



Investor Day

Gold Coast Private Hospital

9 November 2016



Agenda

10.00am	Welcome and introduction	Anita Healy, General Manager – Business Development & Investor Relations
10.05am	Macro trends and recent performance	Robert Cooke, Managing Director & CEO Michael Sammells, CFO
10.40am	Queensland hospitals – overview of portfolio developments and opportunities	Richard Lizzio, Hospitals State Manager – QLD, NT & WA
11.10am	Break	
11.20am	Cancer care – a growing area of healthcare	Mark Middleton, CEO – Icon Group
11.50am	Site tour of Gold Coast Private Hospital (GCPH), including Da Vinci robot demonstration	Richard Lizzio, Hospitals State Manager – QLD, NT & WA David Harper, General Manager – GCPH Claire Gauci, Deputy General Manager – GCPH
12.50pm	Break	
1.00pm	Northern Beaches Hospital	Deborah Latta, Northern Beaches Hospital Project Director Peter Shephard, Manager – Major Development
1.30pm	Hospital operations – panel discussion	Dr Michael Coglin, Chief Medical Officer Mark Briscoe, General Manager – Operations Richard Lizzio, Hospitals State Manager - QLD, NT & WA Deborah Latta, Northern Beaches Hospital Project Director
1.50pm	Quality – our licence to operate	Dr Michael Coglin, Chief Medical Officer
2.15pm	Q&A session	Robert Cooke, Managing Director & CEO Michael Sammells, CFO
2.45pm	Conclusion	Robert Cooke, Managing Director & CEO

Macro trends and recent performance

Robert Cooke

Managing Director and
Chief Executive Officer

Michael Sammells

Chief Financial Officer



Macro trends

✓ Population growth and ageing

Concentrated in growth corridors within major cities with the 65+ age group forecast to increase by 37% over the next decade¹

✓ Increase in lifestyle and degenerative diseases

Chronic diseases, such as diabetes, heart disease and cancer, have continued to grow with 9 out of 10 deaths in Australia due to chronic disease in 2011²

✓ Advancements in medical technology and treatments

Whilst life expectancy is projected to reach 94 years by 2025, more years are being lived with disability³

✓ Public hospital system under on-going pressure

42% decline in public hospital beds per '000 people aged over 65 since 1994⁴

✓ Government policies encourage PHI participation

Health insurance rebate, Medicare levy surcharge, Lifetime health cover



Key long term drivers remain unchanged

1. ABS: 3101 (March 2015); 3222 (2012). 2. Deloitte: Dept of Health and Human Services Victoria – Horizon Scan of Health Trends (June 2016). 3. 2015 Intergenerational Report Australia in 2055 (March 2015). 4. AIHW: Australian Hospital Statistics, ABS: Australian demographic statistics

Regulatory update

- Government policy designed to support strong and sustainable public and private healthcare sectors, with several healthcare reviews underway
- Healthscope is actively involved in these reviews and we expect them to lead to positive healthcare reform

Private Health Insurance (PHI)	<ul style="list-style-type: none">• New Private Health Ministerial Advisory Committee appointed in September 2016• Priority areas of focus<ul style="list-style-type: none">– Simplification of product design and increased coverage transparency– Private patients in public hospitals– Contracting, minimum default benefits and second tier default benefits– Improved value for rural consumers
Prostheses	<ul style="list-style-type: none">• Reforms announced in October 2016 designed to reduce the cost of medical devices and take pressure off PHI premium increases in 2017• Prostheses List Advisory Committee also considering transparent mechanisms to reimburse hospitals for the cost of maintaining medical device inventory
Medicare Benefits Schedule (MBS)	<ul style="list-style-type: none">• Review taskforce established in June 2015• Objective to modernise the schedule to reflect contemporary medical practice and curb inefficiency with low value items ceasing to be funded allowing investment to be redirected into more effective services• Over 30 clinical specialty groups have been established – limited recommendations have been made to date

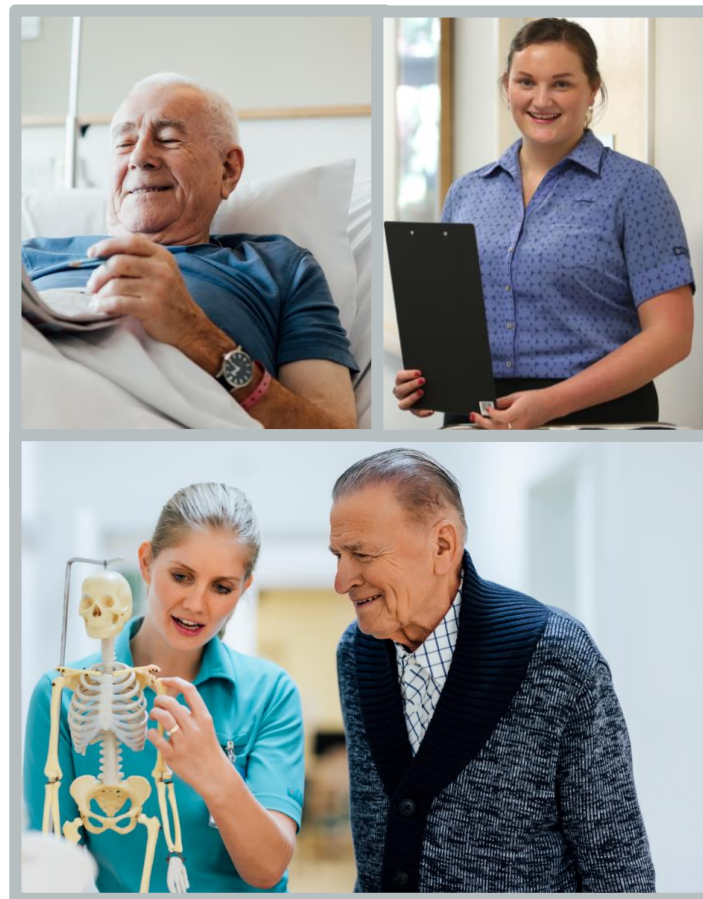
Important role of the private sector

The private sector plays a vital role in Australia's health infrastructure

47% of the population is covered by private health insurance¹

41% of total hospitalisations in Australia occur in the private sector²

67% of all elective surgeries are performed in a private hospital³



Quality and sustainability

Healthscope has a track record of innovative partnerships that strengthen quality and promote sustainability across the industry



