

Review of Operations

HCF offers a range of products and services that provide the freedom for our members to choose and access high quality health care and financial services. We meet and exceed our members' expectations through continued improvement in efficiency and service standards, meeting our pledge that HCF gives more for our members.

18 Access to High Quality and Affordable Health Care

HCF Health Insurance	18
Manchester Unity Health Insurance	18

18 Hospital Care

Private Hospital Network	18
Medical Gap Coverage	19
Prosthesis Benefits	19

19 Health Care

HCF Dental Centres and the HCF Oral Health Program	19
HCF Eyecare Centres	19

21 More for Our Members

"MyHealth Guardian"	21
HCF Healthy Weight for Life Program	21
HCF Helping Hand Program	21
HCF Healthy Heart Program	21

21 Retirement and Aged Care Services

21 Commitment to Members

Meeting Member Expectations	21
-----------------------------	----

22 Complaint Resolution

Member Communications	22
-----------------------	----

22 Making it Easy to Do Business with Us

Electronic Commerce and Process Automation – Better service Lower costs.	22
--	----

23 More Information for Our Members

24 Awards for Excellence

Outstanding Value Award	24
Our Award-winning Branch	24
Marketing Excellence	24
Eleventh Australasian Reporting Gold Award	24

Access to High Quality and Affordable Health Care HCF Health Insurance

In 2009 HCF provided funding for over 154,000 HCF members who required 273,694 hospital admissions and 2,084,359 medical services, an increase of more than 12,000 patients, 21,000 admissions and 162,460 medical services over last year.

We also paid benefits for 2,711,782 ancillary claims, which include dental, optical, physiotherapy, chiropractic, pharmacy services and ambulance services. The total cost of hospital and extras benefits was \$1,042 million.

Eighty two percent of hospital admissions were provided by over 400 private hospitals covered by HCF Charge Agreements and the remaining 18% were provided by 523 public hospitals. Medical and ancillary services were provided by over 17,700 doctors, 16,000 dentists and 48,700 other service providers.

An overview of these services follows with a comprehensive review of trends, usage and the costs of private health care services required by HCF members in the Trends and Statistics Section.

Manchester Unity Health Insurance

In 2008/09 Manchester Unity funded 46,769 hospital admissions, 328,015 medical services and 1,001,296 ancillary services. The full year cost of benefits paid for these services was \$165.1 million.

Hospital Care

Private Hospital Network

HCF negotiates charge agreements with private hospitals Australia-wide. They cover accommodation and other hospital-related services for members. We also have medical gap cover arrangements with specialists that cover the difference between their charge for in-hospital medical services and the Medicare Schedule Fee.

This ensures members will be fully covered for all hospital treatment or will incur an agreed excess, depending on their level of cover. HCF waives all excesses for all same day hospital care and for all overnight admissions resulting from accidents, a benefit not offered by most other funds.

Members who choose specialists participating in HCF's medical gap scheme usually incur no out-of-pocket medical expenses.

We have charge agreements with 416 private hospitals and private same day hospitals which provided 98% of all private hospital admissions nationally and 99% of all private hospital admissions in NSW and the ACT this year. HCF contracts only with private hospitals which are fully accredited by official bodies such as the Australian Council of Healthcare Standards, an independent organisation dedicated to improving the quality of health care through performance assessment and accreditation.

We provided funding for over 154,000 members, 273,700 hospital admissions and 2 million medical services

Total benefits paid to members increased by 10% to over \$1 billion

Medical Gap Coverage

HCF has 22,900 specialist doctors participating in our Medical Gap Cover scheme. During 2008/09 we fully covered 87% of all hospital related medical services provided to HCF members, the same as last year, and above the industry average of 85%.

81% of all medical services provided to Manchester Unity hospital patients were fully covered. HCF is in the course of replacing previous MU 'gap' cover arrangements with those applying to HCF members. We expect this will increase the gap coverage ratio to the same as HCF members' experience.

Prosthesis Benefits

Charges for prostheses are negotiated on an industry basis by the Prostheses and Devices Negotiating Group. HCF benefits paid for prostheses increased by \$12.3 million (14%) in 2008/09 to \$99.9 million. The growth in the number and cost of prostheses reflects higher usage, ageing of the insured population, improved technology and changes in medical practice. MU prosthesis benefits were \$13.4 million.

