

ASX Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

30 November 2016

Medibank 2016 Investor Day Presentation

Medibank (ASX:MPL) is conducting an Investor Day in Melbourne today from 10.00am to 1.00pm (AEDT) for investors and analysts. A copy of the presentation is attached.

Live webcast streaming of the event will be available from 10:00am (AEDT). To register for the webcast, please visit the Investor Centre: www.medibank.com.au/about/investor-centre/results-reports/

Yours faithfully

A handwritten signature in black ink, appearing to read 'MRs' followed by a large, stylized loop.

Mei Ramsay
Company Secretary

2016 Investor Day

30 November 2016

medibank
For Better Health

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This presentation should be read in conjunction with MPL's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

Agenda

1 Strategy Overview
Q&A

Craig Drummond

2 Customer Reorientation
Q&A & Panel

David Koczkar

Break

3 Healthcare Value
Q&A & Panel

Dr Andrew Wilson

Wrap-up

Lunch



Strategy Overview

Craig Drummond
Chief Executive Officer

Refreshed Executive Leadership Team



Craig Drummond
Chief Executive Officer



Kylie Bishop
Group Executive –
People and Culture



John Goodall
Group Executive –
Technology and Operations



David Koczkar
Group Executive –
Chief Customer Officer



Mei Ramsay
Group Executive –
Legal, Governance and
Regulatory Affairs



Mark Rogers
Group Executive –
Chief Financial Officer

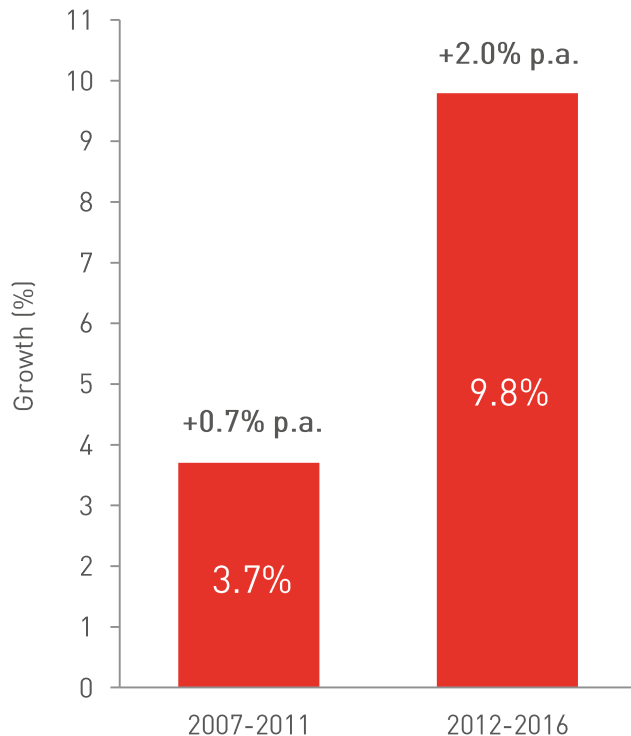


Andrew Wilson
Group Executive –
Healthcare and Strategy

Industry Challenge

Fundamental issue is healthcare costs continue to grow at a faster rate than wage growth

Aggregate gap between claims and wages growth



Source: APRA Operations of Private Health Insurers Annual Reports 2006-2016

- Affordability is a shared industry challenge
- Reform has a role to play
- Increasing pressures on the Australian healthcare system
- Must address growth in low value care through reform and collaboration

Medibank Today

Established health insurer that has underinvested for future growth



**Strong
financial position**



**Dual-brand strategy
– Medibank
and ahm**



**Health cost
leader**



**Embedding major
IT transformation**



**Shifting investment
from infrastructure to
customer outcomes**



**Market share
in decline**

Strategic Priorities for FY17

Strengthening the core by reorienting to our customers, actions underway are expected to deliver approximately \$40m in annual benefits by 2020

	Initiative	Action Underway
Strengthen the core	<ul style="list-style-type: none"> Settle new IT system Re-design customer experience Improve product value Digital acceleration 	<ul style="list-style-type: none"> IT embedding and upgrades (\$15m) Adding 60 contact centre staff...incl. 24/7 web chat (\$6m p.a.) Product investments (e.g. dental \$40m over 3 years) Digital reoriented to customer <div>Opex</div>
		<ul style="list-style-type: none"> Refurbishing 16 retail stores (\$6m) ERP program (\$40m) <div>Capex</div>
Continue to improve healthcare value	<ul style="list-style-type: none"> Pursue value-based purchasing agreements Continue PIP program 	<ul style="list-style-type: none"> Contracting and network optimisation PIP enhancement
Expand customer offering	<ul style="list-style-type: none"> Out of hospital support Health and wellness partnerships 	<ul style="list-style-type: none"> Incremental investment in health services (\$8m) Holistic health and wellness program that recognises loyalty and rewards engagement

Strategic Priorities Beyond FY17

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

Maintain strong financial position

Milestone Objectives

Within 3 years

Customer

- PHIO complaints less than market share (within 12 months)
- NPS best in class against major peers
- Market share stabilised

