



## AWARDS TO INSTITUTIONS

These titles are awarded to institutions based on their star ratings performance across the Hospital, Extras and Packaged Hospital & Extras star rated categories.

NATIONAL OVERALL AWARDS  
NATIONAL CATEGORY AWARDS

STATE OVERALL AWARDS  
STATE CATEGORY AWARDS – HOSPITAL COVER  
STATE CATEGORY AWARDS – EXTRAS COVER  
STATE CATEGORY AWARDS – PACKAGED HOSPITAL & EXTRAS COVER

## AWARDS TO PRODUCTS – BASED ON STATE-PROFILE COMBINATIONS

Below is a brief overview of the profiles to be rated so that consumers can use the star ratings results to find the most suitable products. The specific areas of need for both the young and mature profiles for both hospital and extras cover are listed under the inclusions heading of the star ratings methodology section of this document.

*All profiles are assumed to represent the average person from that demographic rather than either ends of the risk aversion spectrum.*

**YOUNG SINGLES:** This profile caters to young to middle-aged singles (both male and female) that have no dependents and no impending plans for children. We did not wish to draw a finite line as far as age is concerned but this profile is not yet concerned with areas of cover such as cardio-thoracic surgery, hip replacements or multi-focal lenses. While the average young single does not consider themselves to be invincible, they are mostly concerned about having a safety net for hospital cover if they ever need it. Dental, optical Chiropractic and Physiotherapy cover are also important areas of Extras cover.

**YOUNG FAMILIES / COUPLES:** This profile covers young to middle-aged couples with young child or children as well as couples without children. This profile can be seen as growing families but like young singles, they are not yet concerned about cover for hip replacements and multi-focal lenses but are interested in cover for obstetrics and IVF, dental, optical physiotherapy and chiropractic.

**ESTABLISHED FAMILIES:** This profile covers mostly to middle-aged to mature couples with older but still dependent child or children. These families have stopped growing in numbers so no longer need cover for obstetrics and IVF. The parents are starting to think about cover they might need for their growing kids such as orthodontics but they are also thinking about other areas of cover they might have ignored when they were younger such as cardio-thoracic surgery. Dental, optical, physiotherapy and chiropractic cover is also important.

**YOUNG SINGLE PARENTS:** This profile covers single young to middle-aged adults with a dependent child or children. These families for the purpose of these star ratings will be considered to have stopped growing and so cover for obstetrics and IVF are not that important. Being young to middle-aged this profile is not yet concerned about cover for hip replacements and multi-focal lenses but is interested in having a basic safety net hospital cover as well as dental, optical, physiotherapy and chiropractic.

**MATURE SINGLES:** This profile caters to mature *singles* (both male and female) that have no longer have or never had dependent children. We did not wish to draw a finite line as far as the age where maturity begins but this profile is now more concerned with areas of cover such as cardio-thoracic surgery, hip replacements or multi-focal lenses. Due to the natural processes of aging their health insurance

