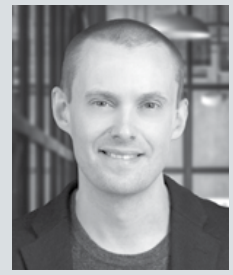
www.financialstandard.com.au
17 May 2021 | Volume 19 Number 09

ON THE FRONTLINE

Healthcare professionals are more likely to have mental health challenges than the broader population, but are less likely to seek help. How do financial advisers help those who have dedicated their lives to helping others? **Kanika Sood** writes.

01:
Darren Johns
SMSF specialist adviser
Align Financial



02:
Peter Baldwin
clinical research fellow and clinical psychologist
The Black Dog Institute

03:
Benjamin Martin
senior technical and training manager
AIA Australia

The first time that Sydney financial adviser Darren Johns[01] realised his client, a medical professional, was exhibiting compulsive behaviour was when he noticed unusual withdrawals from the client's self-managed superannuation fund (SMSF).

"We just asked the client the particulars of those withdrawals," Johns says.

"At the outset, we were told they were for investments. But when more of them were made, and there looked little chance of repayment, we realised that they were not for investments and that the client had compulsive behaviour issues."

Johns' response was to see if there was any means of repairing the damage (the SMSF was at risk of violating its withdrawal limits), to check in with family and financial liabilities.

"Not to give them advice on their mental health, but to plan on what options they had to rectify potential legislation issues that may arise," he says.

A tough job

One in 15 people employed in Australia work as a registered health practitioner, according to the Australian Health Practitioner Regulation Agency (AHPRA) and the National Boards.

These 801,659 Australians work in 16 professions including as nurses and midwives, medical practitioners, psychologists, dentists and paramedics.

Many of them work in high-stakes environments with long hours, which can take a toll.

For example, doctors are more susceptible to mental health conditions compared to the rest of the population and other professionals, according to Beyond Blue which surveyed 42,942 doctors and 6658 medical students for a 2013 study, which was updated in June 2019.

The findings showed higher rates of thoughts about suicide, depression, and anxiety.

One might think a doctor or a healthcare worker facing mental issues may find it easier than the rest of the population to seek help. After all, they have spent years studying the human body, and have seen first-hand the impact mental or physical issues can have.

But the reality is different.

Peter Baldwin[02] is a clinical psychologist, currently leading a government-funded mental health service for healthcare workers called The Essential Network which sits outside of Medicare.

He says, in his experience, the cohort often doesn't seek help even though it has higher prevalence of conditions such as post-traumatic stress disorder (PTSD), substance abuse and burnout-triggered depression or anxiety.

"Doctors get mixed messages. Explicitly, they are encouraged to seek help, but the implicit suggestion may be that they might not be fit for duty [if they do]."

Baldwin lists the deterrents. First, doctors can be uncomfortable with the reversal of roles in being the patient. Second, they face implicit pressure to be invulnerable. Third, they may fear getting reported to watchdog AHPRA if they seek mental health support.

A colleague or a patient who is concerned about a registered health practitioner's conduct can make a complaint to the watchdog. This complaint is called a "mandatory notification" and triggers a review of the physician's practice.

"Only 1% of AHPRA complaints result in a deregistration. Sometimes these claims are for valid reasons, such as a doctor being drunk on the job or touching a patient inappropriately. But in other cases, patients make nuisance claims if they are just angry or dissatisfied," Baldwin says.

"Doctors often fear if they seek mental health support, they might get reported to AHPRA. A mandatory notification review can be very stressful and reputation damaging [even if it doesn't result in a disciplinary action]."

Baldwin's observations were mirrored in Beyond Blue's survey, which found doctors stigmatised peers with mental health disorders.

Nearly 40% of the survey's respondents said medical professionals with a history of mental health disorders were perceived as less competent than their peers. About 48% felt that these doctors were less likely to be appointed to roles compared to doctors without a history of mental health problems.

> *We are not expected to be counsellors or psychologists, but we are expected to know the client.*
> **Darren Johns**

Further, nearly 59% of doctors felt that being a patient is a cause of embarrassment for a doctor.

Female doctors were more accepting of peers with mental health disorders, with 69% (versus 55% for male doctors) saying they would see a doctor with mental health history to be as reliable as the average doctor.

First steps

According to Medical Recruitment, based on a salary survey, on average a full-time general practitioner in Australia earns between $200,000 and $350,000 per annum. Depending on the shifts they work or whether they choose to specialise, GPs can earn anything up to $500,000 a year, the survey found.