Bupa Pay-for-Quality

shifting focus from cost to value for money
driving better outcomes in clinical quality and safety

Northern Beaches Hospital

innovative partnership with the NSW Government
will cater for both public and private patients within a single integrated facility



Holmesglen Institute

cross campus education and training facilities
driving quality outcomes and best practice care for our patients

MyHealthscope website

demonstrated leadership in transparent reporting of clinical data

My
Healthscope

1Q FY17 trading conditions

Hospitals

- Volatility in both volumes and case mix in 1Q17
- Slower rate of growth in Hospitals division

New Zealand Pathology and Other¹

- Performing in line with expectations
- Contract extensions agreed with three New Zealand District Health Boards

Near term priorities

- Strategy remains unchanged and we continue to make decisions that will set the business up for success over the long term
- Multiple levers available to drive near term performance within the Hospitals division, including
 - Refinements to labour rostering and staff mix to account for increased volatility in volumes
 - Managing case mix variation
 - Disciplined cost control
 - New marketing initiatives
- Committed to maintaining our overriding commitments to quality

Hospital expansion program

- Focus on growth corridors
- Admissions growing in excess of broader market at recent brownfield sites
 - Gold Coast Private (QLD)
 - National Capital Private (ACT)
 - Knox Private (VIC)
- Projects completing in FY17
 - Darwin Private (NT)
 - Holmesglen Private (VIC)
 - Norwest Private (NSW)
 - Northpark Private (VIC)



Capital position

- Strong balance sheet, with approximately \$1 billion invested in hospital real estate
- Comfortable bank covenant headroom
- Continued focus on disciplined investment in growth projects
- Remain confident in return metrics on brownfield investments based on early performance, recognising the three year target time frame to achieve target returns
- Hospital expansion program continues to be funded through a combination of operating cashflow, cash reserves and available debt facilities

Summary

- Key long term industry fundamentals remain unchanged
- The private sector plays a vital role in Australia's health infrastructure
- Healthscope has a track record of innovative partnerships that strengthen quality and promote sustainability across the industry
- Brownfields expansion strategy remains on track

Queensland hospitals

Richard Lizzio

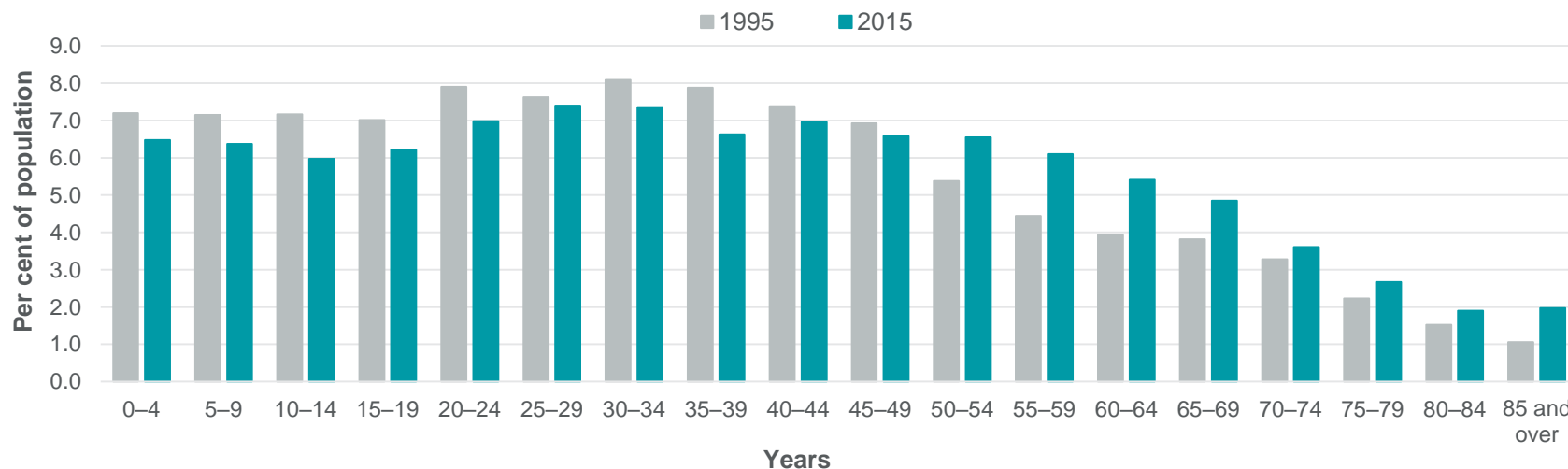
Hospitals State Manager – QLD, NT & WA



Queensland demographics

- Third most populous state in Australia, with approximately 4.8 million people
- Total health expenditure of \$33 billion, representing 20% of total health expenditure in Australia¹
- Highest average annual real growth in recurrent health expenditure over the past decade¹
- Number of people aged 65+ increased by over 20% over the last five years²