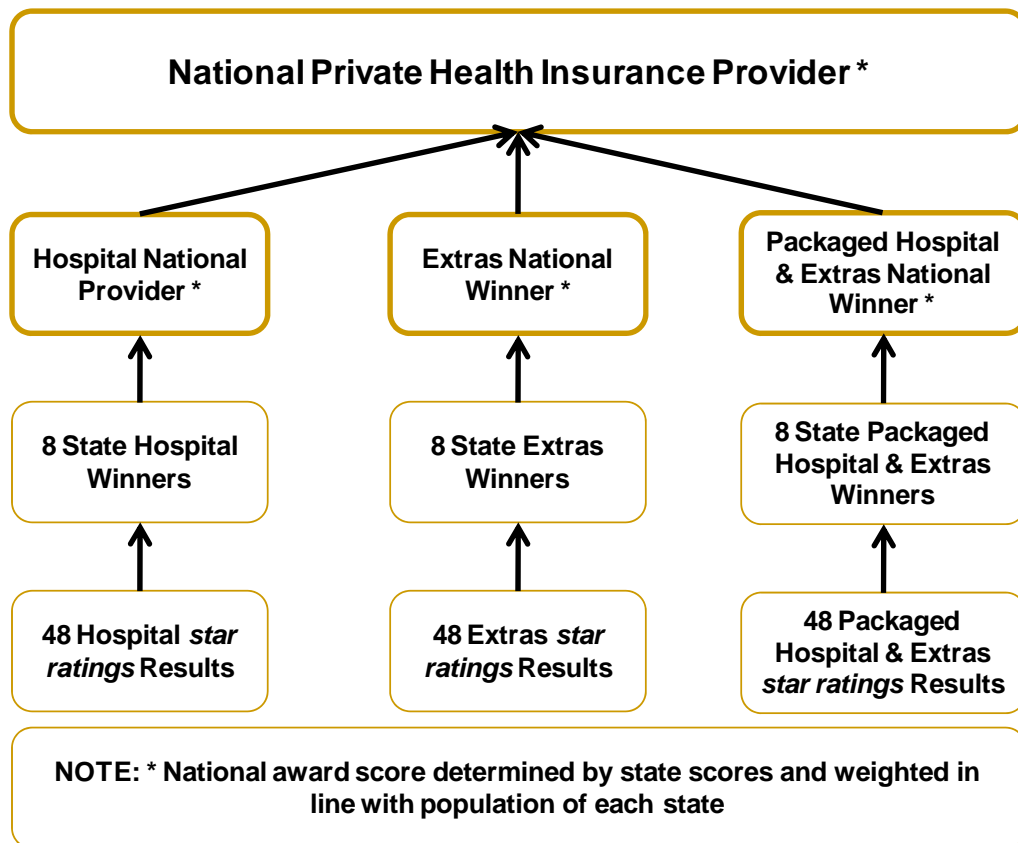


requirements differ from that of young singles. Dental, Optical, Chiropractic and Physiotherapy cover are also important areas of Extras cover.

**MATURE COUPLES:** This profile caters to mature *couples* that have no longer have or never had dependent children. We did not wish to draw a finite line as far as the age where maturity begins but this profile is now more concerned with areas of cover such as cardio-thoracic surgery, hip replacements or multi-focal lenses. Due to the natural processes of aging their health insurance requirements differ from that of young singles. Dental, Optical, Chiropractic and Physiotherapy cover are also important areas of Extras cover.

- “5 STAR” – YOUNG SINGLES
- “5 STAR” – YOUNG FAMILIES / COUPLES
- “5 STAR” – YOUNG SINGLE PARENTS
- “5 STAR” – ESTABLISHED FAMILIES
- “5 STAR” – MATURE SINGLES
- “5 STAR” – MATURE COUPLES

### AWARDS TO INSTITUTIONS - METHODOLOGY



As stated previously, institution-based awards are determined by their individual product performance across the hospital and extras *star-rated* categories. There are 48 profile and state combinations for each of the 3 product categories (Hospital, Extras & Packages).

- To determine the state winners for individual product categories and overall, the contribution of the best product result from each of the 6 profiles across the 3 product categories is considered. Each profile is considered to be equal and the best performance in each profile contributes to the product category award for that state. The overall performances across all three product categories then contribute equally to the overall state award.
- To determine the national winners (overall and per product category), each institution’s product performance in each state is considered and these performances are weighted based on the

population of the relevant state relative to the overall Australian population. For example, the population of New South Wales represents approximately 33% of the Australian population so products sold to NSW residents will contribute 33% of the score for the national award. The health fund that has the best weighted average score for an individual product category across all 8 states is awarded the national award for that product category. The overall performances across all three product categories then contribute equally to the overall national award.

