

5 April 2017

The Manager  
Company Announcements  
Australia Securities Exchange Limited  
Level 4, Bridge Street  
SYDNEY NSW 2000

**Presentation to Morgan Stanley 2017 Australian Healthcare and Private Health Insurance Forum – April 2017**

Attached presentation delivered by nib at the Morgan Stanley 2017 Australian Healthcare and Private Health Insurance Forum (5 April 2017).

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer



**Morgan Stanley**  
**Private Health Insurance**  
**Forum 2017**  
Wednesday 5 April 2017





# Rhod McKensey

Group Executive, Australian Residents Health Insurance

# Agenda

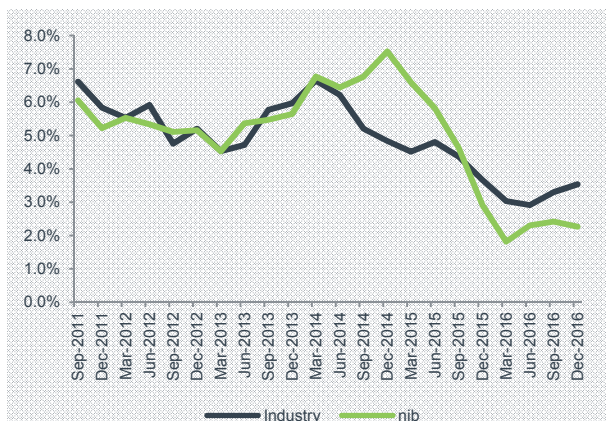


1. PHI Industry – status and recent trends
2. What nib is seeing and doing

# Claims inflation has slowed in recent times

- Recent trends indicate claims inflation may have “bottomed” with reversion to more normal trends and seasonality expected for 2H17.
- FY17 full year drawing rate inflation (nib) expected to be in the order of 2% – 4%.

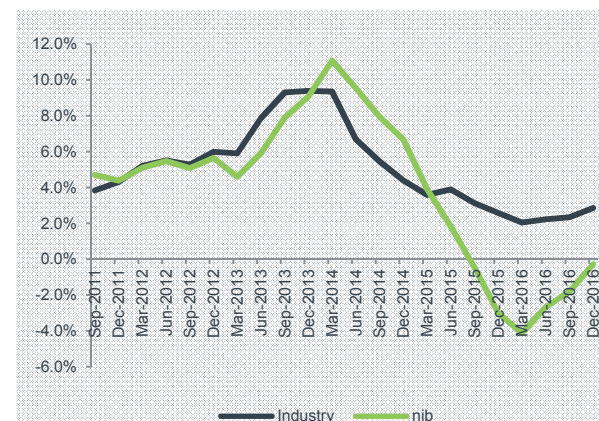
**Overall benefits (hospital & ancillary) per person inflation**



**Hospital benefits per person inflation (industry)**



**Ancillary benefits per person inflation (industry)**



Source: nib and APRA

# Industry Outlook



- Market conditions for arhi\* to remain “soft” with affordability a key consumer concern. PHI participation rates likely to remain steady. Medium to longer term growth prospects favourable.
- Increasing healthcare spending reflecting a combination of price inflation and utilisation growth. Annual claims inflation per capita to be in the 4-5% range subject to the success of efforts to improve system efficiency.
- Rising healthcare spending and an increasing ratio of taxpayers to retired (often high cost) Australians means on balance, any policy or regulatory change needs to encourage PHI participation. Some real prospects to improve system efficiency such as further prosthetic pricing, risk equalisation and community rating reforms. New Minister Hunt seems very determined to improve system efficiency and we will continue to prosecute for change.
- An expanded role for PHI in the healthcare system if healthcare homes concept is to be successful. There is and will be rising consumer demand for PHI to add more value.

