & families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with sales practices of the private health insurance industry.

The methodology can be summarised as follows:

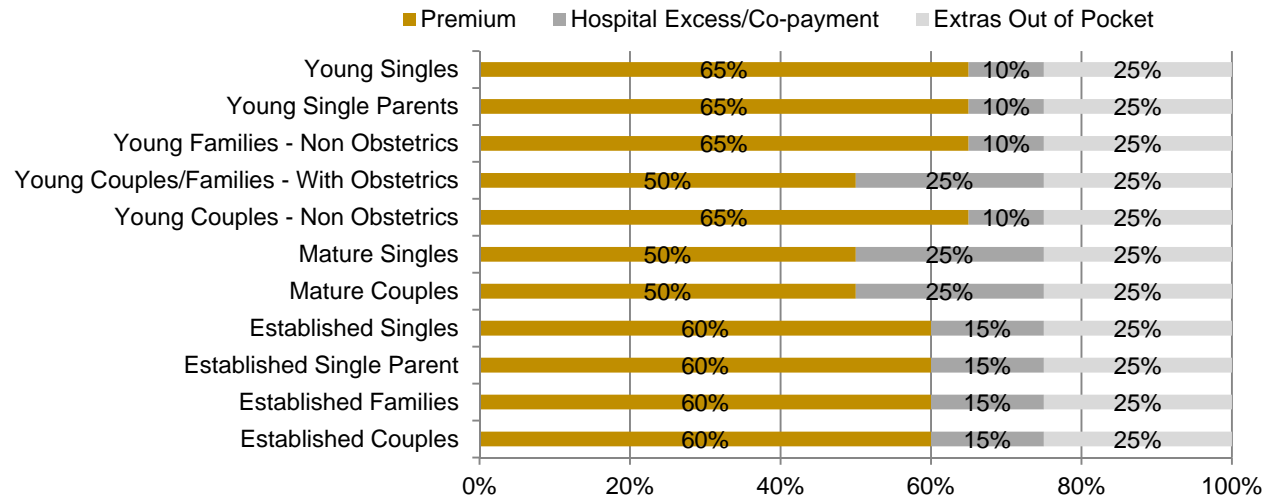


Each profile combination is subject to different weightings depending on preference to price or features. The weightings for each of the profiles are as follows:



## 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

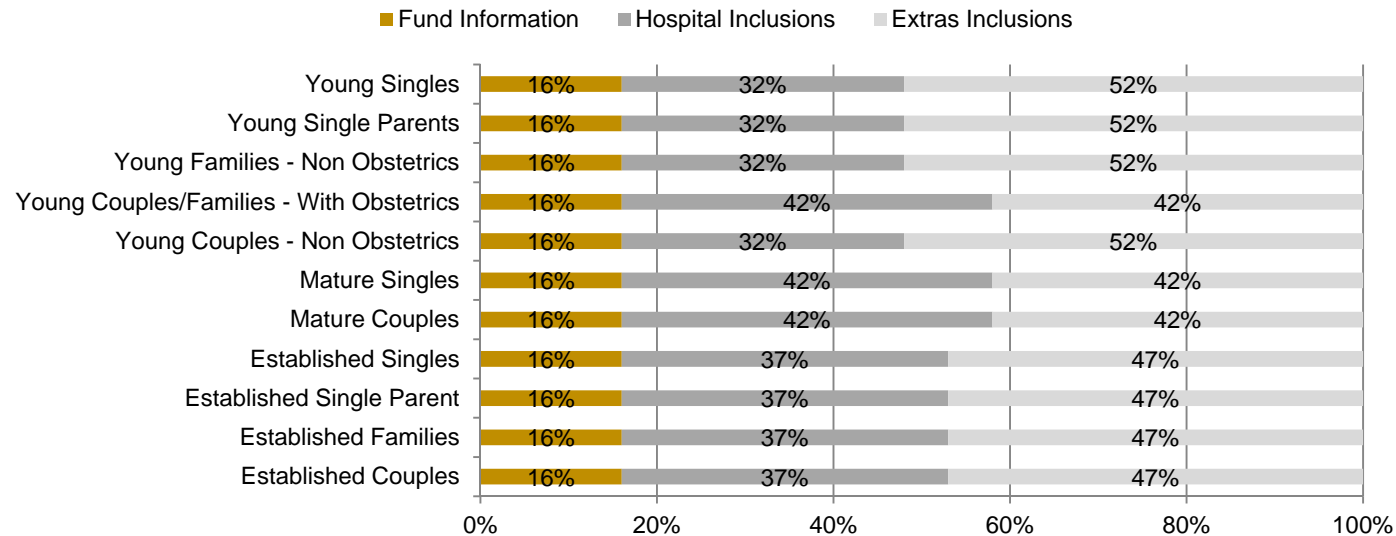
The Out-Of-Pockets component of the pricing score is a scenario based calculation for both hospital and extras cover.

For hospital cover, we use six scenarios to calculate the amount of excess or co-payment required for each hospitalisation. Please 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. Please see page 14 for more information.

