

Institute of Actuaries of Australia

Adventures in Health Risk

A History of Australian Health Insurance

Prepared by Andrew P Gale & David Watson

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1. Overview

This paper presents an historical analysis of health insurance in Australia, focussing on the origins of today's health funds, key milestones in the development of the private health insurance market, and merger and acquisition activity.

This paper represents the authors' initial attempts to document the history of the organisations that have provided private health insurance to several generations of Australians. Since it covers such a long time span, it will certainly contain errors and omissions. However we hope that in writing the paper we have contributed something by bringing this information together in one place.

As this paper progressed, we came to the realisation that we had embarked on a massive research project that we could not possibly hope to complete without omission or error despite our best efforts. We trust that those who identify such omissions and errors will recognise the difficult task we set ourselves and forgive our shortcomings. We can only hope that we achieve our aim of creating a focus for a discussion of how the private health insurance industry in Australia has developed and changed over time.

We welcome feedback and further contributions to the development of this historical record.

2. A changing landscape

In the 19th century in England and elsewhere, friendly societies were established by ordinary men and women to protect themselves from the hazards of life, through a system of mutual self-help. Members came together to pool their resources and provide care for members and their families in the case of illness or death and during times of financial distress. Many of today's health funds developed from the Australian affiliates of these early friendly societies.

The offerings of these early organizations covered a range of "benefits", beyond just cover for health services and expenses, but at least some of them can be clearly likened to today's products.

The Australian health insurance landscape has been impacted by a number of significant changes which are described below.

1926 Royal Commission

This Royal Commission advocated a scheme of compulsory contributions by employers and employees to a fund to provide sickness, invalid, maternity and retirement benefits. Legislation was introduced in 1928, 1938 and 1946 to implement a National Insurance Scheme but it was not enacted, with the medical profession and friendly societies being strong opponents of the scheme.

Public Hospitals Act 1929

This act allowed hospitals to establish contribution schemes to provide relief from hospital charges for contributors and their dependants.

Hospital Benefits Act 1945

This act authorised agreements between the Commonwealth and the States for the provision of hospital benefits. Participating states agreed to provide public ward treatment free of charge and to reduce charges for non-public ward treatment by the Commonwealth subsidy of 6 shillings a day. Agreements with states started in 1946 and the rate of payment was increased to 8 shillings in 1948.

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National Health Act 1953 & Medical Benefits Scheme 1953

These acts implemented the scheme developed by Dr. Earle Page, the Minister for Health in the Menzies Government. The scheme was characterised by fee for service payments for medical and hospital services, with free treatment in public wards by honorary specialists for those meeting a means test. Commonwealth subsidies through a pensioner medical service allowed pensioners to be treated at concessional rates. Fees paid by other patients qualified for a government subsidy which was administered by the non-profit voluntary health funds operating on the community rating principle of common rating regardless of age or health status. Risk factors such as age which had previously been used in the setting of premiums and age limits on membership of funds were no longer allowed. The Commonwealth's payment of 12 shillings a day for hospital treatment was only paid to those with insurance. To keep premiums affordable, funds were not required to insure against chronic illnesses, hospitalisations beyond a limited period, or for pre-existing conditions. The Government established a 'special account' in each fund to carry these costs which were paid by the Government. Combined government and fund benefits were limited to 90% of fees charged, leaving a co-payment to deter over utilisation of medical benefits. The scheme was enormously successful, leading to a massive increase in coverage to 83% of the population in 1953.

Nimmo Commonwealth Committee of Inquiry 1968

This inquiry was established in April 1968 under the chairmanship of Justice Nimmo, and reported to Parliament on 25 March 1969. Rising prices had increased the gaps in voluntary health insurance coverage. The inquiry found that the health insurance system was unnecessarily complex with confusion about prices and entitlements, with many people being under insured. It recommended a standard table of common fees for medical services (varying between general practitioners and specialists) and the transfer of the administration of the health insurance scheme to a national health insurance commission.

Changes were made to health insurance arrangements from 1 October 1970, with all funds required to seek re-registration, separate state financial accounting and annual financial reporting to the Commonwealth Department of Health. Registrations were separate for hospital insurance and medical insurance. Most insurers conducted both lines of business, but some were content to operate just one. Some insurers decided to limit themselves to just one state of operation as a result of the requirements of this legislation.

From 1971, the number of products offered by each insurer was limited to just one medical product and three hospital products (for standard, intermediate and private wards). Benefits payable differed among states.

Large Increases in Public Hospital Charges

State governments significantly increased public hospital charges in 1974 (50%), 1982 (20% to 50%) and 1985-87 (20% to 50%) and imposed health insurance levies in NSW and Victoria in 1982, putting great strain on the health funds and leading to contribution rate increases. One notable case was in 1974 when the Minister of Social Security pushed legislation through Parliament allowing the rejection of contribution rate increases. MBF and HCF were faced with rejection of their intended 40% price increases and successfully appealed in the NSW Supreme Court, with actuaries acting as advisers and expert witnesses (Sid Caffin and Alf Pollard)

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1975 Medibank introduced

The Whitlam Labor Government took office on 2 December 1972 and promised to implement a new social agenda including a universal health insurance scheme. Bill Hayden was the Minister for Social Security with responsibility for implementing the universal health insurance scheme, Medibank, which would provide hospital cover for standard ward treatment without means test and medical coverage at 85% of a fee schedule negotiated with the medical profession. The legislation enacting Medibank was passed at an historic joint sitting of both Houses of Parliament on 6 and 7 August 1974. The medical part of Medibank commenced on 1 July 1975, and the hospital part followed on 1 October 1975.

Health funds lost their medical insurance business outright, and also a significant share of their hospital business. However they were permitted to offer ancillary products. HCF was the first fund to announce its provision of these products, covering dental, physiotherapy, optical, chiropractic and a number of other ancillary services.

With the loss of medical insurance the medical special account lapsed from July 1975. The hospital special account reduced from October 1975, and in October 1976 was replaced by a system of "reinsurance" based on subsidy of benefits beyond 35 days in a rolling year.

The hospital arrangements introduced as part of Medibank included a \$16 per day subsidy for each occupied bedday in a public hospital and this was extended to private hospitals, with these subsidies paid directly to the hospitals. In 1976 the payments to public hospitals were subsumed into the Commonwealth grants to the states. In 1981 the bedday subsidy for private hospitals was increased to \$28 per day for patients undergoing prescribed surgical procedures.

1976-78 Medibank abolished

The Fraser Coalition Government was elected on 13 December 1975. A Medibank Review Committee was established. In October 1976 a range of changes were implemented, including an exemption from the 2.5% Medibank levy on taxable incomes for those who purchased private hospital and medical cover, and the withdrawal of income tax deductions for health insurance contributions. Health insurers were permitted to offer additional coverage for private room cover in public hospitals or private hospital cover, with coverage divided into 'basic' and 'supplementary' tables. In July 1978 bulk billing for medical services was abolished except for pensioners, and benefits were reduced from 85% to 75% of schedule fees. In August 1978 it was announced that the Medibank system would be completely abolished from 1 November 1978. It was replaced by a medical benefit of 40% of schedule fees, with public hospital cover provided free for those without private health insurance.

1984 Medicare introduced

In March 1983 the Hawke Labor Government took office. Medicare was implemented on 1 February 1984, and essentially represented a return to the original Medibank concept, providing free access to public hospitals and medical benefits of 85% of schedule fees.

Changed arrangements for private health insurers from February 1984 included:

- Re-registration was required
- Registered medical benefit funds or hospital benefit funds were permitted to register as single health benefits organisations (enabling merger of medical and hospital funds)
- Amendments made to facilitate mergers between funds
- Each fund required to operate a basic private table providing portability of benefits between public and private hospitals
- Benefits payable by the basic table covered shared ward public hospital charges for private patients and benefits towards the cost of private hospital accommodation

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- Supplementary tables covered single room accommodation in public hospitals and private hospital charges not covered by basic benefits
- Ancillary products allowed for allied health services
- Contribution rates could be varied without obtaining prior Ministerial approval
- Organisations permitted to diversify activities outside of health insurance
- Minimum level of reserves required (two breakeven contribution months)
- 'gap' medical insurance not permitted
- Hospital categorisation A, B and C introduced based on patient profile, attracting basic benefits of \$120, \$100 and \$80 per day respectively (before any supplementary fund benefits) and Commonwealth subsidies of \$40, \$30 and \$20 per day respectively.

September 1985 reforms

In late 1984 there was a major dispute involving doctors' conditions in treating private patients in public hospitals. The dispute's resolutions saw a new series of changes to hospital insurance:

- Organisations carrying on health insurance business were required to register under the National Health Act. This prevented insurers avoiding the community rating requirements and required participation in the industry reinsurance arrangements.
- Privately insured persons admitted to public hospitals were automatically regarded as private patients unless they specifically elected to utilise their Medicare entitlements.
- The basic table was extended to cover medical gap benefits between Medicare coverage (85% of the schedule fee) and the Schedule fee, thereby returning a form of medical insurance to insurers.
- Specific benefits were prescribed for same day patients and prostheses for the first time
- Front end deductible products were permitted

October 1986 reforms

From October 1986, the Commonwealth removed the subsidies paid directly to private hospitals, thereby increasing fees charged to patients. The consequences of this were higher benefits to private hospitals and increases to hospital insurance contribution rates.