Queensland's population by age group³



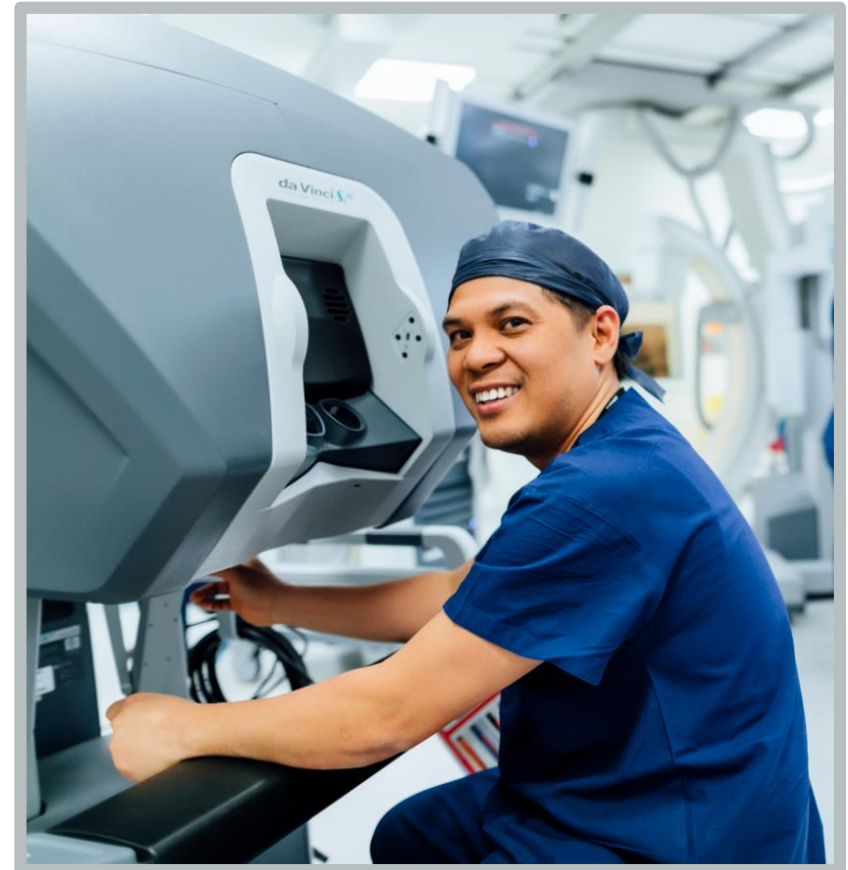
Healthscope's Queensland hospital portfolio

Portfolio concentrated in metropolitan centres of Brisbane and the Gold Coast



Healthscope's Queensland hospital portfolio

- Six hospitals
- ~700 beds and 44 operating theatres
- Four owned, two leased properties
- 2,300 employees, including 1,300 nurses
- Two construction projects underway, with an additional project approved by the Board
- Master plans in place with development overlay approvals at Gold Coast Private, Brisbane Private and Sunnybank Private



Queensland hospital expansion program



Gold Coast Private Hospital - 284 beds and 13 operating theatres

- Relocation of 220-bed Allamanda Private to new state-of-the-art facility
- Completed in March 2016
- Stage 2 expansion approved in June 2016 (30 beds and 8 operating theatres)



Brisbane Private Hospital - 29 beds and 2 operating theatres

- Consulting suites, car parking, rehabilitation gymnasium and retail
- Construction commenced in May 2016
- Completion scheduled for 1H FY19



Sunnybank Private Hospital – Consulting suite complex, car park and 2 operating theatres

- Day surgery expansion
- Construction commenced in January 2016
- Completion scheduled for 2H FY18