Elsewhere in the industry, on average, neurosurgeons can earn $242,200, anesthesiologists can take home up to $153,506, while an experienced dentist earns $121,000 per year, according to MEDIQ Financial.

They are significant incomes for significant roles, but also incomes that require more nuanced financial plans and comprehensive protection. As a result, while financial advisers are not in the business of telling clients what they can and can't do with their money, they are in a privileged position and are often the first to spot a change in behaviour.

Johns says anomalies in a client's cashflows are the first way for an adviser to trace something may be wrong.

"For example, if the household expenses were $90,000 a year and they go up to $160,000 and there have been no big one-off expenses, we would have a talk and see if they are aware of their finances," he says.

"It's not our place to judge or correct or advise (in relation to medical matters), we are not mental health professionals. But we can bring awareness.

"Some in the advice community shy away from asking deeper questions of their clients. We are not expected to be counsellors or psychologists, but we are expected to know the client."

Next, he suggests checking the client's insurance cover, including the definitions of critical illness, followed by business continuity plans and estate plans.

www.financialstandard.com.au
17 May 2021 | Volume 19 Number 09

04:
Yves Schoof
director and principal adviser
Affluence Private Wealth

05:
Sarah Hackney
founding partner, protection adviser
Full Circle Wealth Management

"If they are in their own practice, they have to plan and prepare before the event. This may include identifying key person risk, appointing or nominating [a replacement], and a panel of potential businesses to merge with or which can buy out the business," Johns explains.

With estate planning, he suggests changing or modifying the plan sooner rather than later because determining if the client had the capacity to give authority to act may become difficult down the track.

Further, AIA Australia senior technical and training manager Benjamin Martin[03] says self-employed medical professionals should seek advice about how they can protect the mortgage on the family balance sheet from an unexpected death or disablement.

Like Johns, Martin sees value in considering how to protect any equity interest held in the underlying practice for self-employed doctors.

"The protection of the shareholding in the practice is often overlooked by self-employed practitioners. It's important to have a fully funded exit agreement to cover premature death or disablement. This provides peace of mind that their family can receive fair value for any shares that they inherit and look to liquidate," Martin says.

"Medical professionals who have been in practice for some time will often have very meaningful values attributed to their shareholdings. If consideration has not been given to the exit strategy from the practice, surviving family members may end up in a position where they cannot realise the value of these shares in a timely and tax effective manner."

He says if life insurance is being used as the funding mechanism for the exit strategy, then forward underwriting could also be beneficial.

"This allows the sum insured on the policy to keep in step with anticipated increases in the value of the shares as the practice becomes more successful over time," Martin says.

Insurance cover

A key component of a doctor or medical health professional's financial plan is their insurance cover.

Often the cohort can be written out of making future claims for mental health episodes, depending on the severity of their mental health conditions in the past.

Yves Schoof[04] is director and principal adviser at Affluence Private Wealth, where he works with 90 ongoing clients, of which about 80 are doctors or dentists.

He says about 20-30% of them would have an exclusion stemming from past mental health episodes on their insurance policies.

"What I do find is a lot of mental health professionals will already have an exclusion of some sort. In many cases, it can be traced back to when they were studying," Schoof says.

"They get encouraged to refer [themselves] to a GP if they are facing stress or anxiety. They are trying to do the right thing, but it gets put as a black mark on their insurance. That's quite unfair in a way."

Schoof says if the client's mental health issue was a one-off, the insurer may be willing to underwrite the risk. However, if the client gets excluded from making claims on future mental health episodes, it's time for them to also think about self-insurance.

"If they have no cover at all for future mental health conditions, we do have to accept it and use other risk management resources. If they do not have some sick leave, they need some emergency reserves, especially if they are in a private practice," he says.

In recent times, Schoof has seen a 15-25% increase in premiums, not as a result of the policyholder's advancing age but from insurers' readjusting their base rates.

"The underwriting is a lot harsher than when I first started in the industry in 2006. They can take months for policies to be put in force, and that is a combination of complex financial underwriting, and the insurance industry in general toughening up underwriting policies to combat losses," Schoof says.

"This is the future for insurers. There will be very few, what we call 'cleanskins' – people with no medical history."

Despite the increasing cost of cover and harsher underwriting, he finds his doctor clients are still keen to have insurance cover.

24.8%
of doctors had suicidal thoughts in the last 12 months. This is higher than both the general population (13.3%) and other professionals (12.8%).

2%
said they had attempted suicide.

21%
of doctors reported having had a diagnosis or treatment for depression, of which 6% had a current diagnosis.

