

PRIVATE HEALTH INSURANCE OMBUDSMAN

PHIO

Private Health Insurance Ombudsman

Health and Ageing Portfolio Agency

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PHIO

Section 1: Agency Overview and Resources

1.1: AGENCY OVERVIEW

The Australian Government is committed to providing an independent service for dealing with complaints relating to private health insurance. The Private Health Insurance Ombudsman (PHIO) achieves this by providing a system that is accessible, effective, timely, objective and non-judgemental. In addition, the PHIO identifies underlying problems in the practices of private health funds or health providers relevant to the administration of private health insurance, and encourages health funds 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.

Summary of Agency Outcome and Output Groups

The products and services delivered by PHIO that contribute to the achievement of its outcome are summarised in Table 1.1.1.

Table 1.1.1: Agency Outcome and Output Groups

Outcome	Output Groups
Consumers and Providers have Confidence in the Administration of Private Health Insurance	Output Group 1 – Advice and Recommendations about the Private Health Insurance Industry
	Output Group 2 – Direct Delivery of Services

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 classification.

The total resourcing for the PHIO in the 2008-09 Budget is \$3.638 million.

Table 1.2.1: PHIO Resource Statement

		Estimate of prior + year amounts available in 2008-09 \$'000	Proposed at Budget = 2008-09 \$'000	Total Estimate 2008-09 \$'000	Estimated Appropriation Available 2007-08 \$'000
Ordinary Annual Services					
Departmental Outputs					
Departmental outputs ¹		1,666	1,962	3,628	1,957
s31 Relevant agency receipts ²			10	10	10
Total			1,972	3,638	1,967
Total ordinary annual services	A	1,666	1,972	3,638	1,967
Total Available Annual Appropriations		1,666	1,972	3,638	1,967
Special Accounts					
Opening balance		-	-	-	-
Appropriation Receipts		-	-	-	-
Appropriation Receipts - other agencies		-	-	-	-
Non-Appropriation receipts to Special Accounts		-	-	-	-
Total Special Account	B	-	-	-	-
Total Resourcing					
A+B+C		1,666	1,972	3,638	1,967
Less appropriations drawn from annual or special appropriations above and credited to special accounts		-	-	-	-
Total net resourcing for Private Health Insurance Ombudsman		1,666	1,972	3,638	1,967

¹ Appropriation Bill (No. 1) 2008-09

² s31 Relevant Agency receipts - estimate

The total available departmental operating appropriation (outputs) will not equal the total of all outputs in the Outcome Budgets, for the reconciliation see Table 3.1.1 Reconciliation of Total Available Appropriation and Outcome Budgets.

Reader note: All figures are GST exclusive.

1.3: 2008-09 BUDGET MEASURES

Section 1.3 is not applicable to the PHIO.

Section 2: Agency Outcomes and Planned Performance

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community. Agencies are required to identify the output groups that demonstrate their contribution to Government outcomes over the coming year.

This section summarises output groups, specifying the performance indicators and targets used to assess and monitor the performance of the PHIO in achieving Government outcomes.

Outcome 1 – Consumers and Providers have Confidence in the Administration of Private Health Insurance

2.1: SUMMARY OF OUTCOME, AGENCY RESOURCING, OUTPUTS AND PERFORMANCE INFORMATION

Outcome Summary

The Australian Government is committed to ensuring consumers and providers have confidence in the administration of private health insurance. The PHIO will achieve this through: effective complaints handling and dispute resolution; provision of consumer information services including the private health insurance consumer website¹; conducting investigations into the practices of health funds; and monitoring changes to health fund agreements with hospitals and other health providers.

Key Strategic Directions

- Ensure the interests of insured persons in relation to all aspects of private health insurance are effectively protected.
- Improve the quality and accessibility of consumer information on private health insurance products.
- Provide an efficient complaints handling service.

Major Activities

Protecting the Interests of Insured Persons

The PHIO, on behalf of the Australian Government, may conduct investigations into the practices of a health fund. These may be initiated by the Ombudsman or at the request of the Minister for Health and Ageing. The Ombudsman is also able to compel parties

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

involved in a dispute to participate in mediation services to assist in resolving issues that may adversely affect consumers.

In addition, the PHIO participates in policy and industry discussions so that the industry, legislators and policy makers are made aware of the implications of current or proposed practices and policies for private health insurance consumers.

In 2008-09, the PHIO will protect the interests of insured persons through a range of submissions and recommendations about private health insurance and on-going stakeholder liaison and consultation. The challenges faced 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 issue.

Funding for this major activity is sourced from Output Group 1 – Advice and Recommendations about the Private Health Insurance Industry.

Contribute to Consumer Empowerment

The Australian Government, through the PHIO, contributes to consumer empowerment and competitiveness within the private health insurance market by improving the quality and accessibility of consumer information on private health insurance products.