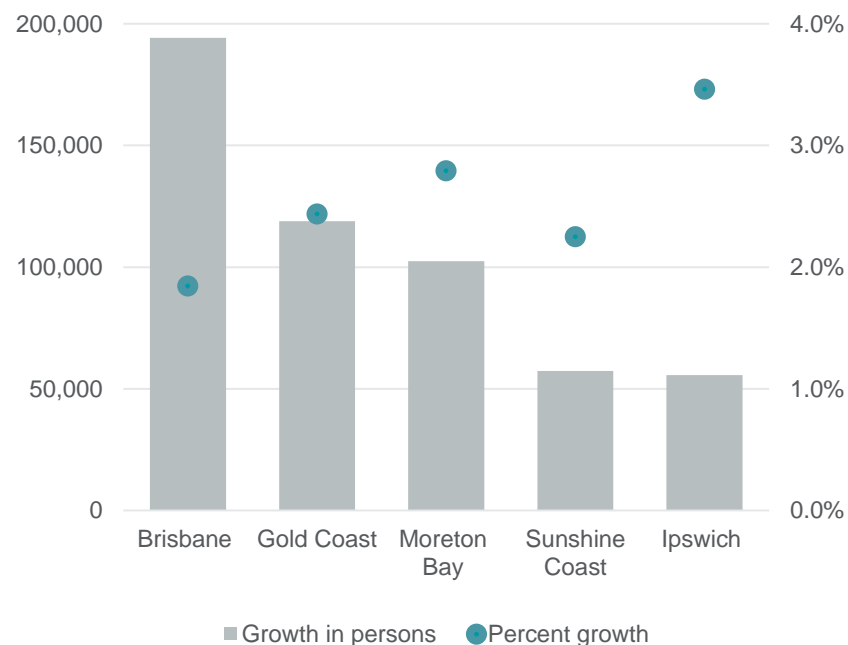
Gold Coast Private Hospital



High growth corridor

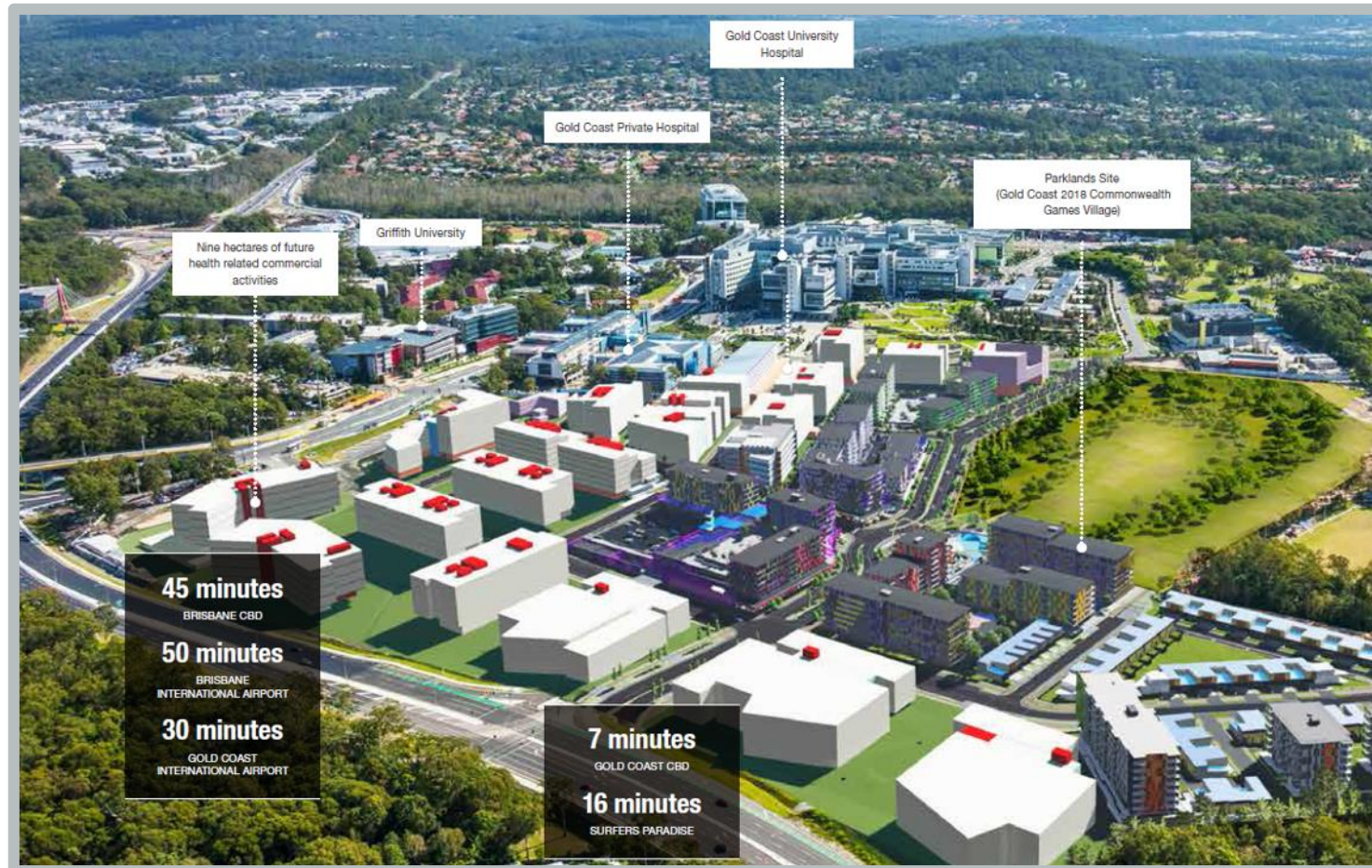
- Gold Coast is Australia's sixth largest city with a population of approximately 550,000
- Second fastest growing local government area (LGA) in Queensland over last 10 years¹
- Over the next 15 years, the number of people aged 65+ is expected to double²
- Strong retiree migration trends

Top 5 fastest growth LGAs in Queensland, 10 years to 2015¹



Uniquely positioned

Located within the Gold Coast Health and Knowledge Precinct and co-located with Gold Coast University Public Hospital and Griffith University



State-of-the art facility

- 284 beds (net 64 additional beds¹)
- 13 fully integrated theatres (net three additional theatres¹)
- Large emergency department
- 12 bed intensive care unit and 14 bed coronary care unit
- Maternity department, including neonatal intensive care unit
- 750 accredited doctors
- 21 consulting suites, consisting of 13 leased suites and 8 sessional rooms
- 4th generation Da Vinci robot

Case mix

- Full range of clinical specialties
- Relocation from Allamanda Private enabled the introduction of new specialties including obstetrics and neurosurgery
- Targeting growth in higher acuity surgical specialties such as orthopaedics, cardiothoracics and obstetrics
- Medical specialty services include cardiology, oncology and urology

Top 10 specialties

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1. Orthopaedics
 2. Rehabilitation
 3. Colorectal surgery
 4. Non subspecialty surgery
 5. Upper gastrointestinal tract surgery
 6. Interventional cardiology
 7. Cardiothoracic surgery
 8. Respiratory medicine
 9. Non subspecialty medicine
 10. Dialysis
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Training organisation

- Strong links with tertiary institutions including Griffith University, Australian Catholic University, Bond University, Southern Cross University and Gold Coast TAFE
- Undergraduate nurses
- Undergraduate physiotherapists
- Undergraduate doctors
- Post graduate nursing
- Post graduate specialist nursing training
 - ICU
 - Theatre
 - Emergency
 - Midwifery



