

CANSTAR HEALTH INSURANCE STAR RATINGS 2016

METHODOLOGY



WHAT ARE THE CANSTAR PRIVATE HEALTH INSURANCE STAR RATINGS?

CANSTAR's *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:

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

On the following pages are a brief overview of the profiles to be rated so that consumers can use the star ratings results to find the most suitable products.

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



WHAT ARE THE CANSTAR PRIVATE HEALTH INSURANCE STAR RATINGS?

YOUNG SINGLE MALE/FEMALE – This profile caters to young-to-middle-aged singles, with no dependents and no immediate plans for children. While the average young single does 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 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.



WHAT ARE THE CANSTAR PRIVATE HEALTH INSURANCE STAR RATINGS?

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 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.

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 SINGLES – This profile caters to mature singles 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.



RATING PROFILES

STATE/TERRITORY

Policies are rated in the following states and territories:

Queensland

New South Wales and A.C.T

Victoria

Tasmania

South Australia

Western Australia

Northern Territory



Fund Eligibility:

To be included in a state/territory a fund must have a minimum market share of 0.4% in that state/territory or 5% of its own policy book in that state/territory.



AWARDS

STATE/TERRITORY

Each fund's top performing policy per state/territory across all star ratings profiles are aggregated into 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, which are shown on the following page.

To be eligible to be included in a state award:

- Funds must have a minimum market share of 0.4% in the state.
- Funds must not be restricted (i.e. must be open) funds

To be eligible to be included in the national award:

- Funds must have a minimum market share of 0.4% in *each* state.
- Funds must not be restricted (i.e. must be open) funds



AWARDS

STATE/TERRITORY



Examples of
state awards

Singles 30%

Young
33%

Established
33%

Mature
34%

Male
50%

Female
50%

Couples 30%

Young
33%

Established
33%

Mature
34%

Families 40%

Single parent
25%

Two parents +
dependents 50%

Two parents with
obstetrics 25%

Young
50%

Established
50%

AWARD NATIONAL



Queensland

New South Wales &
A.C.T.

Victoria

Tasmania

South Australia

Western Australia

Northern Territory

Weighted based on
relative population

Each fund's state/territory performance across the three product categories is weighted to supply a state/territory score, which is then weighted based on population data. The national award is awarded to up to three of the top performing funds across Australia.

Hospital Cover
25%

Packaged Cover
50%

Extras Cover
25%

State and Territory
awards for each of the
above covers

13 profiles

Top performing
product in each
profile represents a
provider for an
overall award

