

PRIVATE HEALTH INSURANCE OMBUDSMAN

Agency Resources and Planned Performance

Private Health Insurance Ombudsman

Health and Ageing Portfolio Agency

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Section 1: Agency Overview and Resources

1.1 Agency Overview

The Private Health Insurance Ombudsman (PHIO) is the Australian Government agency that provides an independent service for dealing with complaints relating to private health insurance. The PHIO provides an accessible, effective, timely, objective and non-judgemental system for complaint resolution. In addition, the PHIO identifies underlying problems in the practices of private health insurers or health providers relevant to the administration of private health insurance, and encourages health insurers to continuously improve their own complaints handling practices.

The role and functions of the PHIO are set out in Part 6-2 of the *Private Health Insurance Act 2007*. The PHIO was prescribed as an agency under the *Financial Management and Accountability Act 1997* from 1 July 2007.

1.2 Agency Resources

Table 1.2.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by departmental classifications.

Table 1.2.1: PHIO Resource Statement – Budget Estimates for 2009-10 as at Budget May 2009

	Estimate of prior year amounts available in 2009-10 \$'000	Proposed at Budget 2009-10 \$'000	Total estimate 2009-10 \$'000	Estimated available appropriation 2008-09 \$'000
Ordinary annual services				
Departmental appropriation				
Departmental appropriation	2,240	1,964	4,204	3,984
s31 Relevant agency receipts [^]	-	10	10	10
Total	2,240	1,974	4,214	3,994
Total ordinary annual services	2,240	1,974	4,214	3,994
Other services - Bill 2[#]				
Departmental non-operating				
Equity injections	-	-	-	-
Previous years' outputs	-	-	-	-
Total	-	-	-	-
Total other services	-	-	-	-
Total available annual appropriations	2,240	1,974	4,214	3,994
Total net resourcing for PHIO	2,240	1,974	4,214	3,994

Notes: All figures are GST exclusive.

* Appropriation Bill (No.1) 2009-10.

Appropriation Bill (No.2) 2009-10.

[^] s31 Relevant Agency receipts - estimate.

1.3 Budget Measures

Section 1.3 is not applicable to the PHIO in 2009-10.

1.4 Transition from Outcomes and Outputs to Outcomes and Programs

From the 2009-10 Budget, all General Government Sector (GGS) entities will be reporting on a Program basis. The table below outlines the transition from the 2008-09 Budget year (as at Additional Estimates), which was presented in administered items, outputs and output groups, to the program reporting framework used for the 2009-10 Budget. The table also captures revisions made to GGS Outcome Statements under the Operation Sunlight Outcome Statements Review.

Figure 1: Transition Table

2008-09 Budget Year		2009-10 Budget Year
<p>Outcome 1:</p> <p>Consumers and providers have confidence in the administration of private health insurance</p>	→	<p>Outcome 1:</p> <p>Public confidence in private health insurance, including through consumer and provider complaint and enquiry investigations, and performance monitoring and reporting</p>
<p>Output Group 1:</p> <p>Advice and recommendations about the private health insurance industry</p> <hr/> <p>Output Group 2:</p> <p>Direct delivery of services</p>	→	<p>Program 1.1:</p> <p>Private health insurance industry advice, recommendations and complaint resolution</p>

Note: Under the previous performance reporting structure, departmental activity was reported under departmental outputs. Under the new structure, departmental costs are reported as Programs.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Outcome 1 – Public confidence in private health insurance, including through consumer and provider complaint and enquiry investigations, and performance monitoring and reporting

Outcome Strategy

Through the PHIO, the Australian Government aims to enhance public confidence in the private health insurance sector. The PHIO works to promote consumer confidence in a number of ways through an accessible, effective and timely complaints handling system that is objective and non-judgemental. The PHIO works to identify administrative problems that underlie the practices of private health insurers or health providers, and encourages health insurers to continuously improve their own complaints handling practices.

The PHIO mediates between insurers and healthcare providers to resolve issues and complaints. The PHIO also provides consumer and education services to enhance awareness of health insurance options. To provide consumers with accurate and relevant guidance and advice, the PHIO investigates the practices and procedures of insurers and healthcare providers. The PHIO also provides advice and recommendations to government and industry about private health, specifically the performance of the sector and the nature of complaints. To protect the interests of private health insurance consumers, the PHIO reports and makes recommendations to government about industry practices.