Building the business plan

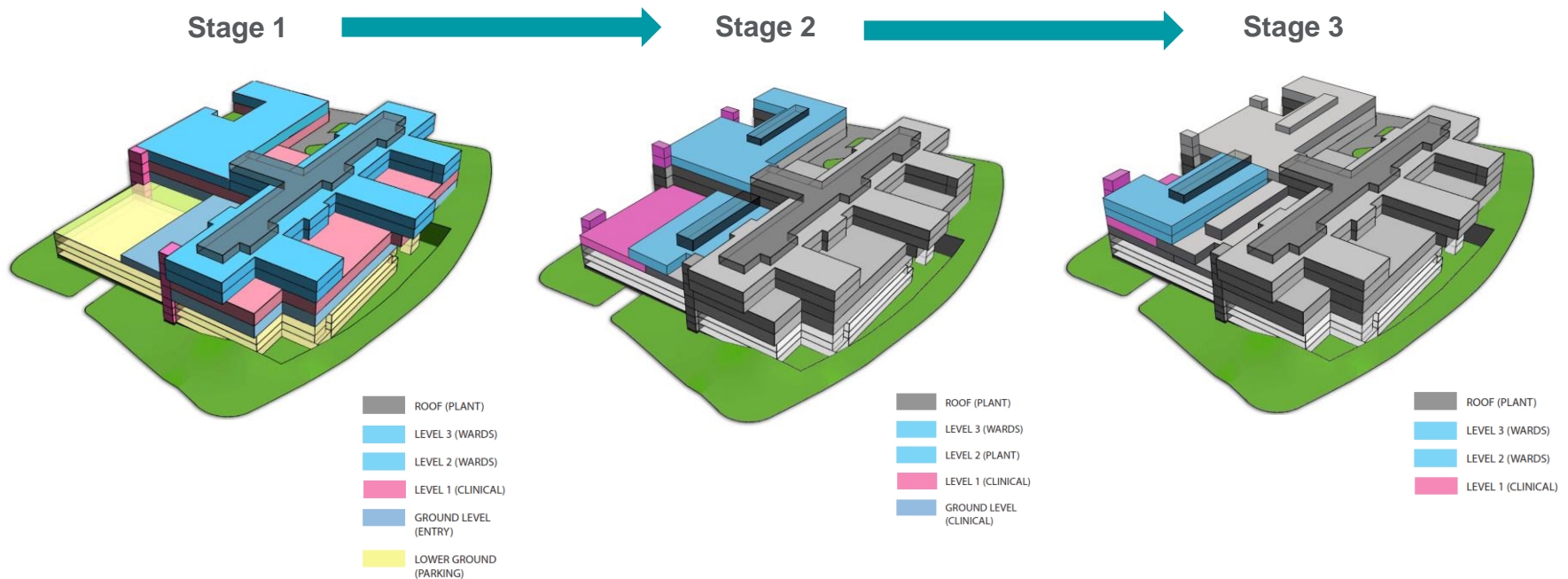
- Assessment of local area demographic data to understand future demand growth
- Assessment of competitive dynamics in catchment area
- Commitments received from doctors operating at Allamanda Private, in addition to new doctors
 - Quality of new facility and co-location with public hospital highly attractive for doctors
- Assessment of benefits gained from adjusting specialty mix, including expansion into new specialties
- Detailed design planning and costing, including master plan to facilitate future hospital expansions
- Financial analysis of return metrics

Business development initiatives



Master planning – staged approach to growth

- Master plan in place with development overlay approval secured
 - Enables staged expansion to approximately 400 beds and 25 operating theatres
- Stage 2 approved (30 beds and 8 operating theatres)



Northern Beaches Hospital

Deborah Latta

Northern Beaches Hospital Project Director

Peter Shephard

Manager – Major Developments



Deborah Latta background and experience

- Career in health for over 35 years
- Nurse, specialised in intensive care and complex surgery
- 25 years in public sector
- Last public sector appointment - CEO, Royal North Shore & Ryde Health Service
- Established Institute of Medical Education & Training for NSW Health
- Health management consultant working across variety of sectors
- General Manager, Prince of Wales Private Hospital (Healthscope)

Northern Beaches Hospital (NBH)



Overview

- Healthscope contracted by the NSW Government to design, build, operate and maintain the Northern Beaches Hospital
- Long dated leases – private (40 years), public (20 years)
- Scheduled to open late CY2018
- Innovative operating model – delivery of efficient, high quality services to both public and private patients within an integrated fully licensed private facility
- Patients admitted as either public or private
- Single workforce
- Shared infrastructure (e.g. operating theatres, kitchen, administration)
- Bringing together two existing public hospitals – Manly Public Hospital (will close) and Mona Vale Public Hospital (will provide sub acute services)

Facility and services

- 450 beds and 20 operating theatres
- Emergency department with GP clinic on site
- Critical care services, including intensive and critical care units
- 1,400 car spaces
- Helipad for emergency transport
- Complex medical and surgical services and day only services
- Ambulatory care services, including dialysis, chemotherapy, outpatients
- Range of services broader than existing Manly and Mona Vale public hospitals
- Linkages to community services as well other Healthscope facilities, such as Lady Davidson and Mosman Private Hospitals
- Leading information technology infrastructure and systems that support the patient experience and care and assist staff and doctors

NBH replaces Manly and Mona Vale public hospitals

Manly Public Hospital (147 beds, 4 OTs)



Mona Vale Public Hospital (211 beds, 4 OTs)