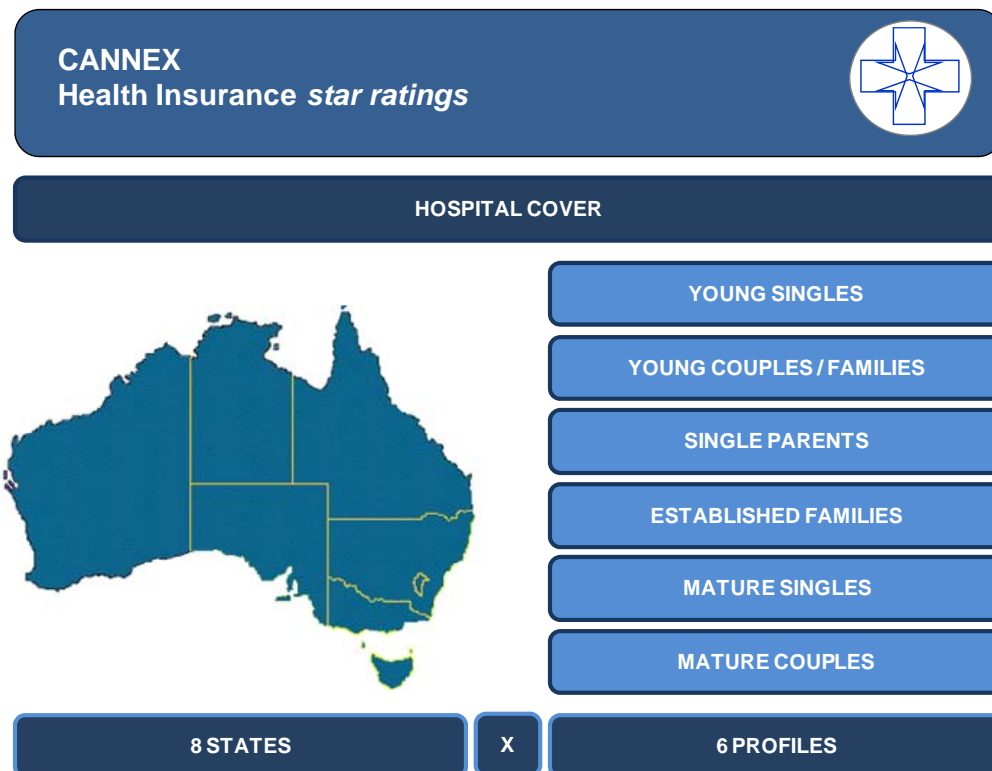
## AWARDS TO PRODUCTS - METHODOLOGY

The Health insurance star ratings combines 3 separate health insurance product types (Hospital cover, Extras cover and Packaged Hospital and Extras cover). The rating process for each of these product types employs a separate star ratings methodology consistent with the pricing and features model of the CANEX star ratings.

$$\text{TOTAL STAR RATINGS SCORE (T)} = w_1\text{PRICING SCORE (P)} + w_2\text{FEATURES SCORE (F)}$$

### HOSPITAL COVER METHODOLOGY:

Hospital cover products will be rated across 8 states and 6 profiles so that consumers from any demographic will be able to identify a short list of 5 star products that are best suited for their individual needs. Eligibility for each of the 48 State-Profile combinations will depend on product availability for the state and whether the insurance cover is for singles, single parents or couples & families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with sales practices of the private health insurance industry.



The lion's share of the overall star ratings score will be contributed by the cost component of the value equation (which varies between 60% & 70% depending on the profile [see TABLE 1]). This cost component is made up by the up-front cost of insurance in the form of the base premium as well as per use costs such as excess and co-payments. The remaining contribution is made by the features score which is derived from the 3 features sub-categories shown below.

