

5 April 2016

The Manager
Company Announcements
Australia Securities Exchange Limited
Level 4, Bridge Street
SYDNEY NSW 2000

Presentation to Morgan Stanley 2016 Private Health Insurance Forum – April 2016

Attached presentation delivered by nib at the Morgan Stanley 2016 Private Health Insurance Forum (5 April 2016).

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer

IT'S GOOD TO BE
HUMAN

**MORGAN STANLEY
2016 PRIVATE HEALTH
INSURANCE FORUM**
TUESDAY 5 APRIL 2016

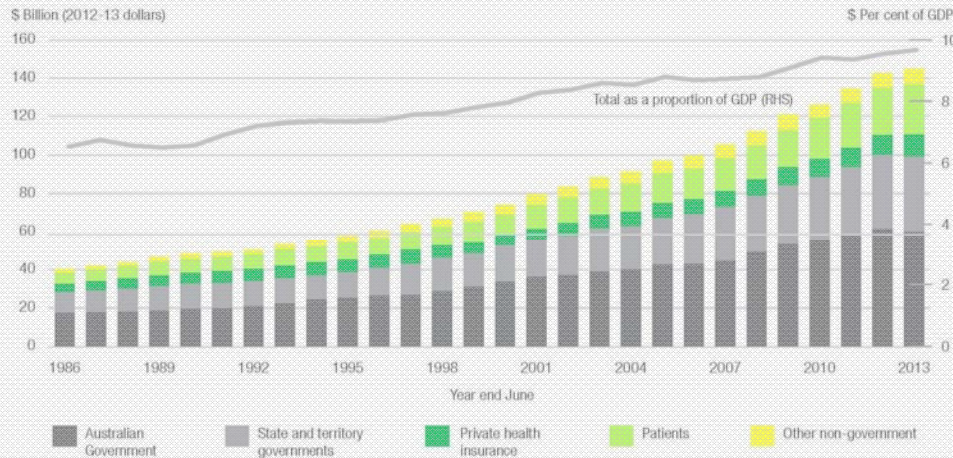
Mark Fitzgibbon
Managing Director

nib

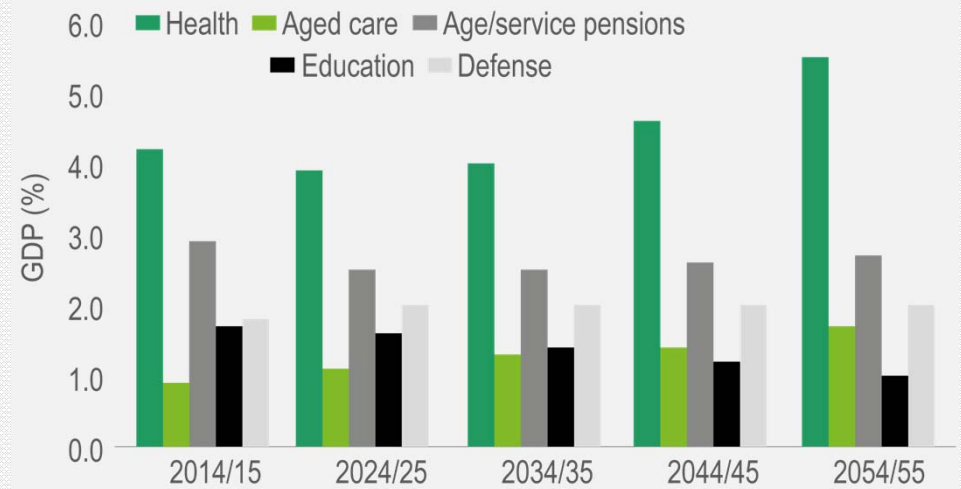


Key investment thesis for private healthcare

Australia's health expenditure continues to grow



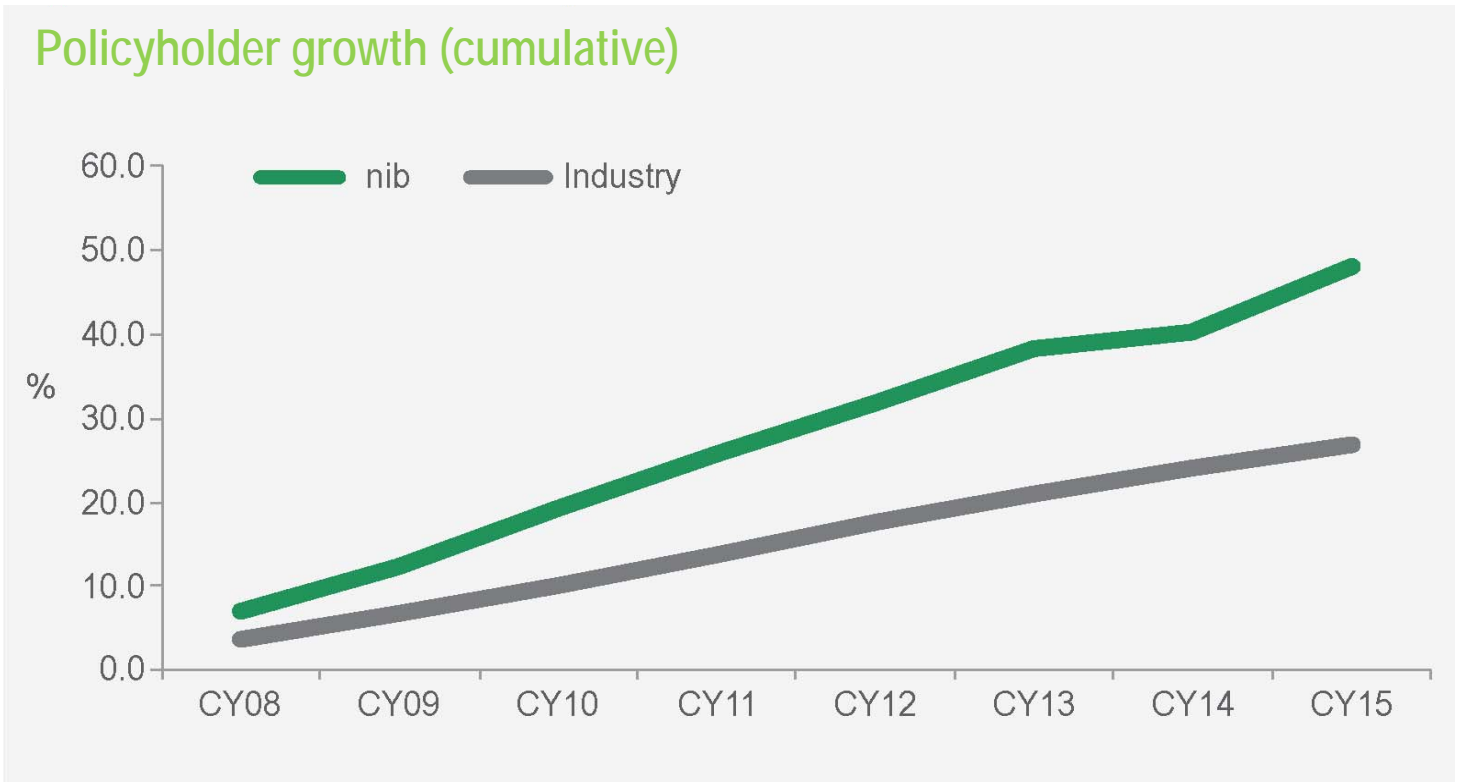
Government cannot sustain its relative share Commonwealth spending



Source: AIHW 2014 Health Expenditure Australia



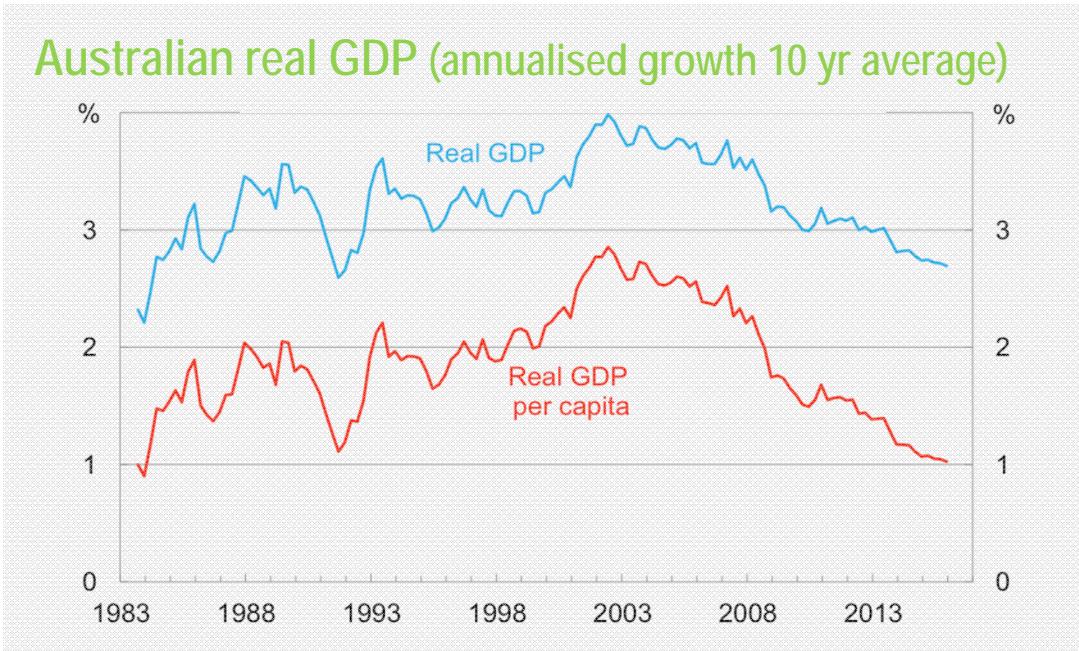
PHI is “riding the back” of this growth and cost shift with nib consistently doing better