\* arhi - Australian Residents Health Insurance

# Potential regulatory reform

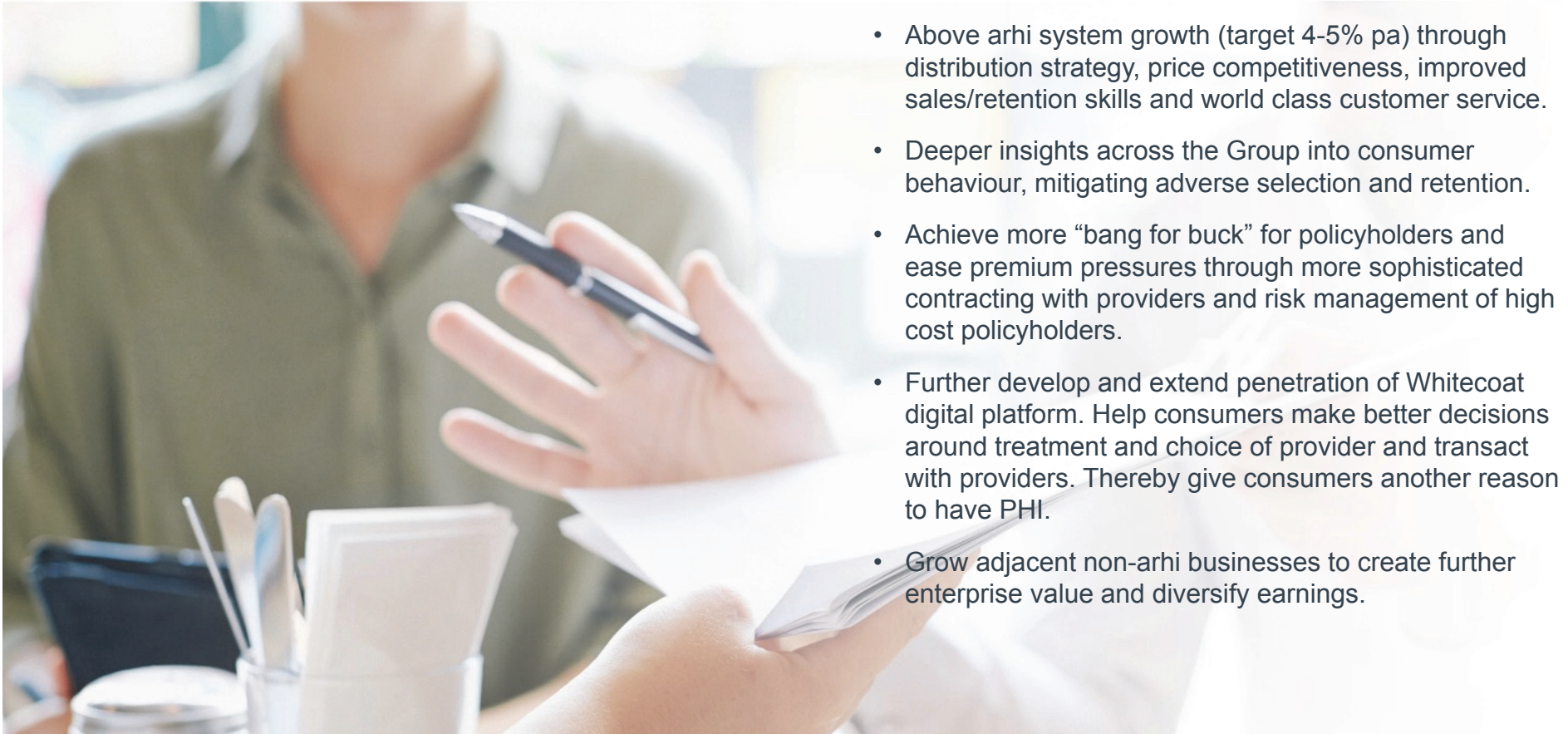
Expect PHI reforms and potential regulatory changes to be a net positive



- Redefinition of minimum cover and introduction of Gold/Silver/Bronze.
- Removal of second tier default benefits.
- Further reductions to prostheses prices.
- Private patients in public hospitals.
- Improved value for rural consumers.
- Deregulation of premium setting.
- Federation White Paper Option 2.