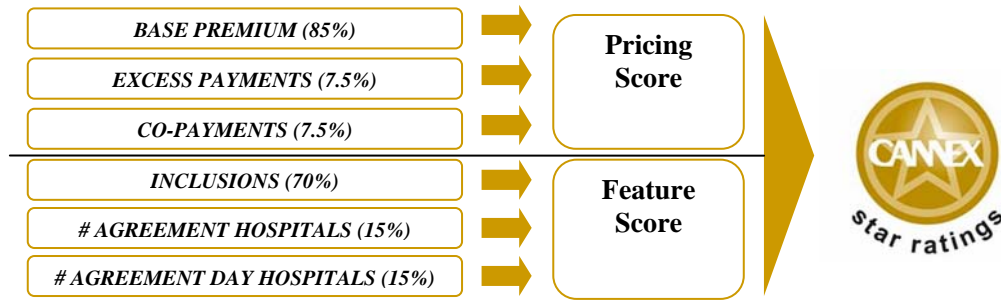


TABLE 1

HOSPITAL COVER	PROFILE					
	YOUNG SINGLES	YOUNG SINGLE PARENT	YOUNG COUPLES / FAMILIES	ESTABLISHED FAMILIES	MATURE SINGLES	MATURE COUPLES
PRICING SCORE CONTRIBUTION (%)	70	70	65	60	60	60
FEATURES SCORE CONTRIBUTION (%)	30	30	35	40	40	40

## PRICING SCORE – HOSPITAL COVER

### BASE PREMIUM (85% OF COST SCORE)

The base premium for hospital cover insurance products will be used as the main point of cost comparison. Peer products will be compared and the product with the lowest cost will be awarded the highest base premium score. All other peer products will be awarded a relative score based on how much more expensive they are (i.e. if a product costs twice as much as the cheapest, it will earn half the base premium score of the cheapest product).

### EXCESS PAYMENTS (7.5% OF COST SCORE)

Excess payments form the second component of the cost score. The maximum annual excess payments for each hospital policy will be compared against that of the other peer products. More points will be awarded for lower maximum annual individual excess payments. Maximum points are awarded to those products with a maximum payable annual excess that is less than or equal to \$100 (including nil excess) while points are progressively deducted for each additional \$100 added to the maximum annual excess payable. Products with a total annual excess greater than \$1,000 DO NOT earn any points for excess payments.

### CO-PAYMENTS (7.5% OF COST SCORE)

Co-payments form the final component of the cost score. The maximum annual co-payments for each hospital policy will be compared against that of the other peer products. More points will be awarded for lower maximum annual individual co-payments. Maximum points are awarded to those products with a maximum payable annual co-payment of less than or equal to \$50 (including nil co-payments) while points are progressively deducted for each additional \$50 added to the maximum annual co-payment payable. Products with a total annual excess greater than \$500 DO NOT earn any points for co-payments.

## FEATURE SCORE – HOSPITAL COVER

### INCLUSIONS (70% OF FEATURES SCORE)

Hospital cover policies vary in the types of procedures that are insured. TABLE 2 lists some of the more common hospital inclusions and their relative importance to the various profiles.

Each hospital insurance product is against this list of inclusions to see if they cover those procedures identified as being important for each profile. This means that some categories contribute more to the



inclusions score than others. Products are awarded full points for each inclusion category covered while restricted cover only earns half as many points. Those hospital products that include cover for all the listed inclusions categories will be awarded the maximum inclusions score.

**AGREEMENT PRIVATE HOSPITALS (15% OF FEATURES SCORE)**

The number of agreement hospitals available in a state represents the level of choice a patient has in health care providers that will not charge a gap fee. For each State-profile combination, the number of no-gap hospitals for the relevant state will be compared against the number for other health funds to determine the no-gap hospital contribution to the star ratings score. The health fund that has the most total no-gap hospitals in that state will earn the maximum score (5%) towards all their eligible hospital cover products while all other health funds will be awarded a score based on their number of no-gap hospitals relative to the institution with the most no-gap arrangements.

