

7 December 2019

Medibank delivers lowest premium rise in 19 years

The Federal Minister for Health today announced that private health insurance premiums will change across the industry, effective 1 April 2020. Medibank has received approval to increase Medibank and ahm health insurance premiums by an average of 3.27% from 1 April 2020 – its lowest average premium increase in 19 years.

Attached is a copy of Medibank's media release.

This announcement has been authorised for release by Craig Drummond, Chief Executive Officer.

For further information please contact:

For media

Emily Ritchie
Senior Executive, External Affairs
M: +61 429 642 418
Email: emily.ritchie@medibank.com.au

For investors/analysts

Peter Kopanidis
Senior Executive, Corporate Finance
T: +61 3 8622 5451
Email: investor.relations@medibank.com.au

media release

7 December 2019

Medibank delivers lowest premium rise in 19 years

Medibank and ahm health insurance premiums will increase by an average of 3.27% from 1 April 2020 – its lowest average premium increase in 19 years.

Medibank Chief Customer Officer David Koczkar:

“As pressure on household budgets continues to rise, we understand that the affordability of private health insurance remains one of the biggest issues for our customers, which is why we have worked hard to deliver our lowest premium increase in 19 years.

“Our focus has been on making our business more efficient and to reduce and eliminate unnecessary costs in the health system, so that we can deliver greater value and choice for our customers.

“Medibank and ahm has supported our customers with more than 1.3 million hospital admissions, more than 500,000 surgical procedures and more than 24.3 million extras services last year, and paid a record \$5.4 billion in benefits.

“We also:

- Launched Live Better, our preventative health program that rewards customers for making healthy choices. Customers can save up to \$200 on their premiums.
- Provided better health support, by giving more customers the option of treatment at home, expanded our hospital assist program and conducted more than 1.5 million personalised health interactions with customers.
- Had more help on hand for our customers, by introducing a new 24/7 mental health phone support line available to hospital policyholders.
- Provided better health cover and value, by establishing in January a new Members' Choice Advantage network for dental, saving our customers more than \$4.5 million in out-of-pocket costs. More recently we have also launched a new optical network.
- We also applied the new premium discount to all 150,000 young adult customers.

“Despite overall inflation remaining subdued in Australia, the cost of healthcare is increasing a lot faster, with medical and hospital services CPI at 3.8%. This continues to put pressure on customers' premiums.

“There has never been a more urgent time for further reform to drive down the cost of healthcare in Australia and ease the pressure on our customers and their household budgets.

“We must do more to reduce and eliminate unnecessary costs in the health system. This includes reducing procedures that have no effect, cause harm or are not worth their cost, shifting to more out-of-hospital care, addressing out-of-pocket costs and delivering further prostheses reform.

“We can no longer ignore that we are paying up to three times the price for some medical devices in the private system when compared to the public system, or that prostheses prices in the Australian private hospital setting are amongst the highest in the world.

“Prostheses account for more than 13% (or around \$2.1 billion) of total benefits paid for hospital cover in Australia. This is a material cost to the health system and an area where further cost savings can be made, to benefit customers in the form of lower premiums.

“We need greater action on prostheses reform which would relieve a lot of pressure on our health system and ultimately our customers.

“Governments, healthcare providers and the private health insurance sector need to continue to work together to deliver greater value and affordability for Australians and to ensure the private health sector remains sustainable.

“In recognising the importance of managing costs within the health system, we delivered \$40.4 million of productivity savings in our own business over the past two years – and we are targeting a further \$50 million over the next three years, including \$20 million this financial year.

“That is \$90 million in cost savings we are taking out of our own business to help keep downward pressure on the premiums our customers pay.”

More information

Premiums are calculated by looking at the benefits we’ve paid against each product in the past as well as what we think we’ll pay in the future. The rate this is increasing by is known as benefit inflation.

Benefit inflation is driven by the rising costs of healthcare, such as increased use and cost of health services, new medical technologies, the ageing of our population, and the increase in chronic conditions.

The average premium increase is an overall figure. Customers may experience a premium change above or below the average. The change can depend on the state or territory a customer lives in or the type of cover they’re on.

Medibank and ahm will adjust premiums for customers from 1 April 2020.

Medibank and ahm customers will be formally notified of their new premium from February 2020 through the post or email.

Medibank customers can also find more information about premiums on the Medibank website or by calling Medibank on 132 331, and ahm customers can visit the ahm website or call ahm on 134 246.

For further information please contact:

For media

Emily Ritchie
Senior Executive, External Affairs
M: +61 429 642 418
Email: emily.ritchie@medibank.com.au

For investors/analysts

Peter Kopanidis
Senior Executive, Corporate Finance
T: +61 3 8622 5451
Email: investor.relations@medibank.com.au