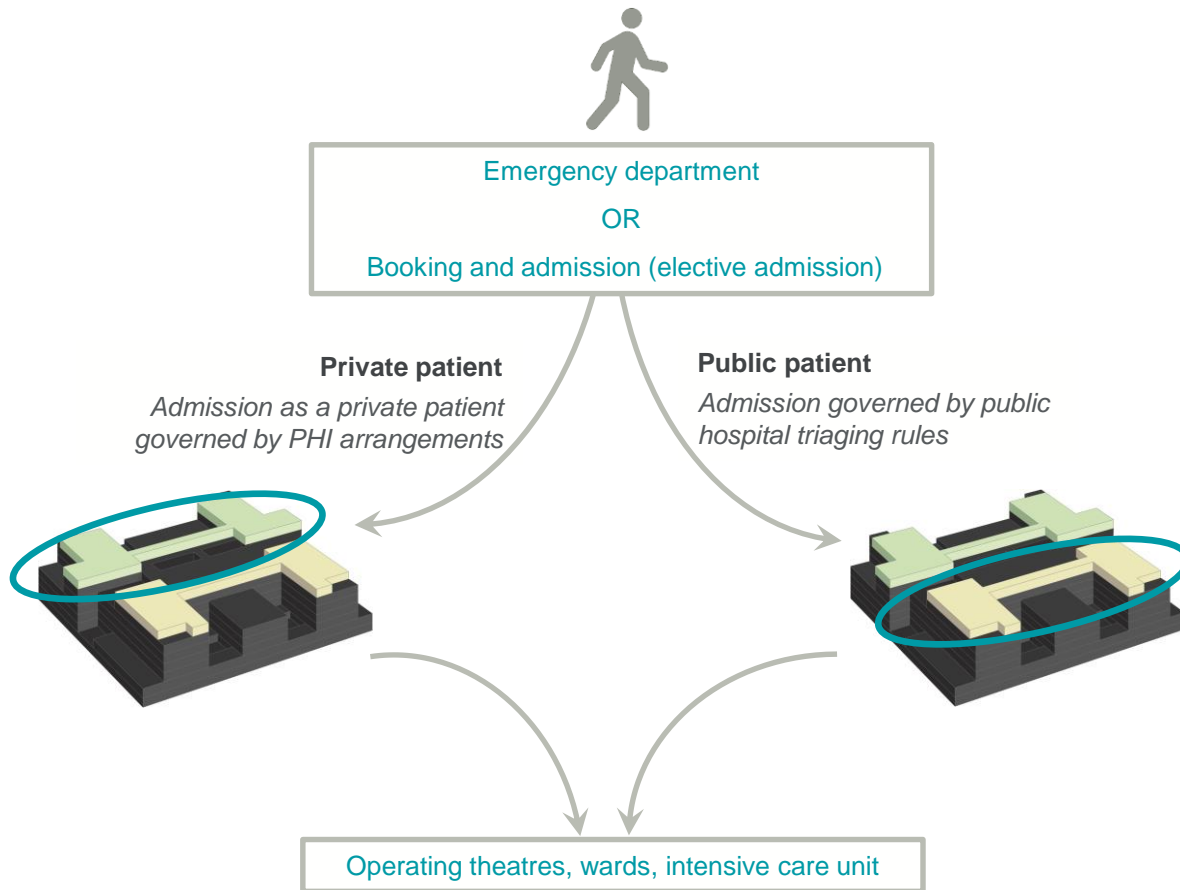
Northern Beaches Hospital (450 beds, 20 OTs) with further capacity to expand



Catchment area

- Catchment area includes the local government areas of Manly, Pittwater and Warringah and covers 255 square kilometres
- Population of approximately 250,000 people¹
- Private health insurance participation rate in excess of 60% – significantly higher than the national average of 47%²
- As at May 2015, 32% of patients admitted to Manly and Mona Vale public hospitals were private patients³
- Approximately 80% of privately insured patients on the Northern Beaches currently choose to have their elective surgery outside the catchment area⁴
- Strong doctor presence

Public/private approach



- Public and private patients both receive the same high quality clinical care
- Admission arrangements determined by public versus private characterisation
- Aesthetics, food options, number of single rooms and bedside technology will be different for private patients
- Single workforce across the facility, employed by Healthscope or Healthscope's service providers
- Some doctors will be employed by the hospital, with the majority being visiting medical officers

Attractive characteristics of operating model

For doctors and staff	For NSW Government	For Healthscope
<ul style="list-style-type: none"> • New state of the art facility • Purpose-built facility to align with contemporary care and service delivery • Location • Treatment of private and public patients within the same facility • Teaching, training, education and research all in the one facility • Specialist suites on site 	<ul style="list-style-type: none"> • Deliver the best quality integrated health services and clinical outcomes to the Northern Beaches community • Integrate healthcare to public patients and private patients from a single facility to maximize the range and breadth of services available to the community • Provide healthcare teaching, training, education and research • Consolidate existing health services in the Frenchs Forest location to create critical mass, improving accessibility to health services • Address the demand and cost impact of current and future health services, enabling a sustainable health system by changing patterns of supply. This will be achieved through the hospital's location, operation and design innovation and digital hospital technologies 	<ul style="list-style-type: none"> • High PHI participation in catchment area • Large private hospital component with scope for expansion • Single workforce and shared infrastructure enables efficient delivery of high quality care & services across the facility • Opportunity to enable a new model of healthcare delivery and bring the best of the public and private sectors together – for best care to local community

