

Discover your edge

Wednesday, 9 November 2016

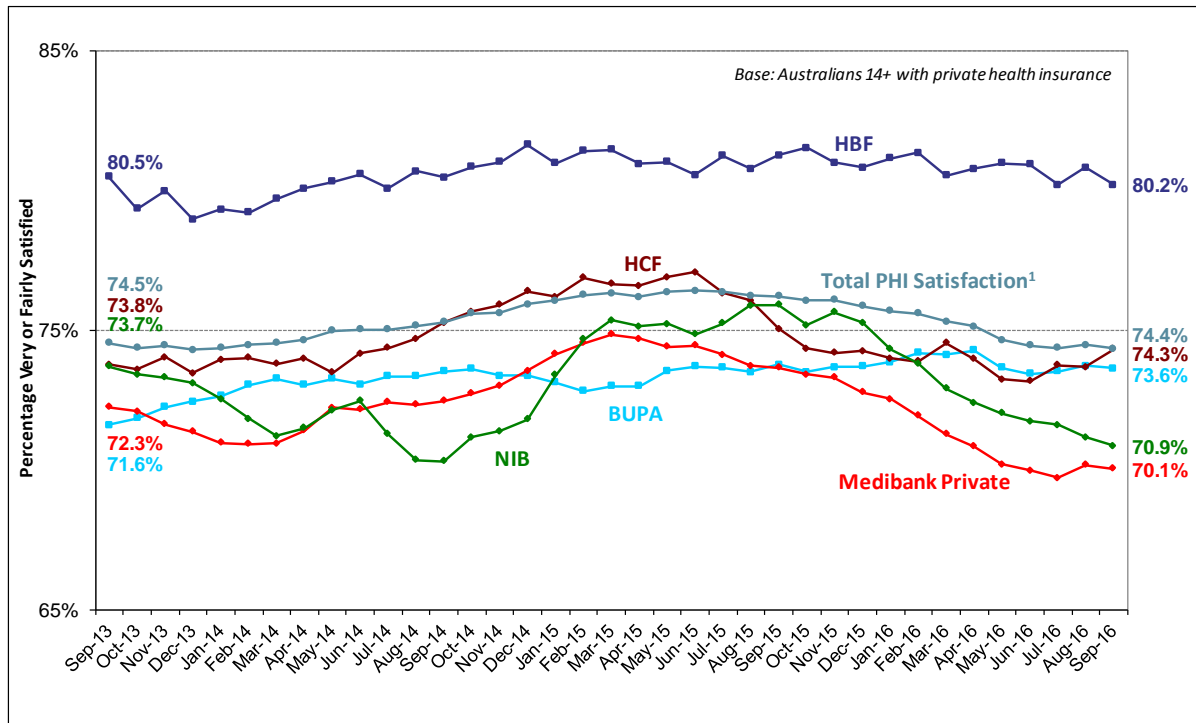
Satisfaction with private health insurance declining

In the year to September 2016, satisfaction among private health insurance policy holders was 74.4%, down from 76.3% over the same period in 2015, but well ahead of a decade ago (66.4% in 2006). Over the last year, nearly all major health insurance providers showed declining satisfaction; 10.4% of their members indicated they would either leave their fund in the next 12 months or shop around before they decided what to do—although obviously this varies by provider. These are the latest findings from Roy Morgan’s Single Source survey of over 50,000 consumers pa which includes detailed coverage of more than 23,000 private health insurance members.

HBF satisfaction the highest of the five largest funds

Over the last three years, HBF has retained clear leadership in satisfaction among the five largest health funds, with a current satisfaction rating of 80.2%, down 1.0% point from a year ago. In second place is HCF, well behind on 74.3% (down 0.7% points) and BUPA (73.6%, no change). HBF is currently the only one of the five largest funds to have a satisfaction level above the total private health insurance market average (74.4%).

Private Health Insurance Satisfaction Trend - Largest 5 Companies 2013 - 2016



1. Includes brands not shown. **Source:** Roy Morgan Single Source (Australia). Average 12 month sample n = 50,337 of which an average of 23,186 have private health insurance

Medibank Private scored lowest in satisfaction among the five largest funds with 70.1% (down 3.6% points from a year ago), and has shown a declining trend in satisfaction since March 2015.