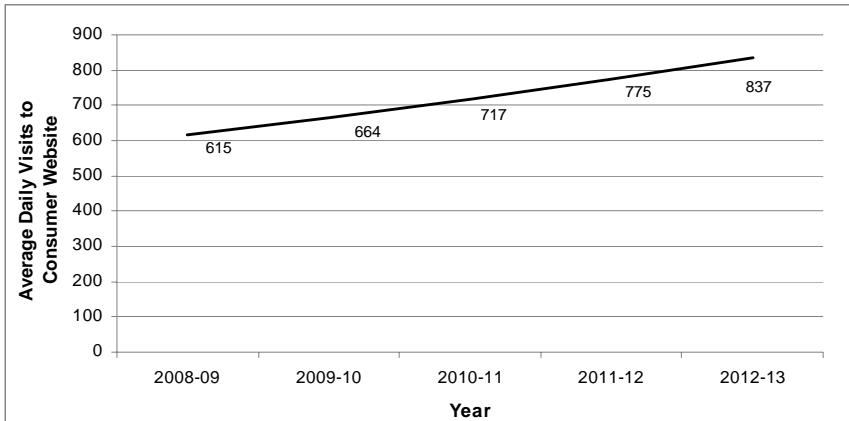
Refer to the discussion under Program 1.1: Private health insurance industry advice, recommendations and complaint resolution for further information on these Government initiatives.

PHIO Trends

Trend Projection 1.1: Working towards increasing client satisfaction with the PHIO’s complaint handling service.

Trend 1.1 demonstrates the estimated impact the PHIO’s complaints handling service will have on customer satisfaction. Customer satisfaction with the PHIO’s complaints handling service will grow, leading to increased public confidence in private health insurance.

Figure 2: Estimated Increase in Client Satisfaction with Complaint Handling Service

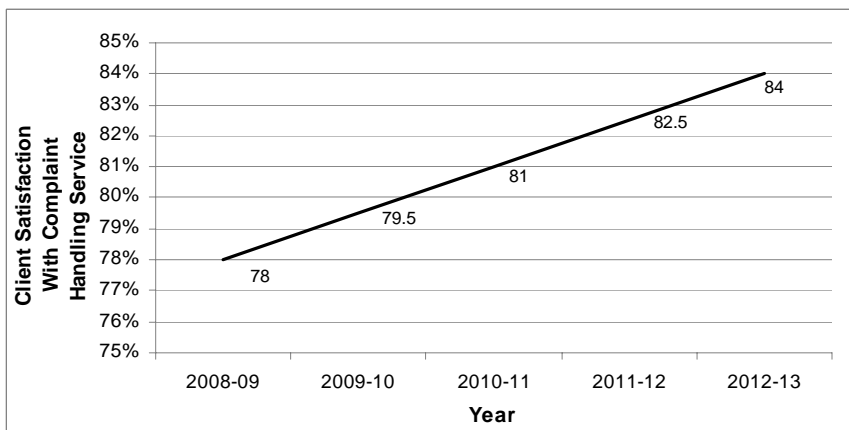


Source: Client Satisfaction Surveys, 2009.

Trend Projection 1.2: Working towards providing better information to consumers about private health insurance.

Trend 1.2 demonstrates the estimated impact the PHIO’s consumer website¹ will have on providing better information to consumers. Promoting the website will lead to an increase in the number of daily visits to the website and an increase in public confidence in private health insurance.

Figure 3: Estimated Average Daily Visits to Consumer Website



Source: PHIO internal data, 2009.

¹ Accessible at <www.privatehealth.gov.au>.



PHIO Budgeted Expenses and Resources

Table 2.1.1 provides an overview of the total expenses for the PHIO by Program.

Table 2.1.1: Budgeted Expenses and Resources for the PHIO

	2008-09	2009-10
	Estimated actual expenses	Estimated expenses
	\$'000	\$'000
Program 1.1: Private health insurance industry advice, recommendations and complaint resolution		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,962	1,964
Revenues from other sources (section 31)	10	10
Subtotal for Program 1.1	1,972	1,974
Total expenses for the PHIO	1,972	1,974
	2008-09	2009-10
Average staffing level (number)	11	11

Contributions to the PHIO

Program 1.1: Private health insurance industry advice, recommendations and complaint resolution

Program Objective

Through this Program, the Australian Government aims to promote public confidence in private health insurance through consumer and provider complaint, and enquiry investigations, and performance monitoring and reporting. The following discusses the key strategic directions the Australian Government will take through the PHIO to help achieve this objective.