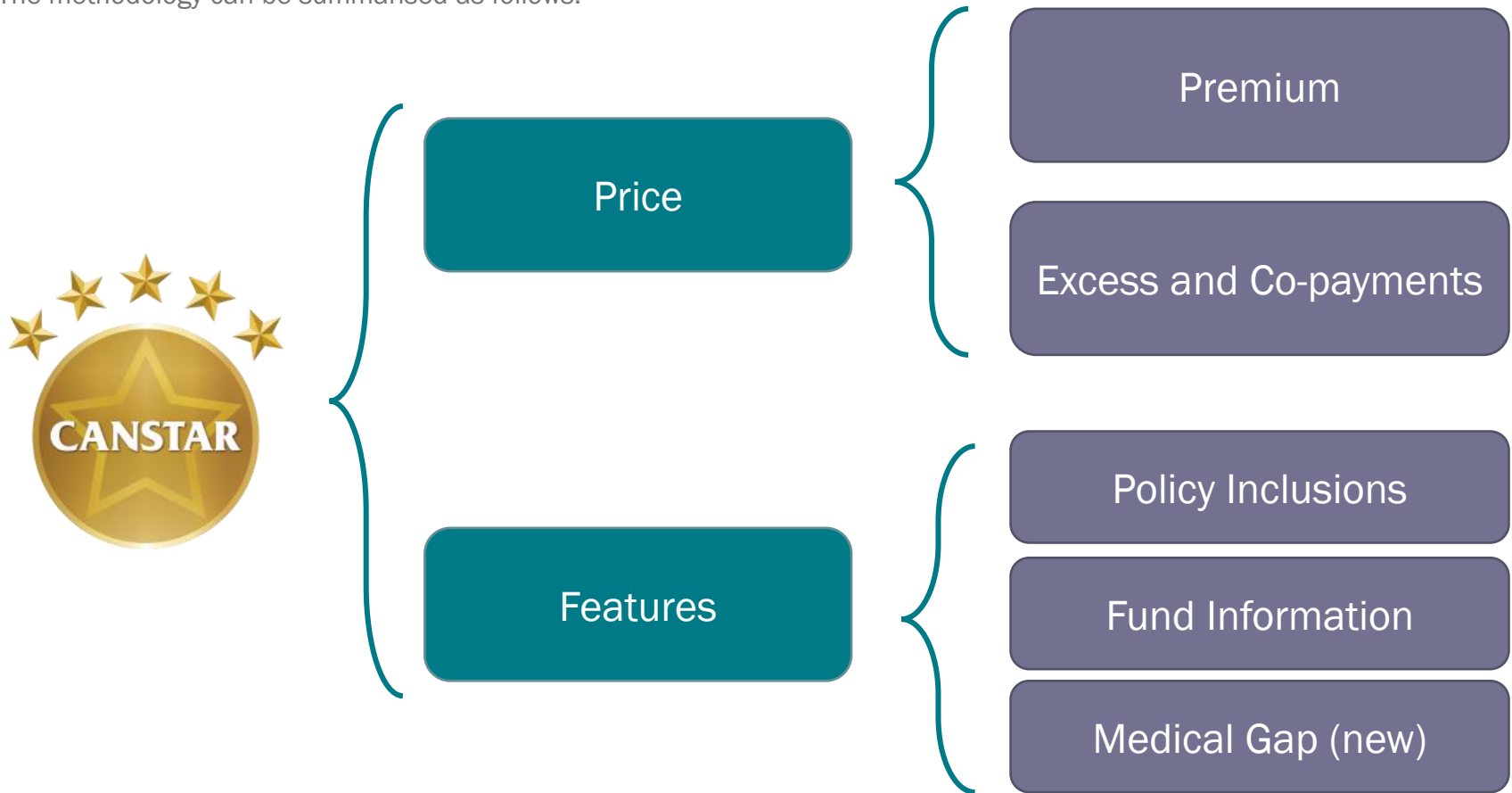
HOSPITAL



HOSPITAL COVER STAR RATINGS

Hospital 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/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:



HOSPITAL – ELIGIBILITY REQUIREMENTS

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

- Cover treatment as a private patient in a private hospital (i.e. not a public hospital 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 some profiles that have a minimum level of comprehensive cover for a policy to be considered:

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



HOSPITAL – OVERALL SCORE

Methodology Component	Description
Price	Considers policy cost elements.
Premium	Compares policies on their monthly premium.
Excess and Co-Payments	Considers the average amount of excess payable over 7 different hospital admission scenarios.
Features	Considers the structure of the policy and additional fund elements.
Inclusions	Measures the number of services included weighted based on profile needs.
Fund Information	Measures general information, agreement networks, and additional benefits.
Medical Gap	Measures the levels of medical gap (known-gap and unknown-gap) at a fund level.



HOSPITAL – OVERALL SCORE

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

Category	Young	Couple or Family with Obstetrics	Established	Mature
Price	70%	60%	50%	60%
Premium	75%	65%	75%	65%
Excess	25%	35%	25%	35%
Features	30%	40%	50%	40%
Medical Gap	5%			
Policy Information	80%			
Fund Information	15%			
Adjustments for family/single parent profiles				
Price	- 5%	-	-	-
Premium	- 5%	-	- 5%	-
Excess	+ 5%	-	+ 5%	-
Features	+ 5%	-	-	-