Financial

- Maintain net margin above major peers
- Maintain ROE above cost of capital and major peers
- More than double Complementary Services operating profit

FY17 Health Insurance Outlook

Revenue slightly below expectations but operating profit broadly in line

Four months to 31 October 2016

- Revenue slightly below company expectations
- Premium revenue growth of 1.3%

Health Insurance operating profit for FY17 expected to be broadly in line with FY16, excluding the claims provision release of \$20 million (i.e. c.\$490 million)

Summary





Q & A

Craig Drummond

Chief Executive Officer

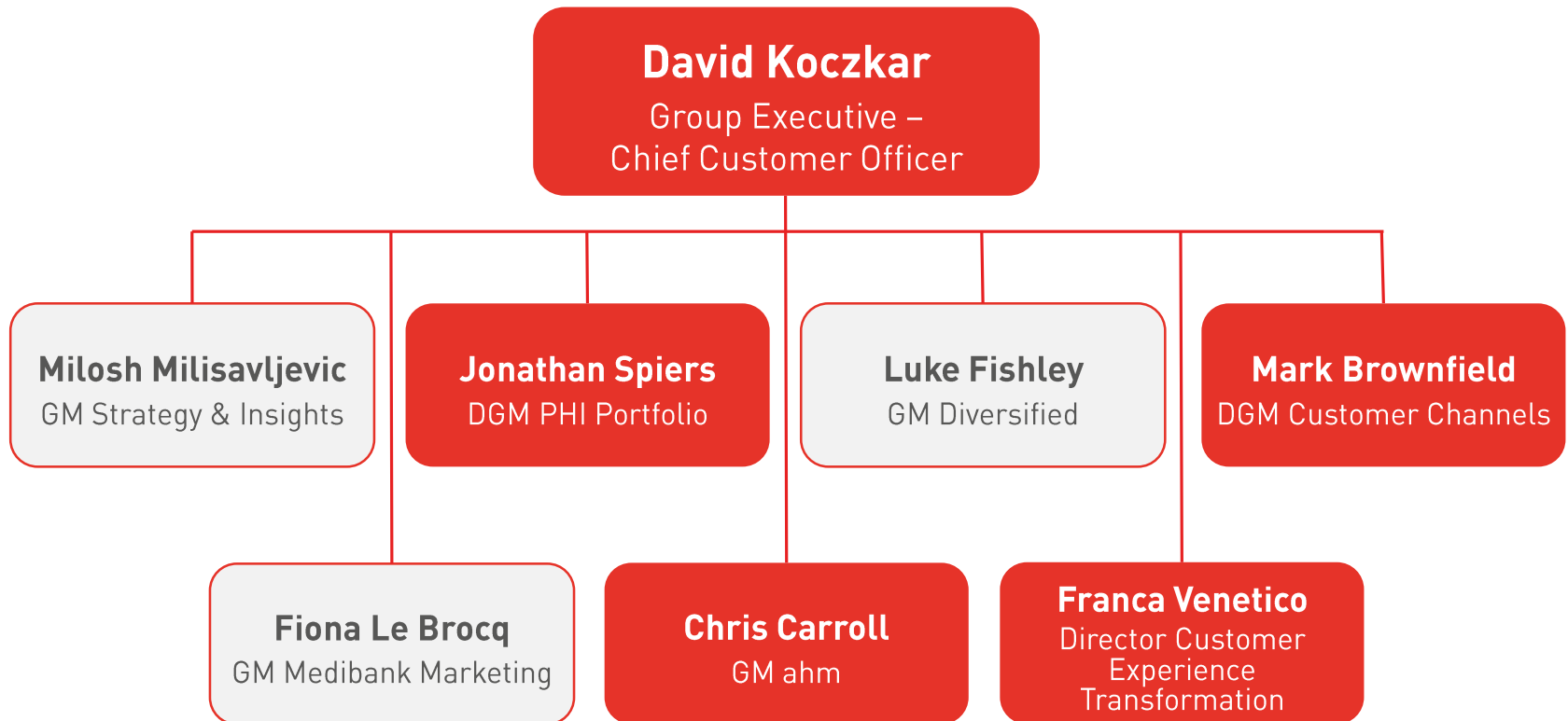


Customer Reorientation

David Koczkar

Group Executive –
Chief Customer Officer

Customer Team

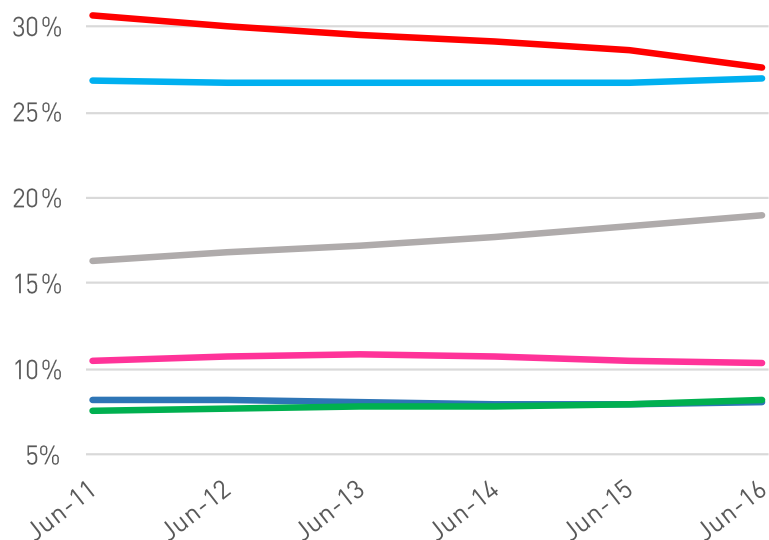


Speaking today

Current State

Medibank brand decline has not been offset by ahm growth

Market share (resident policyholders):
Top 5 vs. rest of industry



medibank For Better Health ahm

Bupa

Rest of Industry¹

HCF

nib

hbf





- Declining share in a slowing market
- Increased aggregator penetration
- Non-traditional competitors
- Limited differentiation
- Medibank brand health and experience
- Underperformance in key segments

¹ Rest of industry represents the aggregate of all private health insurers in Australia excluding the Top 5

Source: Operations of Private Health Insurers Annual Reports

Underlying Portfolio Priorities

Medibank consumer portfolio is key to our turnaround

	Completed	Priorities
 Consumer	Product remediation, brand reposition, initial customer benefit investments	Further segment-orientated product changes and introductions, experience improvement, bed down core systems upgrade
 Corporate	Proposition relaunch (e.g. INC range), health and wellness offer expansion	Continued sales growth and capability build
	Aggregator product mix changes and remediation, lapse reduction	Continued sales growth, strengthening direct channels
 Overseas	New overseas student portal	Overseas student sales growth, workers' cover distribution development