March 1987 reforms

From March 1987 the Commonwealth Government discontinued the hospital classification arrangements in favour of patient classification, under which minimum benefit rates were prescribed for advanced surgical patients, surgical/obstetric patients, and other (ie. mainly medical) patients. The Government expected that using this classification system, insurers would develop enhanced benefit arrangements for psychiatric and rehabilitation patients.

By October 1987, the Government was unsatisfied with the development of psychiatric and rehabilitation benefit arrangements, and prescribed minimum benefit rates for these patient types. The definitions still left the insurers to make decisions about what they would accept as valid psychiatric or rehabilitation cases.

October 1988 reforms

From October 1988 further reforms were introduced:

- Portability requirements introduced requiring funds to accept contributors transferring from other funds for equivalent benefits without further waiting periods
- amendments to solvency requirements – minimum reserves of \$1 million or the equivalent of two contribution months
- Amendments to the merger provisions to allow for the merger between funds operating in different states.
- Repeal of the restriction on funds engaging in diversification activities

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June 1989 reforms

The Private Health Insurance Administration Council (PHIAC) commenced as a regulator of private health insurance, taking from the Department of Health the functions of administration of reinsurance (now risk equalisation), publication of industry statistics and prudential management of the private health insurance industry.

May 1995 reforms

Health funds were allowed to negotiate contracts with hospitals and no-gap contracts with medical specialists to provide medical benefits in excess of the Medicare fee schedule. Health funds were registered on a national basis, eliminating separate state registration and accounting.

March 1996 Election of Coalition Government

Following increasing disquiet about the level of contribution rate increases during 1996, the Government asked the Industry Commission to conduct a wide-ranging inquiry into private health insurance. The report was released in April 1997, and included 22 recommendations, including the introduction of Lifetime Community Rating, changes to the PHIAC board to make it independent of the industry, and changes to prudential standards for insurers.

In July 1997, the Government introduced a Private Health Insurance Incentive Scheme, under which low income earners received a health insurance contribution subsidy. It also provided a penalty for those with high incomes who did not have private hospital insurance – the Medicare Levy Surcharge of 1% of taxable income.

The Government also required all contribution rate increases to be on or near a common date of 1 April, except where otherwise permitted due to financial circumstances.

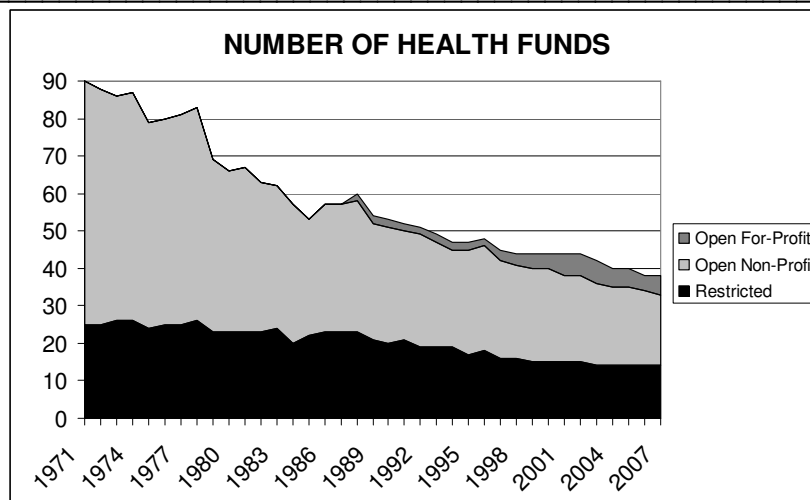
In 1999, the Government converted the incentive scheme into a flat 30% subsidy on all health insurance contributions. The industry participation rate stopped falling and began to slowly increase from its low point of 30.2%. From July 2000, the Government introduced Lifetime Health Cover, under which people who first joined hospital cover after aged 30 paid a loading of 2% for each year of age after age 30. During the lead-up to its introduction, the industry participation rate rose sharply from 32.2% to 45.7%. This increase was far greater than most industry stakeholders had expected.

April 2007 reforms

From April 2007, insurers became subject to the Private Health Insurance Act and twenty-three sets of accompanying Rules. This legislative environment was designed to bring together all legislation affecting insurers and their products, to more precisely define the community rating requirements, to introduce Broader Health Cover (allowing cover for hospital substitute treatment and chronic disease management programs), to introduce a new Risk Equalisation scheme, and to establish a more appropriate corporate governance framework for private health insurers.

The number of health funds has been reducing over the past few decades as illustrated by the following graph. Until 1 February 1984 health funds were required to separately register hospital and medical funds. Until 1 October 1995 each open fund was required to be separately registered in each state in which it operated. For comparability purposes, the graph only counts each organisation once, regardless of the number of states of operation or whether it had separate funds for hospital and medical benefits.

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3. Today's health risk takers

At 31 March 2007 there were 10.4 million Australians covered by some form of private health insurance (including hospital, ancillary or ambulance only cover) with 38 health funds.

This section gives a brief history of each of these funds in two categories: the open funds and the restricted access funds. The six largest funds cover 77% of total persons covered. The market share of persons covered in each state and nationally is shown for each fund.

3.1 The Open Funds

Open funds have no restrictions on who may join. There are presently 25 open funds. A brief history of each fund is shown below, listed from largest to smallest.

MEDIBANK PRIVATE

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
22.6%	43.6%	34.9%	21.0%	34.4%	35.9%	19.4%	27.7%

Medibank Private has its origins in the decision by the Whitlam Government in 1974 to create an independent statutory authority, the Health Insurance Commission (HIC), to administer its universal health insurance scheme, Medibank, which commenced operations on 1 July 1975.

On 8 June 1976 the Fraser Government announced that the HIC would also offer private health insurance in competition with existing health funds. The HIC operated two divisions: Medibank Standard provided benefits for those who chose not to take health insurance with a private fund and Medibank Private offered private health insurance. Medibank Private commenced operations on 1 October 1976 and grew quickly, becoming the second largest fund in 1977 and the largest fund in 1981.

Medibank Private merged with AMWSU Health Care on 31 January 1984 (which was established on 1 September 1982), Health Australia on 1 October 1990 and Rosebery on 11 November 1993. On 1 March 1998, Medibank Private separated from the HIC and became an independent Government Business Enterprise.

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MBF AUSTRALIA MBF ALLIANCES

Market share - MBF

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
19.3%	31.4%	34.7%	5.4%	37.1%	4.8%	2.3%	16.0%

Market share - MBF Alliances

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
2.7%	-	0.6%	10.3%	-	0.2%	2.7%	2.3%

The Medical Benefits Fund was incorporated on 29 October 1946. It was founded by 945 doctors (comprising two-thirds of the NSW branch of the British Medical Association) who each contributed £10 to provide the fund with its initial working capital. It commenced operations on 18 August 1947, establishing an office in the HCF building.

Membership eligibility was limited to persons aged 60 and under, with no cover for pre-existing conditions, a 12 month waiting period for maternity benefits and a 2 month general waiting period except for accidents. Separate rates applied to families, singles over 21 and singles under age 21 with families paying twice the single rate and singles under 21 paying two-thirds of the rate for singles over 21. MBF also reserved the right to order a medical examination of any prospective member or dependent prior to acceptance.

MBF commenced operations in Queensland on 4 July 1950, in Tasmania on 6 August 1952, and in the Northern Territory in 1957. Operations were commenced in Victoria on 15 December 1989, in South Australia on 18 October 1993 and in Western Australia on 1 July 1997. It changed name to MBF Australia on 26 November 2003.

SGIC Health commenced operations in 1987 as a subsidiary of the government insurer of the South Australian Government. In 1995 the failure of the SGIC following losses on joint property investments with Tricontinental led to it being sold to SGIO, the government insurer of the Western Australian Government. The fund was renamed SGIO Health, commenced operations in Western Australia and converted to a for-profit fund from 1 January 1997. In 1998 SGIO was purchased by NRMA, the primary motorist association in NSW and SGIO Health was renamed NRMA Health from 9 November 1999. From June 1998 to June 2003 NRMA Health expanded into NSW and grew its market share from 1.2% to 2.1%. Following losses of \$16 million and \$12 million in 2001/02 and 2002/03 respectively NRMA sold its health fund to MBF for \$110 million on 1 July 2003. It was renamed MBF Health from 25 July 2003, then MBF Alliances in 2005/06.

BUPA AUSTRALIA HEALTH

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
1.3%	12.9%	2.5%	41.5%	1.3%	22.3%	1.1%	9.7%

BUPA Australia Health came into existence on 16 December 2002, after the UK-based British United Provident Association (which was established in the UK in 1947) purchased AXA Australia Health Insurance.

The Hospital Benefits Association (HBA) was established in Victoria on 24 November 1934 to take over The Lord Mayor's Voluntary Contributory Fund for Hospital Maintenance. In 1945/46 HBA took over the Ballarat Contributory Fund. In 1953/54 HBA took over the Country Contributory Funds (including Bendigo).

Mutual Hospital Association was established in South Australia in 1937 with 100 people subscribing the funds initial capital. It changed name to Mutual Health in 1978.

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National Health Services Association was formed in South Australia in 1952 to service the Druids, IOOF, ANA, Manchester Unity, Hibernian, Rechabites and Forresters friendly societies. National Health Services Association merged with Hibernian Australasian Catholic Benefit Society and Manchester Unity Independent Order of Oddfellows' Friendly Society in South Australia on 31 March 1975, and merged with The South Australian District No. 81 Independent Order of Rechabites Friendly Society on 3 May 1982.

Mutual Health and National Health Services Association merged on 31 January 1984 to form Mutual Health-NHSA with a combined 82% market share in South Australia. The fund was renamed Mutual Community on 3 September 1984. Mutual Community merged with Advertiser Provident Society on 20 October 1987.

