

16 July 2020

Medibank and ahm resolve ACCC proceedings

Medibank and ahm have resolved Australian Competition and Consumer Commission (ACCC) proceedings in relation to ahm's Boost and Lite products, with the Federal Court today approving the agreed settlement with the ACCC. The ACCC has also accepted an Enforceable Undertaking (EU) offered by Medibank.

The matter relates to representations made by ahm when responding to claims and eligibility enquiries by customers for joint investigations and reconstruction procedures under ahm's Boost and Lite products.

Medibank voluntarily notified the ACCC of the issue in 2018 and briefed the regulator on ahm's approach to customer communication and the remediation program.

Today in the Federal Court the ACCC acknowledged that Medibank had self-reported the issue to the ACCC and had significantly cooperated during the ACCC's investigation and in the litigation. The ACCC also acknowledged that the error was inadvertent, that we didn't intend to make false or misleading representations, and that it considers our remediation program to be appropriate and generous in its design and scope.

Medibank has agreed to consent orders with the ACCC that were approved by the Court, including the payment of a \$5 million penalty to resolve the proceedings.

As part of the EU, Medibank and ahm also agreed to further communicate to certain customers who may have been affected by the issue, and to put in place an enhanced escalation process for Australian Consumer Law compliance incidents.

ahm will also make a payment of \$400 to customers who have not yet submitted or have not received payment for a claim of compensation to recognise any potential inconvenience customers may have experienced as a result of the issue. This payment is expected to be made to around 670 customers.

ahm Senior Executive Kate Williams said:

"We have agreed to resolve this matter and offer this EU as a demonstration of how seriously we take our obligations under the Australian Consumer Law.

"We believe the approach we have taken to be transparent with all past and current ahm Lite and Boost customers about the issue, the way we have implemented a remediation program and how we have engaged proactively with the ACCC, reflects our commitment to do the right thing.

"Once again we'd like to apologise unreservedly to our customers who have been impacted by the error.

"While we believed the issue impacted a small number of customers, it was the right thing to do to write to all customers who are or were insured by the ahm Boost and Lite products since inception of the products. We did that to ensure that any customers affected by this error were compensated.

"While we will be further communicating with certain customers, I encourage any customer who believes they may have been impacted to contact us."

Background:

The ahm Boost and Lite products provided customers with benefits for all joint investigation and reconstruction Medicare Benefits Schedule (MBS) items.

However, in 2017 ahm discovered that not all MBS item codes applicable to this category were entered into ahm's claims assessment system.

The issue was identified as a result of receiving customer complaints, which led to an internal investigation of the matter. A program of remediation was established to ensure affected customers were compensated, which the ACCC considered was appropriate and generous.

Medibank voluntarily notified the ACCC of the issue in 2018 and briefed the regulator on ahm's approach to customer communication and its remediation program. Medibank has been working cooperatively with the ACCC throughout its investigation.

ahm contacted around 130,000 customers in 2018 who were insured by ahm Boost and Lite products to ensure that anyone affected by the error was compensated. As at 22 June 2020, ahm has paid compensation to 175 customers totalling around \$776,000.

The issue was caused by an internal process failure, where a number of MBS item codes belonging to the joint and reconstruction category were not entered on the ahm claims system for the Boost and Lite products.

For any ahm customers who held Boost or Lite products between February 2013 and June 2018 and have questions regarding whether they may have been impacted, they can contact us on 1300 721 581.

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

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