Delivering on Customer Needs

Two brands targeting different customer needs

Purpose

For Better Health

Vision

Our customers' partner in health and wellness

Promise

We have a relentless focus on ensuring our customers have the confidence we will be there in times of need. We will do this by being transparent, anticipating their needs and delivering consistently.

Brand Proposition



Short Term Focus

Moving quickly to bed down DelPHI and fix customer pain points

Customer experience	Was impacted with tax statement, a process is in place to fix pain points	Methodically reducing system issues	Scaled up customer care team to address issues and complaints
Total cost of ownership	Focus on bedding down system and retiring mainframe		
Speed to market	Product development time halved, and segmented campaign execution enabled		
Efficiency	Contact centre and retail average handling time reduction by >10%		

Putting our Customers First

Focused on improving product, experience and engagement

Product

- Cover that suits needs
- Out-of-pockets for hospital / extras
- Price of premium

Experience

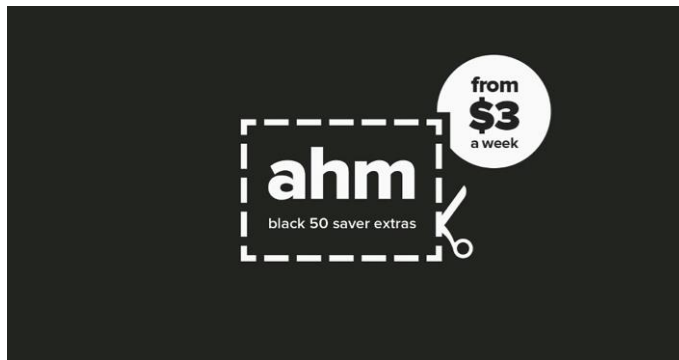
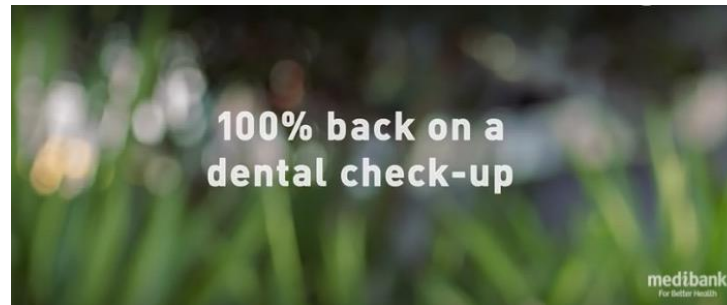
- Relevant, clear, consistent information
- Ease of claiming
- Improved experience and digital self-service
- Retention and cover reviews

Engagement

- Relevant and personalised content and advice
- Recognition and rewards

New Products, Better Value

Leading new products launched for Medibank and ahm



Changing the Customer Experience

Six customer journeys that underpin customer experience



Getting started

Purchasing health insurance



New to fund

*On-boarding with Medibank
(first 45 days)*



Using extras

*Visiting an ancillary provider
and making a claim*



Going to hospital

*Planned or unplanned visits to
hospital and making a claim*



Review cover

*Reviewing how well cover
meets needs, and changing if
required*



Making contact

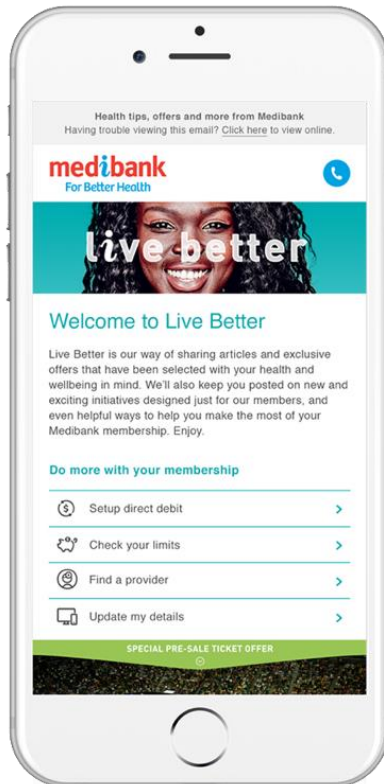
*Contacting Medibank for any
other reason*