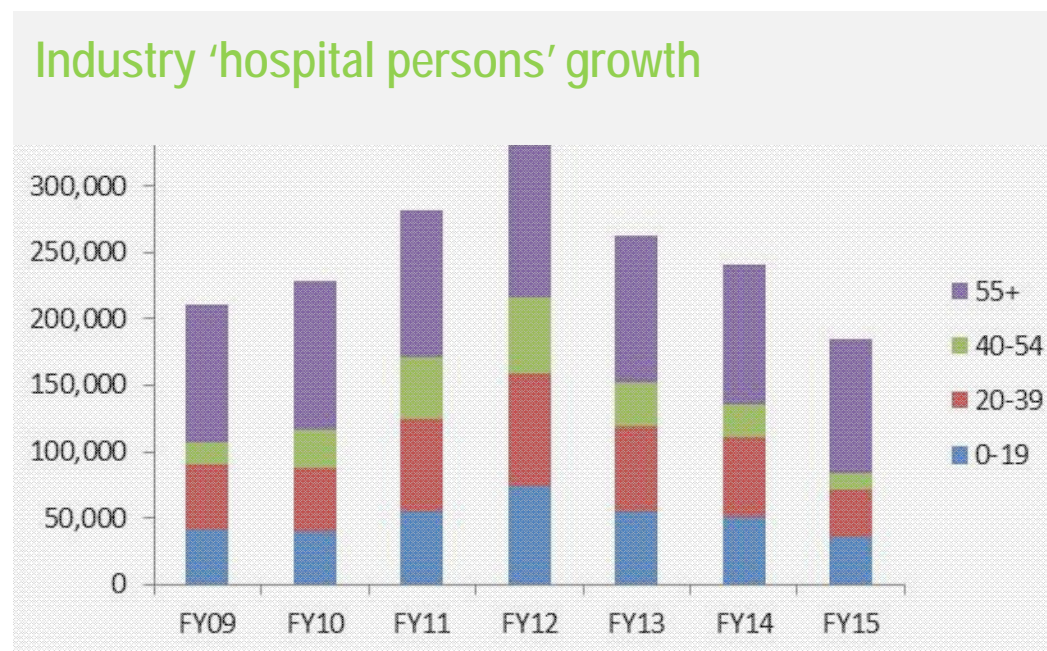
Source: APRA and nib



But the market has softened and is skewing towards older “customers”