HOSPITAL – PRICING SCORE

EXCESS AND CO-PAYMENTS

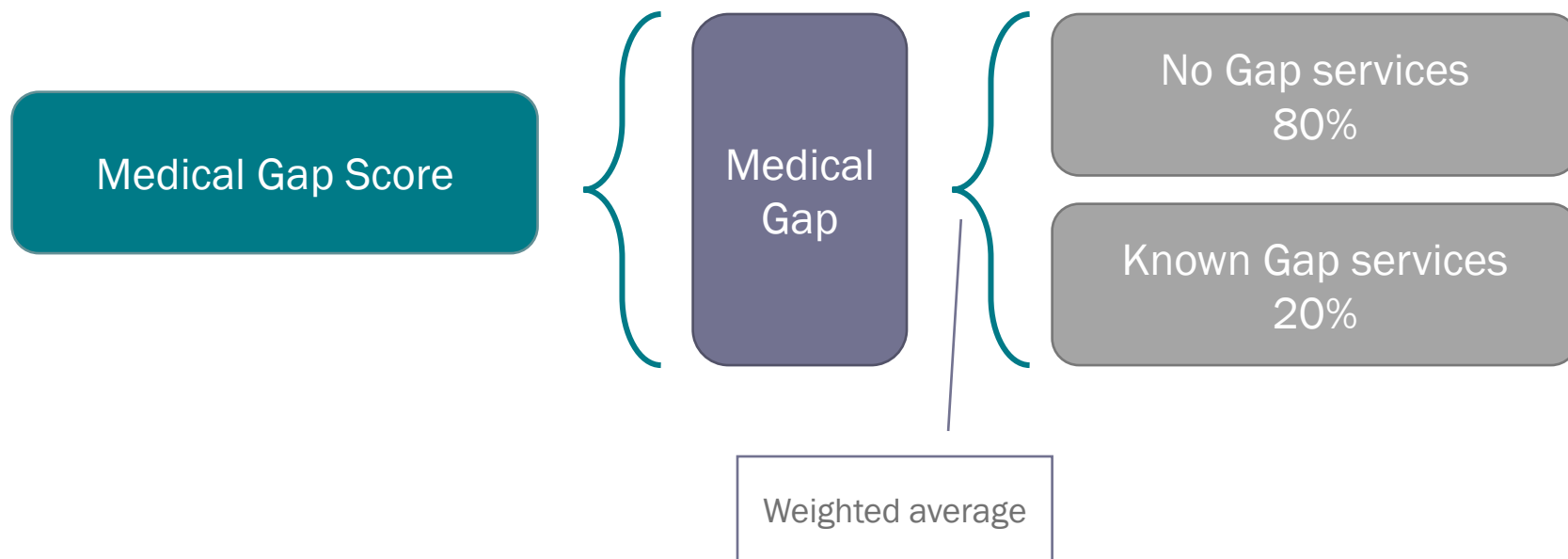
A policy is scored based on how its excess and co-payment structure performs in seven hospital admission scenarios. Where applicable, waivers for day surgery and dependents will be applied. These scenarios reflect the length of common hospital admissions such as childbirth, heart failure and joint replacement.

More common admission scenarios are weighted more heavily than others.

Length of Admission	Admissions per year	
	1	3
Day surgery	25%	20%
2 nights	15%	10%
4 nights	15%	-
7 nights	-	10%
14 nights	5%	-

HOSPITAL – FEATURE SCORE

MEDICAL GAP SCORE



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 or not 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. The fund with the best weighted-average medical gap performance in each profile will receive the top score for medical gap.

No gap services – proportion of services where no gap was payable.

Known gap services – proportion of services where a gap was paid but an additional benefit was paid by the fund conditional on the patient being notified of the cost in advance.



