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**medibank**  
For Better Health

# Macquarie Australia Conference

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Chief Executive Officer



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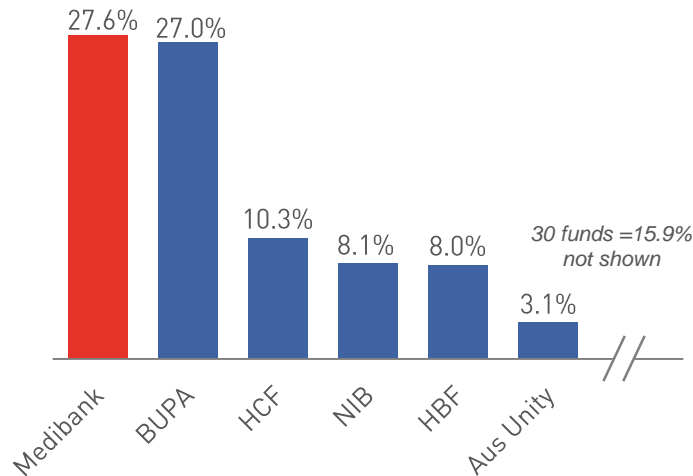
# About Medibank

A leading private health insurer with a growing integrated healthcare business

## PRIVATE HEALTH INSURANCE



AUSTRALIAN PHI MARKET  
(Total policyholders, 30 June 2016)



## DIVERSIFIED INSURANCE



## INTEGRATED HEALTHCARE

### POPULATION HEALTH

#### Garrison Health Services

WE DELIVER AN INTEGRATED HEALTHCARE SERVICE

60,000+ permanent  
20,000+ reservist  
Uniformed ADF personnel



FROM INJURY OR ILLNESS → RECOVERY

### TELEHEALTH



One of Australia's largest telehealth providers

- Support, coordination and navigation
- Mental health and counselling
- Triage
- After-hours and emergency