## Our focus

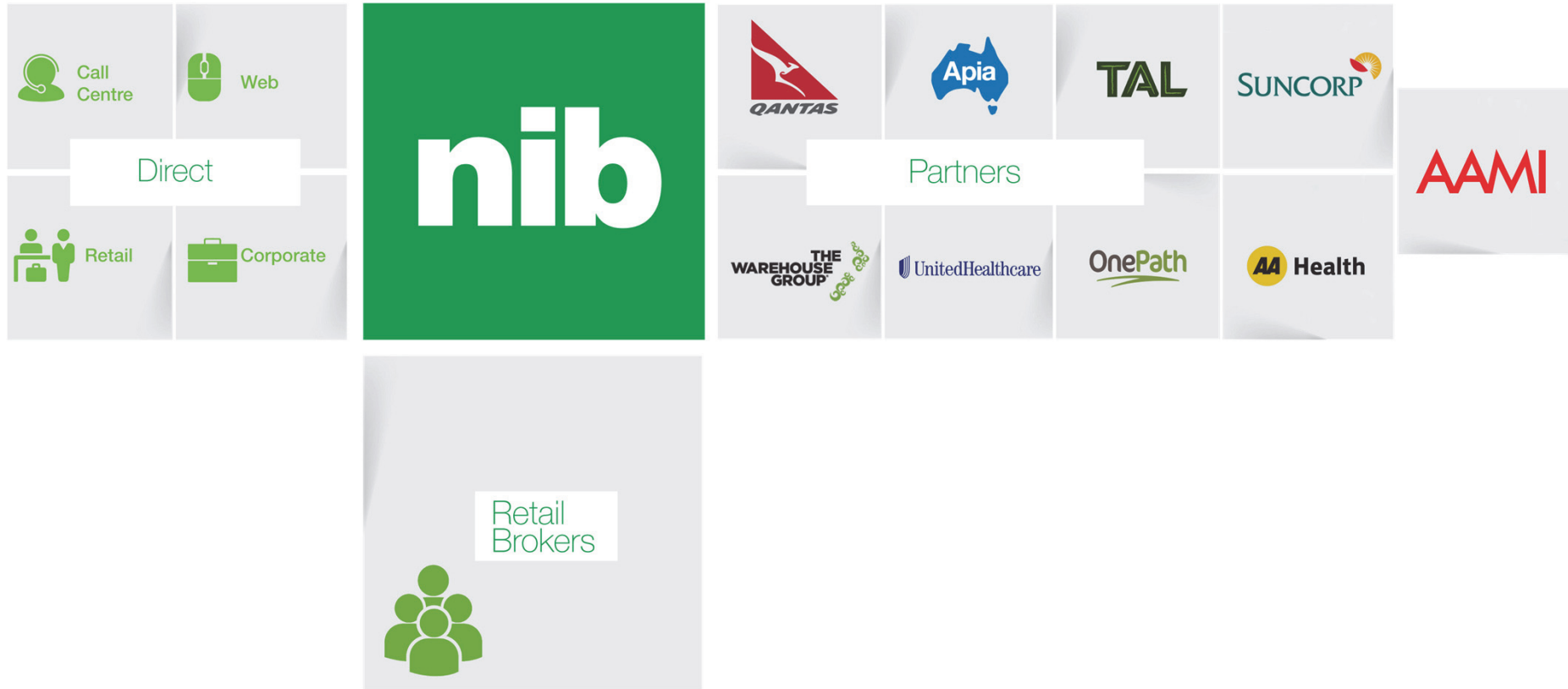


- Above arhi system growth (target 4-5% pa) through distribution strategy, price competitiveness, improved sales/retention skills and world class customer service.
- Deeper insights across the Group into consumer behaviour, mitigating adverse selection and retention.
- Achieve more “bang for buck” for policyholders and ease premium pressures through more sophisticated contracting with providers and risk management of high cost policyholders.
- Further develop and extend penetration of Whitecoat digital platform. Help consumers make better decisions around treatment and choice of provider and transact with providers. Thereby give consumers another reason to have PHI.
- Grow adjacent non-arhi businesses to create further enterprise value and diversify earnings.



# Multi-channel strategy

Continuing to expand our distribution reach



# Prostheses cost variation

- Reforming medical device pricing could save \$800 million in annual expenditure. Prostheses benefits payments comprise 14% of total PHI reimbursements in Australia.
- There is significant variation in what private patients are charged compared to the public system as well as international benchmarks.

Device category	Device name	Prosthesis list (min benefit PHI)	Price negotiated by Public hospitals	Difference
Single chamber pacemaker	Lumax 740 DR-T DX	\$43,920	\$17,000	\$26,920
Dual chamber pacemaker	Lumax 740 DR-T	\$45,760	\$19,000	\$26,760
Implantable cardioverter defibrillator	Sprint Quattro Secure S	\$9,000	\$2,200	\$6,800

Source: WA Health website showing difference between Prostheses List minimum benefits and prices paid by public hospitals for a range of devices.