Mutual Community merged with HBA in December 1990, then was taken over by the National Mutual Life Association in 1991.

ACC Health was established on 15 June 1989 by Australian Casualty & Life, a subsidiary of the National Mutual Life Association. National Mutual Health Insurance took over the business of ACC Health on 1 January 1992, and took over the business of Mutual Community and HBA on 31 December 1995.

National Mutual was taken over by the French-based AXA in 1998 and the health business became AXA Health Insurance from 1 July 2001. AXA Health Insurance was sold to the UK-based British United Provident Association (BUPA) and Macquarie Bank for \$595 million in December 2002, then BUPA moved to 100% ownership by purchasing Macquarie Bank's 50% holding in early 2003.

THE HOSPITALS CONTRIBUTION FUND OF AUSTRALIA

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
20.7%	1.6%	3.6%	2.6%	0.9%	4.5%	0.6%	9.5%

In 1893 the Hospital Saturday Fund commenced in Sydney to collect donations from the public and businesses. These collections were then distributed to the participating hospitals. In 1900 the Hospital Saturday Fund introduced an individual subscription service where regular payments to the fund could be made on a weekly basis.

In 1931 several Sydney hospitals co-operated with the NSW British Medical Association to form the Metropolitan Hospitals Contribution Fund under the control of a council of participating hospitals and the Hospital Saturday Fund. Treasury provided a loan of £2000. HCF began operations on 16 June 1932, opening its first office in Sydney with contributions set at sixpence a week for a family and threepence a week for singles. Within two years of opening, HCF had more than 100,000 members. It changed name to Hospitals Contribution fund of NSW in 1946, then to Hospitals Contribution Fund of Australia in 1967.

In 1965 HCF expanded to Victoria, and by 1967 offices had been established in Queensland and Tasmania also, with the remaining states following by 1969. Interstate offices were closed in 1970 when regulatory changes resulted in HCF deciding to limit its operations to NSW.

On 1 July 1975 HCF introduced the first ancillary product, Multicover, to cover a range of services including dental, optical, physiotherapy and the medical gap between the government benefit and the schedule fee.

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HCF established a life insurance subsidiary, HCF Life, in 1982. It sold a health insurance product, Budget Cover, with deductibles and exclusions outside the regulation of the National Health Act. In doing this HCF was simply matching similar products offered by other life insurers. Budget Cover was transferred to HCF health insurance in 1983. In 1984 HCF Life launched new Budget Cover as part of the Medicare era strategy. This product was closed to new business in August 1985, in compliance with the new legislation.

HCF merged with the Sydney Morning Herald Hospital Fund on 28 February 1997, and merged with IOR Health on 1 May 2004, having acquired it on 4 November 2002 without cost after IOR was placed in administration.

HBF HEALTH FUNDS

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.1%	1.4%	0.2%	0.2%	-	0.3%	62.8%	7.7%

HBF's origins can be traced to the Perth Metropolitan Hospitals Benefit Fund (MHBF) which was established on 1 April 1941 to provide cover for treatment in Perth hospitals. MHBF was managed by a committee of representatives from the Perth, Fremantle and Children's Hospitals.

On 5 October 1945, the name was changed to the Hospitals Benefit Fund when coverage was extended to include all Western Australian hospitals.

HBF has always had a dominant position in Western Australia, with a market share as high as 65% in 1974.

HBF merged with Collie Combined Unions Medical Fund in February 1961, Yarloop Hospital Fund in 1965, Norseman District Hospital and Medical Fund on 10 October 1972, Warren Medical and Hospital Fund on 30 September 1974 and Friendly Societies Health Services on 31 March 1984.

In 1983 HBF diversified into general insurance, through its general insurance subsidiary, and began offering home, building and car insurance. This was extended to travel insurance in 1986.

In 1997 HBF took over administration of the St John's Ambulance Fund, incorporating St John Ambulance cover into its product range.

In March 2000 the Hospital Benefit Fund of Western Australia was renamed HBF Health Funds.

Healthguard Health Benefits Fund is a controlled entity of HBF, and HBF provides administrative and technical services to Healthguard.

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N.I.B. HEALTH FUNDS

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
13.9%	-	2.6%	1.1%	0.8%	3.1%	0.5%	6.4%

NIB commenced operations as the Newcastle Industrial Benefits fund in 1953. NIB merged with South Coast Medical Benefits on 30 June 1975, Hunter Medical Benefits on 1 November 1978, and Newcastle & Hunter Medicare Health Fund (formerly Store Hospital & Medical Fund) on 30 June 1981. NIB acquired Grand United in September 1994 and IOOF (Vic) for \$15 million (including \$8 million of goodwill) on 2 February 2004.

AUSTRALIAN UNITY HEALTH GRAND UNITED CORPORATE HEALTH

Market share - Australian Unity Health

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
1.0%	-	1.4%	1.6%	0.6%	9.1%	0.4%	2.9%

Market share - Grand United Corporate Health

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.4%	-	0.3%	0.1%	-	0.4%	0.3%	0.3%

The Australian Natives' Association was founded in Victoria in April 1871. ANA was closely connected with the establishment of the Australian Federation in 1901.

Manchester Unity Independent Order of Oddfellows was established in Melbourne on 7 December 1840.

Total Care Friendly Society commenced operations on 24 September 1981 and merged with Grand United (Vic) on 31 March 1983, Ancient Order of Foresters on 31 January 1984 and Manchester Unity (Vic) on 1 July 1985.

On 22 September 1993, Manchester Unity and Australian Natives' Association merged to form Australian Unity Friendly Society.

PA Health Benefits (operated by the Over 50's Friendly Society) merged with Australian Unity on 1 February 1996.

FAI Health Benefits was established on 28 February 1986. Grand United purchased FAI Health Benefits on 27 March 1997 and renamed it Grand United Corporate Health. Grand United converted to a for profit fund on 1 January 1999.

Australian Unity converted to a for profit fund on 1 June 2001.

The Australian Unity and Grand United friendly societies merged on 28 February 2005, resulting in their portfolio having three health funds. Grand United Health Fund merged with Australian Unity Health on 14 October 2005. Grand United Corporate Health remains a separate health fund owned by Australian Unity.

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AUSTRALIAN HEALTH MANAGEMENT GROUP

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
3.8%	1.8%	2.9%	1.2%	3.3%	2.0%	0.5%	2.6%

The Local Government Employees' Medical and Hospital Club commenced operations as a restricted membership fund on 4 January 1971 to provide health cover to employees of NSW local government councils. It changed name to Government Employees and Hospital Club in 1977/78. It changed name to Government Employees Health Fund on 21 December 1988.

Wollongong Hospital and Medical Benefits Contribution Fund was established prior to 1970, merged with Bulli District Hospital Contribution Fund on 31 July 1974 and changed name to Illawarra Health Fund in 1986. It changed name again to Australian Health Management in 1992.

On 31 March 1997 Australian Health Management merged with Government Employees Health Fund and became Government Employees Health Fund trading as Australian Health Management, an open membership fund. Both funds had experienced sizeable underwriting losses on the preceding years leading to solvency concerns, which were resolved after a return to underwriting profits in the two years following the merger. It changed name to Australian Health Management Group on 31 March 2000.

AHMG merged with Druids NSW (which had been renamed Acorn Prudential) on 18 October 2006, having paid \$2.5 million to acquire its net assets.

MANCHESTER UNITY AUSTRALIA

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
3.0%	-	1.5%	0.8%	-	1.2%	0.4%	1.7%

Manchester Unity Independent Order of Oddfellows was registered as a Friendly Society in NSW in 1843 and began providing health services in 1847. In 1921 it established the Unity Hospital Fund, and in 1940 established the Voluntary Hospital Fund. In 1953 Manchester Unity Medical Services Fund became the first approved society to pay Commonwealth Medical Benefits under the National Health Act 1953.

Manchester Unity wound up its health fund on 31 January 1984 after coming to the view that it would not be viable and would lose many of its good risk contributors. Instead it registered a hospital benefit fund under the NSW Friendly Societies Act which avoided the need to comply with certain conditions of registration. Manchester Unity re-commenced operations under the National Health Act from 1 September 1985 when legislative changes were made requiring organisations carrying on health insurance business to register under the National Health Act.

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GMHBA

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.2%	-	0.6%	0.2%	-	5.0%	1.3%	1.5%

The origin of GMHBA dates back to 1927, when the Australian Cement Company established the Cement Workers Hospital Benefits Scheme for employees and their families.

In 1934 the Geelong and District Contributory Association for Public and Private Hospitals, open to all persons, was formed at a public meeting convened by the Mayor of Geelong. Eventually these two schemes were merged. It changed name to the Geelong Medical and Hospital Benefits Association in 1958.

It merged with Hibernian Australasian Catholic Benefit Society Victoria District No. 1 on 1 April 1982.

It changed name to GMHBA on 12 February 2002.

WESTFUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
1.5%	-	1.5%	-	-	-	-	0.8%

The Western District Mineworkers Medical Benefits Fund was registered in November 1953, having operated for 24 years prior to registration. It changed name to Western District Medical Benefits Fund, then changed name again to Western District Health Fund in 1979/80. It changed name to Westfund in 2005/06. It is based in Lithgow, NSW.

HEALTH-PARTNERS

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	-	8.1%	-	-	-	0.7%

The South Australian Public Service Association Health Benefits Fund was established in 1937. It changed name to Health-Partners in 1994 and converted from a restricted membership fund to an open membership fund.