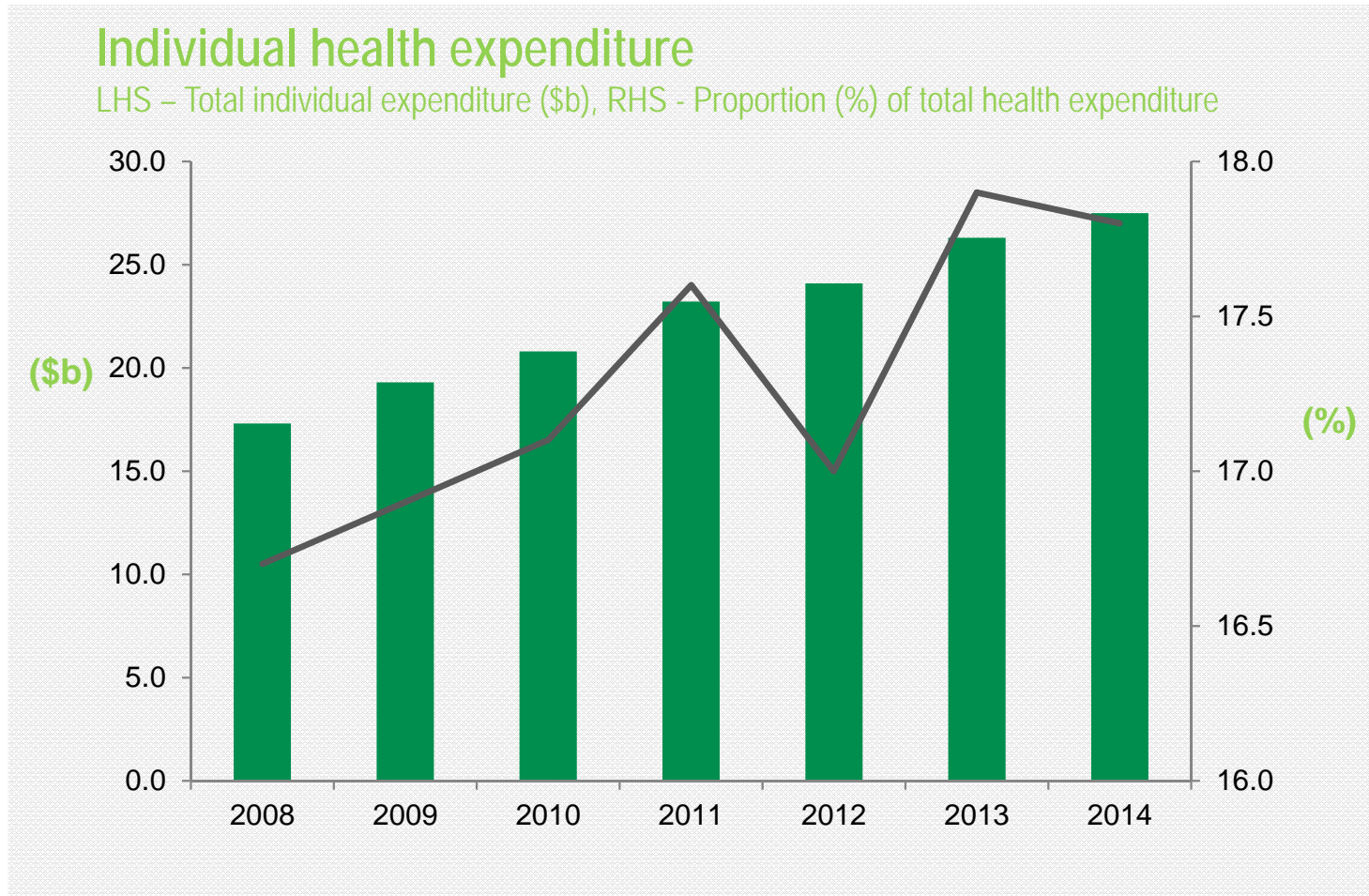
Source: ABS; via CP economics



Source: APRA



And “out of pocket” is actually growing faster than PHI

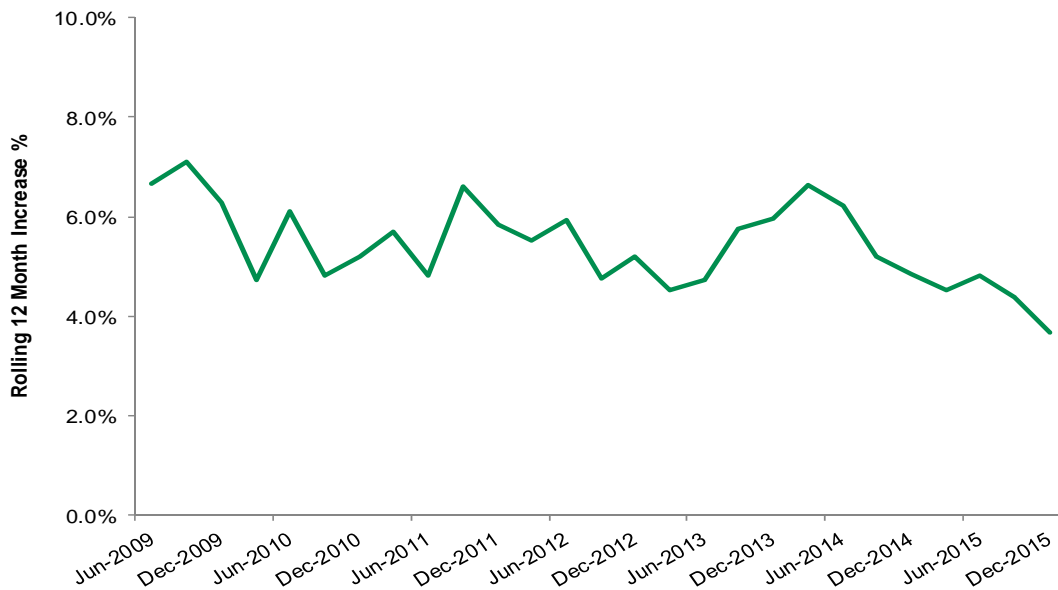


Source: AIHW 2014 Health Expenditure Australia

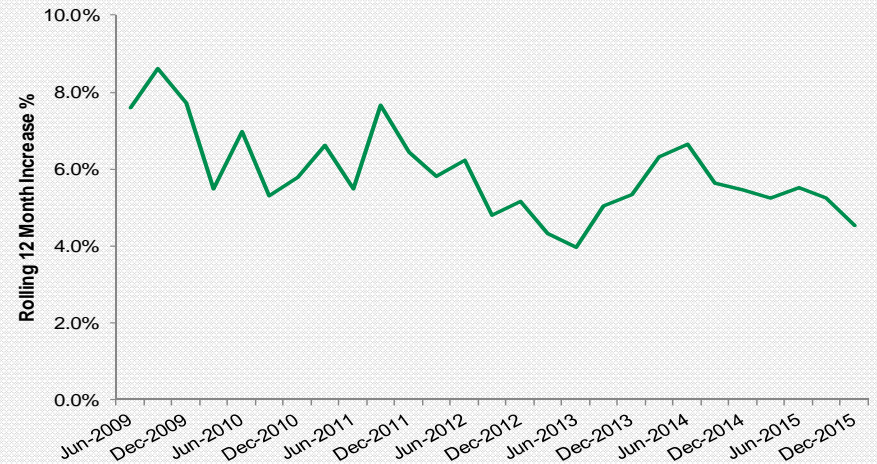


Claims inflation has slowed in recent times

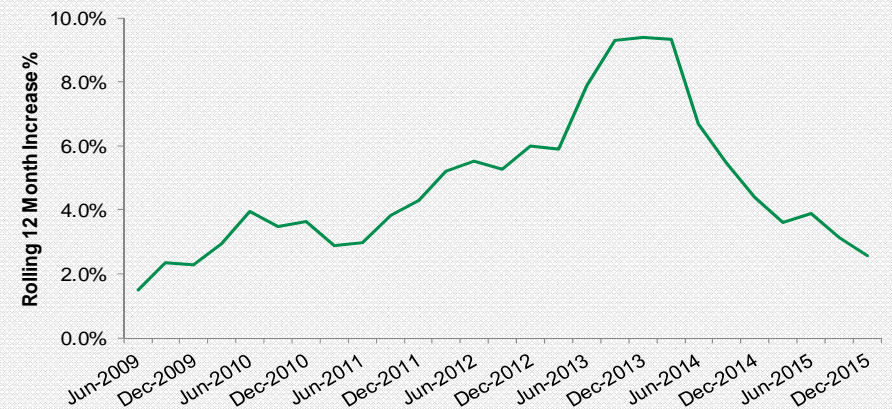
Total benefits (hospital & ancillary) per person inflation (industry)



Hospital benefits per person inflation (industry)



Ancillary benefits per person inflation (industry)

