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medibank
For Better Health

Macquarie Australia Conference

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Chief Executive Officer



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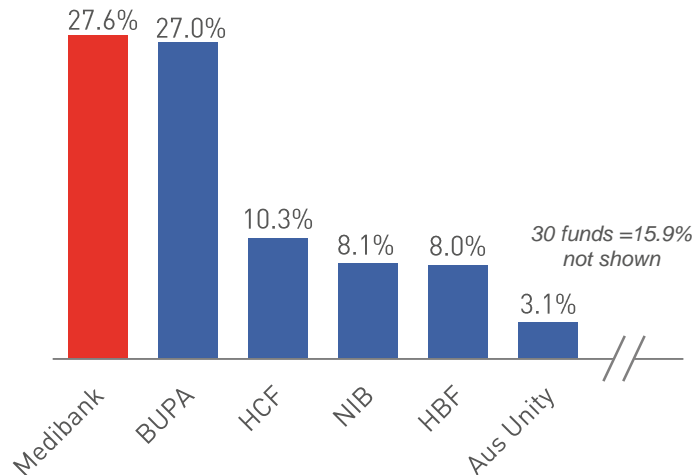
About Medibank

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

NAVY
ARMY
AIR FORCE

TELEHEALTH

- 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

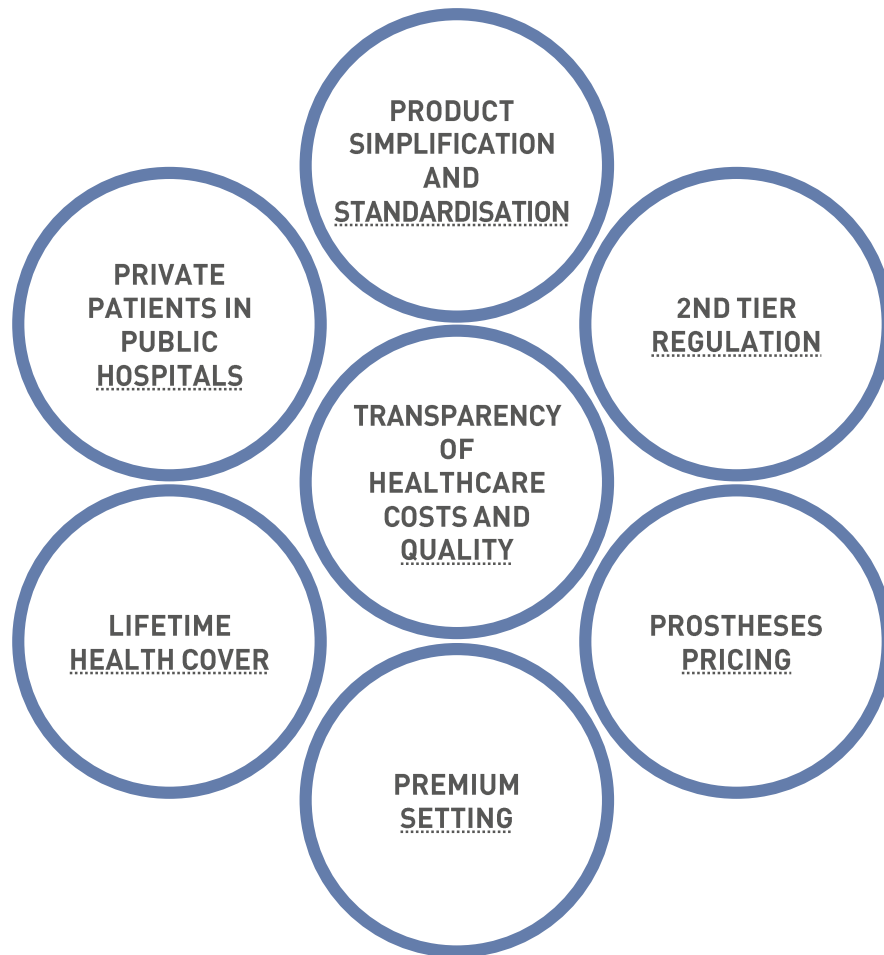


Chronic disease management

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">• 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 Scorecard