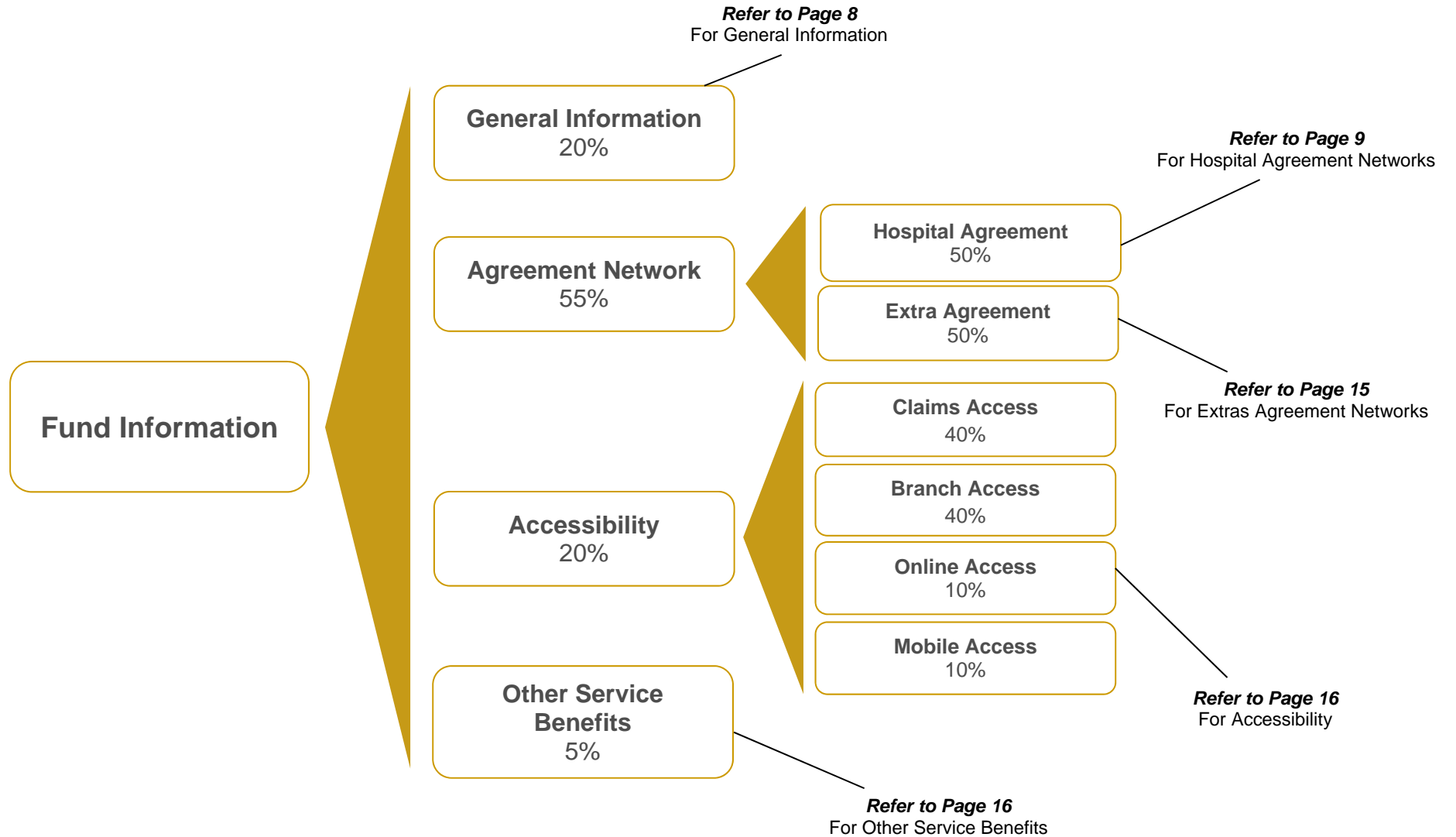
## Feature Score

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



## 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 their 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 to eligible. Should a fund not be eligible for a state/territory award, that state/territory will carry a zero score towards the national award.

## **How many products and financial institutions are analysed?**

In order to calculate the ratings, CANSTAR analysed 943 Private Health Insurance Providers from 18 Health Funds in Australia.

## **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

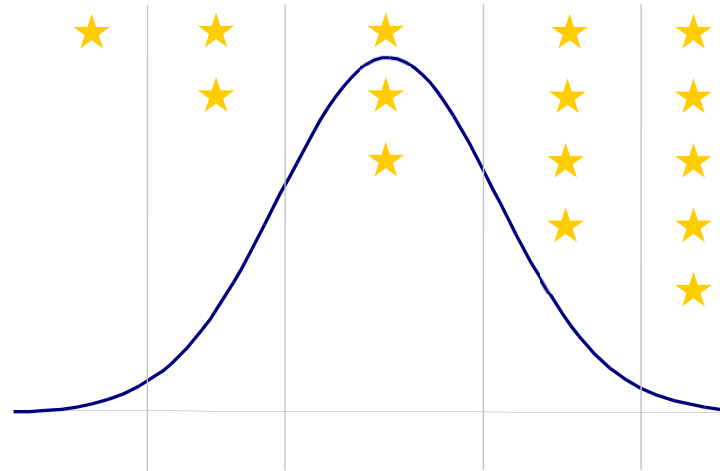
## **How often are all the products reviewed for ratings purposes?**

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 5-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 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](http://www.canstar.com.au) if you would like to view the latest star ratings reports of interest.



- Account based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & Contents
- SMSF loans
- Life Insurance
- Managed investments
- Margin lending
- Online share trading
- Package banking
- Personal loans
- Reward programs
- Superannuation
- Travel insurance

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