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HEALTHGUARD HEALTH BENEFITS FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.1%	-	0.3%	-	-	1.0%	2.5%	0.6%

The Professional & Technical Officers Health Society was registered on 6 April 1978 and commenced operations on 14 August 1978. It changed name to Healthguard on 6 February 1992 and converted from a restricted membership organisation to an open fund.

Healthguard specialises in providing cover to people in regional Australia. It operates a number of brand names including Central West Health and CY Health. Healthguard is a controlled entity of HBF, and HBF provides administrative and technical services to Healthguard.

Goldfields Medical Fund began in Kalgoorlie, Western Australia in 1953. It operated as a contract scheme for a number of years, then established a health fund on 1 July 1973. It merged with Healthguard on 6 December 2002. Healthguard continues to use GMF Health as a business name.

LATROBE HEALTH SERVICES

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	0.0%	-	-	2.6%	-	0.6%

The Latrobe Valley Hospitals and Health Services Association was established in 1951. It merged with Wonthaggi and District Hospital Benefit Fund on 30 June 1973. It changed name to Latrobe Health Services in 1989/90.

Yallourn Medical and Hospital Society was established in 1920 to provide health cover to the employees of the State Electricity Commission of Victoria involved in the construction of the power station in Yallourn, Victoria. It changed name to Federation Health on 4 April 2000. In June 2004 PHIAC appointed a consultant to review Federation Health, appointed an inspector to investigate financial and reporting arrangements in November 2004, then appointed an administrator on 14 December 2004. PHIAC's concerns included a high level of management expenses and losses from pharmacies of \$2.5 million in 2003 and 2004. In March 2005 PHIAC approved the administrator's recommendation that Federation Health merge with Latrobe Health Services. On 4 July 2005, Latrobe Health Services merged with Federation Health.

HEALTH INSURANCE FUND OF W.A.

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	-	-	-	-	3.5%	0.4%

The WA Government Railways Employees Hospital Fund was established in 1954 as a restricted membership fund. It changed name to the Government Employees' Hospital and Medical Benefits Fund then changed name to Health Insurance Fund and converted to an open fund on 1 October 1976.

Adventures in Health Risk

CREDICARE HEALTH FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.0%	-	2.2%	-	-	0.0%	-	0.4%

The Commonwealth Public Service (Qld) Credit Union Health Benefit Society was established on 12 November 1976 as a restricted membership fund. It changed name to CPS Health Benefits Society on 29 July 1982. It converted to an open fund in 1994.

CUA Members' Benefit Friendly Society was registered in February 1984 and commenced operations on 19 September 1985. It was operated by Credit Union Australia, which was formerly known as the Queensland Postal Cooperative.

On 1 October 1997 CUA Members' Benefit Friendly Society and CPS Health Benefits Society merged to form Credicare Health Fund. Although Credicare membership is restricted to Credit Union Australia members, it is strictly classified as an open membership fund.

In January 2006 Credit Union Australia merged with Australian National Credit Union (formerly Postal Workers' Cooperative Credit Society founded in 1949) to form Australia's largest credit union.

ST LUKE'S MEDICAL & HOSPITAL BENEFITS ASSOCIATION

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.0%	-	0.0%	-	16.0%	0.1%	-	0.4%

St. Luke's Medical and Hospital Benefits Association was established in 1952. It merged with Electrolytic Zinc Employees' Medical Union and Hospital Fund on 31 October 1978, Coats Patons Health Benefit Association on 28 April 1988 and Queenstown Medical Union Health Benefits Fund on 31 March 1997. Each of these funds had been operating since before 1970. From 1986 to 2004 it owned the St. Lukes' Private Hospital. St Luke's is based in Launceston, Tasmania.

LYSAGHT PEOPLECARE

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.6%	-	0.2%	0.2%	-	0.5%	0.1%	0.4%

Lysaght Hospital and Medical Club was formed in 1953 by a group of John Lysaght Australia employees (later BHP, now BlueScope Steel) It changed name to Lysaght Peoplecare on 1 April 2002 and also took over the business of Transition Benefits on the same date. It converted from a restricted fund to an open fund on 1 December 2006. It is based in Port Kembla (near Wollongong), NSW.

Adventures in Health Risk

QUEENSLAND COUNTRY HEALTH

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	1.6%	-	-	-	-	0.3%

The MIM Employees Health Society was established on 12 November 1976 and commenced operations on 14 February 1977 as a restricted membership fund. On 1 January 1999 Queensland Country Credit Union took over the management of the fund and it converted to an open membership fund and changed name to Queensland Country Health. It is based in Townsville, Queensland.

MILDURA DISTRICT HOSPITAL FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.1%	-	-	-	-	1.0%	-	0.3%

Mildura District Hospital Fund was established on 17 December 1929 by a committee from the Mildura Base Hospital. It took over the operations of the Hospital Benefits Fund Red Cliffs on 1 October 1961. It purchased the Mildura Private Hospital in June 1997. It is based in Mildura, Victoria.

UNITED ANCIENT ORDER OF DRUIDS FRIENDLY SOCIETY

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	-	-	-	0.6%	-	0.1%

The Druids Friendly Society has been a registered friendly society since 1862. Druids first health insurance activities were the establishment of lodge doctors where doctors were contracted to provide treatment to lodge members and their families, with the doctors paid from contributions paid by members.

CESSNOCK DISTRICT HEALTH BENEFITS FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.1%	-	-	-	-	-	-	0.0%

The Cessnock District Hospital Contribution Fund was established on 16 October 1952 to provide health cover for the coal mining industry. It was preceded by an outpatient contribution scheme that had been established six years earlier. It changed name to the Cessnock District Hospital Health Benefits Fund in 1985, to Cessnock District Health Benefits Fund in 1986, then to Cessnock District Health Benefits Fund on 24 December 1999. It is based in Cessnock, NSW.

Adventures in Health Risk

NATIONAL HEALTH BENEFITS AUSTRALIA

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	-	-	-	-	-	-

National Health Benefits Australia trades as Onemedifund and is Australia's newest health fund. It was registered in March 2007. It shares offices with Lysaght Peoplecare.

3.2 *The Restricted Access Funds*

Restricted access funds place restrictions on who may join. Section 126-20(7) of the *Private Health Insurance Act 2007* defines a restricted access insurer (formerly known as a restricted membership fund) as one which limits membership to persons (and their partners and dependent children) who are or were employed in a particular profession, trade, industry or calling; employed by a particular employer or class of employers; members of a particular profession, professional association or union; or members of the Defence Force or part of the Defence Force.

There are presently 13 restricted access funds. A brief history of each fund is shown below, listed from largest to smallest.

TEACHERS FEDERATION HEALTH

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
4.2%	-	0.2%	0.8%	0.8%	0.8%	0.1%	1.9%

The NSW Teachers' Federation Health Society was established in 1954 to provide health insurance for teachers, school administration and support staff and their families. It changed name to Teachers Federation Health on 1 July 2001. Membership is restricted to members of the following unions: NSW Teachers Federation, Australian Education Union, State School Teachers Union of WA, Independent Education Union, Association of Non-Government Education Employees, National Tertiary Education Union and Tasmania Catholic Education Employees Association.

DEFENCE HEALTH

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
1.1%	4.7%	2.6%	1.7%	0.8%	2.2%	0.6%	1.6%

Army Health Benefits Society was established on 3 September 1953 as a restricted membership fund to provide health cover to Army families. As serving members receive free medical and hospital treatment from the Government, separate membership categories apply to serving members and civilian members. It was initially financed by grants from the Army Canteens Service. Army Health Benefits Society changed name to Defence Health on 1 July 1998.

Adventures in Health Risk

CBHS FRIENDLY SOCIETY

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
1.6%	-	1.2%	0.8%	1.0%	1.6%	0.6%	1.4%

Commonwealth Bank Health Society was established on 1 January 1951 to provide health cover for past and present employees, and their past and present dependants, of the Commonwealth Bank of Australia, its subsidiaries and affiliated companies.

QUEENSLAND TEACHERS' UNION HEALTH FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	2.5%	-	-	-	-	0.4%

Queensland Teachers' Union Health Fund was established on 13 March 1972 by the Queensland Teachers' Union to provide health insurance to members of the Queensland Teachers' Union and the Queensland Independent Education Union. Membership eligibility was expanded in 2000 to include union members of the ASU Services, ASU Clerical and Administration, QPSU and CPSU.

PHIAC appointed an inspector to investigate the fund's financial position in February 2003, then appointed an administrator in June 2003 as a result of corporate governance issues. After corporate governance changes were made, control of the fund was returned to the Board.

RAILWAY & TRANSPORT HEALTH FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.6%	-	0.7%	-	-	-	-	0.3%

New South Wales Railway Tramway Motor Omnibus and Road Transport Employees' Hospital Fund was established in 1889 by a group of railway workers. Today Railway & Transport Health Fund serves current or former employees (and their families) in the railway, transport or electricity industries in NSW and Queensland.

SOUTH AUSTRALIAN POLICE EMPLOYEES' HEALTH FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	2.6%	0.5%	1.8%	-	-	0.2%	0.3%

The South Australian Police Department Employees' Hospital Fund was established in 1935 to provide health cover to South Australian police employees and their families. It changed name to South Australian Police Employees' Health Fund on 1 February 1984 and has traded as Police Health since expanding into Northern Territory and Queensland in 2003/04 and Western Australia in 2005/06.