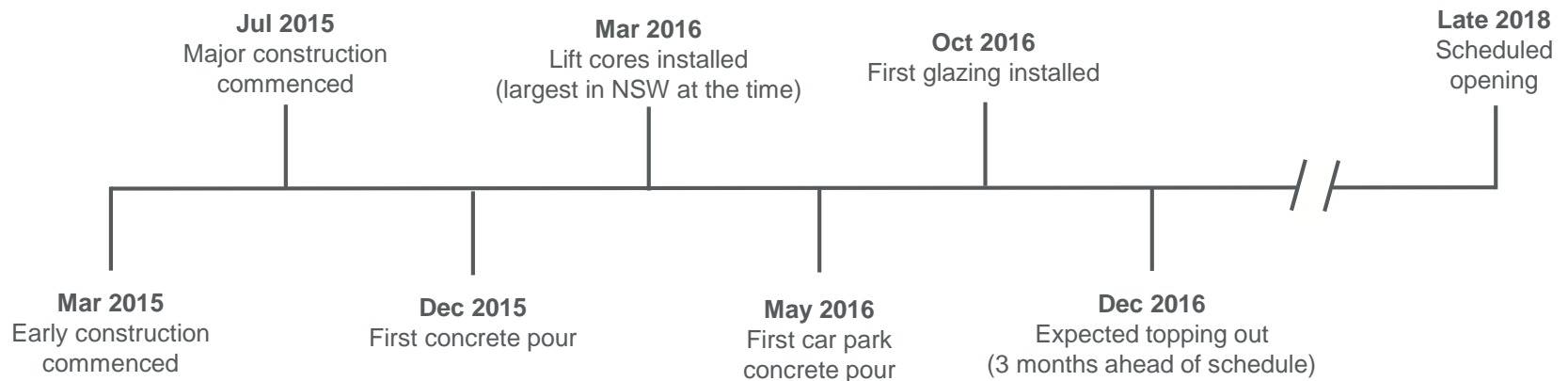
Financing arrangements

- Total capital investment of approximately \$840 million
- Fully funded by Healthscope during the construction phase, supported by a fixed price private public partnership style design and construction contract
- Capital payment to be received from the NSW Government as reimbursement for the public component of the hospital and a portion of the shared facilities once the transfer of patients from existing hospitals is completed
- \$690 million limited recourse, project finance facility in place to fund the project
- Meets threshold return on invested capital target
- Modelling has been conservative in the ramp up of private patients
- There are only public or private patients, there is no “private in public”

Development and construction phase

- Construction contracted to CPB Contractors, a subsidiary of Cimic Group Ltd (formerly Leighton Holdings Limited)
- Fixed price, turnkey construction project
- Master plan – expansion opportunities – three components
- Confident of delivering the facility on time and on budget
- First 4-star Green Star hospital in New South Wales – build and operate

Construction milestones



Stakeholder engagement

- One of the largest and most extensive community stakeholder programs undertaken for healthcare, at least in NSW
- Proactive communication and engagement with staff and doctors, local health district, unions, community, local councils, local members, Minister for Health and the Premier
- Working in partnership with the State
- Structured and adhoc communication processes and opportunities for staff and doctors
- Engagement with other stakeholders, including unions and potential volunteers, undertaken on a regular basis
- Regular communication with Forest High School
- Meetings with over 7,000 people undertaken since April 2015 (largest group was 180 people)
- Over 100 onsite tours for staff, doctors and community to date



Workforce

- 1,300 full time equivalent staff positions will be available, which represents an increase of 400 on current workforce at Manly and Mona Vale public hospitals
- Permanent full-time and part-time staff, including Staff Specialists, may choose to transfer to equivalent roles on permanent contracts with existing award terms and conditions – guaranteed for two years
- Same opportunity applies to sub-contractors (e.g. medical imaging) for staff who currently work at Manly and Mona Vale public hospitals
- Junior doctors remain employed by NSW Health and continue to rotate through the hospital
- Healthscope working with doctors who currently work at Manly and Mona Vale public hospitals on the process to appoint visiting medical officers and Staff Specialists

Teaching, training, education and research

- Teaching, training and education hospital affiliated with various universities and other vocational providers, including Sydney University
- Training and education facilities, including a simulation centre
- Learning enhanced through digital applications, including integrated theatres
- Participation in all types of training & education including doctors, nurses, allied health, administration and apprenticeships
- Junior doctor training programs continue, rotating to NBH as well
- Clinical research capabilities
- Current vocational program with Forest High School
- Work experience with children from other schools
- Construction workforce includes over 20% training positions in construction

Quality

- Governed by existing robust Healthscope governance process and structure
- Local management, led by General Manager, to ensure highest quality patient and other quality outcomes
- Additionally, extensive reporting to the NSW Government through a variety of key performance indicators and other reporting tools which focus on patient outcomes
- Regular external audits and NSW Government review processes throughout the development phase

Construction progress

June 2015



November 2016



[Click here to watch a 30 second time lapse video of the construction process to date](#) ►



Quality — our licence to operate

Dr Michael Coglin
Chief Medical Officer



Healthscope values

- Service excellence
- We strive to provide the highest standard of health care
- We look for new opportunities and ways to improve our care and service
- We seek to understand and exceed expectations



Healthscope philosophy

- Quality is our licence to operate
- The standards we set for ourselves are far higher than those expected of ourselves by others
- Commitment to transparent reporting of quality outcomes – a great story
- Safety and quality agenda is owned at the bedside – head office provides leadership, facilitates and monitors
- Emphasis on quality redefines the brand and allows leveraging of commercial outcomes