In 2008-09, 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 fund policies. The PHIO will conduct an independent evaluation of the website in 2008-09 to determine whether the site is meeting consumers' needs and any improvements to the usability of the site.

The PHIO also publishes an annual *State of the Health Funds Report*.² This report provides information on the comparative performance of health funds.

The 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 check accuracy of data used for the website and the *State of the Health Funds Report*.

Funding for this major activity is sourced from Output Group 2 – Direct Delivery of Services.

Complaints Handling Service

The PHIO, on behalf of the Australian Government, will deliver a 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 addition, the Ombudsman regularly reports and makes recommendations to the Minister and the Department of Health and Ageing on health insurance practices and associated regulation, arising out of complaints dealt with, or investigations conducted by, the PHIO.

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

In 2008-09, the PHIO will ensure its complaints handling service meets the needs of consumers and meets or exceeds best practice complaint handling standards.

Challenges in 2008-09 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 new Performance Development Program.

Funding for this major activity is sourced from Output Group 1 – Advice and Recommendations about the Private Health Insurance Industry and Output Group 2 – Direct Delivery of Services.

PHIO Resourcing

Table 2.1.1 shows how the 2008-09 Budget appropriations translate to total resourcing for PHIO, including revenue from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1.1: Total Resources for the PHIO

	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output Group 1:		
Departmental Outputs		
Advice and Recommendations about the Private Health Insurance Industry	490	490
Revenues from other sources	10	10
Subtotal for Output Group 1	500	500
Output Group 2:		
Departmental Outputs		
Direct delivery of services	1,472	1,467
Revenues from other sources	-	-
Subtotal for Output Group 2	1,472	1,467
Special Accounts		
Special Account Services for Other Entities and Trust Moneys - Private Health Insurance Ombudsman Special Account		
Opening balance	-	-
Appropriation receipts	-	-
Non-Appropriation receipts to Special Accounts	-	-
Total Resources for Private Health Insurance Ombudsman	1,972	1,967
	2008-09	2007-08
Average Staffing Level (number)	10	9

Contribution of Administered Programs

There are no administered programs for the PHIO in 2008-09.

Contribution of Departmental Outputs

Output Group 1 – Advice and Recommendations about the Private Health Insurance Industry

The outputs delivered under this output group include:

- submissions and reports to Parliament;
- reports and recommendations to the Minister for Health and Ageing;
- reports and advice to the Department of Health and Ageing; and
- advice and recommendations to other key stakeholders about regulatory and consumer protection regimes for private health insurance.

The output group's contribution to this outcome is measured by stakeholder satisfaction, and the timeliness and quality of advisory service products.

Output Group 2 – Direct Delivery of Services

The outputs delivered under this output group include:

- complaints handling dispute resolution service;
- investigations of health fund practices;
- mediation between health funds and providers;
- the private health consumer information website;
- the production and distribution of information products; and
- the publication of the annual *State of the Health Funds Report*.

The output group's contribution to this outcome is measured by the provision of timely services.

Performance Information for the PHIO

Performance information for output groups relating to the PHIO are summarised in Table 2.1.2.

Table 2.1.2: Key Performance Information for the PHIO

Performance Information for Departmental Outputs

Indicator	2008-09 Reference Point or Target
Output Group 1 – Advice and Recommendations about the Private Health Insurance Industry	
High quality and timely advice, submissions and reports, measured by stakeholder feedback. Efficient advisory services measured by the timely production of a range of advisory service products.	Production of at least 12 submissions and public presentations.
Output Group 1 Resourcing: \$0.500m	

Indicator	2008-09 Reference Point or Target
Output Group 2 – Direct Delivery of Services	
Efficient complaints handling service measured by the percentage of complaints finalised during the year.	90% of complaints received are finalised.
Accessible, effective and timely complaints handling service measured by the level of customer satisfaction.	85% of respondents satisfied or very satisfied.
Improved fund or industry practices as a result of PHIO investigation recommendations. Measured by the proportion of recommendations that have resulted in changes to fund or industry practices.	75% of recommendations result in changes to fund or industry practice.
Information products are useful and informative for consumers.	75% of respondents find the information they received useful or very useful.
Timeliness of complaint resolution. Measured by the percentage of complaints finalised within one month of receipt and a reduction in the average time taken to finalise level 3 disputes.	80% of complaints finalised within one month. Reduction in average time taken finalising level 3 disputes.