Priorities to improve experience

- Digital reoriented to customer
- Medibank app relaunch
- 24/7 online servicing
- Call centre investment and up-skill
- Complaints handling
- Proactive interactions

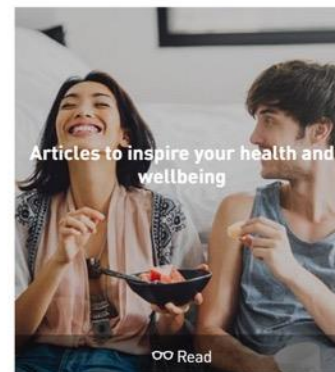
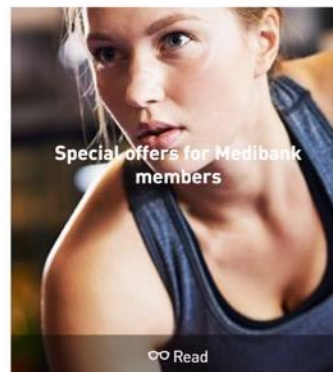
Engagement, Recognition and Reward

Engaging with our customers in health and wellness



Live Better with Medibank

Inspiring you to create a healthier, happier lifestyle



Getting it Right for our Customers

Our customers will tell us when we've got it right

Product

- Integrated propositions that lead the market in value and combine health and wellness in a segmented way

Experience

- Effortless interactions and easy digital self-service
- Proactive retention and cover changes
- Integrated PHI and provider experience

Engagement

- Broad health and wellness offers that support better health outcomes and customer needs
- Best in class recognition and rewards

- PHIO complaints less than market share
- NPS best in class against major peers
- Market share stabilised