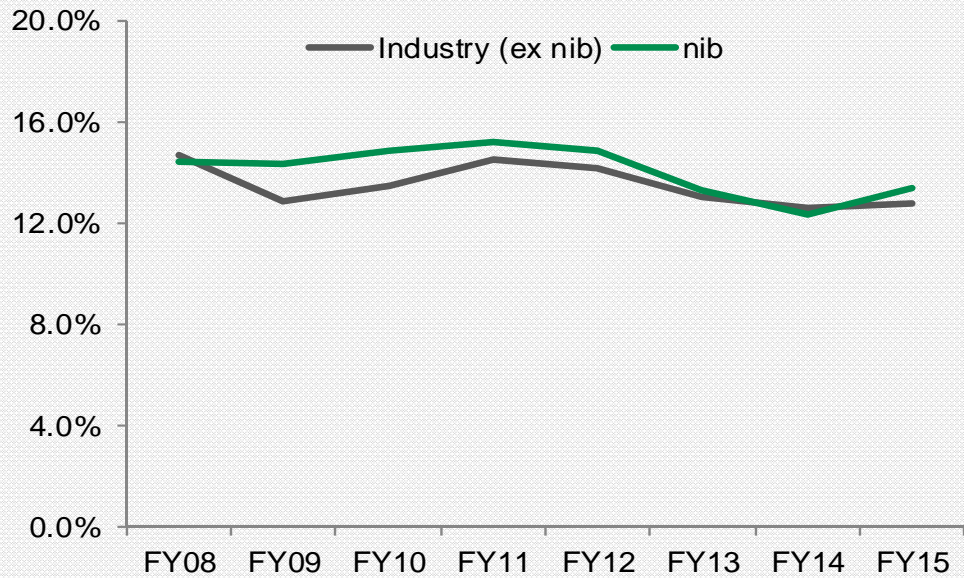


Source: APRA

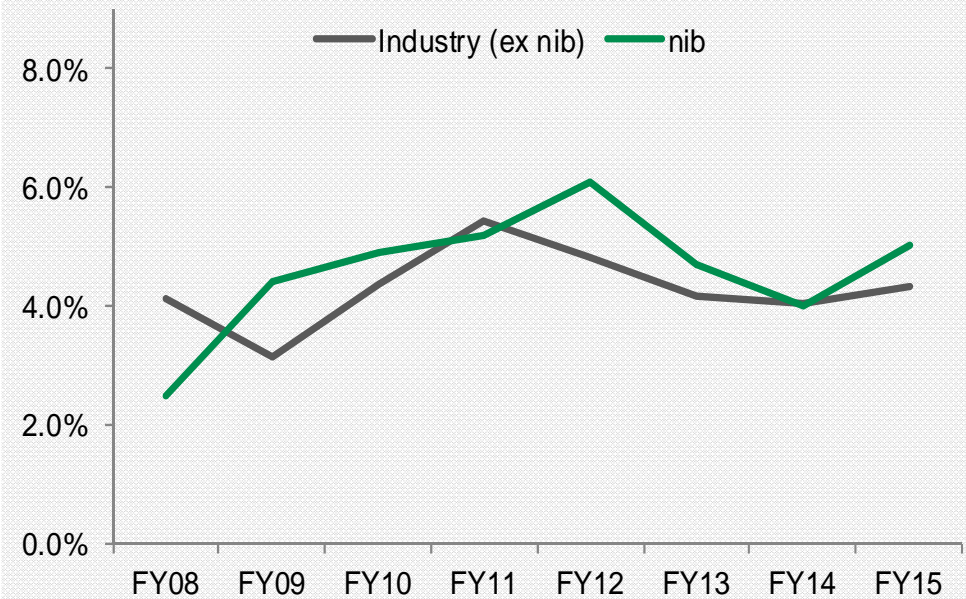


Resulting in improved profitability for insurers

Gross margin (%)



Underwriting margin (%)

