



THE HON NICOLA ROXON MP
MINISTER FOR HEALTH AND AGEING

Ms Samantha Gavel
Private Health Insurance Ombudsman
Level 7
362 Kent Street
SYDNEY NSW 2000

Dear Ms Gavel *Samantha*

I appreciate and support the important and valuable work undertaken by the Private Health Insurance Ombudsman (PHIO). I understand that PHIO's role recognises the need of private health insurance consumers to have access to information about their rights and responsibilities and to have confidence that their rights are protected.

I am writing to request your consideration of the *Statement of Expectations* (below) for PHIO going into the future. In due course, I would appreciate PHIO's considered response and an indication, in a *Statement of Intent*, of how PHIO proposes to meet the *Statement of Expectations*.

1. Introduction

PHIO provides an independent service for dealing with complaints relating to private health insurance through a system that is accessible, effective, timely, objective and non-judgmental. In addition, 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. PHIO also has an important consumer education role, to assist consumers to understand their private health insurance and their rights and responsibilities in relation to their health insurance.

In performing your role, I ask you to work closely and cooperatively with my Department, which will continue as the primary source of private health insurance policy development and advice to Government.

2. Short and long-term priorities

I ask that the focus of PHIO's activities be protecting consumers' interests in relation to private health insurance.

Related to this focus, an ongoing priority of PHIO is ensuring that its complaints handling service continues to meet best practice and the needs and expectations of consumers. I request that the development of strategies to assist in identifying and resolving the underlying principles which lead to complaints will be another ongoing priority for PHIO.

I request that priorities of PHIO for 2009-10 include:

- a review of the www.privatehealth.gov.au website;
- introduction of an education program for insurers aimed at assisting them to improve their internal complaints handling practices; and
- improving the office's corporate planning and public communications strategies.

3. Legislative framework

The role and functions of PHIO are set out in Part 6-2 of the *Private Health Insurance Act 2007* (the Act). PHIO is a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act).

4. Role

PHIO is a statutory agency whose main role is to protect the interests of people covered by private health insurance. The full functions of the Ombudsman, as provided by Divisions 230-256 of the Act, are:

- dealing with complaints against a private health insurer, a health care provider or a private health insurance broker (Division 241);
- conducting investigations into the practices and procedures of a private health insurer, a health care provider or a private health insurance broker (Division 244);
- publishing (in written form and on PHIO's website) the State of the Health Funds Report, as soon as practicable after the end of each financial year providing comparative information on the performance and service delivery of all private health insurers during that financial year;
- collecting and publishing information about the complying health insurance products available to people, in order to assist people to understand the entitlements and benefits available under those products (i.e. managing the www.privatehealth.gov.au website);
- publishing, in aggregate form, information (not personal information) about complaints under Division 241;
- conducting mediation between private health insurers and health care providers in order to resolve complaints (Division 247);
- reporting and making recommendations to me (as Minister for Health and Ageing) or to my Department following investigations as a result of complaints (sections 241-60 and 244-15);
- reporting to me (as Minister for Health and Ageing) or to my Department about the practices of particular private health insurers or private health insurance brokers;
- making recommendations to me (as Minister for Health and Ageing) or to my Department about regulatory practices or industry practices relating to private health insurers or private health insurance brokers; and
- promoting a knowledge and understanding of the PHIO's functions.

As part of your role as the Ombudsman I request that a report be provided on PHIO's operations to me (as Minister for Health and Ageing) for presentation to Parliament, as soon as practicable after 30 June each year.

5. Stakeholder relationships

I note that PHIO and my Department operate within the same broad policy platform. While I recognise that PHIO is an independent agency, and that you and your team have responsibility for independent service to help consumers with private health insurance problems and enquiries, the Secretary of the my Department is the primary source of policy advice in my oversight of portfolio agencies and my Department remains responsible for private health insurance policy development. To ensure that the Secretary and my Department can undertake this advisory role, I request that you inform the Secretary (or my Department) of relevant issues and information affecting the portfolio. I ask that PHIO and my Department foster a close working relationship based on the principles of open communication, no surprises and information sharing as per the Relationship and Appointment protocols endorsed by me.

In having regard to the interests of the Government, I request that you provide me and my Department with appropriate notice of key issues, reports and events that may impact on Government operations or policies.

I ask that PHIO continues to protect the interests of its main stakeholders, private health insurance consumers. In the interest of protecting private health insurance consumers, and in all representations made on behalf of consumers, I ask that PHIO handle matters with diplomacy, sensitivity and awareness of the needs and expectations of the parties involved, including those of the private health insurance industry and of health care providers.

Where necessary, I ask that PHIO provide information to other stakeholder agencies besides my Department, including Medicare Australia and the Private Health Insurance Administration Council, about the nature and quantity of issues affecting private health insurance consumers and their interests.

6. Compliance activities

I ask that you exercise prudence in your financial management of the agency in the context of your legislative framework, my expectations as set out in this document and the requirements of the FMA Act.

Under the FMA Act, you must manage the affairs of the agency in a way that promotes the efficient, effective and ethical use of resources. Under the FMA Regulations, officials are required to do this in a manner that is consistent with the policies of the Commonwealth (for example, Commonwealth Procurement Guidelines).

Any breaches of the FMA Act, FMA Regulations, FMA Delegations, FMA Orders or financial management and other policies must be reported in your agency's annual certificate of compliance.

7. The agency as an employer

PHIO's staff are employed under the *Public Service Act 1999*.

PHIO must comply with the Australian Public Service Commission's guidelines to deliver your agency's priorities, through good practice in managing people and equipping people to develop the skills and knowledge they need. This will also support you in embedding ethical behaviour across the whole agency.

I ask that you provide a safe working environment and lead your agency in such a way that it is seen as a good place to work, family friendly and an employer that is inclusive of our diverse community. You should comply with the principles set out in the *Discrimination Act 1992* and the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* and with the requirements of the Commonwealth Disability Strategy.

PHIO should set high human resource standards and ensure that it is well placed to effectively implement workplace policy of an equivalent standard to other public sector workplaces. I ask that you meet best practice in selection, recruitment and promotion of staff in line with the merit principle.

PHIO must, in the performance of its functions or the exercise of its powers, apply all elements and comply with the provisions of the Australian Government Employment Bargaining Framework. I will need to approve any new Collective Agreement proposed by PHIO before it is put to staff for agreement, according to Government policy.

8. Conclusion

Please note that the *Statement of Expectations* is not a Ministerial direction, a conferral of functions, a term or condition of office, or a delegation of power under an Act.

However, I ask that PHIO consolidate its position by focusing on the core business of resolving problems about private health insurance, and acting as the umpire in dispute resolution at all levels within the private health industry and making practical recommendations to the Commonwealth Government about the private health industry to deliver better outcomes for the Australian people.

I look forward to continuing to work with PHIO. In going forward, I trust that clarification of expectations through the development and issue of the *Statement of Expectations* and *Statement of Intent* will provide additional benefits.

I look forward to receiving PHIO's *Statement of Intent* outlining how it is proposed these expectations will be met.

Yours sincerely



NICOLA ROXON

25 MAY 2009