

1 May 2018

ASX release

Presentation to Macquarie Australia Conference – 2 May 2018

Medibank CEO Craig Drummond will be delivering the attached presentation at the Macquarie Australia Conference in Sydney from 1 - 3 May 2018.

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Macquarie Australia Conference

Craig Drummond

Chief Executive Officer

Wednesday 2 May 2018

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Medibank – who we are

Purpose

Better Health for Better Lives

Health Insurance

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Healthier, Effortless, Proactive



Simple, Easy, Affordable

Health services

Population Health

Provision of health services

Telehealth

Support, mental health services, coordination and navigation

In-home & aged care

Medibank at Home (rehab, trialling chemo, dialysis & palliative in the home), physiotherapy, pain management and podiatry

Care management

CareComplete suite of programs (CareFirst, CarePoint, CareTransition), concierge

Diversified insurance



Pet insurance



Travel insurance



Life insurance

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Summary of 1H18 results

Solid first half operating result. Focus remains on customer initiatives to grow our PHI and health services business

Group NPAT
\$245.6m
↑ 5.9%

Health Insurance
operating profit
\$277.3m
↑ 11.2%

Medibank Health
operating profit
\$25.2m
↑ 45.7%

Interim dividend
5.5cps
↑ 4.8%

Health Insurance result reflects encouraging improvement in revenue trajectory, the initial benefit from our productivity program, moderate underlying claims growth and higher claims provision release

- Premium revenue \$3,175.1m, up 1.8%
- Gross margin 17.3%, up from 16.9% in 1H17, assisted by claims provision release
- Management expense ratio 8.6%, down from 8.9% in 1H17
- Operating margin 8.7%, up from 8.0% in 1H17
- Adjusting for claims provision release, operating profit \$243.5m¹, operating margin up 20bps to 7.7%

1 Health Insurance operating profit of \$277.3m includes the benefit of a \$33.8m claims provision release in 1H18. The prior corresponding period included a claims provision release of \$15.2m

Medibank strategy & FY18 priorities

Strategy & FY18 priorities

Reinvesting in our customer offer, improving market share & growing our health services business

Strategic pillar	Deliver enhanced products and services for customers	Continue to improve healthcare value for customers	Expand the offering for customers and grow the business
FY18 priorities	<ul style="list-style-type: none">• More proactive and personalised communication• Continue digital enablement as part of channel strategy• Expand breadth and reach of health and wellbeing advice• Enhance offering to recognise and reward membership	<ul style="list-style-type: none">• Expand payment integrity program to parts of the claims portfolio historically less of a focus• Focus on reducing low value care and improving customer health outcomes• Lead health system reform	<ul style="list-style-type: none">• Further distribution partnerships• Grow non-resident business• Expand diversified insurance offer• Health services expansion
Enablers	Drive simplicity and productivity Further leverage data Accountability		

**Deliver enhanced
products & services
for customers**

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Deliver enhanced products and services for customers

More proactive
and personalised
communication



Continue digital
enablement



Expand breadth
and reach of
health and
wellbeing advice



Enhance offering
to recognise and
reward
membership



Enhance offering to recognise and reward membership

Enhance offering
to recognise and
reward
membership



Priority program

- \$20m one-off loyalty bonus for our Medibank Priority (10 year+) members with hospital & extras cover
- Priority program recognises the tenure of our longest serving members:
 - Dedicated member service line
 - Hospital support
 - Exclusive offers
- Outbound communication of the Priority offering and loyalty bonus commences in June and will continue throughout this calendar year

**Continue to improve
healthcare value for
customers**

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Improve healthcare value for customers

Strong agenda enabled by Medibank's data analytics

Expand payment
integrity program



Reduce low value
care and improve
customer outcomes



Active role in
health system
reform



Value-based healthcare purchasing

Partnering with providers to improve quality, experience & affordability

Reduce low
value care and
improve
customer
outcomes



Hospitals

- Introducing **new funding models** – balance price and volume to recognise quality and outcomes
- **Sharing information** to address variation – benchmarking reports, quarterly hospital performance meetings
- Measuring **standard set of clinical indicators** for 11 most common procedures – covering 40% of all surgeries and 50% of Medibank outlays
- Introducing **patient reported experience measures** (PREMS)

Specialists

- **Improving surgeons' access to information** on clinical measures and price variation
- Sharing insights and **creating momentum for change** by engaging with health stakeholders – colleges, societies and consumer groups

Scrutinising cost and reducing waste

Improving healthcare outcomes, experience and affordability

Reduce low value care and
improve
customer outcomes



- **Reducing low value care** in five key target areas where evidence suggests there is little benefit to patients
- **Working with healthcare stakeholders to deliver best practice healthcare**
- **Reducing Hospital Acquired Complications (HACS) and unplanned, related readmissions**
- **Improving cost transparency** through ease of access to Medibank's GapCover scheme and enhanced Find a Provider search, People Like You interactive tool, and partnerships with Healthshare
- **Reducing unexpected out-of-pocket costs** for our customers through tools such as Medibank's procedure cost estimator and upcoming My Medibank out of pocket calculator

**Expand the offering
for customers and
grow the business**

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Expand offering for customers & grow the business

Growing the core business and transforming into a broader health services company