Key Strategic Directions

This Program aims to:

- ensure the protection of the interests of insured persons;
- further improve the quality and accessibility of information available to consumers on private health insurance products; and
- provide private health insurance consumers with an efficient and effective complaints handling service.

Major Activities

Protecting the Interests of Health Insurance Consumers

The Australian Government, through the PHIO, conducts investigations, where required, into the practices of health insurers. Investigations are initiated by the Ombudsman or at the request of the Minister for Health and Ageing. The Ombudsman can compel disputing parties into mediation services to help resolve issues that may adversely affect consumers.

In addition, the PHIO consults with industry leaders, legislators and policy makers to raise awareness of the implications of current or proposed practices and policies for private health insurance consumers. This ensures these stakeholders are aware of the issues that consumers raise with the PHIO and are able to take them into account in their decision-making.

In 2009-10, the PHIO will continue to protect the interests of insured persons through a range of submissions and recommendations about private health insurance. These submissions and recommendations assist in protecting the interests of private health insurance consumers by ensuring decision-makers at the highest levels are aware of issues of concern to consumers in relation to their private health insurance and where applicable, implement appropriate solutions to address these issues. The PHIO will also engage with key stakeholders to promote consumer interest.

Challenges to the PHIO's work in this area include balancing competing interests and views of the various stakeholders. The PHIO will meet this challenge through extensive consultation and stakeholder liaison, in order to reach an independent view of the relevant issues.

Contribute to Consumer Empowerment

To improve consumer influence and competitiveness within the private health insurance industry, the PHIO, on behalf of the Australian Government, works to improve the quality and accessibility of consumer information on private health insurance products.

In 2009-10, the PHIO will continue to provide consumers and health insurance members with information, services and products explaining private health insurance arrangements and consumer rights. The PHIO will manage the private health insurance consumer website, which provides consumers with independent, reliable information on private health insurance and health insurance policies. The PHIO will conduct an independent evaluation of the website in 2009-10 to determine whether the site is meeting consumers' needs and any improvements to the usability of the site.

The PHIO will continue to publish the annual *State of the Health Funds Report*,² to provide information on the comparative performance of health insurers. The report gives consumers extra information to help them make decisions about private health insurance. For existing members, the report provides information that will assist them to compare the performance of their insurer with all other health insurers. For those considering taking out private health insurance, it provides an indication of the services available from each insurer and provides a comparison on some service and performance indicators at the insurer level.

The potential challenges in achieving these initiatives are ensuring timely receipt and accuracy of data. The PHIO will meet this challenge through systems and processes to ensure timely receipt and to check the accuracy of data used for the website, and the *State of the Health Funds Report* with insurers and the Private Health Insurance Administrative Council.

Complaints Handling Service

The Australian Government, through the PHIO, will deliver a health insurance complaints handling service to consumers over the next five years that is accessible, timely, independent and effective, and will publish information on its complaints handling activity.

In 2009-10, the PHIO will continue with staff training and development initiatives and its client satisfaction survey to ensure its complaints handling service is meeting the needs and expectations of consumers. The PHIO's staff performance development program provides for performance monitoring and reporting for PHIO staff that encourages improved performance and provides for staff training, development and mentoring to ensure staff are able to provide a high quality service to consumers. The impact of the performance development program is measured by improvements in each individual's performance as assessed by their supervisor and higher levels of satisfaction recorded in the PHIO's annual client satisfaction survey. In addition, the PHIO regularly provides reports on health insurance practices and associated regulation issues to the Minister and the Department of Health and Ageing. The PHIO also makes recommendations arising out of complaints dealt with, or investigations conducted by, the PHIO. These recommendations are aimed at resolving the individual complaint, as well as any underlying systemic issues that may impact on consumers' entitlements under their private health insurance.

² Accessible at <www.phio.org.au/pub_sta.html>.

Challenges in 2009-10 include recruiting and retaining suitable staff to manage the complaints handling service. The PHIO will overcome this challenge through a range of staff recruitment and retention initiatives, including its performance development program.