HOSPITAL FEATURE SCORE – INCLUSIONS

Category	Young (< 35)	Established (36 – 59)	Mature (60+)
Default inclusions for a single male			
Assisted reproductive	-	-	-
Obstetrics	-	-	-
Hysterectomy	-	-	1%
Cardiac	10%	15%	25%
Cataract eye lens	1%	5%	10%
Orthopaedic	20%	20%	18%
Joint replacement	12%	25%	83%
Reconstructions	88%	75%	17%
Palliative	1%	2%	2%
Plastic non-cosmetic	5%	5%	2%
Psychiatric	15%	10%	12%
Rehabilitation	10%	8%	10%
Renal dialysis	1%	5%	7%
Sterilisation	1%	2%	1%
Colonoscopy	4%	10%	9%
Gastric banding	2%	2%	1%
Ear, nose and throat	10%	12%	1%
Wisdom teeth	5%	-	-
Emergency accidental	15%	4%	1%
Ambulance Cover*	5%	5%	5%
Adjustments for female-only profiles (50% for profiles with two adults)			
Assisted reproductive	+5%	+3%	
Obstetrics	+10%	+5%	
Sterilisation	+1%	+1%	
Hysterectomy	+2%	+1%	
Adjustments for family profiles			
Ear, nose and throat	+3%	+5%	
Wisdom teeth	-	+2%	
Emergency accidental	+2%	+2%	

- The Inclusion score weights are based on cover for a single male.
- Additional weight placed on inclusions for other profiles including allowances for female-only procedures and profiles with children.
- Final inclusions scaled to 100%.
- Where cover for obstetrics is required in a profile it is not considered in features.
- *Ambulance is only included in states where private insurance is required.



HOSPITAL FEATURE SCORE

FUND INFORMATION SCORE

Fund information is made up of the following categories, with information provided by the health fund. More information on each of the sections is discussed in the following pages. The weights allocated to each part of the fund information score are below.

Category	Weight	Description
General Information	20%	Payment options, application, age of dependents etc.
Agreement Networks	50%	Measures access to agreement networks per state/territory
Private Hospitals	60%	The number of agreement private hospitals
Day Hospitals	40%	The number of agreement day hospitals
Other Service Benefits	10%	Considers a number of additional services provided by health funds
Accessibility	20%	Branches and ease of access.
Branch Access	40%	The number of branches per state/territory
Internet Access	30%	Online functionality
Mobile Access	10%	Mobile functionality
Phone Access	20%	Phone functionality and operating hours



HOSPITAL FEATURE SCORE

FUND INFORMATION SCORE

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 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