Distribution
partnerships



Grow non-
resident and
corporate
business



Expand
diversified
insurance offer

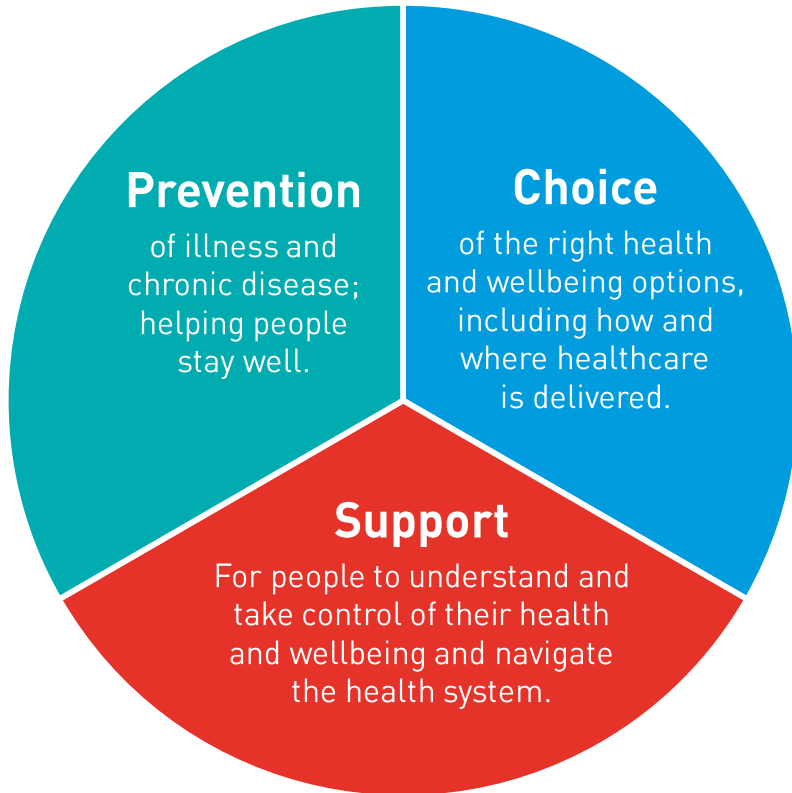


Health services
expansion



Health services expansion

Helping customers take control of their health and wellbeing



Achieving the triple aim of healthcare

- Improve health outcomes
- Enhance patient experience
- Reduce costs

...while providing serious differentiation

Choice

Providing increased choice over how and where healthcare is delivered

Health services expansion



- **Medibank at Home** – “What is better?” campaign
- **Medibank at Home** has the potential to reduce healthcare costs, improve healthcare, and lead to higher patient and carer experience
- **Rehabilitation at Home** – available to all customers holding combined cover following a hip or knee replacement surgery, where clinically appropriate. On track for 750 participants in FY18
- Integration of **HealthStrong** acquisition proceeding in line with expectations
- Trialling **chemotherapy, dialysis, palliative care at home** using experienced providers of community-based care

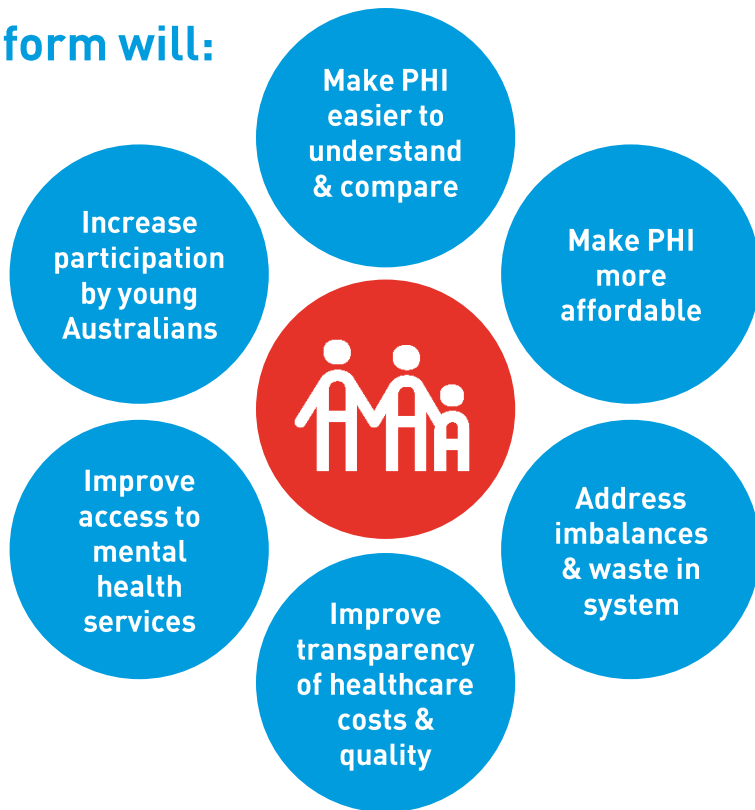
Health system reform

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Health system reform

Greater transparency, affordability and value in healthcare

PHI reform will:



Broader regulatory landscape



- Medicare Benefits Schedule Review
- Prostheses List Advisory Committee
- Private Health Ministerial Advisory Committee
- Out-of-Pocket Costs Committee
- Improved Models of Care Working Group

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Outlook

Outlook

- The Medibank Group has pleasingly seen stable policyholder numbers in the March quarter
- We continue to expect similar underlying revenue trends to the first half, adjusted for the 3.88% rate change on April 1
- We have seen a continued period of soft hospital utilisation. We expect this to continue in the second half, albeit the benefit will be somewhat offset by lower receipts from the risk equalisation pool. Ancillary utilisation is down modestly on 1H18, as expected
- On track to deliver \$20m of productivity savings for FY18. Full year management expenses are expected to be below those recorded in 2017
- Capital position remains strong. For FY18 we expect our dividend payout to be towards the top end of the 70-80% range

Questions