### CHRONIC DISEASE MANAGEMENT



CareFirst | CarePoint | CareTransition

# Australian Health Insurance Industry

Challenges and opportunities in an evolving consumer landscape

## CHALLENGES



Affordability



Health system complexity



Ageing and chronic disease



## OPPORTUNITIES



Hospital substitution and reducing low value care



Transparency

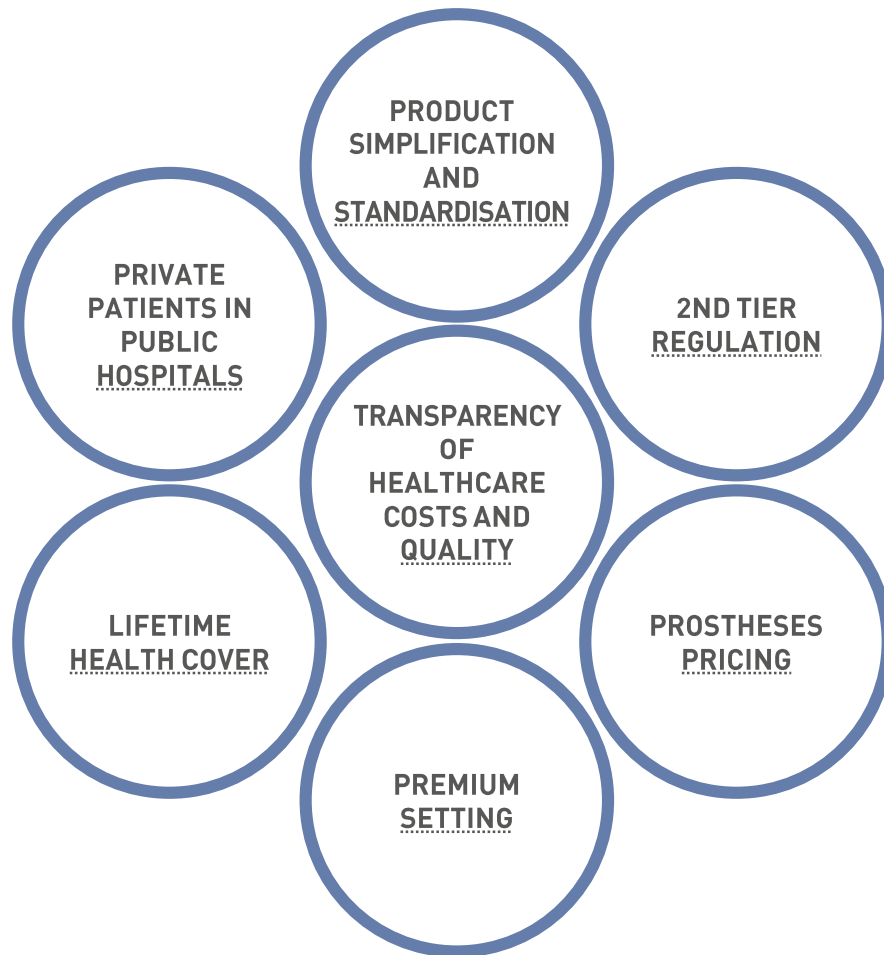


Chronic disease management

# Advocating for Regulatory Reform

Regulatory reform needed, but pace and extent of change less certain

## PHI REVIEW



## BROADER REGULATORY LANDSCAPE



- Medicare Benefits Schedule Review
- Primary Healthcare Advisory Group
- Prosthesis List Advisory Committee
- Private Health Ministerial Advisory Committee
- Senate Inquiry into PHI



- Options paper for pricing and funding for safety and quality

# Strategic Priorities

Unlocking Medibank's potential to drive growth and competitive positioning

## Strong purpose – For Better Health

Deliver superior customer service	Optimise our product suite	Leverage our scale	Expand integrated care
<ul style="list-style-type: none"><li>• Easy to deal with and enable channel of choice</li><li>• Employees empowered to help customers</li><li>• Trusted and reliable – we do what we say we'll do</li><li>• Proactive and personalised engagement</li></ul>	<ul style="list-style-type: none"><li>• Return value to our customers via product investments</li><li>• Insight led propositions that improve choice, flexibility and fit to customer needs</li><li>• Two brands focused on key segments, providing differentiation</li></ul>	<ul style="list-style-type: none"><li>• Utilise our unique data and insights</li><li>• Empower customers through data sharing</li><li>• Personalisation and predictive analytics</li><li>• Superior healthcare value – collaborative, partnership value-based purchasing</li></ul>	<ul style="list-style-type: none"><li>• Leverage infrastructure and capabilities into new populations</li><li>• Prevention through health and wellness</li><li>• Substitution through in home care</li><li>• Support through healthcare concierging</li></ul>

## Maintain strong financial position

# Milestone Scorecard

Some early indicators of progress

## CUSTOMER

### Objectives to reach by 2019

1. PHIO complaints less than market share (by December 2017 survey)

2. NPS best in class against major private health insurance peers<sup>1</sup>

3. Market share stabilised

### Update

PHIO complaints reduced:  
Sep-16 quarter: 61% share  
Dec-16 quarter: 48% share

NPS improved, but gap to peers remains

Dec-16: down 36bps to 27.20% (from 30 June 2016)

## FINANCIAL

### Objectives to reach by 2019

1. Maintain operating margin<sup>2</sup> above major private health insurance peers<sup>1</sup>

2. Maintain ROE above cost of capital and major listed insurance peers<sup>4</sup>

3. More than double Complementary Services share of segment operating profit from FY16

### Update

	1H17	FY16
Medibank	7.7%	8.1%
Major peers	n/a <sup>3</sup>	5.8%

	1H17	FY16
Medibank	28.7%	27.6%
Major peers	10.3%	14.3%

1H17: 6.5%  
FY16: 4.6%

1 Bupa, HCF and nib

2 Australian residents only

3 nib 1H17 operating margin 8.8%. Bupa and HCF not available.