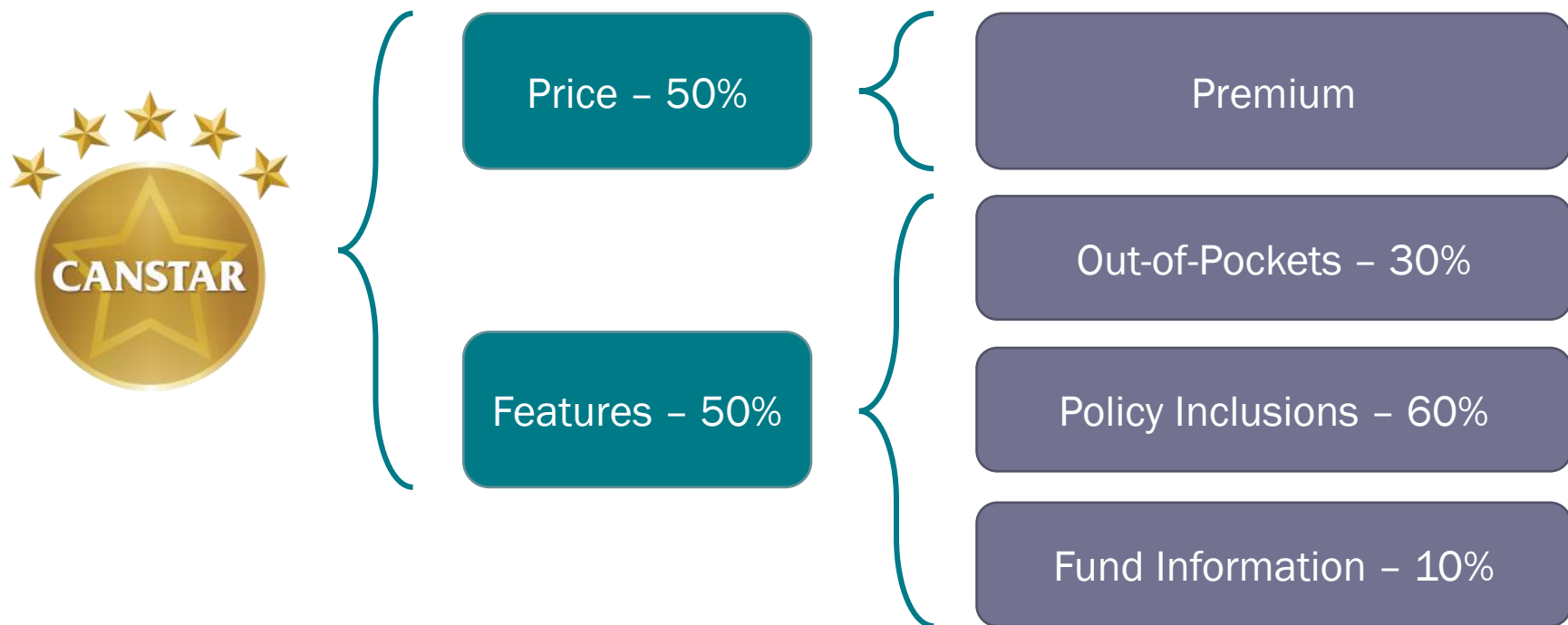
EXTRAS



EXTRAS 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:



For an extras policy to be considered in CANSTAR's ratings it needs to be available for new policy holders and approved by the Private Health Insurance Ombudsman (PHIO).



EXTRAS– OVERALL SCORE

Methodology Component	Description
Price	Considers policy cost elements.
Premium	Compares policies on their monthly premium.
Features	Considers the structure of the policy and additional fund elements.
Out-of-Pockets	Considers 100 hypothetical policy holders and their claim outcomes over the course of one calendar year.
Inclusions	Measures the number of services included weighted based on profile needs.
Fund Information	Measures the additional elements available and flexibility of the fund.



EXTRAS – FEATURE SCORE

The feature score is made up of three assessments based on product-specific features and fund-specific features.

Category	Young	Couple or Family with Obstetrics	Established	Mature
Features				
Out-of-pockets	30%			
Inclusions	60%			
Fund Information	10%			

EXTRAS FEATURE SCORE – INCLUSIONS

Category	Young (< 35)	Established (36 – 59)	Mature (60+)
Default inclusions for a single or couple			
Dental Inclusions	40%	40%	35%
Check-up	65%	65%	70%
Tooth Removal	10%	15%	10%
Crown Veneer	10%	10%	10%
Root Canal	5%	10%	10%
Braces	10%	5%	-
Major Inclusions	40%	40%	40%
Optical	42%	38%	40%
Chiropractic	21%	26%	28%
Physiotherapy	37%	36%	32%
Additional Inclusions	20%	20%	25%
Acupuncture	11%	10%	4%
Podiatry	24%	20%	27%
Psychology	18%	10%	12%
Glucose monitor	5%	5%	7%
Hearing aids	-	5%	12%
Ambulance*	5%	5%	8%
Non-PBS	5%	10%	7%
Massage	15%	10%	4%
Naturopathy	5%	5%	4%
Speech therapy	-	5%	4%
Occup. therapy	-	5%	4%
Wellness	12%	10%	7%
Adjustments made for family profiles			
Check-Ups	+10%	+10%	
Braces	-	+5%	
Speech therapy	+6%	+2%	

This table outlines the weights applied per service over life stages.

- Inclusion score weights based on cover for a single person
- Additional weight placed on inclusions for family profiles
- Couples/Families with obstetrics profile average of Young & Established Families
- Final inclusions scaled to 100%.

*Except in states where ambulance cover is unnecessary.



EXTRAS FEATURE SCORE – INCLUSIONS



Within each extras category (e.g. Dental Check-up), products are scored on a number of policy features:

Item benefit – The benefit for each item is considered here. For policies where benefits are payment as a percentage of costs, these are converted into a fixed amount based on average costs.