Q&A

David Koczkar

Group Executive –
Chief Customer Officer

Jonathan Spiers

DGM PHI Portfolio

Mark Brownfield

DGM Customer Channels

Chris Carroll

GM ahm

Franca Venetico

Director Customer
Experience Transformation





Health Value Leadership

Dr Andrew Wilson
Group Executive –
Healthcare and Strategy

Healthcare and Strategy Team



Speaking today

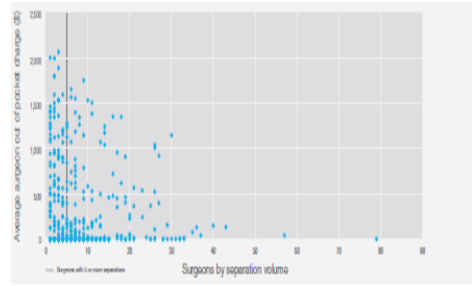
Healthcare Costs

Affordable, quality healthcare an ongoing challenge

Ageing and chronic disease



Medical gaps and transparency



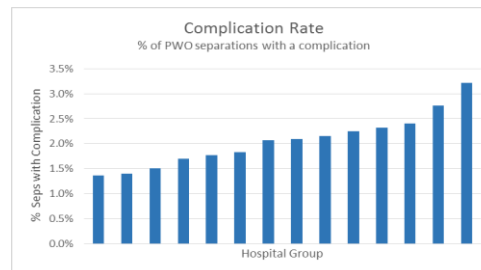
Medical technology



Capacity expansion



Unwarranted variation and low value care



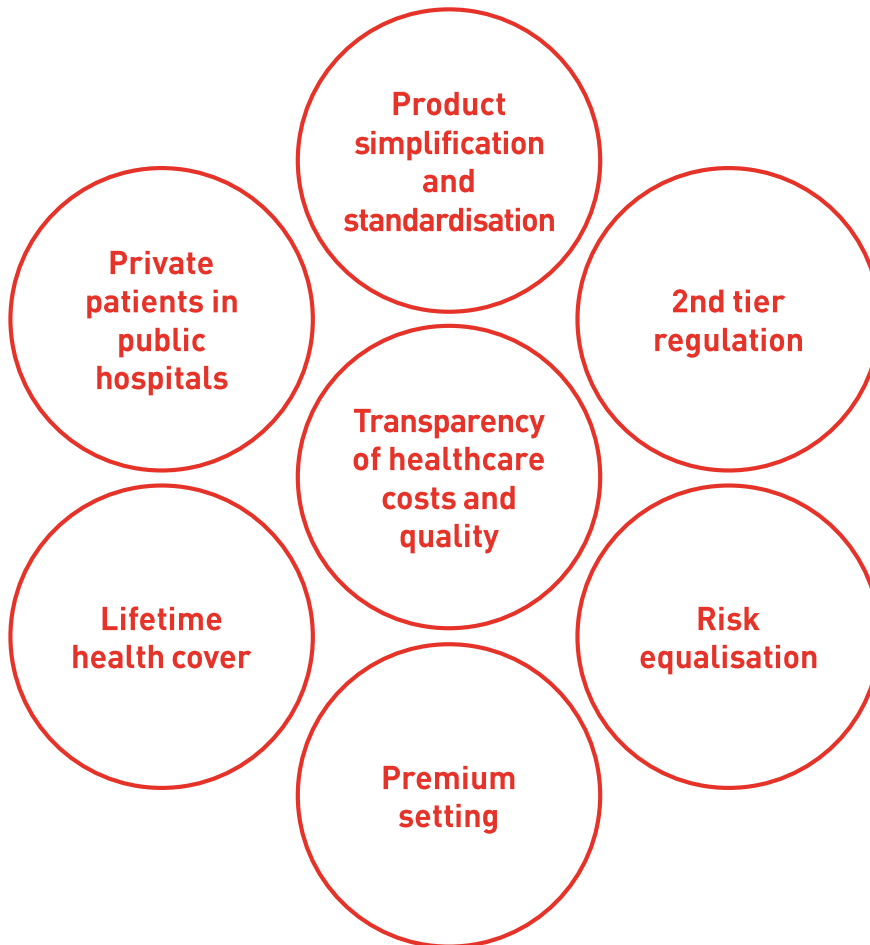
Public vs. private perceptions



PHI Review and Other 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



Options paper for pricing and funding for safety and quality

Strategic Focus

Delivering value in healthcare



Reduce costs

Reducing the
per capita
cost of healthcare



Enhance patient experience

Improving the patient
experience of care
(including quality and
satisfaction)