Adventures in Health Risk

NAVY HEALTH

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.4%	-	0.3%	0.2%	-	0.3%	0.2%	0.3%

The Naval Health Benefits Society was established in 1955 to provide for the unique needs of defence personnel and their families following a meeting of the Navy Central Canteen Fund Committee on 4 November 1954. It changed name to Navy Health on 1 July 2000.

Membership eligibility is limited to persons employed on full time duty in the Navy, Army or Air Force, or civilians (including contractors) with the Department of Defence, Naval Shore Establishment, dockyards, or other defence establishment, employee of the Australian Public Service, or an employee or member of an organisation contracted to supply Navy Health, and active members of the Reserve forces. Members and dependants can maintain membership despite no longer qualifying under these rules. As serving members receive free medical and hospital treatment from the Government, separate membership categories apply to serving members and civilian members. Premiums for serving members are around 15% less than for civilian members, reflecting the non-coverage of the serving member.

PHOENIX HEALTH FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.2%	-	0.1%	0.3%	-	0.1%	-	0.1%

The Phoenix Welfare Association was established 12 November 1953 to provide health cover for the employees of Stewarts & Lloyds. It changed name to Phoenix Health Fund on 1 September 2001. Today it provides health cover to current and former employees and their immediate families of OneSteel and associated companies and is based in Newcastle, NSW.

THE DOCTORS' HEALTH FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.1%	-	0.1%	-	-	0.1%	-	0.1%

The AMA (NSW) Health Fund was established on 15 February 1977 to provide health insurance to the medical profession. It changed name to The Doctors' Health Fund on 7 November 2005.

ACA HEALTH BENEFITS FUND

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.2%	-	0.1%	-	-	0.1%	-	0.1%

ACA Health Benefits Fund was registered on 26 May 1971 and commenced operating on 1 August 1971. It ceased operations on 30 June 1975 but re-commenced on 1 April 1986. It provides private health insurance exclusively for the employees and families of the Seventh-day Adventist Church and its associated institutions in Australia.

Adventures in Health Risk

HEALTH CARE INSURANCE

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	-	-	3.0%	0.1%	-	0.1%

The Associated Pulp and Paper Makers' Council Health Benefits Fund was established on 14 November 1938 and commenced operations on 4 January 1939 to provide health cover to employees of Associated Pulp and Paper Makers' related companies. In 2002 eligibility was extended to the forestry, timber and paper industries. In 1994 it changed name to Health Care Insurance. It is based in Burnie, Tasmania.

TRANSPORT HEALTH

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
-	-	-	-	-	0.3%	-	0.1%

The Mutual Benefit Society of the Employees of the Melbourne Tramway and Omnibus Company was established on 26 June 1888. It subsequently change name to the Mutual Benefit Society of the Employees of the Melbourne and Metropolitan Tramways Board, then changed name to the Tramways Benefit Society on 10 April 1972. It ceased operations on 30 September 1976, but recommenced operations on 23 August 1981. It changed name to the Transport Friendly Society in 1989/90 and changed name to Transport Health in 2004/05.

RESERVE BANK HEALTH SOCIETY

Market share

NSW	NT	QLD	SA	TAS	VIC	WA	AUST
0.1%	-		-	-	0.0%	-	0.0%

The Reserve Bank Health Fund Friendly Society was established in 1960 to provide health cover for current and retired Reserve Bank and Note Printing Australia Ltd employees and their dependents.

4. Births, Marriages, Divorces and Deaths

This section chronicles some of the major events in health fund history.

4.1 Marriage and a quick divorce

The Hospitals Contribution Fund (HCF) and the Medical Benefits Fund (MBF) had a close association in their early years. MBF's first chief Executive, Jack Cade, was seconded from HCF. Their businesses were complementary: HCF handled hospital benefits and MBF covered medical services. In October 1961 HCF and MBF entered into an agreement in NSW for HCF to act as MBF's intermediary in collecting contributions. This meant that a combined deduction from pay for both hospital and medical benefits could be provided in groups established in government departments, commerce and industry. The fund administrations had been merged, however disputes arose over the allocation of revenues collected between the two funds. HCF gave 12 months notice to terminate the agreement in October 1962 and the joint operations ceased in October 1963.

From November 1963 both HCF and MBF commenced offering combined hospital and medical cover in NSW in competition with each other.

4.2 A Blue Cross merger?

The Blue Cross Association was established on 19 November 1951 as an industry association representing the large health funds, mirroring the Blue Cross voluntary co-operative system of health insurance in the USA. Its members were MBF in NSW, Queensland and Tasmania, HBA in Victoria, Mutual Community in South Australia and HBF in Western Australia. At June 1986 these funds comprised 45% market share compared to Medibank Private's 22%

In response to competition from Medibank Private, in May 1987 a proposal was developed for the merger of the Blue Cross funds. In August 1987 a meeting of directors of Blue Cross funds was held to discuss the merger proposal. All funds except HBF supported the merger proposal. However agreement could not be reached on the details of the proposed merger.

In late 1987 Professor Alf Pollard (Chairman of MBF from 1983-88) developed a revised plan for MBF, Mutual Community, HBA and HBF to bring together all administrative operations of their funds while retaining separate assets, boards and articles of association. This administrative arrangement could be cancelled with 12 months' notice. HBA was favourably disposed to the concept, but HBF and Mutual Community were not.

Mutual Community put forward an alternative proposal with the support of Capita, a large life insurer, which did not include the option for funds to withdraw from the arrangement. HBF rejected the proposal but Mutual Community, HBA and MBF continued discussions during 1988. Mutual Community and HBA reached agreement in July 1989 for a merger.

The Blue Cross Association disbanded around 1990 as member funds pursued their own strategies, including expanding across state borders into each others' territories.

4.3 Turmoil in Victoria

The four years from July 1987 to June 1991 were *anni horribiles* for Victorian health funds. The underwriting results (net margin) for these years were (5%), (5%), (11%) and (11%) respectively of contribution income. All of the major funds, Medibank Private, HBA, ANA and Manchester Unity, were affected. Health Australia had commenced operations a year earlier in seemingly profitable times. None of these funds would emerge from this episode unscathed, with only Medibank Private surviving intact as a result of being able to call on reserves from operations in other states.

This period was marked by significant underwriting losses (net margin), as a % of contribution income, as shown in the following table:

Year	Medibank Private	HBA	ANA	Manchester Unity	Health Australia
1987/88	(6.7%)	(3.5%)	(2.3%)	(4.5%)	2.8%
1988/89	(4.3%)	(5.9%)	(3.3%)	(5.9%)	(14.2%)
1989/90	(13.7%)	(3.3%)	(26.7%)	(5.8%)	(29.3%)
1990/91	(15.7%)	(4.1%)	(12.7%)	(6.9%)	-

The risk equalisation arrangements were significantly altered from July 1989 to include benefits for all persons aged 65 and over. This explains part of the increased underwriting losses experienced by Medibank Private and Health Australia, but does not explain ANA's results as they received more support from this change.

Price competition returned to Victoria again in 1995-97, with a return to large underwriting losses (net margin), as a % of contribution income, in response to aggressive price reductions by Medibank Private:

Year	Medibank Private	HBA	Australian Unity
1994/95	(7.2%)	4.1%	1.5%
1995/96	(14.7%)	(3.6%)	(1.9%)
1996/97	(15.4%)	(3.5%)	(3.8%)

Health Australia

Health Australia was established on 1 September 1986 as a joint venture between Australian Hospital Care (the second largest for profit hospital group and subsequently part of Mayne Health) and Switzerland Insurance Company. Focussing on Victoria and NSW it developed an aggressive marketing campaign offering low cost insurance and grew rapidly, capturing 4% of the Victorian market in its first two years of operation. It upset the existing health funds with its aggressive marketing and acquisition of their good risk members. It declared a \$1 million profit in 1987/88, followed by losses of \$8 million and \$22 million in the following two years. Australian Hospital Care sold its shareholding to Switzerland Insurance Company in May 1989. A final loss of \$5 million was incurred in its last three months of operation before its membership was taken over by Medibank Private on 1 October 1990. These losses were funded by capital injections totalling \$35 million over its short four year life.

Health Australia was not helped by the significant changes that were made to the industry risk equalisation arrangements from June 1989, which significantly expanded the size of the pool by including claims for persons aged 65 and over.

Adventures in Health Risk

The birth of Australian Unity

ANA was the third largest fund in Victoria and in a strong financial position in 1989. In 1989/90, ANA incurred a loss of \$14 million as a result of poor underwriting performance, significantly depleting reserves. In 1990/91, a further loss of \$8 million was incurred, and another \$8 million in 1991/92, wiping out all of its net assets.

ANA merged with the smaller but financially stronger Manchester Unity (Vic) on 22 September 1993. At the time of the merger ANA and MU had Victorian market shares of 10% and 6% respectively.

Two fallen giants – HBA and Mutual Community

Few members of HBA and Mutual Community are probably aware of the fact that these funds both spectacularly lost control of their own destiny in the early 1990s.

In 1989/90 HBA wrote-off \$47 million in loans to subsidiaries, development projects and joint ventures, wiping out all of its net assets. HBA was taken over by Mutual Community, the largest fund in South Australia, in December 1990.

Mutual Community was the product of a merger on 31 January 1984 between The Mutual Hospital Association and National Health Services Association of South Australia. At the time of the merger, these two funds dominated the South Australian market, with respective market shares of 58% and 24%.

In 1989/90 Mutual Community incurred a loss of \$42 million of which \$25 million was adjustments in asset valuations. This was followed in 1990/91 by a loss of \$35 million, including a \$26 million write-off of software development expenditure, wiping out all of its net assets.