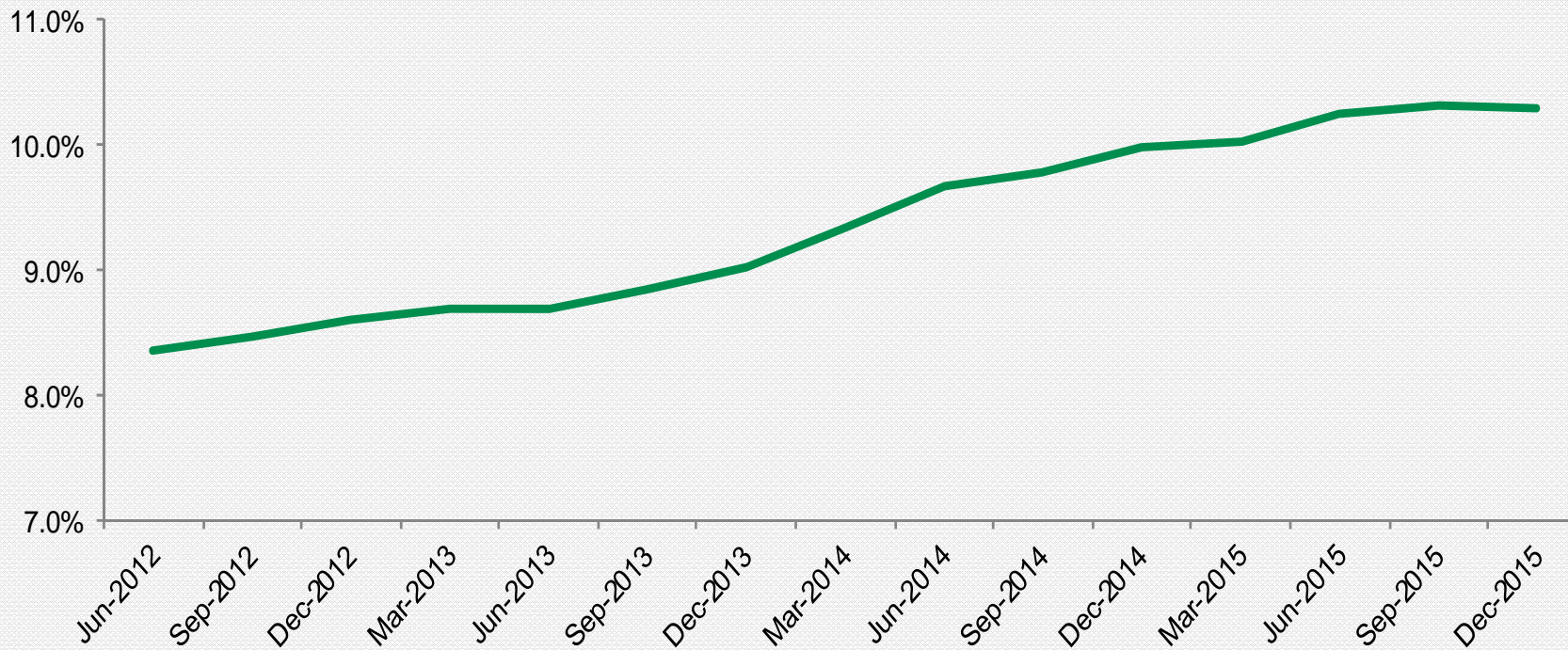


Source: APRA and nib



But the cost of growing is increasing

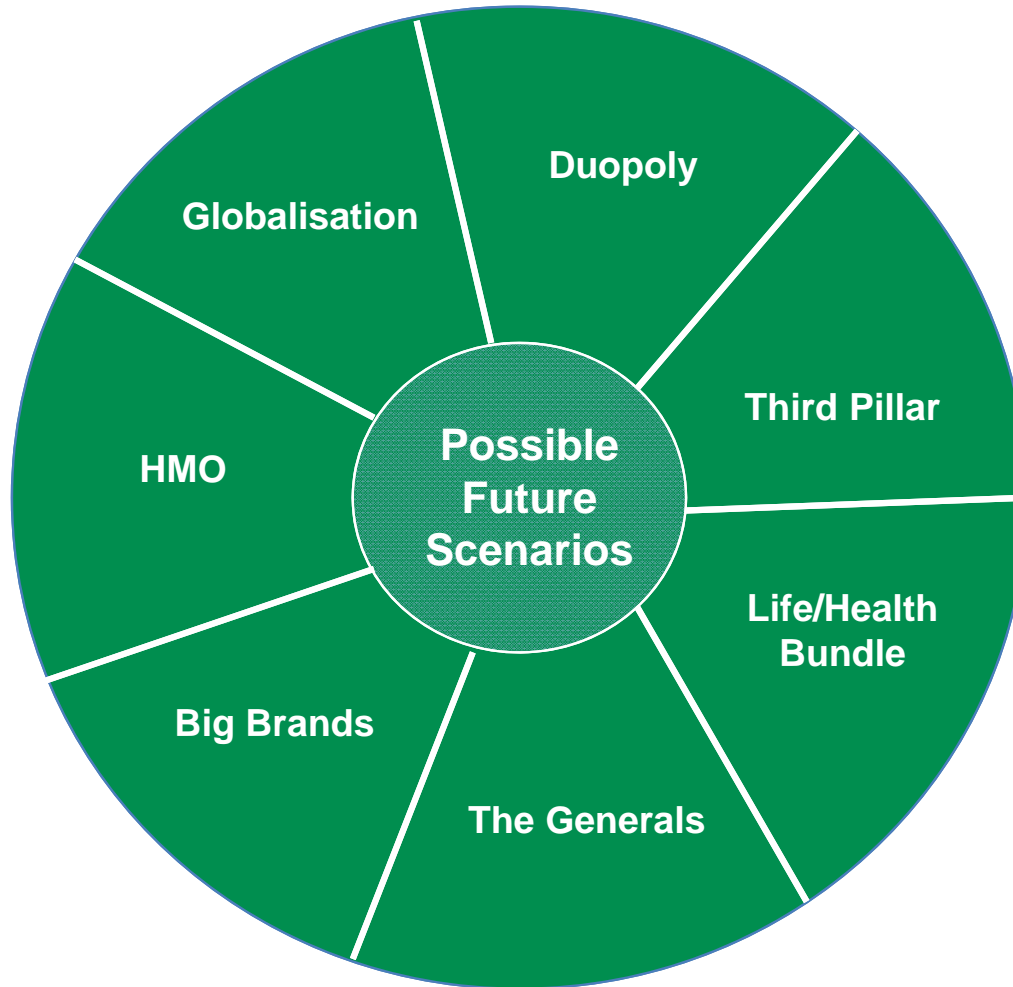
Annualised (industry*) discontinued rate