4 nib, AMP, IAG and QBE. 1H17 ROEs are annualised

# Customer Reorientation

Improvements in customer service, product value and transparency, but still more to be done

## IMPROVED PRODUCT VALUE

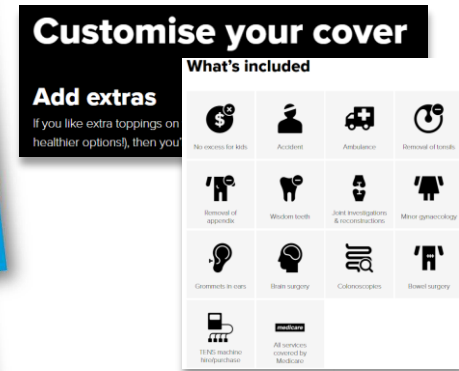
- New products well received
  - Medibank's Core and Complete Hospital
  - ahm's Boost range
- Medibank 2017 premium rate rise 24bps below industry average

## IMPROVED CUSTOMER SERVICE

- Upgraded customer website and mobile app launched in April 2017
- Average speed of answer (ASA) down nearly 30% to below 4 minutes despite a 15% increase in call volumes (3Q17 vs. 3Q16)

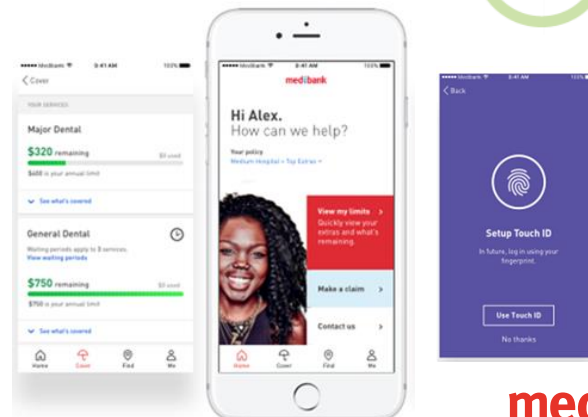
## IMPROVED TRANSPARENCY

- Access to information to help choose a medical specialist (Healthshare)
- Creating a seamless and transparent healthcare experience for customers (Medipass)
- Ongoing simplification of customer communications



## MEMBER SERVICES PORTAL LOAD TIME

72%↓  
reduction





# Technology Improvement

On track for new IT system to soon move out of hyper-care as planned

- Clearer priorities and stronger governance across business
  - Navigated through premium review period for the first time on the new platform
  - Good progress in Tax Statement preparation
- Embedding of new IT system (DelPHI) remains on track
  - Significant reduction in DelPHI-related incidents
  - Expect to move out of hyper-care within the next three months as planned