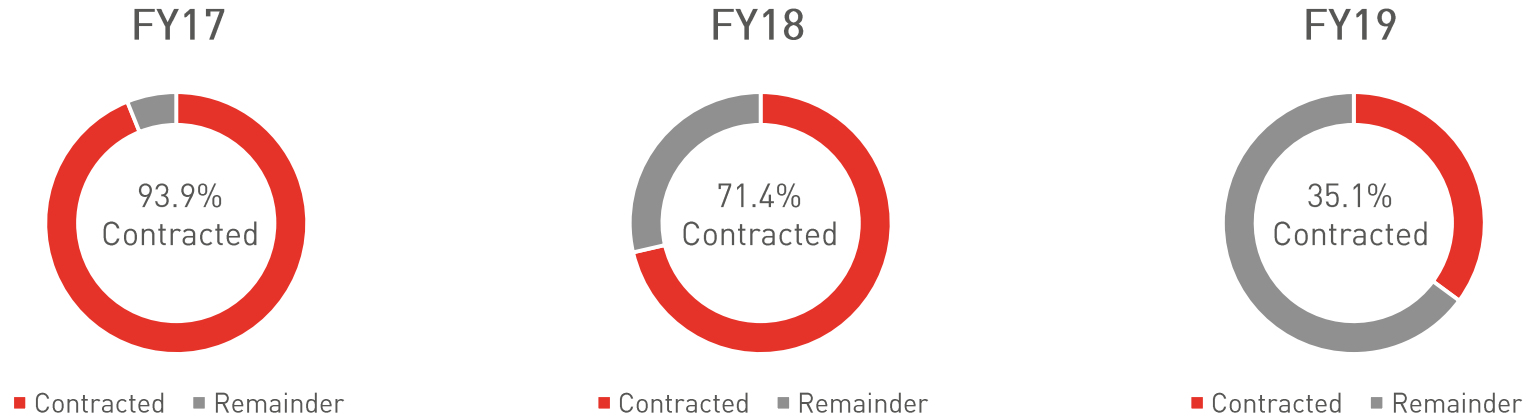
Improve health outcomes

Improving the
health
of populations

Hospital Contracting

94% of hospital outlays in dollar terms contracted for FY17

Proportion of hospital outlay contracted

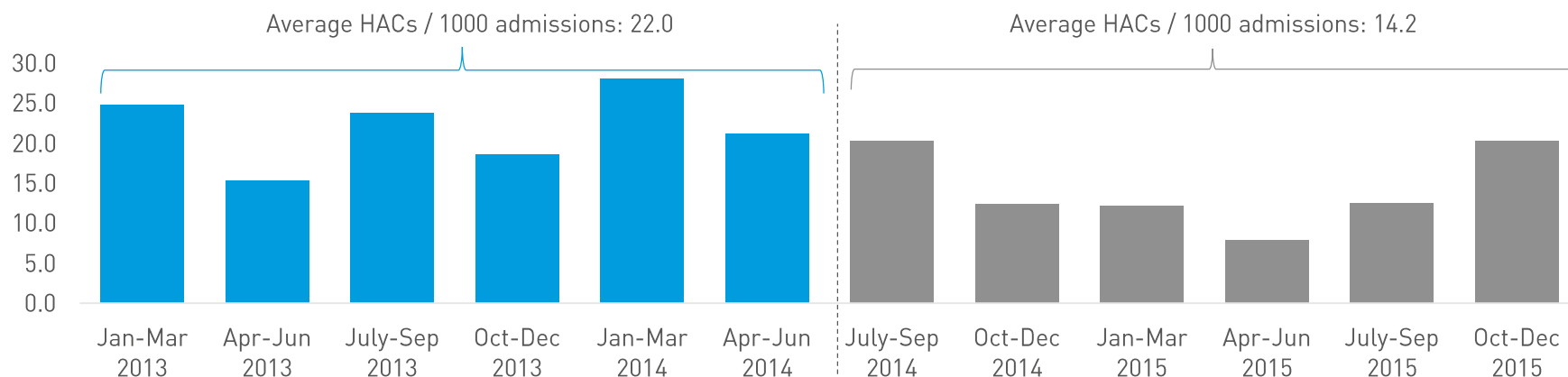


- Indexation rates negotiated
- Audit rights secured and enhanced
- New quality and value based clauses agreed and implemented
- Increasing indication of a more collaborative relationship

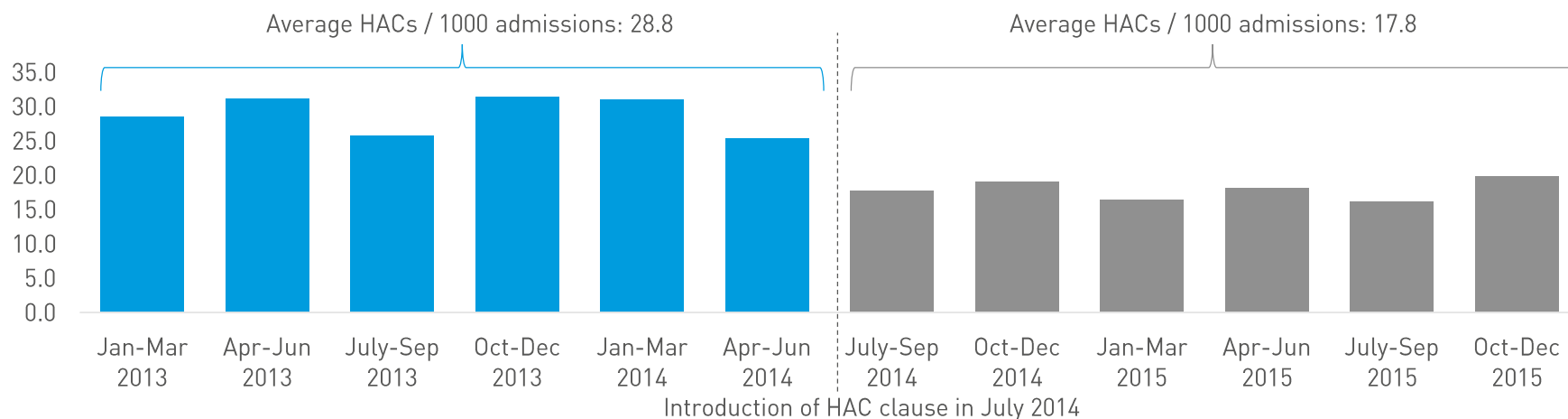
Patient Outcomes and Experience

Evidence that hospital acquired complication and readmission clauses are contributing to better quality and health outcomes

Hospital group 1: Hospital Acquired Complication rate per 1000 separations



Hospital group 2: Hospital Acquired Complication rate per 1000 separations



Source: Medibank claims data

Patient Outcomes and Experience

Transparency initiatives – a key foundation, encompassing partnerships with peak bodies and providers