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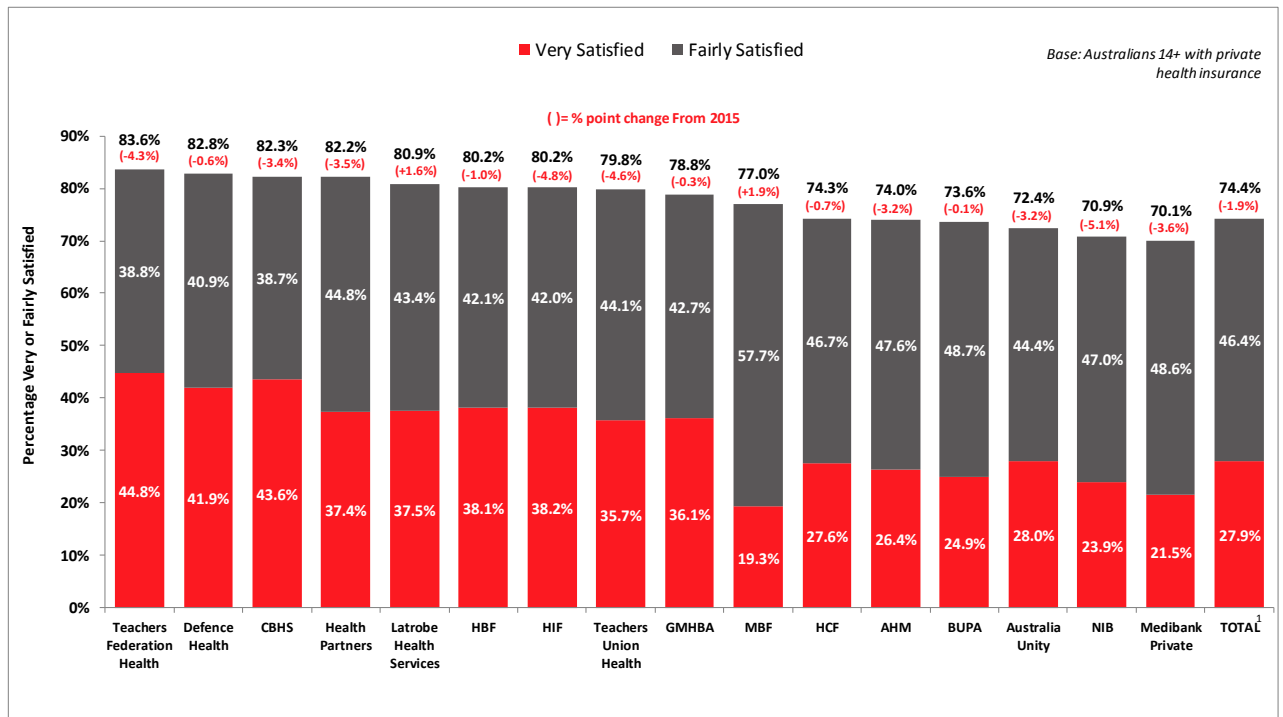
NIB's satisfaction has fallen by 5.1% points over the last 12 months to 70.9%, leaving it well below the industry average. BUPA is unchanged on 73.6% and so also remains below average.

Only around one in four health insurance policy holders are 'very satisfied'

Although nearly three quarters (74.4%) of private health insurance policy holders are either 'very' or 'fairly' satisfied with their provider, only 27.9% report being 'very satisfied'. The significance of looking at 'very satisfied' customers is that they are much less likely than any other segment (including those who are 'fairly satisfied') to either change to a different company or shop around before deciding what to do with their renewal. Retaining customers is a key component of growing the customer base and as such, increasing the proportion of 'very satisfied' customers is an important metric to track and improve on.

The following chart shows that Teachers Federation Health not only has the highest overall level of satisfaction (83.6%) among the 16 largest private health insurers, but also has the highest level of 'very satisfied' members at 44.8%, well above the market average of 27.9%.

Private Health Insurance Satisfaction - Largest 16 Companies 2015-2016



1. Includes brands not shown. **Source:** Roy Morgan Single Source (Australia). 12 months ended September 2015, n=50,279; 12 months ended September 2016, n=50,634. Includes 23,243 with private health insurance in 2015 and 23,872 in 2016.

The other top performers based on their level of 'very satisfied' members are CBHS (43.6%) and Defence Health (41.9%). The lowest is MBF with only 19.3% being 'very satisfied'.

Medibank Private is the poorest performer among the five largest private health insurance companies with only 21.5% of members being 'very satisfied', followed by NIB (23.9%), BUPA (24.9%) and HBF well clear of these with 38.1%.

Norman Morris, Industry Communications Director, Roy Morgan Research says:

“Despite a generally positive trend in satisfaction with private health insurance over the last decade, it is cause for concern that the overall satisfaction trend for the industry has been declining since the middle of 2015 and is now back at 2013 levels.

“Although Medibank Private has been the focus of a lot of adverse publicity recently and has the lowest customer satisfaction score of the largest 16 funds, they have not been the only health insurance provider with declining satisfaction. Over the last 12 months, most of the largest 16 funds have seen their satisfaction scores decrease, with the exception of Latrobe Health Services and MBF.

“Price remains the primary reason that people shop around or change private health insurance providers, and any increase in rates normally attracts negative attention from politicians and the media. In Medibank’s case, however, satisfaction may have suffered for additional reasons. For starters, becoming a listed company means may result in conflicts of interest between shareholders and members. Then there were the problems caused by a new technology upgrade, and recent adverse publicity surrounding complaints data from the Health Insurance Ombudsman. Medibank Private’s new CEO is likely to lead to a renewed focus on customer satisfaction, but the short-term challenge will be to reverse the last decade’s generally low satisfaction ratings.

“NIB, as a publically listed health insurance provider, will also be likely to face some of the shareholder-versus-customer issues. With its satisfaction score just above Medibank Private, and heading in a downward direction, NIB is also facing considerable challenges.

“This research has shown that, in order to reduce the likelihood of their customers shopping around or changing funds, private health insurers need to pay more attention to increasing the proportion of their customers who are ‘very satisfied’. Currently, just over one in four customers are classified as being ‘very satisfied’ on average, yet they are the group more likely to renew without shopping and so increase retention levels.”

For comments or more information about Roy Morgan Research’s insurance data, please contact:

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Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2