In 1991 the National Mutual Life Association took over the business of Mutual Community and HBA, providing a capital injection of \$34 million and a loan of \$35 million. The loan was subsequently repaid. PHIAC provided a long term exemption from the solvency requirements to give the fund time to recover financially.

For HBA and Mutual Community combined, \$121 million was written off in investment write-downs and software development write-offs during 1990 and 1991, increasing to a total of \$197 million by 1999.

After taking control of Mutual Community and HBA in 1991, National Mutual purchased a dormant for-profit health fund, Hospita, which had been established on 17 June 1986 but never commenced operations (see section 4.7 below). Its name was changed to National Mutual Health Insurance, and it acquired the business of ACC Health (operated by Australian Casualty & Life, a National Mutual subsidiary) on 1 January 1992 and was used as the vehicle for expansion into New South Wales, Queensland and Western Australia. National Mutual Health Insurance incurred estimated underwriting losses (net margin) of \$26 million in these states from July 1995 to June 1999. By June 2006 it had captured market shares in NSW, Queensland and WA of 1.2%, 2.4% and 1.0%.

On 31 December 1995 the business of HBA and Mutual Community was transferred to National Mutual Health Insurance. It was subsequently sold to the UK-based British United Provident Association (BUPA).

Adventures in Health Risk

4.4 Non-registered health insurers

Esso, BHP and Mercantile Mutual were among a number of organisations who operated health insurance business outside of the National Health Act prior to 1985.

In 1985 the National Health Act was amended to prohibit organisations other than registered health insurers from carrying on health insurance business. The Government was concerned that the community rating principle was being eroded by cheaper risk-rated health insurance being offered to good risks by insurers not registered under the National Health Act. These self insurance arrangements had avoided participation in the risk equalisation arrangements. At the same time the National Health Act was amended to facilitate the registration of commercial insurers and allow distribution of profits to shareholders.

In 1992 the Federal Court determined that Esso Australia had been carrying on health insurance business in contravention of the National Health Act. Esso had been providing subsidised health insurance under the Esso Supplemental Health and Dental Care Plan to current and past employees.

In 1996 BHP registered a health fund, Transition Benefits, to take over its previously unregistered employer funded health insurance arrangements. Transition Benefits ceased operations in 2002.

Further regulatory changes were made in 1995 to prevent the introduction of non-registered health insurance products by Silver Cross/Citilife. These products were a cross between trauma and health insurance with a variable benefit payable on the occurrence of a specific diagnosis.

4.5 Lifetime Health Cover

In the May 1999 budget, the Federal Treasurer announced that the community rating arrangements would be modified to allow premiums to increase with entry age according to a fixed scale from July 2000. Existing members at commencement would avoid these penalties. The new system caused a massive influx of members in the month leading up to the commencement date, with coverage increasing from 30% to 45% of the population. Most funds experienced extraordinary membership growth, however this growth caused significant financial pressure for several funds. New members were generally subject to a 12 month pre-existing ailment waiting period for hospital benefits, which kept claims low in 2000/01, followed by an increase in 2001/02.

The following six funds experienced above average membership growth followed by major underwriting losses in 2001/02:

Fund	Hospital membership change: June 1999 to June 2002	Underwriting Profit (Net Margin) as % of contribution income		
		1999/00	2000/01	2001/02
Goldfields	403%	(6.6%)	8.2%	(20.0%)
IOR	116%	4.2%	4.0%	(17.1%)
NRMA	105%	1.8%	3.9%	(11.5%)
HIF	88%	1.9%	4.9%	(9.7%)
Medibank Private	69%	0.9%	4.1%	(8.1%)
AHMG	57%	6.3%	11.3%	(9.4%)

Goldfields

Goldfields Medical Fund grew membership enormously during the Lifetime Health Cover period by broker distribution of its WA priced products on a national basis, primarily in Victoria. In the three years from June 1999 to June 2002 the fund grew hospital membership by 403% and was transformed from having no membership outside of WA to having 57% of its membership in other states. PHIAC appointed an inspector in November 2001 to investigate Goldfields financial position following solvency concerns, then appointed an administrator in December 2001. Goldfields increased prices by an average 40.5% on 1 April 2002, with some prices increasing by up to 70%. Rate protection for contributions paid in advance was withdrawn despite it being listed in product information as a member right. Rate protection was subsequently re-instated with reimbursement given to members. In September 2002 the administrator recommended that Goldfields merge with the smaller Healthguard Health Benefits, a controlled entity of HBF, with guarantees provided by HBF to effect the merger.

IOR

IOR grew membership enormously during the Lifetime Health Cover period by broker distribution, primarily in Victoria. In the three years from June 1999 to June 2002 the fund grew hospital membership by 116%. PHIAC appointed an inspector in February 2002 to investigate IOR's financial position, then appointed an administrator in July 2002. IOR increased prices by an average 20.2% on 1 April 2002, followed by 23.3% on 1 October 2002. In November 2002 PHIAC approved the sale of IOR's health fund to the Hospitals Contribution Fund of Australia.

Other Funds

Of the larger funds in the industry, Medibank Private had the highest membership growth rate during the Lifetime Health Cover period, with hospital membership increasing by 69%. It recorded a profit of \$106 million in 2000/01, then a loss of \$175 million in 2001/02 as a result of a deterioration in both underwriting profit and investment earnings as claims increased and share markets collapsed. It increased contribution rates by an average 8.9% in April 2002, and subsequently restored its financial position.

From June 1999 to June 2002 NRMA Health increased its market share from 1.3% to 1.8%, incurred pre-tax losses of \$16 million in 2001/02 and \$12 million in 2002/03 and received capital injections from its parent of \$40 million. NRMA Health increased contribution rates by an average 15.4% in April 2003 and was sold to MBF on 1 July 2003.

Following its loss in 2001/02, AHMG restored its financial position by increasing contribution rates by an average 17.4% in April 2002 and 19.6% in April 2003.

Similarly, HIF restored its financial position by increasing contribution rates by an average 12.5% in April 2002, 12.7% in April 2003 and 10.0% in April 2004.

4.6 MBF expansion

MBF had developed a dominant position in three states, with market shares of 44%, 79% and 65% in NSW, Queensland and Tasmania respectively by 1971. MBF commenced operations in Victoria on 15 December 1989, South Australia on 18 October 1993, and Western Australia on 1 July 1997. MBF incurred estimated underwriting losses (net margin) of \$57 million in these three states between June 1989 and June 1999. By June 2003 MBF had captured market shares in Victoria, SA and WA of 4.4%, 5.1% and 1.3%.

In July 2003 it significantly increased its South Australian and Western Australian business by purchasing NRMA Health from IAG for \$110 million. This insurer is still operating, now under the name of MBF Alliances.

In January 2004 MBF purchased NRMA Life and ClearView Retirement Solutions from NRMA (now IAG) for \$220 million. Clearview provides life insurance and financial planning services.

4.7 The rise of the for-profit fund

Prior to 1985, all health funds were operated on a not-for-profit basis. The National Health Act was amended in 1985 to respond to the rise of risk rated health insurance by organisations not registered under the National Health Act. To facilitate these non-registered organisations seeking registration, the Act was also amended to allow for the payment of dividends to shareholders. Three for-profit funds were registered in 1986: FAI Health Benefits on 28 February, Health Australia on 19 May and Hospita on 17 June.

A fourth for-profit fund, AUSI, was registered on 10 October 1988, followed by ACC Health on 15 June 1989.

FAI Health Benefits was sold to Grand United on 27 March 1997 and renamed Grand United Corporate.

Health Australia merged with Medibank Private on 1 October 1990.

National Mutual purchased Hospita in 1991 and changed its name to National Mutual Health Insurance. This fund eventually took over the business of HBA and Mutual Community and was ultimately sold to the British United Provident Association (BUPA).

A number of not-for-profit funds have converted to for-profit funds: SGIO Health on 1 January 1997, Grand United on 1 January 1999, IOOF on 30 June 2001 and Australian Unity on 1 June 2001.

The most recent registration, National Health Benefits Australia, was registered on a for-profit basis in March 2007.

Having announced their intended demutualisations, NIB and MBF will be converting to for-profit funds. If the sale of Medibank Private proceeds, it is also expected to convert to a for-profit fund in 2008.

4.8 The health funds that never were

The ABC Staff Association Health Insurance Society was registered on 26 May 1971, but never commenced operations and was deregistered on 30 June 1972.

Hospita was registered as a for-profit health fund on 17 June 1986 but never commenced operations. Hospita was a joint venture between Capita (previously known as City Mutual Life) and Hospital Corporation Australia. Its purpose was to be ready to take advantage of any movement towards Health Maintenance Organisations in Australia, which had been the subject of a paper produced by Dr Frances Cunningham (*Health Maintenance Organisations: a development program under Medicare*) and released by the Health Minister Neal Blewett in 1985. This development never occurred, and Hospita was sold to the National Mutual Life Association following Capita being acquired by MLC in 1990. Its name was changed to National Mutual Health Insurance, eventually took over the HBA and Mutual Community business and now operates as BUPA Australia Health.

AUSI Health Insurance was registered as a for-profit health fund on 10 October 1988 but never commenced operations and was deregistered by June 1991. AUSI Health Insurance was owned by the now defunct Insurance Exchange of Australia Group, which was a major player in sports insurance.