* Insured persons.
Source: APRA



The future shape of PHI is by no means certain





Key PHI issues

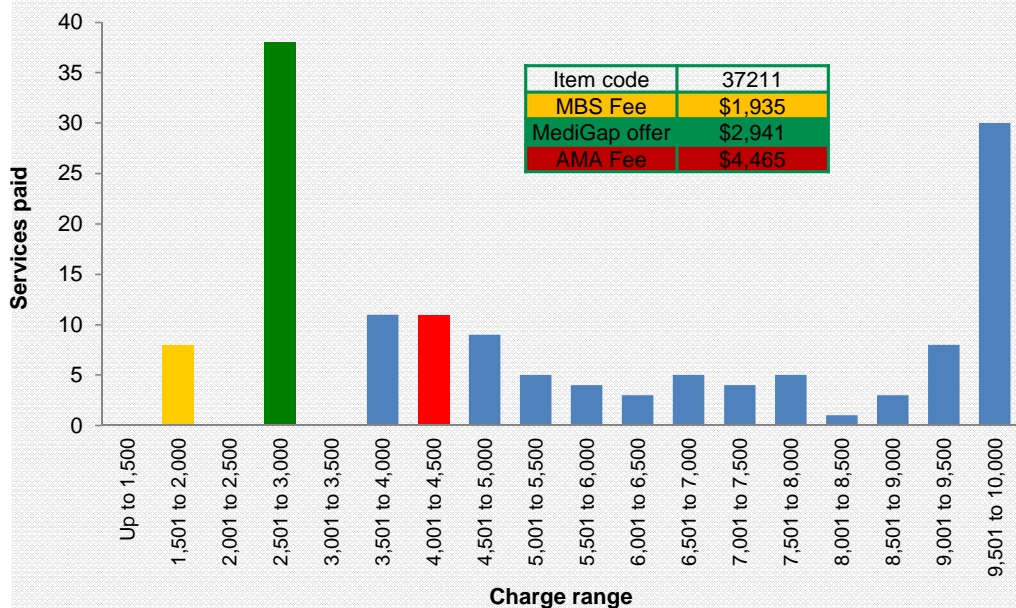
- Information asymmetry, moral hazard and unwarranted variation.
- Rampant price variation and medical gaps.
- Prosthetic pricing.
- Regulatory reform (pricing, risk equalisation, 2nd tier default, Federation Reform Option 3)
- Primary healthcare review.
- Health savings accounts.
- Outsourcing of Government programs (e.g. DVA, Medicare).



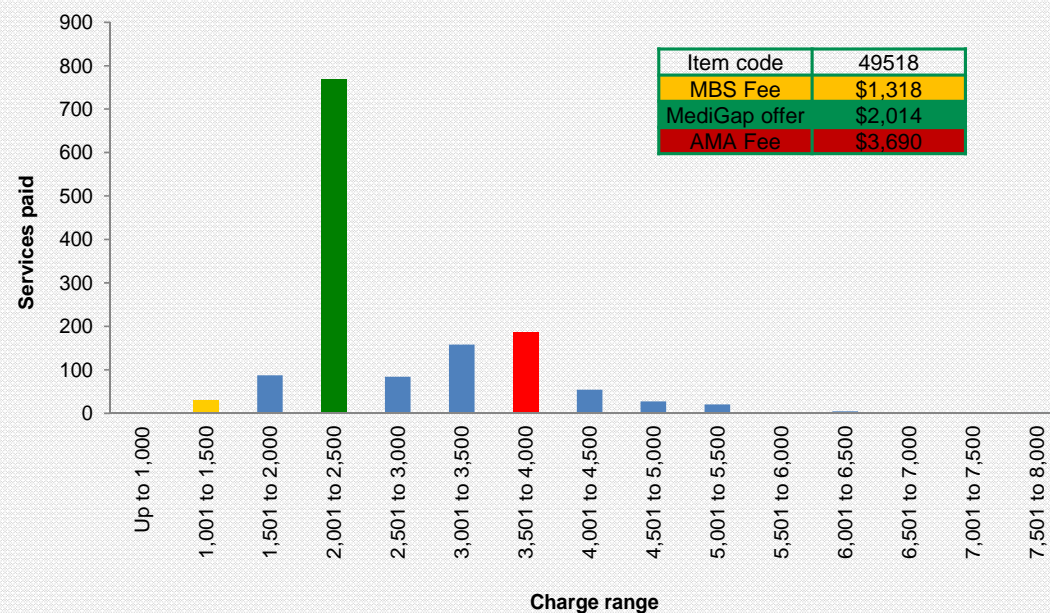
Medical specialist cost variation



Prostatectomies (CY15)



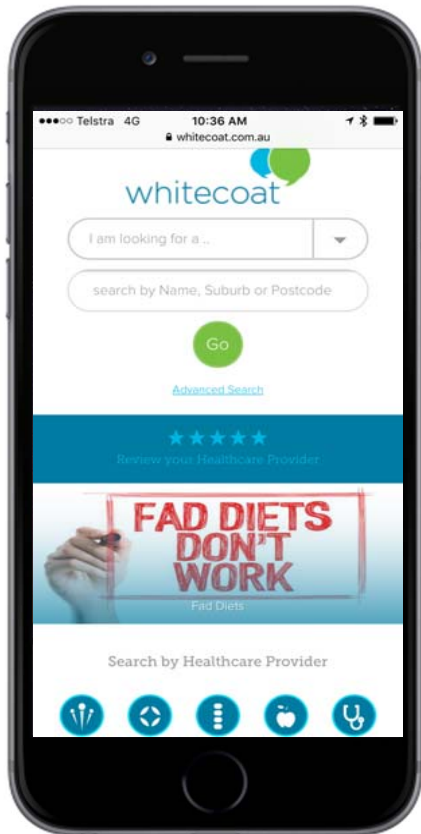
Knee replacements (CY15)