Annual limits – **Per person**, and **per policy limits** are scored separately with the policies with the highest limits receiving the top score. Since many policies have limits that are shared amount benefit groups, policies are also scored for each benefit category based on how many other services the limit is shared with. A policy where the benefit limit is not shared with other items will receive the full score for **shared services**.

Flexibility – Policies are scored based on additional features that may influence the out-of-pocket cost that consumers may experience. These include networks, waiting periods, and top-up bonuses.



EXTRAS – FUND INFORMATION SCORE

Fund information is made up of the following categories, with information provided by the health fund. More information on each of the sections is available in the following pages. The table below summarises the weights of each of the categories:

Category	Weight	Description
General Information	40%	Payment options, application, age of dependents etc.
Accessibility	60%	Customer service, claims, and functionality.
Branch Access	30%	The number of branches per state/territory
Claims Access	40%	The points of claim (not including branch)
Internet Access	10%	Online functionality
Mobile Access	10%	Mobile functionality
Phone Access	10%	Phone functionality and operating hours

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.

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



EXTRAS – OUT OF POCKET SCORE

The out-of-pockets component of the feature 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 PHIAC data with the minimum and maximum usage based on the star ratings profiles. The cost for the services used is based on a 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 policy with the lowest average out-of-pocket cost will receive the full score.