## Variation by device compared to international benchmarks Pacemaker (Anthem RF PM3212)

Country	Price (A\$)
Australia (Prosthesis list)	\$13,520
Japan <sup>1</sup>	\$5,840
France <sup>2</sup>	\$5,840

1. Source: direct comparison with items on Japanese Prostheses List.

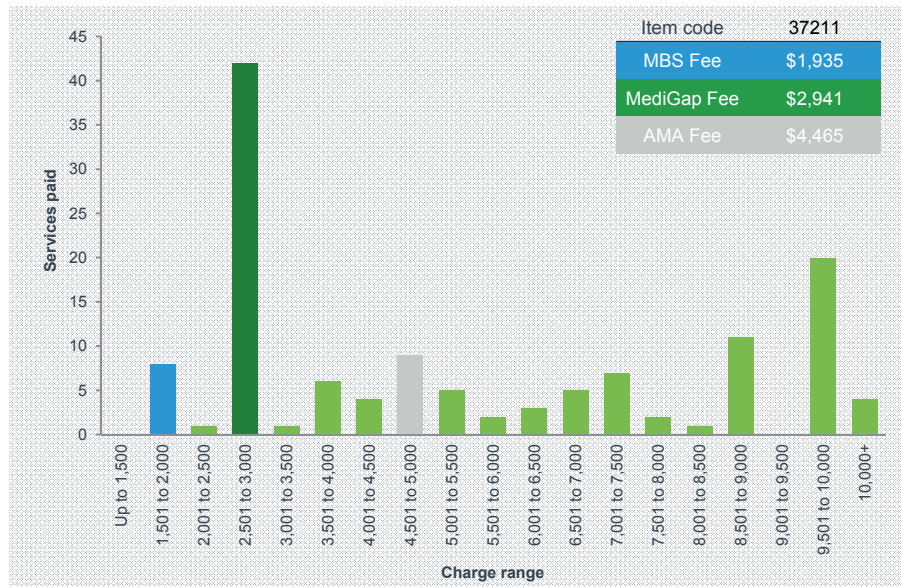
2. Source: direct comparison with French Prostheses List



# Medical specialist cost variation

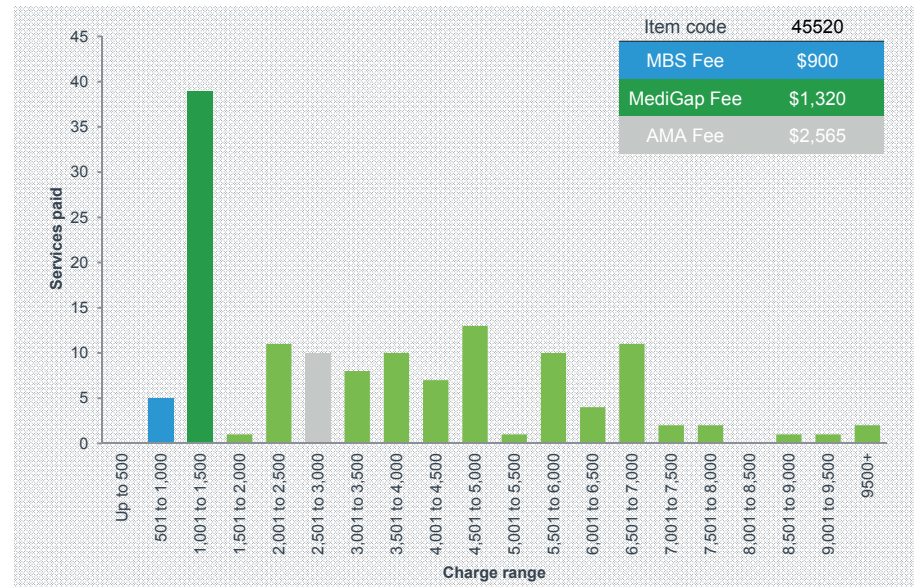


Prostatectomies (CY16)



Source: nib

Breast reductions (CY16)



# Variation in health outcomes is a world-wide problem



Outcome customer measurement and transparency is key to driving down variation.

## Measuring outcomes of prostate cancer care

Focussing on mortality  
alone ....