Hospital quarterly reporting



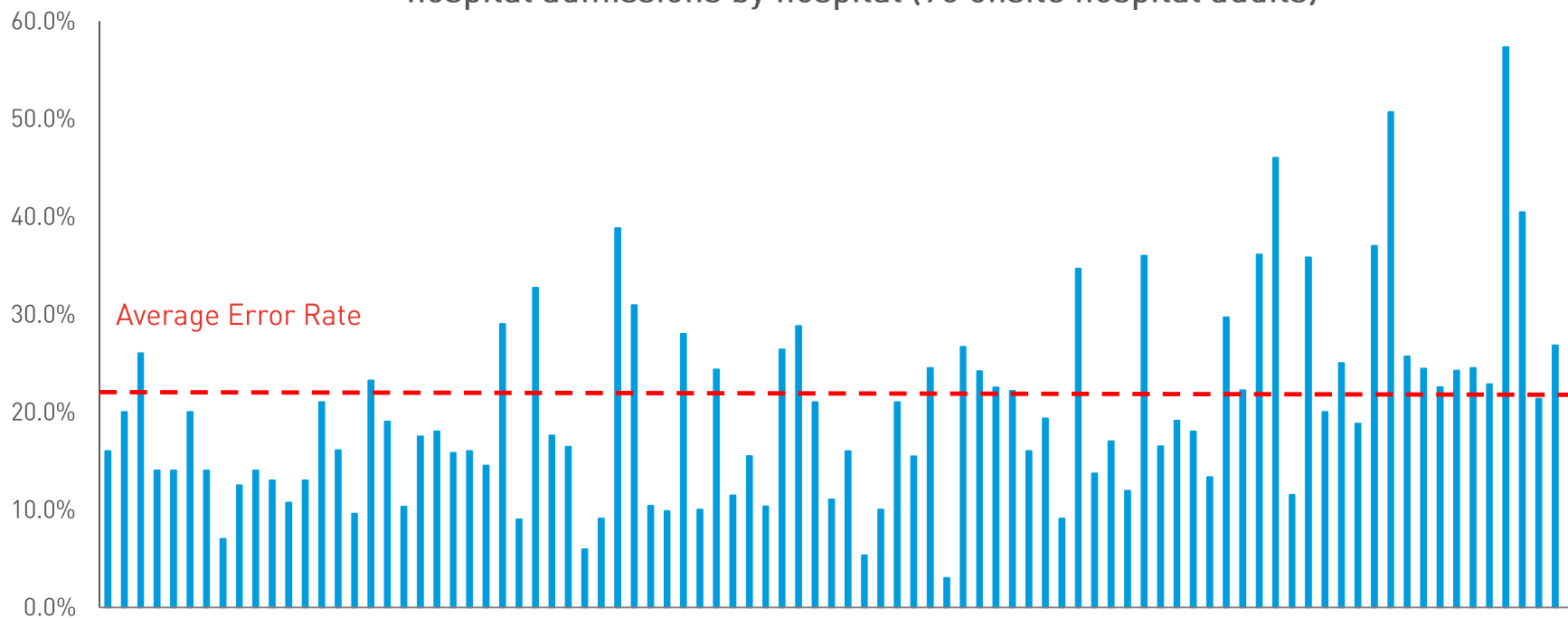
Surgical variance reports



Payment Integrity

Initiatives expanded across portfolio continue to contribute to reducing error and waste, and so helping affordability and value

Error rates in coding of a selection of the most complex hospital admissions by hospital (90 onsite hospital audits)