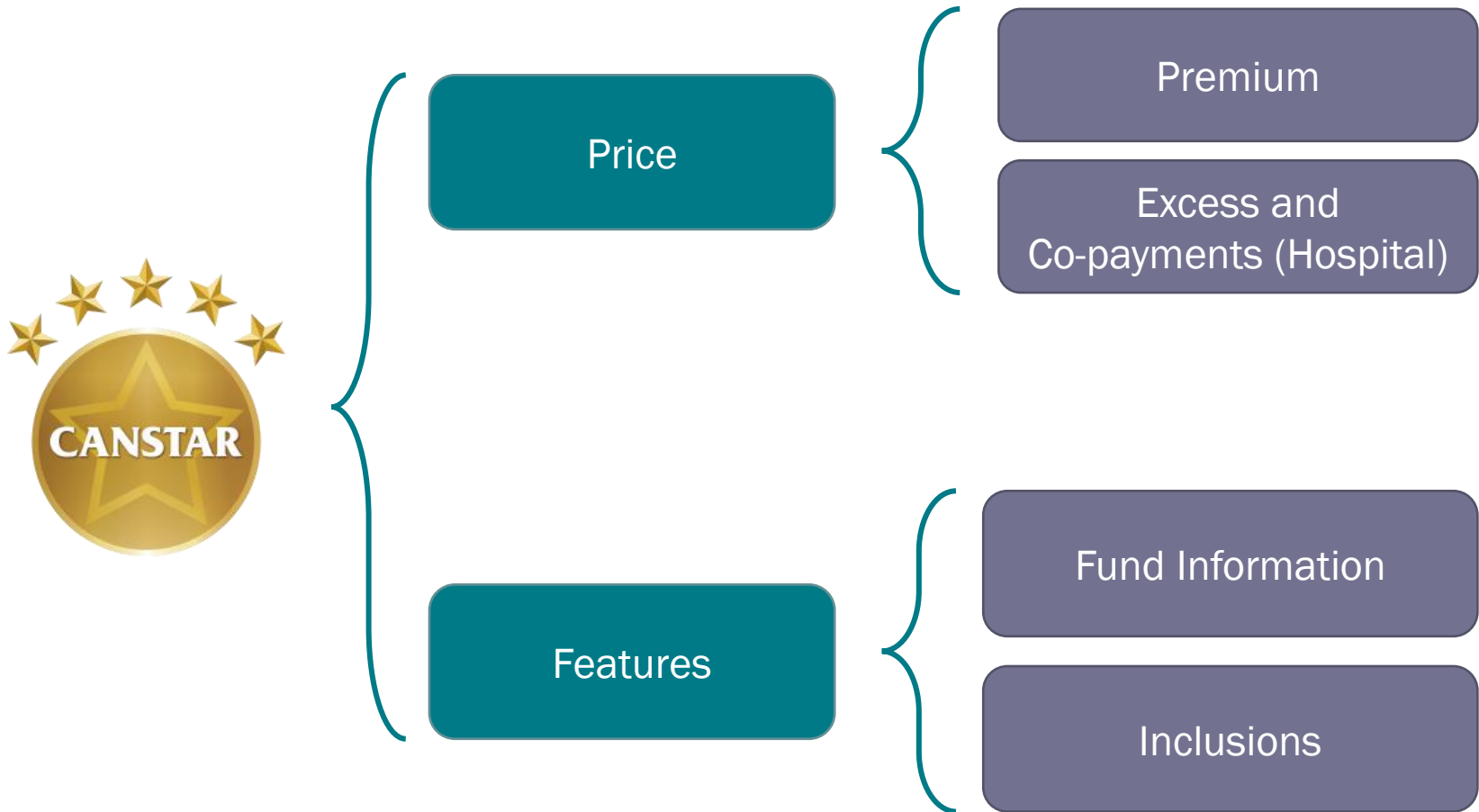


PACKAGED COVER



PACKAGED COVER STAR RATINGS

Packaged hospital and extras policies are rated in a similarly way to standalone Extras and Hospital products. All of the components of the two methodologies are combined with the weightings used on the following page.



PACKAGED COVER – WEIGHTS

Category	Young	Obstetrics	Established	Mature
Price	60%	55%	50%	55%
Premium	80%	75%	80%	75%
Excess	20%	25%	20%	25%
Features	40%	45%	50%	45%
Fund Information	20%			
General Information	40%			
Accessibility	60%			
Inclusions	80%			
Extras Cover	65%	45%	55%	45%
Hospital Cover	30%	50%	40%	50%
Ambulance Cover	5%	5%	5%	5%

- Extras cover score consists of the inclusions score and out-of-pockets score from the extras methodology.
- Hospital cover score consists of the inclusions score the medical gap score from the hospital methodology
- The allocation of weight between these components will be proportional to the respective standalone methodologies.

PACKAGED COVER – WEIGHTS

Some adjustments are made to Price and Feature weights for different family structures:

Category	Young	Couple or Family with Obstetrics	Established	Mature
Adjustments for family/single parent profiles				
Price	- 5%	-	-	-
Premium	- 5%	-	- 5%	-
Excess	+ 5%	-	+ 5%	-
Features	+ 5%	-	-	-

DOES CANSTAR RATE ALL PRODUCTS AVAILABLE IN THE MARKET?

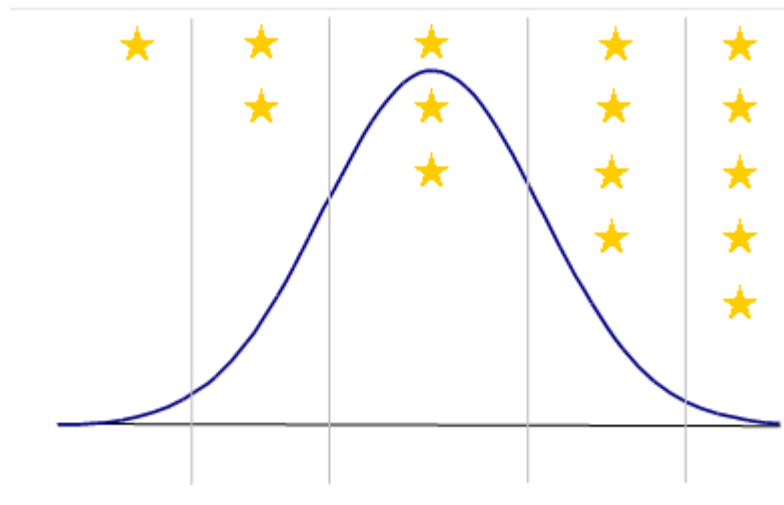
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that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