**AGREEMENT DAY HOSPITALS (15% OF FEATURES SCORE)**

The number of agreement day hospitals available in a state represents the level of choice a patient has in health care providers that will not charge a gap fee. For each State-profile combination, the number of no-gap day-hospitals for the relevant state will be compared against the number for other health funds to determine the no-gap day-hospital contribution to the star ratings score. The health fund that has the most no-gap day-hospitals in that state will earn the maximum score (5%) towards all their eligible hospital cover products while all other health funds will be awarded a score based on their number of no-gap day-hospitals relative to the institution with the most no-gap arrangements.

**TABLE 2**

INCLUSION CATEGORY	PROFILE					
	YOUNG SINGLES	YOUNG SINGLE PARENT	YOUNG COUPLES / FAMILIES	ESTABLISHED FAMILIES	MATURE SINGLES	MATURE COUPLES
PREGNANCY & OBSTETRICS WEIGHT (%)	10	10	30	10	0	0
BONE MARROW TRANSPLANT WEIGHT (%)	10	5	5	5	5	5
RENAL DIALYSIS WEIGHT (%)	10	5	5	5	15	15
CATARACT EYE SURGERY WEIGHT (%)	0	5	0	5	10	10
CARDIO-THORACIC SURGERY WEIGHT (%)	10	30	5	30	30	30
HIP/KNEE/OTHER JOINT REPLACEMENT SURGERY WEIGHT (%)	10	10	5	10	20	20
IN-VITRO FERTILISATION WEIGHT (%)	10	0	10	0	0	0
MEDICAL PLASTIC SURGERY WEIGHT (%)	10	5	5	5	5	5
PSYCHIATRIC CARE WEIGHT (%)	20	20	15	20	10	10
REHABILITATION WEIGHT (%)	10	10	20	10	5	5

**EXTRAS COVER METHODOLOGY:**

Extras cover products will be rated across 8 states and 6 profiles so that consumers from any demographic will be able to identify a short list of 5 star products that are best suited for their individual needs. Eligibility for each of the 48 State-Profile combinations will depend on product availability for the state and whether the insurance cover is for singles, single parents or couples & families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with sales practices of the private health insurance industry.

**CANEX**  
Health Insurance *star ratings*



**EXTRAS COVER**



- YOUNG SINGLES
- YOUNG COUPLES / FAMILIES
- SINGLE PARENTS
- ESTABLISHED FAMILIES
- MATURE SINGLES
- MATURE COUPLES

8 STATES

X

6 PROFILES

The lion's share of the overall star ratings score will be contributed by the cost component of the value equation (which varies between 60% & 70% depending on the profile [see TABLE 3]). The remaining contribution is made by 2 features sub-categories (Inclusions and Maximum Benefits).

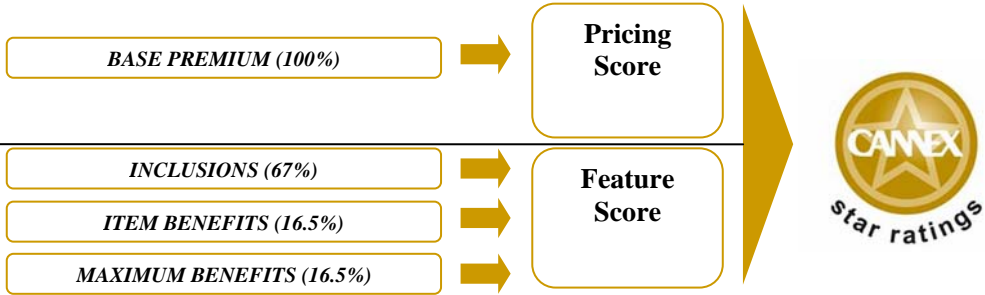


TABLE 3

EXTRAS COVER	PROFILE					
	YOUNG SINGLES	YOUNG SINGLE PARENT	YOUNG COUPLES / FAMILIES	ESTABLISHED FAMILIES	MATURE SINGLES	MATURE COUPLES
PRICING SCORE CONTRIBUTION (%)	70	70	70	60	60	60
FEATURES SCORE CONTRIBUTION (%)	30	30	30	40	40	40

**PRICING SCORE – EXTRAS COVER**

**BASE PREMIUM (100% OF COST SCORE)**

The base premium for extras cover insurance products will be used as the main point of cost comparison. Peer products will be compared and the product with the lowest cost will be awarded the highest base premium score. All other peer products will be awarded a relative score based on how much more expensive they are (i.e. if a product costs twice as much as the cheapest, it will earn half the base premium score of the cheapest product).