Program 1.1: Expenses

Table 2.1.2: Program Expenses

	2008-09 Estimated actual \$'000	2009-10 Budget \$'000	2010-11 Forward year 1 \$'000	2011-12 Forward year 2 \$'000	2012-13 Forward year 3 \$'000
Annual departmental expenses:					
Ordinary annual services*	1,962	1,964	1,964	1,964	1,964
Revenues from other sources (section 31)	10	10	10	10	10
Total departmental expenses	1,972	1,974	1,974	1,974	1,974

*Appropriation Bill (No.1) 2009-10.

Program 1.1: Deliverables

To enhance public confidence, Program 1.1 will produce high quality and timely advice, submissions and reports to protect consumers’ interests and promote confidence in private health insurance. These reports contribute to the PHIO’s ability to ensure consumers’ interests and concerns are effectively represented. The PHIO has overall responsibility for the ‘deliverables’ that contribute to this Program.

Qualitative Deliverable

Protecting the Interests of Health Insurance Consumers

- Quality information to assist consumers to better understand their private health insurance and choose an insurance policy that better meets their individual needs. Measured by the utilisation of the PHIO’s consumer brochures and the consumer website.

Table 2.1.3: Quantitative Deliverable for Program 1.1

Quantitative Deliverable	2008-09 Revised Budget	2009-10 Budget	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Protecting the Interests of Health Insurance Consumers					
Number of high quality and timely advisory services, policy advice, and submissions and reports, measured by stakeholder feedback.	≥12	≥12	≥12	≥12	≥12



Program 1.1: Key Performance Indicators

The following ‘key performance indicators’ measure the impact of the Program.

Table 2.1.4: Quantitative Key Performance Indicators for Program 1.1

Quantitative Indicators	2008-09 Revised Budget	2009-10 Budget Target	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Protecting the Interests of Health Insurance Consumers					
Percentage of recommendations that have resulted in changes to insurer or industry practices.	75%	75%	75%	75%	75%
Contribute to Consumer Empowerment					
Level of customer satisfaction.	85%	85%	85%	85%	85%
Percentage of information products useful or very useful for consumers.	75%	75%	75%	75%	75%
Complaints Handling Service					
Percentage of complaints finalised during the year.	90%	90%	90%	90%	90%
Percentage of complaints finalised within one month of receipt and a reduction in the average time taken to finalise level 3 disputes.	80%	80%	80%	80%	80%

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the Budget year 2009-10. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and Program expenses, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1 Explanatory Tables

3.1.1 Movement of Administered Funds Between Years

Section 3.1.1 is not applicable to the PHIO.

3.1.2 Special Accounts

Section 3.1.2 is not applicable to the PHIO.

3.1.3 Australian Government Indigenous Expenditure

The 2009-10 Australian Government Indigenous Expenditure Statement is not applicable because the PHIO has no specific Indigenous expenses.

3.2 Budgeted Financial Statements

3.2.1 Differences in Agency Resourcing and Financial Statements

Section 3.2.1 is not applicable to the PHIO.

3.2.2 Analysis of Budgeted Financial Statements

An analysis of the PHIO's budgeted departmental financial statements for 2009-10 is provided below.

Departmental Resources

Comprehensive Income Statement

The PHIO expects a continuation of agreed funding in 2009-10, including funding previously allocated to meet the on-going cost of maintaining and updating the consumer information website (\$0.562 million in 2007-08, \$0.564 million in 2008-09 and \$0.566 million in 2009-10). The cost to the budget of this funding will be fully offset by previously mandated increases in the Private Health Insurance Complaints levy.

Balance Sheet

Cash and receivable balances are expected to remain relatively constant across the Budget and forward years.

Non financial assets are expected to remain stable after office refurbishments in 2008-09.

Liabilities are also expected to remain stable to cover current and future supplier and employee entitlements for the Budget and forward years.