Source: Beyond Blue, 2013 study updated in 2019.

> *The underwriting is a lot harsher than when I first started in the industry in 2006.*
> **Yves Schoof**

"Very rarely we see someone blatantly rejecting insurance. They will have at least a minimum level of cover because they do realise the impact it can have as they work with sick patients every day," he says.

Sarah Hackney[05], a risk adviser for 13 years has similar experience. She works with about 120 high-net-worth clients, of which about 25% are medical specialists like obstetricians, neurologists and general practitioners.

These clients usually don't have access to group insurance policies via a superannuation fund or their employer, she says.

"Doctors often fall out of group policies because, more often than not, they operate as sole traders. They may have been a part of a [fund like] QSuper when they were in public practice, but they often move from retail or industry funds to SMSFs as they progress through their career," she says.

Hence most insurance for self-employed doctors is via the retail channel, which has harsher underwriting standards than group policies.

In Hackney's experience, if the client has had a once-off mental health issue, the insurer may be willing to underwrite them for future events. But it gets harder from there.

"We tend to find if they have had a mental health issue in the last five years or have had a recurrence, nine out of 10 times they will get an exclusion. They are looking at much harsher underwriting because of past mental health claims [whereas] 10 years ago, as long as we could give them a reason, they were willing to underwrite the risk," she remembers.

"If someone has a group policy and is going to get an exclusion, we recommend they hold on to those and add top up cover if needed."

Like Schoof, Hackney has witnessed a trend in insurance premiums of base rates going up each year.

One of the strategies she has used for her clients to bring down the cost of the premiums is to push out the waiting period for the claims to be paid.

"Normally income protection claims have a waiting period of 30 days. What we find is, in some situations, the doctors have built up some cash and are happy to push out the waiting period to 90 days," she says, adding some clients have even opted for 12-month waiting period on their IP policies after they've built up their cash reserves.

Reluctant to claim

Hackney says her practice gets a claim at least once a month across the total 900-plus clients including her other business, but often they are not for mental health issues.

"In general, medical professionals – and this is also true for people in high-level, white-collar jobs like barristers – they really don't want to take time off work," she says.

HEALTHIER, LONGER, BETTER LIVES

GET MORE COVER
GET MORE FLEXIBILITY

Get more with AIA Australia's Crisis Extension cover

At AIA Australia we're always looking for ways to add value to your client's protection, which is why we're excited to introduce our Crisis Extension cover.

Carefully designed to complement our highly-rated Crisis Recovery insurance, Crisis Extension cover gives your clients the opportunity to enjoy **flexible** sums insured that offer them and their loved ones **more** cover for **longer**.

By choosing the sum insureds for both these types of cover, your clients can access more protection for serious events at lower premium rates, customising cover that best suits their individual needs.

SCAN THIS CODE
TO FIND OUT MORE

 05/21 – ADV6012B

www.financialstandard.com.au
17 May 2021 | Volume 19 Number 09

06:
Helen Rowell
deputy chair
Australian Prudential Regulation Authority

07:
Marcello Bertasso
head of underwriting and claims management
PPS Mutual

An ongoing trend in the life insurance industry is that adviser-led claims for death, total and permanent disability (TPD), trauma, and disability income insurance (DII) have higher admittance rates than unadvised or group claims.

However, the admittance rates for adviser-led claims fell in the most recent statistics published by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission.

For the individual advised channel, admittance rates stood at: death (96%, same as 2018), TPD (81% versus 87% in 2018), trauma (86% versus 87% in 2018), and DII (94% versus 95% in 2018).

The future of adviser-led claims is uncertain, as more advisers shift away from processing claims for clients and the Life Insurance Framework (LIF) reforms continue to wreak havoc on the viability of life insurance advice from a cost perspective.

Hackney says her practice has had two clients make TPD claims recently, taking 12 months and 18 months to process, respectively.

In recent years, fee for service has become a more popular option for risk clients and as a result, claims management is charged out at an hourly rate.

"What you might find [in the future] is that advisers will be assisting less with the claims. They have already started to pull away. It is time consuming and there are added costs of compliance with LIF," she says.

Insurer's perspective

The life insurance industry's losses are no secret.

Insurers have been hit by a perfect storm of lax underwriting in group insurance, unsustainable premium levels in light of competition, higher levels of claims and low interest rates.

APRA has been vocal in expressing its concerns on the group insurance market.

"Recently, the APRA has seen a re-emergence of some concerning developments in group life insurance in superannuation in relation to premium volatility, availability and provision of data and tender practices," APRA deputy chair Helen Rowell[06] said in a March speech.