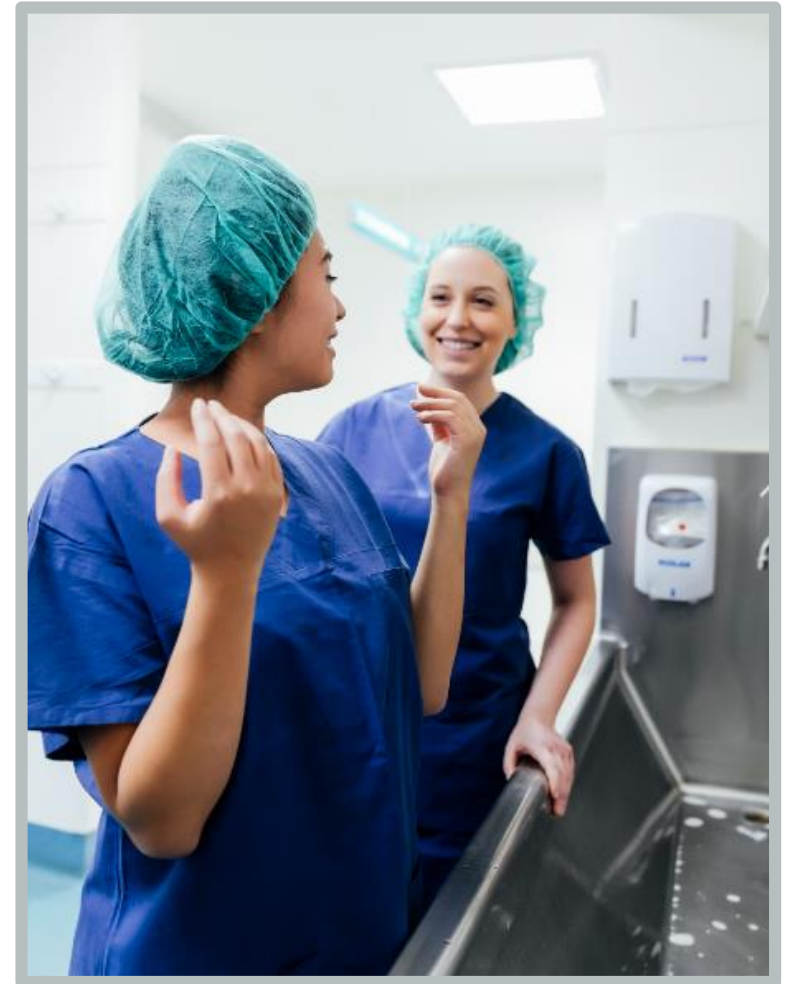


Clinical risk management



Quality, safety and compliance

- Head office expert team
- Quarterly reporting and evaluation of 55 hospital key performance indicators (KPIs)
- Benchmarking internally and against industry
 - Healthscope hospital indicators significantly better than national industry benchmark for 37% of indicators¹
 - 87% of hospital indicators better or equivalent to national industry benchmark
- Compliance monitored by extensive external and internal audit program – 70 internal audit topics
- Accreditation of hospitals
- Annual safety and quality plan driven by incidents, claims and industry initiatives – Board approved



Safety and quality plan – key elements

- Extensive suite of policies, procedures, by-laws with three year renewal cycle
- Annual quality and risk management conferences
- Healthscope eLearning centre – mandated modules
- Quarterly “shared learnings” reports on sentinel events
- Capex (e.g. K2 central monitoring system for obstetrics)
- Vigorous hospital level clinical governance (e.g. Clinical Review Committees, Medical Advisory Committees)
- Transparent reporting of hospital quality outcomes - *MyHealthscope* website (www.myhealthscope.com.au)

Incident management

- Comprehensive, integrated web based incident reporting and management tool – Riskman
- Sentinel event reporting and management – 31 scenarios (hospitals)
- Real time expert involvement at senior level – ‘industry best practice’

Claims, litigation and insurance

- Claims managed with internal medical and legal expertise and expert panel lawyers
- Collaborative tripartite claims management – insurer, lawyers, Healthscope
- Philosophy – ‘settle meritorious claims expeditiously, contest unmeritorious claims’
- Exceptional record in frequency and outcomes of malpractice litigation
- Six consecutive year-on-year reductions in malpractice insurance premiums
 - 28% reduction in premium despite 17% increase in activity/insured risk
 - Current premium 40% below market = ‘quality discount’

Leveraging commercial outcomes from quality

Significant commercial benefits result from Healthscope's industry-leading quality standard

Health fund payments

- Healthscope is the leader in pay-for-quality in Australia
- Additional bonus payments recognising Healthscope's high performance

'Never Events'

- "Errors in medical care that are clearly identifiable, preventable and serious in their consequences for patients"
- Payment of hospital withheld in Queensland public hospitals
- Unprecedented in Australian Private Sector
- Healthscope BUPA agreement – forego payment in 14 defined Never Event scenarios (and establish precedent for health funds) in return for payment (risk transfer)

BUPA 'Pay-for-Quality'

- At risk funding from BUPA based on pay-for-participation and pay-for-performance

Public reporting - *MyHealthscope*

- The *MyHealthscope* website (www.myhealthscope.com.au) launched in November 2011 and reports 25 hospital key performance indicators
- Healthscope was the first private hospital operator to report these metrics publicly

Overview of published data

- 25 key performance indicators
- Healthscope national rate and 45 individual hospital rates
- Performance trend over time (e.g. three years)
- Performance reported against industry standard/benchmark
- Narrative including links to health information
- Data limitations explained

Why did we do it?

- Showcases quality outcomes of private healthcare – quality performance exceptional
- Drives quality improvements internally
- Brand enhancement:
 - Industry leadership
 - Brand ‘quality’ connotations
 - But not driven by marketing team
- Competitive advantage especially compared with public hospitals – competitors slow to follow
- Attracts doctors, nursing and other staff, patients
- Accountability to funders and others
- Deeper strategic engagement with health funds