Health Care

HCF Dental Centres and the HCF Oral Health Program

The HCF network of seven dental centres in the Sydney Metropolitan area enables members to access lower cost, high quality dental services. With 122 highly qualified dentists and 93 surgeries we continue to provide the highest level of dental care to our members. HCF insistence on continuing professional development means all of our dentists meet our required high standard of clinical and personal development.

The Australian Council on Healthcare Standards (ACHS) extended the dental network's accreditation to 2013 following last year's periodic quality assurance review.

This year HCF dental centres treated almost 80,000 members and provided 30% of all preventative and diagnostic dental services to members living in NSW.

Dental Network

	2008	2009	Change
HCF Dental Centres			
Patients treated	75,600	80,000	6%

Members using the HCF dental centre network were charged considerably lower out of pocket expenses than those treated in private dental practice.

Dental average co-payments

	2008	2009
Average co-payment		
Private practice	\$33.18	\$35.00
HCF dental centres	\$7.27	\$8.50

The HCF Oral Health Program (OHP) was introduced to provide 'no-gap' preventative and diagnostic dental services similar to those provided by our dental centres to members living in the regional and rural areas of NSW, ACT or who are resident in Victoria, Queensland and South Australia. This year the number of participating dentists increased by 27% to 2,397. They treated 177,500 HCF members, 13.5% more than in 2007/08 and provided almost 40% of all dental services to HCF members.

Oral Health Program

	2008	2009	Change
NSW/ACT			
Number of dentists	553	660	19.0%
Patients treated	85,317	87,800	2.3%
Queensland			
Number of dentists	884	1,046	18.0%
Patients treated	49,100	56,200	14.0%
Victoria			
Number of dentists	460	536	17.0%
Patients treated	22,000	26,000	18.0%
South Australia*			
Number of dentists	-	155	-
Patients treated	-	7,500	-

* Oral health program introduced 1 July 2008

From April 2009 Manchester Unity members were able to use the HCF dental network and the Oral Health Program. This enables MU members to access lower cost dental services around Australia.

HCF Eyecare Centres

Our seven Eyecare Centres are operated under a franchise agreement with Eyecare Holdings Pty Ltd and are co-located with HCF dental clinics. HCF and MU members can access a full range of affordable high quality optical frames, lenses and contact lenses. High quality optical care is provided by qualified optometrists and optical dispensers using modern equipment. This year, 24,345 members used the HCF Eyecare Centres, 1.5% higher from the 23,989 last year.

We treated 80,000 members at our dental centres, 6% more than last year

The combined Group market share rose to 11.8%

All HCF Eyecare centres have Quality in Practice accreditation to standards set by the Optometrists Association Australia.

Optical average co-payments*

	2008	2009
Average co-payment		
Private practice	\$106.74	\$105.75
Eyecare centres	\$98.05	\$99.05

* Based on benefit items for frames, lenses and contact lenses.

More for Our Members

HCF members now have access to a range of health, lifestyle and disease management programs available online and by telephone, specifically tailored to their own healthcare needs.

“MyHealth Guardian”

Representing a \$100 million investment by HCF in its members, “MyHealth Guardian” is the first service of its kind to offer comprehensive advice and support for the full spectrum of health and lifestyle circumstances.

The service provides internationally recognised behavioural change programs to help people quit smoking, lose weight, manage high blood pressure and cholesterol, and improve exercise and diet. A critical element is the provision of specialised help by Australian registered and qualified healthcare professionals to manage up to 21 chronic conditions, including Diabetes, Asthma, chronic Obstructive Pulmonary disease, Coronary Heart disease and chronic Kidney disease. The program is designed to complement and support the care provided by a doctor.

The HCF Healthy Weight for Life Program

The Healthy Weight for Life program helps overweight members with Type 2 Diabetes and Cardiovascular disease reduce their weight and improve their blood glucose control, blood pressure or cholesterol. This 18 week program combines a very low calorie diet, educational modules, internet and telephone monitoring, coaching and follow up. Most of the 1,388 members participating lost weight of around 9%. Several members actually brought their blood glucose into the normal range.

The HCF Helping Hand Program

The HCF Helping Hand program is a support service for members with mental health conditions, providing regular telephone support, a 24 hour crisis hotline, and helps members become pro-active about seeking medical care. The program produced improvements in members' mental health and a reduction in hospitalisation.