Some early indicators of progress

CUSTOMER

Objectives to reach by 2019

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

Update

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

2. NPS best in class against major private health insurance peers¹

NPS improved, but gap to peers remains

3. Market share stabilised

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

FINANCIAL

Objectives to reach by 2019

1. Maintain operating margin² above major private health insurance peers¹

1H17 FY16

Medibank	7.7%	8.1%
Major peers	n/a ³	5.8%

2. Maintain ROE above cost of capital and major listed insurance peers⁴

1H17 FY16

Medibank	28.7%	27.6%
Major peers	10.3%	14.3%

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

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

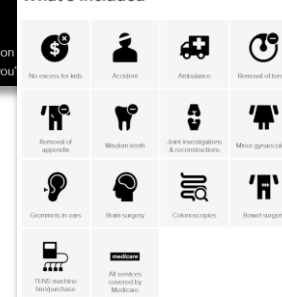


Customise your cover

Add extras

If you like extra toppings on healthier options, then you

What's included

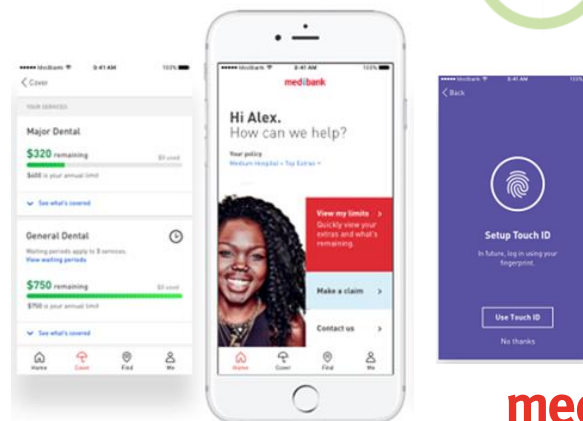


MEMBER SERVICES PORTAL LOAD TIME

72%↓
reduction



30%↓
Average speed of answer (ASA)



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

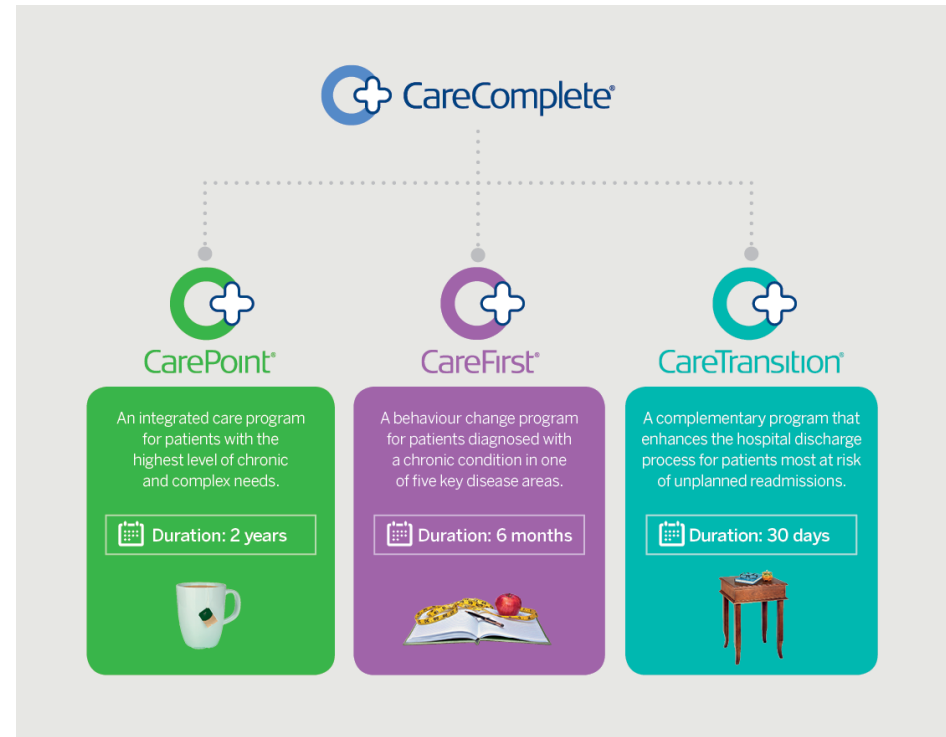
**NOW
BAU**

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

Term	Definition
FY	Financial year ended/ending 30 June 20XX
MPL	Medibank Private Limited
NPAT	Net profit after tax
NPS	Net promoter score
PHI	Private health insurance
PHIO	Private Health Insurance Ombudsman
ROE	Return on equity
Underlying NPAT	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