Source: nib



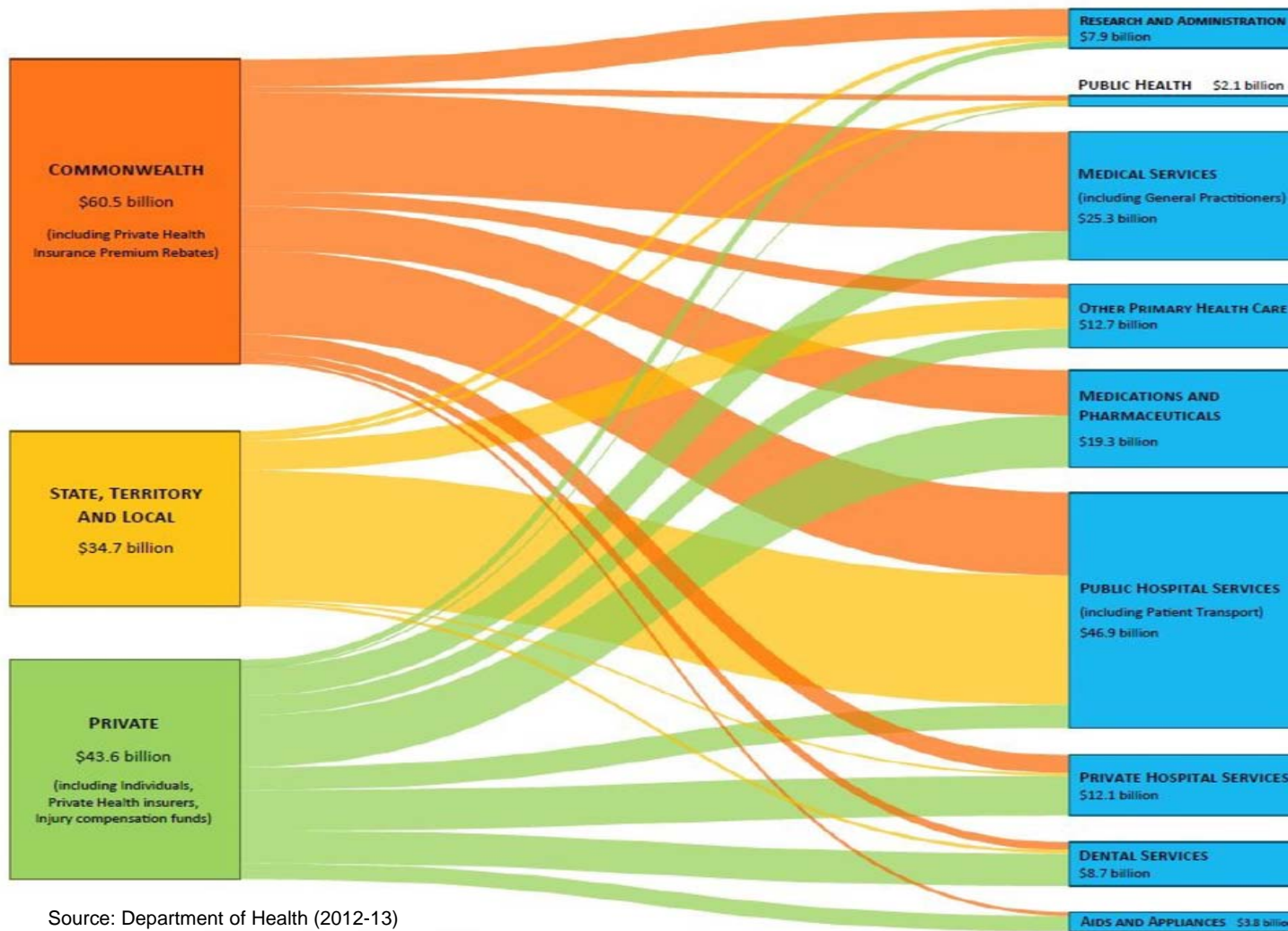
Whitecoat



- Whitecoat's purpose is to help consumers:
 - Make more informed decisions around their health.
 - Choose treatment options and healthcare providers (including cost).
 - Connect and transact with providers.
 - Improve engagement with providers and share experiences with other consumers.
- Progress to date:
 - 200,000 patient reviews.
 - More than 30,000 providers registered.
 - Expecting 2 million visitors this year.
- Priorities:
 - Wide engagement by PHI and large provider groups (including in NZ).
 - Government engagement in Australia and NZ.
 - Expand provider registration to specialists and hospitals.
 - Launch of Whitecoat app and increase transactions.
 - Provider transparency and consumer awareness of fees and out of pocket costs.



Funding flows in Australia's health care arrangements



Source: Department of Health (2012-13)

A photograph of three young women in an outdoor setting, likely a city square, with a bright, sunny background. The woman in the center is smiling and looking towards the left. The woman on the left is seen from the back, wearing a patterned top. The woman on the right is wearing a black leather jacket. The overall mood is positive and social.

Questions & Answers

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