4.9 Removing the restrictions

A number of funds have made the transition from restricted membership to open membership, seeking to grow beyond their origins and attract members from the wider population:

- 1976 – Health Insurance Fund (formerly WA Government Railways Employees Hospital Fund)
- 1992 – Healthguard (formerly Professional & Technical Officers Health Society)
- 1994 – CPS Health Benefits Society
- 1995 – Health Partners (formerly SA Public Service Association Health Benefits Fund)
- 1997 – Government Employees Health Fund
- 1999 – Queensland Country Health (formerly MIM Employee Health Society)
- 2006 – Lysaght Peoplecare

4.10 The dearly departed

The graph in section 2 highlights the reduction in the number of health funds over the past 30 years. There are many funds that have either ceased operations or merged over this period. The fate of these funds is chronicled in the timeline in the appendix.

There have been a number of significant events which led to rationalisation of health funds. Many of these are chronicled in section 2 in terms of the major changes to the regulatory environment.

The introduction of Medibank in 1975 and Medicare in 1984 led to a significant reduction in the number of health funds, with many ceasing operations. Some funds ceased operations only to recommence in later years, including Manchester Unity (NSW), Tramways Benefit Society and ACA Health Benefits Fund.

Other major regulatory changes required all funds to seek re-registration (in October 1970, October 1976 and January 1984) and some funds did not seek re-registration as a result of the changed regulatory environment. Many other funds simply ceased operations as a result of increased commercial pressures and business complexity.

5. Lessons from the past

Those who cannot remember the past are condemned to repeat it – George Santayana, The Life of Reason, 1906

So what lessons can be learned from the past to help us in the future?

While it is not possible to be fully informed of the circumstances surrounding past events, there are some features that can be distilled from them for current and future health fund managers.

The dangerous pursuits that have contributed to the death or near-death experiences of health funds include:

- Regulatory change
- Poor, or deliberately low, pricing
- Inadequate price increases
- Poor investments
- Product cannibalisation
- Poor product design or generous benefits leading to anti-selection

Many of today's health funds have experienced a significant adverse financial event at some time in their history.

The classic response to such an adverse event is to raise contribution rates. This is a blunt instrument as it can lead to a loss of good risk members to competitors. However the desired financial correction is generally achieved provided sufficient time is available to affect the remedy.

6. What's next?

Undoubtedly, 2007 is a watershed year for the private health insurance industry. There are now plans in place for three of the largest funds to seek listing on the Australian Securities Exchange.

NIB announced in March 2007 that it planned to demutualise and list on the Australian Securities Exchange. Its members voted in favour of the demutualisation plans on 19 July 2007. It is expected to list on the ASX within six months.

MBF announced on 5 July 2007 that it was reviewing its business structure, with the preferred option being a demutualisation and listing on the ASX. It also reported that approaches had been received from interested parties, including another industry participant and several private equity firms. On 17 August 2007 it announced that its Council had endorsed a proposal to demutualise and list on the ASX during 2008. MBF members and policyholders will have the opportunity to vote on the scheme.

On 31 August 2007, BUPA announced that it was seeking regulatory approvals for its plan for a proposed takeover of MBF. MBF has stated that its preferred option is to continue with a demutualisation and ASX listing.

The Federal Government conducted scoping studies in 2002 and 2005 into its ownership of Medibank Private. In April 2006 it announced its intention to sell Medibank Private, with the proceeds to be placed in a Health and Medical Investment Fund. In September 2006 it announced that its intended method of sale would be via an ASX float in 2008 if re-elected. The *Medibank Private Sale Act* was passed in December 2006 enabling the Commonwealth Government to sell Medibank Private.

Another fund, Australian Unity, has previously considered and dismissed the demutualisation option. In December 2005 it distributed a report to members which considered the options of remaining a mutual organisation or demutualising. Following a series of consultation meetings, a majority of respondents to a questionnaire decided against demutualising in June 2006.

7. Acknowledgements

The authors acknowledge the assistance received from numerous people in our research for this paper. Only time has precluded us making more use of the people and resources available to us. We therefore apologise in advance for the inevitable errors or omissions which remain solely our responsibility.

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Health fund websites, brochures and annual reports

Adventures in Health Risk

APPENDIX - Health Fund Activity Timeline

1840	
7 December	Manchester Unity Independent Order of Oddfellows established in Victoria
1843	
	Manchester Unity Independent Order of Oddfellows established in NSW
1862	
	Druids Lodge established in Victoria
1871	
April	Australian Natives' Association established in Victoria
1888	
26 June	The Mutual Benefit Society of the Employees of the Melbourne Tramway and Omnibus Company was established
1889	
	NSW Railway Tramway Omnibus and Road Transport Employees' Hospital Fund (now R&T Health Fund) established
1920	
	Yallourn Medical and Hospital Society established
1921	
	Manchester Unity (NSW) established the Unity Hospital Fund
1927	
	Cement Works Health Benefit Scheme (now GMHBA) established
1929	
17 December	Mildura District Hospital Fund established
1932	
16 June	Hospital Contributions Fund commenced operations
1934	
24 November	Hospital Benefits Association established
1935	
	South Australian Police Department Employees' Hospital Fund established
1937	
	Mutual Hospital Association established South Australian Public Service Association Health Benefits Fund established
1938	
14 November	The Associated Pulp and Paper Makers' Council Health Benefits Fund established

Adventures in Health Risk

1940	Manchester Unity (NSW) established the Voluntary Hospital Fund
1941	
1 April	Perth Metropolitan Hospital Benefits Fund (now HBF) established
1946	
29 October	Medical Benefits Fund established
1951	
1 January	Commonwealth Bank Health Society established The Latrobe Valley Hospitals and Health Services Association established
1952	
	Cessnock District Health Fund established St. Luke's Medical & Hospital Benefits Association established National Health Services Association established
1953	
	Goldfields Medical Fund established Lysaght Hospital and Medical Club established Newcastle Industrial Benefits established
3 November	Army Health Benefits Society (now Defence Health) established
12 November	The Phoenix Welfare Association established
November	Western District Mineworkers Medical Benefits Fund (now Westfund) established
1954	
	WA Government Railways Employees Hospital Fund (now HIF) established NSW Teachers' Federation Health Society established
1955	
	Naval Health Benefits Society established
1958	
	Cement Workers Hospital Benefits Scheme changed name to Geelong Medical & Hospital Benefits Association
1960	
	Reserve Bank Health Fund Friendly Society established
1961	
	Collie Combined Unions Medical Fund merged with HBF
1965	
	Yarloop Hospital Fund merged with HBF
1970	
	<i>National Health Act 1970</i> required all funds to re-register by 1 October
30 June	Manchester Unity (NSW) ceased operations
30 June	The Diamond Valley Community Hospital Fund ceased operations
30 June	The following funds operated by Bush Nursing Hospitals ceased operations: Birchip and District, Chiltern, Heyfield and District, Hopetoun and District, Korong, Murchison, Nagambie, Natimuk, Sea Lake, Tongala, Upper Yarra, Cowes

Adventures in Health Risk

1971

4 January	Local Government Employees' Medical and Hospital Club established
30 April	W.A. Railway and Metropolitan Transport Hospital Fund ceased operations
26 May	ABC Staff Association Health Insurance Society registered
15 June	Abattoirs Sick Accident and Hospital Benefit Fund ceased operations
30 June	The R.S. & S. Mills Employee's Hospital Fund ceased operations
30 June	Valley Worsted Mills Hospital and Sick Benefit Fund ceased operations
30 June	The Eden Fund ceased operations
30 June	South Australian Railways Employee's Hospital Fund ceased operations
1 August	ACA Health Benefits Fund commenced operations
30 September	Diamond Valley Community Hospital ceased operations as a registered fund
30 December	Australasian Holy Catholic Guild of St. Mary and St. Joseph Registered Friendly Benefit Society changed name to Australian Catholic Guild Friendly Society

1972

13 March	Queensland Teachers' Union Health Fund established
10 April	The Mutual Benefit Society of the Employees of the Melbourne and Metropolitan Tramways Board changed name to the Tramways Benefit Society
30 April	Friendly Health Services (Tas) merged with Druids (Tas)
30 June	ABC Staff Association Health Insurance Society deregistered
10 October	Norseman District Hospital and Medical Fund merged with HBF

1973

30 June	Wonthaggi and District Hospital Benefit Fund ceased operations and transferred to Latrobe Valley Hospitals and Health Services Association
21 September	Aboriginal Medical Service NSW commenced operation wholly as a contract organisation

1974

31 July	Bulli District Hospital Contribution Fund merged with The Wollongong Hospital Contribution Fund
30 September	Wallsend District Hospital In-Patients' Contribution Fund ceased operations
30 September	The Warren Medical and Hospital Fund merged with HBF

1975

27 March	Mechanics' Medical Assurance Scheme ceased operations
31 March	Hibernian Australasian Catholic Benefit Society merged with NHSA (SA)
31 March	Manchester Unity IOOF Friendly Society in South Australia merged with NHSA (SA)
30 June	South Coast Medical Benefits Fund merged with NIB
30 June	A large number of funds discontinued medical benefits in anticipation of the commencement of Medibank
30 June	ACA Health Benefits Fund ceased operations
30 June	The Australian Chilling and Freezing Co. Ltd. Medical Benefit Scheme ceased operations
30 June	Northern District Miners' Medical Fund ceased operations
30 June	M.M. Hospital and Medical Club ceased operations
30 June	IOR (Vic) ceased operations
1 July	Universal health insurance scheme, Medibank, commences
15 July	The Fire Service Health Fund (S.A.) registered
31 July	Pemberton Medical Accident and Hospital Fund (WA) ceased operations
31 December	Post Office Mutual Benefits Society of NSW ceased operations