Indicator	2008-09 Reference Point or Target
Output Group 2 – Direct Delivery of Services	
Independent, reliable information about private health insurance and health insurance policies available to consumers via the private health website.	First independent evaluation of the website completed by June 2009.
Quality, accurate information about private health insurance available in the <i>State of the Health Funds</i> report.	<i>State of the Health Funds Report 2007-08</i> published by 31 March 2009.
Output Group 2 Resourcing: \$1.472m	

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements that provide a comprehensive snapshot of agency finances for the Budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between the agency and outcome resource statements, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1: EXPLANATORY TABLES

3.1.1: Reconciliation of Total Available Appropriation and Outcomes

The Agency Resource Statement (Table 1.2.1) details the total available appropriation available to an agency from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at Budget. As agencies incur and are funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to an agency is unlikely to be fully utilised in the Budget year. Outcome resource statements include details of the expected use of available resources in contributing towards outcomes in the Budget year. The difference between the agency resource statement and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the Budget year 2009-10, including amounts related to meeting future obligations to maintain the agency's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of Total Available Appropriation and Outcomes

	\$'000
Total Available Departmental Operating Appropriation (outputs)	3,638
Less total attributed in outcome resource statements	1,972
Estimated Departmental Operating Appropriation Carry-Forward for 2009-10 (outputs)	1,666

3.1.2: Movement of Administered Funds Between Years

3.1.2 is not applicable to the PHIO.

3.1.3: Special Accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister’s Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by the PHIO.

Table 3.1.3: Estimates of Special Account Cash Flows and Balances

	Opening balance 2008-09 2007-08	Receipts 2008-09 2007-08	Payments 2008-09 2007-08	Adjustments 2008-09 2007-08	Closing balance 2008-09 2007-08
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Entities and Trust Moneys - Private Health Insurance Ombudsman Special Account (D)	1 -	-	-	-	-
Total Special Accounts	-	-	-	-	-
2008-09 Budget estimate	-	-	-	-	-
Total special accounts	-	-	-	-	-
2007-08 estimate actual	-	-	-	-	-

(D) = Departmental

3.1.4: Australian Government Indigenous Expenditure

3.1.4 is not applicable to the PHIO.

3.2: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the PHIO's budgeted financial statements for 2008-09 is provided below.

Departmental Resources

Income Statement

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

3.3: BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.3.1: Budgeted Departmental Income Statement (for the period ended 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME					
Revenue					
Revenues from Government	1,957	1,962	1,964	1,964	1,964
Other	10	10	10	10	10
Total Revenue	1,967	1,972	1,974	1,974	1,974
Total Income	1,967	1,972	1,974	1,974	1,974
EXPENSE					
Employees	951	955	956	926	945
Suppliers	858	859	871	910	955
Depreciation and amortisation	158	158	147	138	74
Total Expenses	1,967	1,972	1,974	1,974	1,974
Surplus/(Deficit)	-	-	-	-	-

Prepared on Australian Accounting Standards basis

Table 3.3.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS					
Financial Assets					
Cash and equivalents	1,666	1,884	2,091	2,229	2,303
Trade and other Receivables	65	65	65	65	65
Total Financial Assets	1,731	1,949	2,156	2,294	2,368
Non-Financial Assets					
Land and buildings	3	3	3	3	3
Infrastructure, plant and equipment	44	24	15	15	15
Intangibles	488	350	212	74	-
Total Non-Financial Assets	535	377	230	92	18
Total Assets	2,266	2,326	2,386	2,386	2,386
LIABILITIES					
Provisions					
Employees	158	213	268	268	268
Total Provisions	158	213	268	268	268
Payables					
Suppliers	5	10	15	15	15
Total Payables	5	10	15	15	15
Total Liabilities	163	223	283	283	283
Net Assets	2,103	2,103	2,103	2,103	2,103
EQUITY					
Parent Entity Interest					
Retained surpluses or accumulated deficits	2,103	2,103	2,103	2,103	2,103
Total Parent Entity Interest	2,103	2,103	2,103	2,103	2,103
Total Equity	2,103	2,103	2,103	2,103	2,103
Current assets	1,731	1,949	2,156	2,294	2,383
Non-current assets	535	377	230	92	3
Current liabilities	120	165	209	209	209
Non-current liabilities	43	58	74	74	74

Table 3.3.3: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash Received					
Appropriations	1,937	1,942	1,962	1,964	1,964
Other	10	10	10	10	10
Total Cash Received	1,947	1,952	1,972	1,974	1,974
Cash Used					
Employees	896	900	901	926	890
Suppliers	833	834	864	910	950
Total Cash Used	1,729	1,734	1,765	1,836	1,840
Net Cash From or (Used by) Operating Activities	218	218	207	138	134
Net Increase or (Decrease) in Cash Held	218	218	207	138	134
Cash at the beginning of the reporting period	1,448	1,666	1,884	2,091	2,229
Cash at the End of the Reporting Period	1,666	1,884	2,091	2,229	2,363

Table 3.3.4: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2008-09)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	2,103	-	-	-	2,103
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	2,103	-	-	-	2,103
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Sub-total income and expense	-	-	-	-	-
Surplus (deficit) for the period	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2009	2,103	-	-	-	2,103

3.4: 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 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. This highlights whether the PHIO is operating at a sustainable level.

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 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 2008-09)

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