## FEATURE SCORE – EXTRAS COVER

### INCLUSIONS (67% OF FEATURES SCORE)

Extras cover policies vary in the types of procedures, services or aids that are insured. This table lists some of the more common extras inclusions and their relative importance to young and mature extras cover consumers.

Each extras insurance product will be tested against this list of inclusions to see if they cover those procedures, services and aids identified as being important for each respective profile (see TABLE 4 for full inclusions list). This means that some categories contribute more to the inclusions score than others. Products are awarded full points for each inclusion category covered while restricted cover only earns half as many points. Those hospital products that include cover for all the listed inclusions categories will be awarded the maximum inclusions score.

### MAXIMUM BENEFITS (16.5%)

The maximum annual benefit that an extras cover policy will pay towards a specific inclusion is an important part of the overall value assessment. For each of the inclusions categories listed above the maximum annual policy benefit will be recorded and compared to identify the policy that offers the best overall benefit for each inclusion category. The extras policy that consistently pays the most will be awarded the highest score while other products will be scored based on their relative maximum benefit.

### ITEM BENEFIT (16.5%)

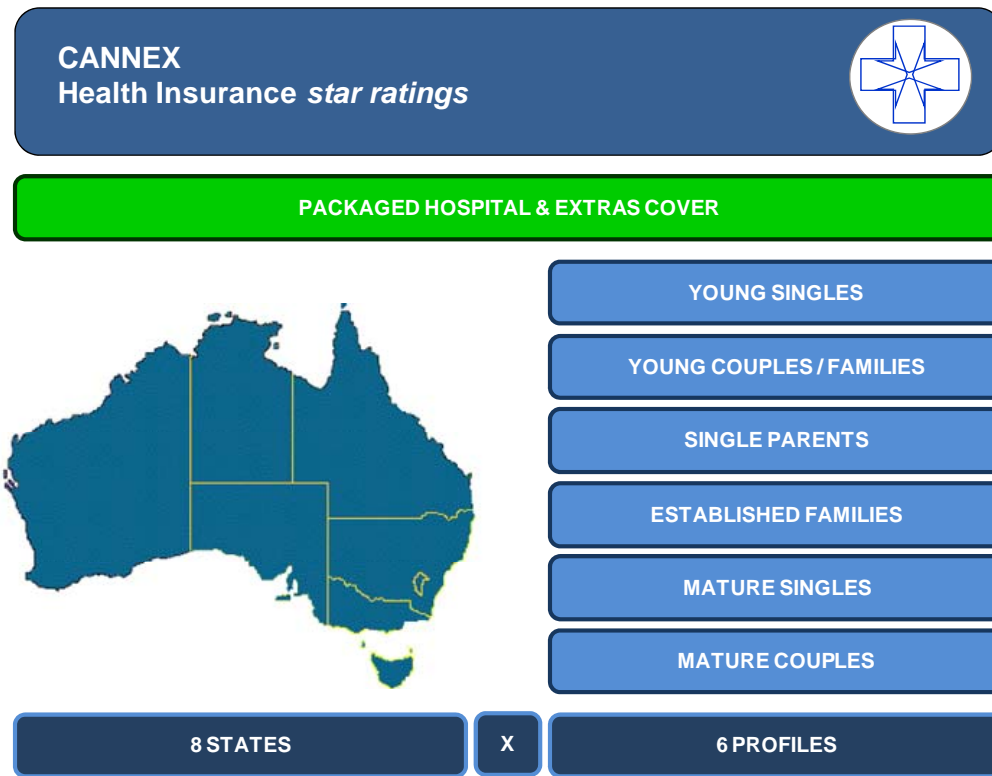
CANEX realized that the benefits for specific items were sometimes just as important as the maximum benefits across benefit categories and so decided to incorporate this into the features component of the star ratings calculations. For specific benefits such as a general oral exam, some policies pay a fixed dollar amount while other policies pay a percentage of the cost charged by the service provider. National estimates were obtained for some of the most popular extras products and services claimed each year. These estimates were used to calculate the benefit that would be paid by those policies that pay a percentage of the cost and these calculated values were compared against other policies that paid a fixed dollar amount for the same products and services. The extras policy that consistently pays the most will be awarded the highest score while other products will be scored based on their relative item benefits.