The HCF Healthy Heart Program

The HCF Healthy Heart was successfully completed at the end of June, with 754 members participating. Members who wish to continue receiving support for their health will transfer to the new HCF “MyHealth Guardian” program.

Retirement and Aged Care Services

Retirement and Aged Care Services (RACS) operates 183 aged care beds and 182 retirement living units in North Parramatta, Hunters Hill and Westmead and caters for over 400 residents and employs approximately 160 staff. All facilities successfully met their compliance obligations, with the Commonwealth Department of Health and Ageing extending the aged care facilities Accreditation out to 2011 following last year's periodic Accreditation reviews. We continued to invest in our facilities to ensure we maintained and improved the services we offer our residents and this in turn ensured our facilities remained in strong demand.

Commitment to Members Meeting Members Expectations

HCF provides health and life cover for 1.3 million people, including Manchester Unity members. Service is provided by 48 branches in key locations in NSW, the ACT, Adelaide, Brisbane and Melbourne, our call centres and the HCF website.

All service outlets, including the HCF web site, enable members to access the full range of services they need. These include paying their premium, submitting ancillary claims, changing their membership details or cover and obtaining account and provider information as well as vote for directors. They can also receive their HCF Australian Tax Office statement, policy summary and rate notifications electronically.

HCF's Medical Gap scheme providers up by more than 2,500 to 22,900

Fourteen percent of all new business and 40% of all member service transactions were handled via the web this year, compared with 17% and 32% respectively last year.

Our commitment to exceed members' service expectations and to continuously improve quality and efficiency through technological and productivity change is reflected in our investment in staff training and product development. As part of this commitment HCF regularly surveys members' satisfaction with our service and the care provided to them by hospitals, doctors and other providers. We use the results as key benchmarks for tracking and improving performance.

Member satisfaction	2008	2009
Overall satisfaction	96%	95%
Branch	94%	94%
Dental Centre	93%	94%
Eyecare Centre	96%	93%
Call Centre	89%	89%
Website	93%	91%

Complaint Resolution

This year HCF received 501 complaints, 14% fewer than last year. Most complaints were dealt with directly with members. The Private Health Insurance Ombudsman (PHIO) referred 22 complaints classified as Category 3 (disputes), to us in 2009, compared with 32 disputes last year. All disputes were resolved to the satisfaction of the Ombudsman.

HCF's share of all disputes received by the PHIO was 3.5% this year, well below our national market share of 10% and less than our 4.7% share last year.

Total ancillary benefits for members rose by 4.8% to \$271 million

The 22 disputes referred to us by the Ombudsman covered:

	2008	2009
Reason		
Benefit Levels	13	7
Service and information quality	9	10
Membership	4	3
Claims for pre-existing ailments	6	2
Total	32	22

The total number of complaints received from all sources is equal to a complaint to membership ratio of 0.1% for the year compared with last year's ratio of 0.13%.

Manchester Unity complaints for 2008/09 were 8% higher than the previous year. PHIO referred 26 complaints classified as Category 3, against 24 for the previous year. MU's share of all disputes received by the PHIO was 4.6% against an industry market share of 1.8%. We are working to reduce this rate.

Member Communications

Our publications and promotional material are regularly updated to ensure our communication is of the highest possible standard and continuously improved. HCF brochures and other communication documents are produced in a standardised, clear and easy to read layout and tone. We encourage our members to make suggestions to improve these via our email address – service@hcf.com.au; our call centre or branches and respond promptly to suggestions.

Making it Easy to Do Business with Us

During 2008/09 we invested significantly in improving our data centre technology, customer relationship management and dental centre systems.

The use of virtual server technology saved over \$400,000 this year and our upgraded mainframe computer has improved our disaster recovery capabilities.

Electronic Commerce and Process Automation – Better service Lower costs

This year we processed 78% of all sales, service and claims transactions electronically. Major benefits were realised with the automation of medical claims processing.

HCF was the first fund in Australia to process hospital claims using the Federal Government's ECLIPSE system. HCF has seventy participating private and public hospitals processing their claims through the ECLIPSE system. ECLIPSE has eliminated manual coding and reduced by half the claims error rate.

Our business intelligence systems have enhanced our ability to prevent improper claiming practices. Combined with our rules based claims engine it acts as an early warning system in detecting the risk of fraudulent claims.