Adventures in Health Risk

1976

- National Health Amendment Act 1976* required re-registration by 30 September
- 30 September Coledale District Hospital Patients Contribution Fund ceased operations
- 30 September Grand United Order of Free Gardeners of Australasia ceased operations
- 30 September Tramways Benefit Society ceased operations
- 1 October Manchester Unity Independent Order of Oddfellows Friendly Society (Qld) ceased operations
- 1 October Medibank Private commenced operations (as the Health Insurance Commission) Government Employees' Hospital and Medical Benefits Fund changed name to Health Insurance Fund and converts from a restricted membership fund to an open fund
- 12 November M.I.M. Employees Health Society established
- 12 November Commonwealth Public Service (Qld) Credit Union Health Benefit Society established

1977

- 15 February AMA (NSW) Health Fund established

1978

- 14 February Welcare Benefits Fund (Vic) established
- 29 March Ancient Order of Foresters Friendly Society (Qld) ceased operations
- 6 April The Professional and Technical Officers Health Society established
- 29 August Hibernian Australasian Catholic Benefit Society (Qld) ceased operations
- 30 August Fire Service Health Fund (SA) ceased operations
- 31 October Electrolytic Zinc Employees' Medical Union and Hospital Fund (Tas) merged with St. Lukes Medical & Hospital Benefits Association
- 31 October Welcare Benefits Fund (Vic) ceased operations
- 1 November Hunter Medical Benefits Fund Limited (NSW) merged with NIB
- 31 December Tasmanian Government Insurance Office Benefits Plan ceased operations

1979

- 1 January Australian Catholic Guild Friendly Society (NSW) merged with Grand United Order of Oddfellows Friendly Society
- 20 April Broken Hill and District Hospital Contribution Fund (NSW) ceased operations
- 31 August Irish National Foresters' Benefit Society ceased operations

1980

- 1 January IOR (NSW) merged with Grand United (NSW)
- 29 February Druids (Tas) ceased operations

1981

- 10 February Store Hospital & Medical Fund changed name to Newcastle and Hunter Medicare Health Fund
- 30 June Newcastle & Hunter Medicare Health Fund merged with NIB
- 23 August Tramways Benefit Society re-commenced operations
- 24 September Total Care Health Insurance commenced operations
- 31 December Kurri-Kurri Maitland Hospital Contribution Fund ceased operations

Adventures in Health Risk

1982

- 31 January Hibernian Australasian Catholic Benefit Society (NSW) merged with MU (NSW)
- 1 April Hibernian Australasian Catholic Benefit Society Victoria District No.1 merged with GMHBA
- 3 May Rechabites (SA) merged with National Health Services Association
- 30 June Protestant Alliance (NSW) merged with MU (NSW)
- 29 July Commonwealth Public Service (Qld) Credit Union Health Benefit Society changed name to CPS Health Benefits Society
- 1 September AMWSU Health Care established

1983

- 31 March Grand United (Vic) merged with Total Care Friendly Society

1984

- 31 January CBC Health ceased operations
- 31 January AMWSU Health Care (Vic) merged with Medibank Private
- 31 January Ancient Order of Foresters merged with Total Care Friendly Society
- 31 January Hibernian Australasian Catholic Benefit Society transferred to GMHBA & MU
- 31 January National Health Services Association (SA) merged with Mutual Health
- 31 January Manchester Unity (NSW) ceased operations and registered under the NSW Friendly Society Act
- 1 February Medicare commenced
- 31 March Friendly Society Health Services merged with HBF
- 3 September Mutual Health – NHSA changed name to Mutual Community

1985

- 1 July Total Care Friendly Society merged with Manchester Unity (Vic)
- 1 September Manchester Unity (NSW) re-commenced operations
- 19 September CUA Members' Benefit Friendly Society commenced operations

1986

- Wollongong Hospital and Medical Benefits Contribution Fund changed name to Illawarra Health Fund
- 28 February FAI Health Benefits established
- 1 April ACA Health Benefits Fund re-commenced operations
- 17 June Hospita established
- 1 September Health Australia established

1987

- SGIC Health commenced operations
- 20 October Advertiser Provident Society merged with Mutual Community
- 2 November FAI established

1988

- 28 April Coats Patons Health Benefit Association merged with St Lukes' Medical & Hospital Benefits Association
- 10 October AUSI Health Insurance registered
- Protestant Alliance (Vic) renamed Over 50's Friendly Society

1989

- 15 June ACC Health established
- 31 March Protestant Alliance (Qld) merged with IOR (Qld)

Adventures in Health Risk

1990

- Latrobe Valley Hospitals and Health Services Association changed name to Latrobe Health Services
Tramways Benefit Society changed name to Transport Friendly Society
1 October Health Australia transferred to Medibank Private
December HBA merged with Mutual Community

1991

- 1 January Order of Sons of Temperance (in Victoria) transferred to IOOF (Victoria)
1 January Queensland District No 87 IOR was transferred to IOR Australia
9 August Grand United Order of Oddfellows Friendly Society (Qld) transferred to Grand United Friendly Society (NSW)
1 October Cheetham Hospital Benefits fund (operating in Victoria) ceased operations
National Mutual Life Association purchased Hospita and took control of Mutual Community and HBA

1992

- 1 January ACC Health taken over by National Mutual Health Insurance
6 February Professional & Technical Officers Health Society changed name to Healthguard and converted from a restricted fund to an open fund
Illawarra Health Fund changed name to Australian Health Management

1993

- 22 September Australian Natives' Association and Manchester Unity IOOF Victoria Friendly Society merged to form Australian Unity Friendly Society
11 November Rosebery Health Benefits Society (operating in Tasmania) merged with Medibank Private

1994

- September Business of Grand United Friendly Society (in VIC,QLD,SA,WA,TAS) was transferred to NIB
The Associated Pulp and Paper Makers' Council Health Benefits Fund changed name to Health Care Insurance
South Australian Public Service Association Health Benefits Fund renamed Health Partners and converted from a restricted fund to an open fund
CPS converted to an open fund

1995

- 31 December Business of Mutual Community was transferred to National Mutual Health Insurance

1996

- 1 February PA Health Benefits (operated by the Over 50s Friendly Society) merged with Australian Unity
1 April Transition Benefits established, taking over a previously unregistered employer funded health insurance arrangement

Adventures in Health Risk

1997

- 1 January SGIC Health renamed SGIO Health and converted to a for profit fund
- 28 February Sydney Morning Herald Hospital Fund merged with HCF
- 27 March FAI sold to Grand United and renamed Grand United Corporate
- 31 March Australian Health Management merged with Government Employees Health Fund and converted from a restricted fund to an open fund
- 31 March Queenstown Medical Union Health Benefits Fund merged with St. Luke's Medical & Hospital Benefits Association
- 1 October CUA Members Benefit Friendly Society and CPS Health Benefits Society merged to form Credicare Health Fund

1998

- 1 March Medibank Private separates from the Health Insurance Commission
- 1 July Army Health Benefits Society changed name to Defence Health

1999

- 1 January Grand United converted to a for profit fund
- 1 January MIM Employees Health Society changed name to Queensland Country Health and converted from a restricted fund to an open fund
- 9 November SGIO Health changed name to NRMA following purchase of parent in 1998

2000

- 31 March Government Employees Health Fund changed name to Australian Health Management Group
- 4 April Yallourn Medical & Hospital Society changed name to Federation Health
- 1 July Naval Health Benefit Society changed name to Navy Health

2001

- 1 June Australian Unity converted to a for profit fund
- 30 June IOOF converted to a for profit fund
- 1 July National Mutual Health Insurance changed name to AXA Health following purchase of parent in 1998
- 1 September The Phoenix Welfare Association changed name to Phoenix Health Fund
- December Administrator appointed to Goldfields

2002

- 1 April Lysaght Hospital and Medical Club changed name to Lysaght Peoplecare
- 1 April Transition ceased operations with business transferred to Lysaght Peoplecare
- July Administrator appointed to IOR
- 4 November HCF purchased IOR
- 6 December Goldfields merged with Healthguard (with guarantees from HBF)
- 16 December AXA Health sold to BUPA and renamed BUPA Australia Health

2003

- June Administrator appointed to Queensland Teachers
- 1 July MBF purchases NRMA Health from IAG for \$110 million
- 25 July NRMA Health changed name to MBF Health

Adventures in Health Risk

2004

- January MBF purchases NRMA Life and ClearView Retirement Solutions from IAG for \$220 million
- 2 February IOOF purchased by NIB
- 1 May IOR merged with HCF
- 14 December Administrator appointed to Federation Health

2005

- 28 February Grand United merged with Australian Unity and Grand United Corporate sold to Australian Unity
- 4 July Federation Health merged with Latrobe Health Services
- 7 November AMA Health Fund changed name to The Doctors Health Fund
Transport Friendly Society changed name to Transport Health

2006

- 18 October Druids NSW (renamed Acorn Prudential) merged with Australian Health Management Group
- 1 December Lysaght Peoplecare converted from a restricted fund to an open fund

2007

- March National Health Benefits Australia established
- 19 July NIB members approve plans to de-mutualise
- 17 August MBF Council endorses plans to de-mutualise
- 31 August BUPA announces it is seeking regulatory approval for its plan to buy MBF
- ??? NIB issues shares to members and lists on Australian Securities Exchange?

2008

- ??? MBF issues shares to members and lists on Australian Securities Exchange?
- ??? Medibank Private lists on Australian Securities Exchange?