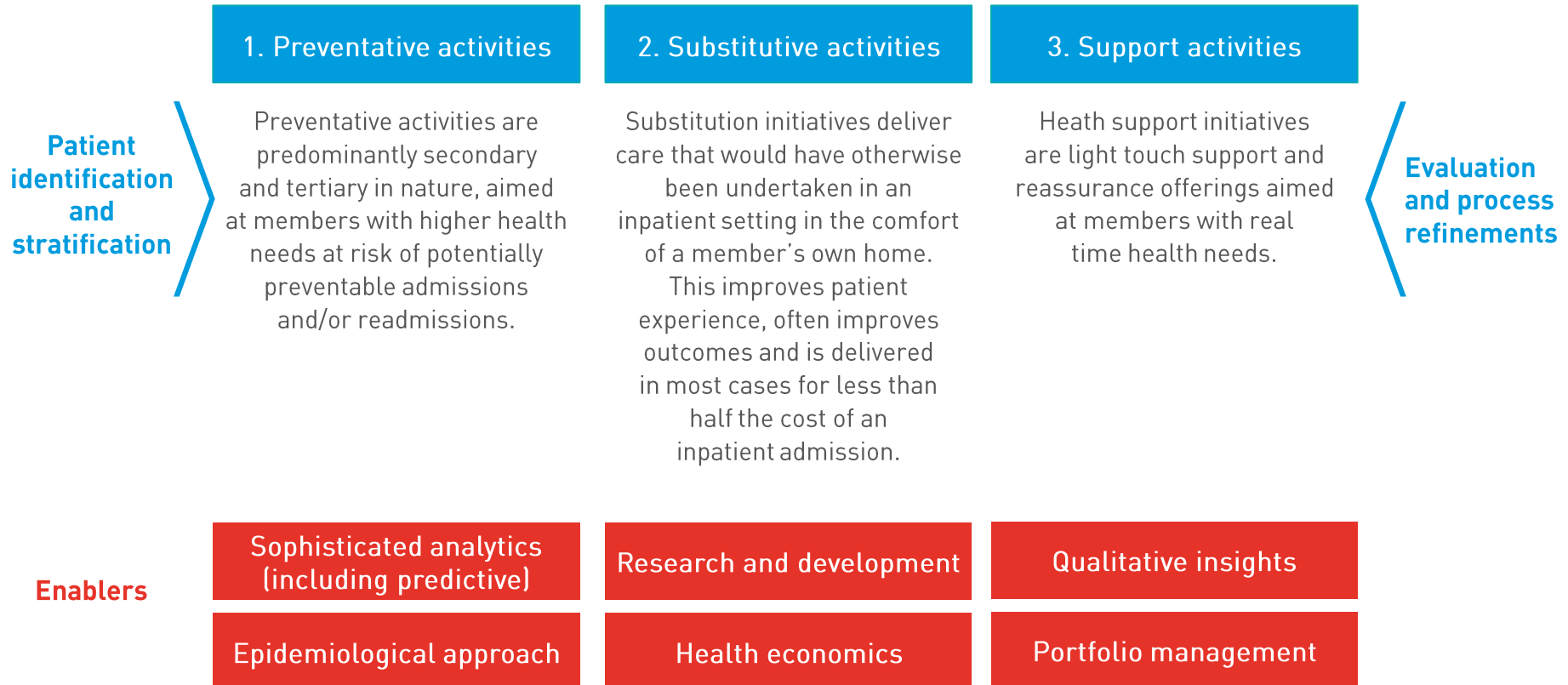


Source: Medibank claims data

Supporting Customers' Health

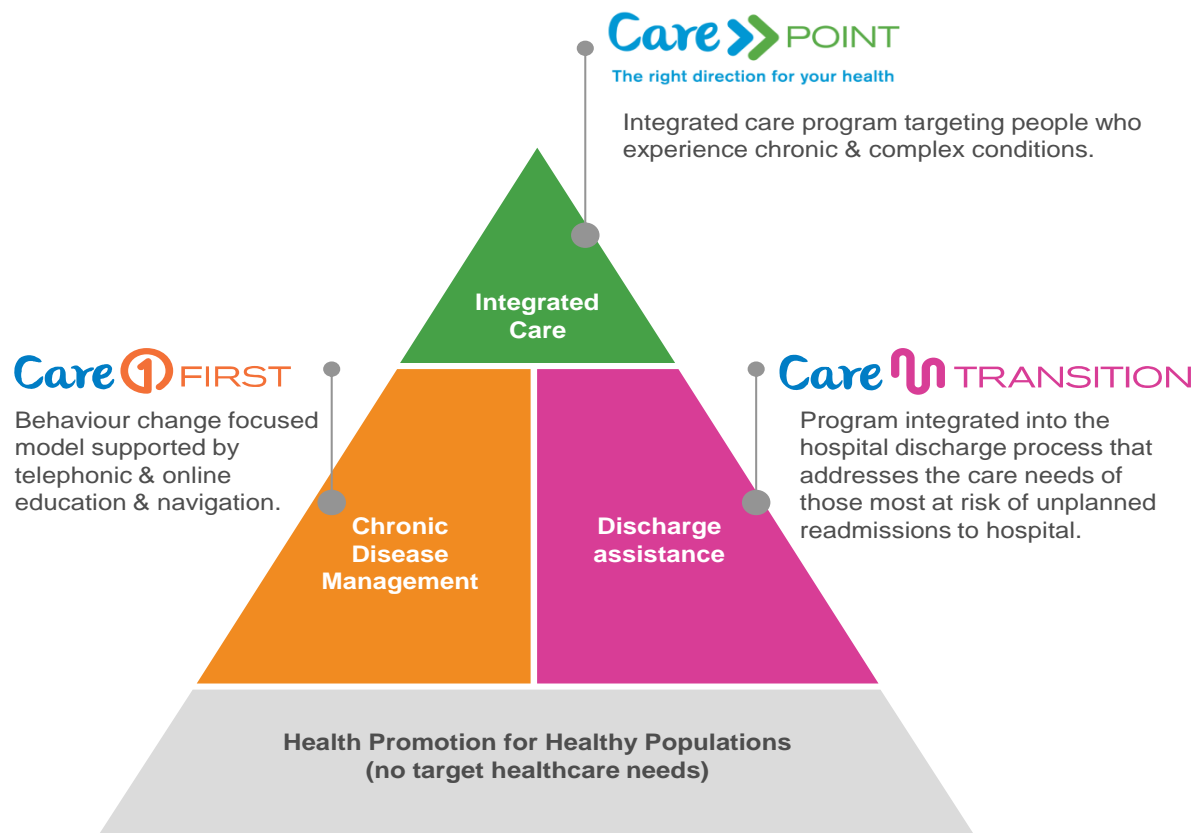
Medibank as a health partner in our members' health journeys

Improving health outcomes in three key ways



Supporting Customers' Health

CareComplete continues to expand with evidence showing positive impact on the health of chronic, complex and high risk patients



- Initial pilots provided to >5,500 patients
- 1,400 GP clinics and 2,600 GPs participating
- Programs co-funded by MPL, State Governments and other PHIs
- Initial evaluation results are encouraging
- National rollout is progressing

Delivering Value in Healthcare

Best in class healthcare value, experience and outcomes

Value

- Better health outcomes through value based purchasing
- Transparency with providers and members
- Regulatory reform

Experience

- Integrated PHI and provider experience
- Proactive health system navigation
- Differential customer experience with providers

Health outcomes

- Expansion of CareComplete
- Expansion of out-of-hospital health services and advice for Medibank customers and other populations

Q & A

Dr Andrew Wilson

Group Executive –
Healthcare & Strategy

Dr Linda Swan

Chief Medical Officer

Marc Miller

GM Group Strategy & Innovation



A close-up portrait of a man with blonde, slightly messy hair and a light beard. He is looking directly at the camera with a slight smile. He is wearing a blue denim shirt. The background is a solid orange color.

Q & A

Craig Drummond

Chief Executive Officer

David Koczkar

Group Executive – Chief Customer Officer

Dr Andrew Wilson

Group Executive – Healthcare & Strategy

Wrap-up

Craig Drummond

Chief Executive Officer



Summary



Thank you