"APRA's view is that these developments, if unaddressed, are likely to result in poor member outcomes, and adversely impact the availability and sustainability of life insurance through superannuation."

AIA Australia's Martin says in 2020, approximately 25% of all IP and TPD claims it paid were for mental health-related conditions.

"In our experience they can occur as a primary condition, but also commonly occur as secondary condition," he says.

"The nature of the work that medical practitioners perform can be stressful and it has been noted that medical practitioners report higher rates of mental ill-health than the general population.

"A positive however is that due to their experience in the industry, medical practitioners can have a greater awareness of their symptoms and know the benefits of seeking support."

It goes without saying the last 12 or so months have been tough on everyone, but perhaps especially so for this cohort. AIA acknowledged that healthcare workers are at increased risk of developing COVID-19 than the broader population.

While AIA did not comment on occurrences of mental health claims arising out of COVID-19, studies reveal medical professionals have shown increased mental health issues during previous pandemics.

AIA's response has been to deliver COVID-19 rehabilitation services so if a COVID-19 diagnosis were to occur, its customers can be supported. It also pivoted to offering all rehabilitation services via telehealth to help customers with their recovery.

Outside of the bigger insurers, newer firms like PPS Mutual are gaining popularity with doctors, according to Schoof.

PPS Mutual head of underwriting and claims management Marcello Bertasso[07] says about 59% of its 5000 members are doctors. The five-year-old business has so far had 126 claims in total.

How do doctors cope in pandemics?

COVID-19 is not the first pandemic in recent years. A paper published in May 2020 by Steve Kisely et al aimed to examine psychological effects on clinicians who were working to manage novel viral outbreaks, and successful measures to manage stress and psychological distress.

It found 59 papers across severe acute respiratory syndrome (SARS), coronavirus (COVID-19), Middle East respiratory syndrome (MERS), Ebola virus, influenza A virus subtype H1N1 and influenza A virus subtype H7N9.

The researchers found staff in contact with affected patients had greater levels of both acute or post-traumatic stress and psychological distress. Risk factors for psychological distress included being younger, more junior, parents of dependent children, and in quarantine, having an infected family member, lack of practical support and stigma.

> *What you might find [in the future] is that advisers will be assisting less with the claims.*
> **Sarah Hackney.**

"PPS Mutual takes a long-term view due to its mutual model, only offering products to Australian professionals thereby creating a stronger risk pool, lower lapse rates of about 4%, and a reinsurance arrangement that offers rebates if the insurance pool stays within pre-decided parameters," Bertasso says.

A pull for advisers is its investment account. PPS Mutual allocates a share of profits (after all the expenses and claims) into these accounts.

Even though the clients must wait for a holding period until they can withdraw the returns, they receive an extra investment return each year.

"We have made a profit-share allocation of 7% after tax [on average]. The most recent also included an investment return 4%," Bertasso says.

Of the 126 claims PPS Mutual has had, just 5% were in relation to mental health - but this is a proportion that will increase over time, Bertasso anticipates.

"We haven't seen any change from COVID. We are expecting factors from it in future because we understand they [doctors] are under quite significant pressure in COVID. In fairness, we would be very surprised if we don't [come] close to that low-double digits," he says.

The bottom line

The stigma about mental health may run both ways – that is advisers may 'under-disclose' a client's pre-existing mental health to an insurer while taking out a policy."

"I think in general terms, yes things like that happen," Bertasso says.

"They [advisers] definitely expose themselves to potential liability. Advisers may not tell insurers everything [about a client] because they aren't confident to explain the underwriting terms to members."

Doctors and other healthcare workers offer an essential service to the broader population. They also show higher chances of mental health issues in the process.

Research from previous pandemics and insurers' opinion of mental health claims indicate COVID-19 will put increased pressure on the cohort. And the longer the pandemic continues, the more pressure builds.

This is unwelcome news, with healthcare workers often finding it difficult to obtain insurance cover. And, even when covered, often unwilling to claim on their insurance.

Couple these intricacies with their considerable incomes, and the complexity of healthcare workers' financial needs truly come to the fore. **FS**

If you or anyone you know needs support, call Beyond Blue on 1300 22 436. For crisis support or suicide intervention services, call Lifeline on 13 11 14.

HEALTHIER, LONGER,
BETTER LIVES

OFFER YOUR CLIENTS' ADDITIONAL SECURITY AND PEACE OF MIND WITH AIA AUSTRALIA'S FIVE-YEAR TERM LEVEL RATE GUARANTEE

aia.com.au