We supported 12,000 more patients, 21,000 more hospital admissions and 162,460 more medical services than last year

Invoice scanning and data recognition using ReadSoft and integrated data enhancement and verification services will be extended to ancillary claims in 2009/10. This will enable claims data received through the mail to be automatically transferred to ACE (HCF's automated claims processing engine) for assessment and payment.

A new scanning capture system will soon process membership applications automatically, eliminating manual tracking and distribution of membership forms, reducing processing time and improving data capture.

This year, 433 private hospitals used our online membership eligibility checking service for pre approval for 251,957 hospital admissions (about 90% of all admission enquiries). Seventy three percent of all hospital claims, 82% of all medical claims and 73% of all ancillary claims were processed electronically, providing significant saving for hospitals, doctors, ancillary providers, members and HCF.

We are also achieving savings across the organisation under our 'Straight through Processing' and Kaizen projects. These are re-engineering other high volume, core business processes and will be progressively implemented during 2009/10.

A patient management system was implemented across the dental centre network in December 2008. This was the largest implementation of such a system in the southern hemisphere, bringing improved quoting, stronger benefit controls, flexible appointments and assisting in the development of electronic services to our members. The system will enable dentists to access and update patient information at the dental chair using wireless technology.

We also introduced an over-the-phone automated credit card payment system. Our new Customer Relationship Management System to be installed in August 2009 and we expect it to reduce average call handling time by approximately 6 minutes and with waiting times to fall to around 2 minutes.

The HCF and MU Information Management teams assisted in the integration of MU data and applications with HCF. This has enabled MU members to have access to the HCF branch network and dental centres.

More Information for Our Members

We keep members up to date with information on health and life matters, as well as developments in health insurance benefits, through our regular e-mail newsletters and bi-annual magazine.

These mediums provide members with tips on personal health and fitness topics, the latest ideas and developments in preventative medicine, and the best ideas for healthy living. Over 400,000 members receive our popular HCF Fit & Well magazine. Two free monthly e-mail newsletters go to over 200,000 subscribed HCF members. Of these, the HCF Zone is produced for our younger members.

We provide our members with an annual policy summary, listing details of their coverage and benefits paid to them throughout the year. The policy summary also includes an invitation to review their cover and change or upgrade it to suit their needs. Policy summaries are also available online or upon request.

Total benefits for hospital patients were 8.2% higher

The merger with Manchester Unity adds 187,000 lives covered to the Group

Awards for Excellence

Outstanding Value Award

HCF was recognised for the outstanding value of its health insurance products across all life stages by Canstar Cannex with a National five star rating. This prestigious award was for our Hospital and Package Cover products, measured against 1,500 health insurance products across all states and territories. As well as the national award, HCF was recognised in several state categories, for outstanding value packaged cover in NSW, ACT, Victoria, South Australia and Tasmania.

Our Award-winning Branch

Wollongong branch was named winner of the best 'Health and Wellbeing'

business in the 2009 Crown Street Mall Retail and Business Awards. This award recognises dedication to customer service. As one judge commented, "At HCF, customer service is paramount. It starts when you enter, with good eye contact, and continues with smart, efficient and friendly counter service." Congratulations to our Branch Manager Craig Norris and the team.

Marketing Excellence

HCF has a real commitment to excellence in all its operations. Our marketing, communication and service efforts must comply with this principle as much as any other element of our business. We benchmark our efforts against the leading corporations and we are delighted that

the quality of our marketing programs has been acknowledged by the Australian Marketing Institute (AMI), with major Awards for excellence for a fourth-consecutive year.

Eleventh Australasian Reporting Gold Award

HCF's Annual Report is submitted for adjudication by Australasian Reporting Awards, against the best of reports from all sectors of the Australian and New Zealand economies. This year we achieved our eleventh Gold Award, a commendation for annual report communication, and our 2008 Annual Report was runner up in the prestigious Report of the Year from some 500 entrants.



HCF Wollongong operations team being presented the customer service award by Waples Marketing's Graham Gulloch to HCF's Helen Croft, Daniela Mitrevski, Craig Norris (branch manager), Joanna Mallon and Maria Arsenovic.



Damien Long, Corporate Communications Manager, receiving HCF's 11th Gold Australasian Reporting Award in June.



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