TABLE 4

INCLUSION CATEGORY	PROFILE					
	YOUNG SINGLES	YOUNG SINGLE PARENT	YOUNG COUPLES / FAMILIES	ESTABLISHED FAMILIES	MATURE SINGLES	MATURE COUPLES
GENERAL DENTAL WEIGHT (%)	20	20	20	15	15	15
MAJOR DENTAL WEIGHT (%)	10	10	10	15	15	15
ORTHODONTIC WEIGHT (%)	5	5	5	15	0	0
OPTICAL WEIGHT (%)	25	25	25	20	25	25
ACUPUNCTURE/ALTERNATIVE THERAPIES WEIGHT (%)	1	1	1	1	1	1
CHIROPRACTIC/OSTEOPATHY WEIGHT (%)	15	15	15	10	15	15
PHYSIOTHERAPY WEIGHT (%)	15	15	15	15	15	15
PODIATRY WEIGHT (%)	1	1	1	5	1	1
PSYCHOLOGY WEIGHT (%)	5	5	5	1	3	3
BLOOD GLUCOSE MONITOR WEIGHT (%)	1	1	1	1	4	4
HEARING AID WEIGHT (%)	1	1	1	1	5	5
NON-PBS PHARMACEUTICALS WEIGHT (%)	1	1	1	1	1	1

## PACKAGED HOSPITAL & EXTRAS COVER METHODOLOGY:

Packaged Hospital & Extras cover products are rated across 8 states and 6 profiles so that consumers from any demographic will be able to identify a short list of 5 star products that are best suited for their individual needs. Eligibility for each of the 48 State-Profile combinations depend on product availability for the state and whether the insurance cover is for singles, single parents or couples & families. Products nominated for families are also eligible to be compared in the single parent profile in accordance with sales practices of the private health insurance industry.



The lion's share of the overall star ratings score will be contributed by the cost component of the value equation (which varies between 60% & 70% depending on the profile [see TABLE 5]). The remaining contribution is made by the hospital cover features and extras cover features which includes the same features sub-categories explained above.

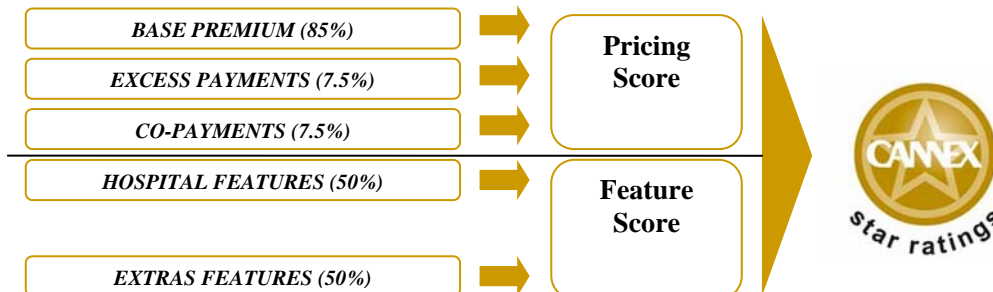


TABLE 5

PACKAGED HOSPITAL & EXTRAS COVER	PROFILE					
	YOUNG SINGLES	YOUNG SINGLE PARENT	YOUNG COUPLES / FAMILIES	ESTABLISHED FAMILIES	MATURE SINGLES	MATURE COUPLES
PRICING SCORE CONTRIBUTION (%)	70	70	70	60	60	60
HOSPITAL FEATURES SCORE CONTRIBUTION (%)	15	15	15	20	20	20
EXTRAS FEATURES SCORE CONTRIBUTION (%)	15	15	15	20	20	20