3.2.3 Budgeted Financial Statements Tables

**Table 3.2.1: Budgeted Departmental Comprehensive Income Statement
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
EXPENSES					
Employee benefits	955	956	926	945	945
Supplier	859	871	910	955	955
Depreciation and amortisation	158	147	138	74	74
Total expenses	1,972	1,974	1,974	1,974	1,974
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	-	-	-	-	-
Fees and fines	-	-	-	-	-
Interest	-	-	-	-	-
Other revenue	10	10	10	10	10
Total revenue	10	10	10	10	10
Gains					
Sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total own-source income	10	10	10	10	10
Net cost of (contribution by) services	1,962	1,964	1,964	1,964	1,964
Appropriation revenue	1,962	1,964	1,964	1,964	1,964
Surplus (Deficit)	-	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	273	480	618	692	766
Receivables	2,003	2,003	2,003	2,003	2,003
Total financial assets	2,276	2,483	2,621	2,695	2,769
Non-financial assets					
Land and buildings	3	3	3	3	3
Infrastructure, plant and equipment	46	37	37	37	37
Inventories	-	-	-	-	-
Intangibles	524	386	248	174	100
Other	-	-	-	-	-
Total non-financial assets	573	426	288	214	140
Total assets	2,849	2,909	2,909	2,909	2,909
LIABILITIES					
Payables					
Suppliers	46	51	51	51	51
Other payables	-	-	-	-	-
Total payables	46	51	51	51	51
Provisions					
Employees	208	263	263	263	263
Other provisions	-	-	-	-	-
Total provisions	208	263	263	263	263
Total liabilities	254	314	314	314	314
Net Assets	2,595	2,595	2,595	2,595	2,595
EQUITY					
Contributed equity	2,110	2,110	2,110	2,110	2,110
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	485	485	485	485	485
Total equity	2,595	2,595	2,595	2,595	2,595
Current assets	2,276	2,483	2,621	2,695	2,769
Non-current assets	573	426	288	214	140
Current liabilities	212	261	261	261	261
Non-current liabilities	42	53	53	53	53

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted Departmental Statement of Cash Flows
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	-	-	-	-
Appropriations	1,962	1,964	1,964	1,964	1,964
Interest	-	-	-	-	-
Net GST received	-	-	-	-	-
Other cash received	10	10	10	10	10
Total cash received	1,972	1,974	1,974	1,974	1,974
Cash used					
Employees	900	901	926	945	945
Suppliers	854	866	910	955	955
Net GST paid	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	1,754	1,767	1,836	1,900	1,900
Net cash from (or used by) operating activities	218	207	138	74	74
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from (or used by) investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Repayments of debt (including finance lease principal)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from (or used by) financing activities	-	-	-	-	-
Net increase (or decrease) in cash held	218	207	138	74	74
Cash at the beginning of the reporting period	55	273	480	618	692
Cash at the end of the reporting period	273	480	618	692	766

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental Statement of Changes in Equity – Summary of Movement (Budget year 2009-10)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	485	-	-	2,110	2,595
Net operating result	-	-	-	-	-
Appropriation (equity injection)	-	-	-	-	-
Estimated closing balance as at 30 June 2010	485	-	-	2,110	2,595

Table 3.2.6: Statement of Asset Movements – Departmental

	Land	Buildings	Other infrastructure, plant & equipment	Intangibles	Other non- financial assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 1 July 2009						
Gross book value	-	4	83	796	-	883
Accumulated depreciation/amortisation	-	1	37	272	-	310
Opening net book balance	-	3	46	524	-	573
CAPITAL ASSET ADDITIONS						
Estimated expenditure on new or replacement assets						
by purchase or internally developed	-	-	-	-	-	-
by finance lease	-	-	-	-	-	-
by contribution/donation	-	-	-	-	-	-
by gift	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Other movements						
Depreciation/amortisation expense	-	-	9	138	-	147
Disposals*	-	-	-	-	-	-
Other	-	-	-	-	-	-
as at 30 June 2010						
Gross book value	-	4	83	796	-	883
Accumulated depreciation/amortisation	-	1	46	410	-	457
Closing net book balance	-	3	37	386	-	426

Note: * Proceeds may be returned to the Official Public Account.

3.2.4 Notes to the Financial Statements

The budgeted financial statements for the PHIO are prepared for the Budget year, previous year and three forward years.

Departmental Financial Statements

Budgeted Departmental Comprehensive Income Statement (for the period ended 30 June)

This statement provides a picture of the expected financial results for the PHIO by identifying full accrual expenses and revenues.

Budgeted Departmental Balance Sheet (as at 30 June)

The statement shows the financial position of the PHIO. It enables decision-makers to track the management of the PHIO's assets and liabilities.

Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

Budgeted cash flows as reflected in the statement of cash flows, provides important information on the extent and nature of cash flows by characterising them into expected cash flows from operating activities, investing activities and financing activities.

Departmental Statement of Changes in Equity – Summary of Movement (Budget year 2009-2010)

This table shows the movements in equity during the Budget year.