Germany



Sweden

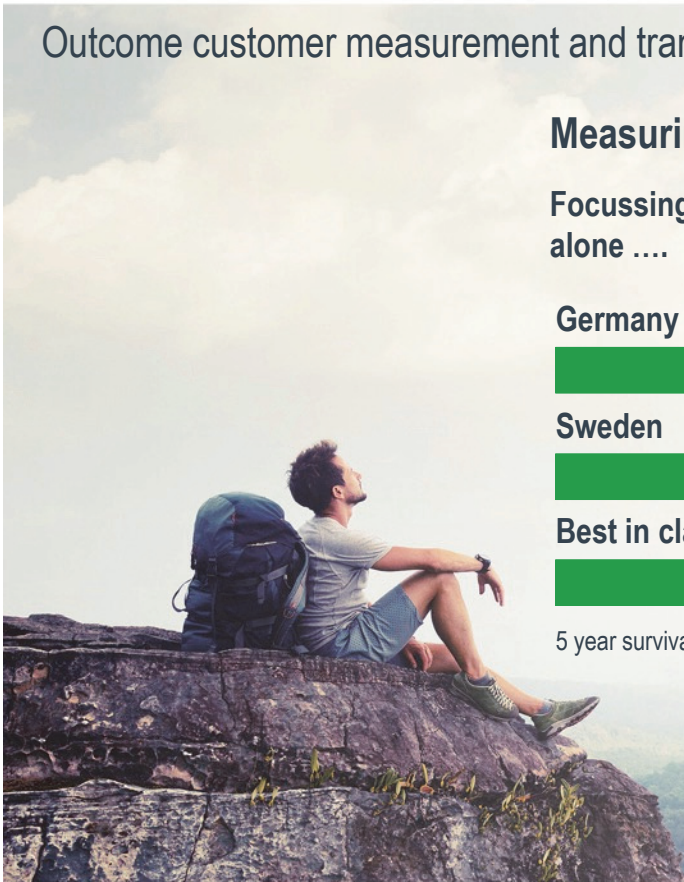


**Best in class: Martini Klinik**



5 year survival

Swedish data rough estimates from graphs; Source: National quality report for the year of diagnosis 2012 from the National Prostate Cancer Register (NPCR) Sweden, Martini Klinik, BARMER GEK Report Krankenhaus 2012, Patient-reported outcomes (EORTC-PSM), 1 year after treatment, 2010



# Variation in health outcomes is a world-wide problem



Outcome customer measurement and transparency is key to driving down variation.

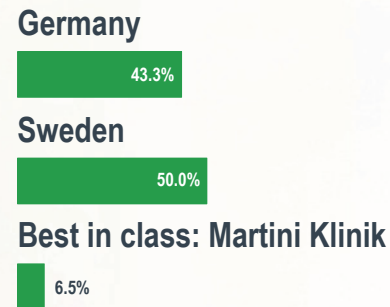
## Measuring outcomes of prostate cancer care

Focussing on mortality alone ....