## PRODUCT & HEALTH FUND ELIGIBILITY CRITERIA

As stated previously, general product eligibility for the star ratings process requires that the product be available for the state and profile combination being assessed. Additional filters were also incorporated into the star ratings process to facilitate like-with-like product and health fund comparisons. These filters include;

### HOSPITAL COVER POLICY ELIGIBILITY

- Hospital policies that only covered treatment in public hospitals were excluded.
- Hospital policies that covered less than 100% of accommodation costs in private hospital were excluded.
- Hospital policies that provided cover (whether full or restricted cover) for less than 5 hospital inclusions categories were excluded.
- Health funds must have agreement hospitals in the relevant state to be included in the star ratings for that state.

### EXTRAS PRODUCT ELIGIBILITY

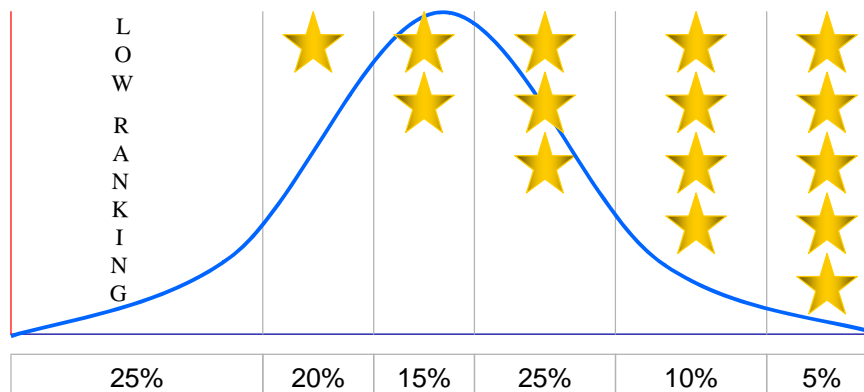
- Extras policies must include general dental and optical cover to be included.

### HEALTH FUND ELIGIBILITY

- Health funds must have agreement hospitals in the relevant state to be included in the hospital star ratings for that state.
- For products to be eligible for individual states, health funds must have had their market-share reported for that state in latest annual State of the Health Funds report.

## HOW ARE THE STARS AWARDED?

The total score received for each profile ranks the products. The stars are then awarded based on the distribution of the scores according to the following guidelines. As you can see, only the products that obtain a score in the top 5% of the of the score distribution receive a 5 star rating and only the top 75% of the score range receive a star rating.





The results are reflected in a consumer-friendly 5-star concept. The star ratings from the **CANNEX health insurance star ratings** are described as follows:

- ★★★★★ Superior Product
- ★★★★ Exceptional Product
- ★★★ Strong Product
- ★★ Average Product
- ★ Satisfactory Product

## DOES CANNEX RATE OTHER PRODUCT AREAS?

**YES.** CANNEX also rates credit cards, rewards, mortgages, low doc home loans, reverse mortgages, deposit accounts, margin lending, personal loans, package banking, business banking products and car insurance. These star ratings use similar methodologies. This guarantees the quality and transparency of the star ratings. The use of similar star ratings logos also builds consumer recognition of quality products across product categories. Please access the CANNEX website at (<http://www.cannex.com.au/>) if you would like to view the latest reports of interest.

Business banking  
Car insurance  
Credit cards  
Deposit accounts  
Health insurance  
Low-doc home loans  
Margin lending  
Mortgages  
Package banking  
Personal loans  
Reverse mortgages  
Reward programs



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