JAN 2017

DELPHI  
NUMBER  
OF OPEN  
ISSUES

**48%↓**  
reduction

DELPHI HIGH  
PRIORITY  
INCIDENTS

**75%↓**  
reduction

APR 2017

DELPHI  
NUMBER  
OF OPEN  
ISSUES

**64%↓**  
reduction

DELPHI HIGH  
PRIORITY  
INCIDENTS

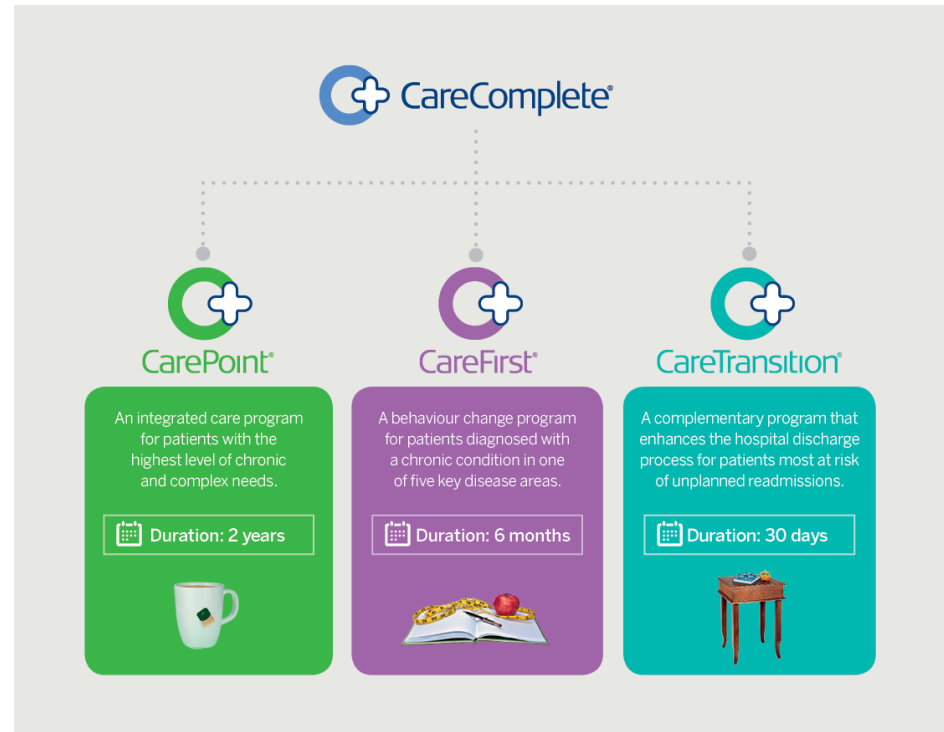
**NOW  
BAU**

- Greater stability of technology is visible through improving customer experience

# Healthcare Initiatives

Helping to drive better outcomes for our customers

- Continued momentum in CareComplete – now reached 10,000 participants
- Providing customers with the information they need to make informed decisions – Health Concierge
- Delivering in-home care to our customers – rehab, chemo and palliative care in the home
- Collaborative value-based purchasing with providers – e.g. St John of God



# 1H17 Result Summary

Operating result reflects increased investment in customer initiatives

GROUP  
NPAT

**\$231.9m**

HEALTH  
INSURANCE  
OPERATING  
PROFIT

**\$249.4m**

INTERIM  
DIVIDEND

**5.25cps**

- Group net profit after tax (NPAT) \$231.9m, up 1.9% from \$227.6m in 1H16
- Underlying NPAT of \$219.4m, up 1.8% from \$215.5m in 1H16
- Health Insurance: 8.2% decrease in operating profit to \$249.4m from \$271.7m in 1H16, reflecting increased investment in customer initiatives, new IT system amortisation and moderately higher growth in utilisation rates
  - Premium revenue of \$3,117.9m, up 1.2%
  - Gross margin of 16.9%, down from 17.2% in 1H16
  - Management expense ratio of 8.9%, compared to 8.4% in 1H16
  - Operating margin of 8.0%, down from 8.8% in 1H16
- Complementary Services: 88.0% increase in operating profit to \$17.3m reflects divestments in 1H16
- Net investment income: \$76.8m, up from \$18.6m in 1H16 due to higher equity market returns and stronger credit markets
- Interim dividend of 5.25 cents per ordinary share fully franked

# Outlook

Full year operating profit guidance reaffirmed

- Health Insurance operating profit for FY17 expected to be approximately \$490 million
- Short term focus remains to further strengthen the core. Investment in the customer will continue, funded from internal productivity gains where possible
- Customer experience, value and outcomes are all improving, but it will take time to turn around the historical market share trajectory
- Expanding our customer offer will gain more focus later in 2017

# Q&A

# Glossary

Term	Definition
<b>1H</b>	Six months ended/ending 31 December of the relevant financial year
<b>2H</b>	Six months ended/ending 30 June of the relevant financial year
<b>1Q</b>	Three months ended/ending 30 September of the relevant financial year
<b>2Q</b>	Three months ended/ending 31 December of the relevant financial year
<b>3Q</b>	Three months ended/ending 31 March of the relevant financial year
<b>bps</b>	Basis points (1.0% = 100 bps)
<b>CY</b>	12 months ended 31 December 20XX

Term	Definition
<b>FY</b>	Financial year ended/ending 30 June 20XX
<b>MPL</b>	Medibank Private Limited
<b>NPAT</b>	Net profit after tax
<b>NPS</b>	Net promoter score
<b>PHI</b>	Private health insurance
<b>PHIO</b>	Private Health Insurance Ombudsman
<b>ROE</b>	Return on equity
<b>Underlying NPAT</b>	Underlying NPAT is calculated based on statutory NPAT adjusted for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to the level of gains or losses from equity investments, and for one-off items, especially those that are non-cash, such as asset impairments