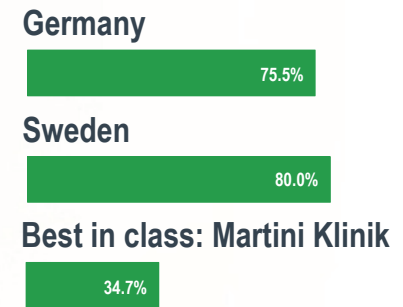


5 year survival

... may obscure large differences in outcomes that matter most to patients

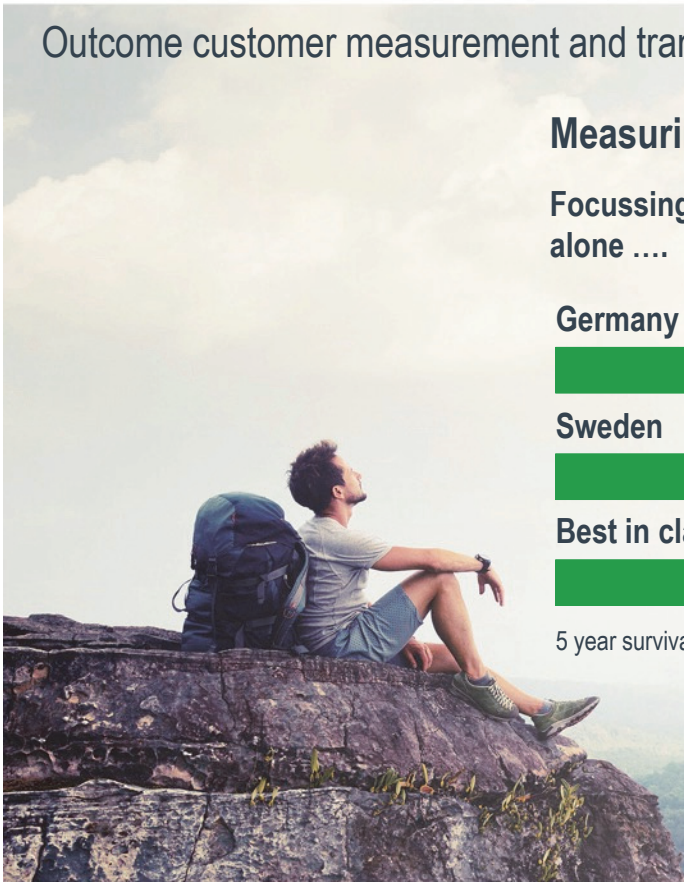


1 year incontinence



1 year severe erectile dysfunction

Swedish data rough estimates from graphs; Source: National quality report for the year of diagnosis 2012 from the National Prostate Cancer Register (NPCR) Sweden, Martini Klinik, BARMER GEK Report Krankenhaus 2012, Patient-reported outcomes (EORTC-PSM), 1 year after treatment, 2010



# Whitecoat

## Tackling information asymmetry



- Whitecoat currently reaches 250,000 providers (mostly allied) and 350,000 patient reviews.
- Rapidly expanding to include GPs and medical specialists.
- Entered agreement with BUPA and HBF to join platform.
- Allows insurer/payer to host “customer only” portal for deeper engagement and insurer/payer specific information such as preferred clinical providers and “no gap” arrangements.
- When fully developed will also include accredited clinical performance information including self-reported patient outcomes.
- Additional near term opportunities to automate patient/provider transactions such as payments and prescriptions.

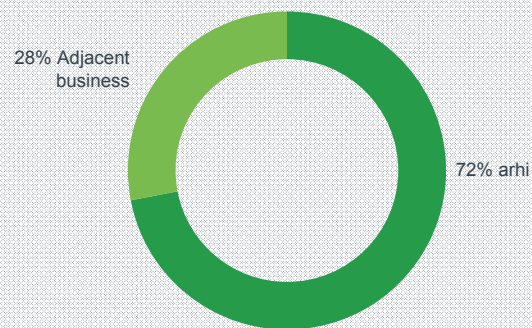


# Diversifying our earnings

## Adjacent non-arhi businesses

- Overall growth in adjacent non-arhi businesses (which includes international students and workers, nib New Zealand and World Nomads Group) creating further enterprise value and diversify earnings.
- Our adjacent businesses accounted for 28% of Group Underlying Operating Profit (UOP) in FY16 (FY15: 18%).

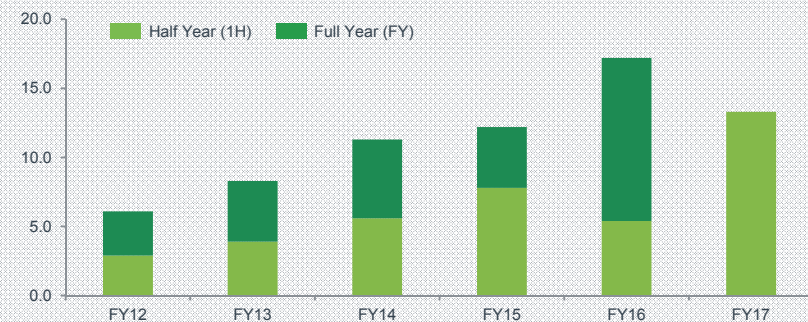
Group Underlying Operating Profit Contributions (FY16)



## International inbound health insurance (iihi)

- A large contributor to our non-arhi earnings has been our iihi segment (international students and workers), with UOP up 146.3% in 1H17.
- Significant increase in revenue and earnings within this segment underpinned by ongoing growth and improved scale.
- Outlook is positive with strong customer growth, particularly within international students with current market conditions supporting ongoing strong margins.

iihi Underlying Operating Profit (\$m)



**Thank you**