

HEALTH COST & UTILISATION REPORT

Foreword

At Medibank a big part of why we exist is to assist our 'members' when they become 'patients' and to help in covering the financial burden of medical treatment. Procedures that take place in a hospital setting – be it overnight or day admissions – make up a large part of what we pay out on behalf of our members annually, and whilst the number of people with health insurance gradually increases it is far outstripped by the utilisation of such services.

As the cost of individual services and devices increased, the total number of hospital admissions amongst Medibank members grew to 1.1 million in 2013, and the number of common procedures – the rehabilitation, hip and knee operations – grew at a significantly sharper rate.

Government, insurers and individuals alike feel the impact of rising health costs and for me, this Report reiterates two key points. It demonstrates the importance of private health insurance in providing peace of mind for our members and value in being able to access and pay for such procedures. And it further illustrates the need for us all to look for new and better ways to keep Australians healthier and out of hospital.

For insurers it is the combined effect of the cost and utilisation growth that challenges our ability to keep premium increases low each year.

Medibank is passionate about developing new health services and business models to increase access to medical services, reduce costs and drive better patient outcomes and we are working with medical providers our partners and governments on a growing range of innovative initiatives to create a more sustainable health future in Australia.



George Savvides
Managing Director
Medibank

Executive Summary

Medibank's Health Cost & Utilisation Report captures the most common hospital procedures of Medibank members in both overnight and day-surgery settings. Medibank's total benefit outlays (the claims paid on behalf of members) for hospitals, medical and prostheses are noted on a national level along with the growth in these amounts. The most common hospital procedures detailed on the following pages capture all costs associated with the hospital experience. These include benefits paid by Medibank in addition to other costs charged by the service provider (which may be covered by Medicare, the patient or another source). The Health Cost & Utilisation Report does not include ancillary (extras) procedures or benefits paid.

The figures in this Report (the 2013 Report) are from the period 1 July 2012 – 30 June 2013, with comparison analysis and findings to the financial years 2007 and 2010. This provides greater visibility of trends in service delivery over a number of years. Cost and utilisation data is sourced from Medibank claiming systems in all states and territories.

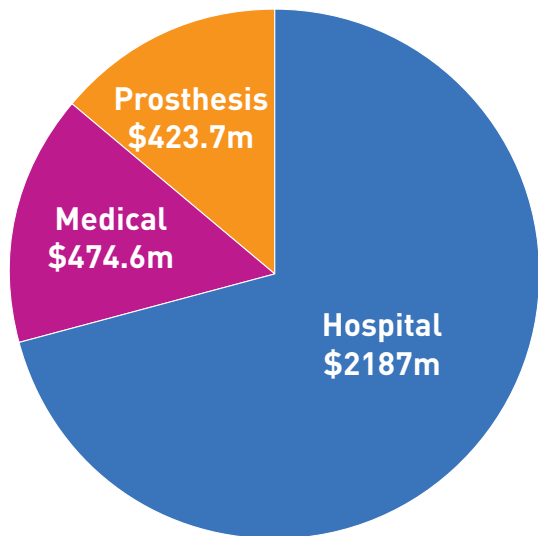
The 2013 Report highlights a gradual but steady growth in the average cost of the most common procedures, being:

- Childbirth (natural and Caesarean)
- Rehabilitation
- Knee Replacement
- Shoulder Procedures
- Hip replacement
- Colonoscopy
- Chemotherapy
- Renal Dialysis
- Cataracts

More pronounced is the growth in utilisation for many of the above procedures, noting in particular the steep increases in rehabilitation (in both settings), knee and hip replacements, and chemotherapy.

Total benefits paid for the financial year 2013 were \$3.09 billion (excluding ancillary), with hospital claims comprising \$2.2 billion of that figure - a growth of 24 percent since 2010.

Medibank Benefit Payments July 2012 to June 2013



		2010 to 2013
Hospital Benefits	\$2.19b	up 24%
Medical Benefits	\$474.6m	up 24%
Total Prosthesis Benefits	\$423.7m	up 20%
Total Benefits (excluding ancillaries)	\$3085.4m	
Total Hospital Admissions	1.1m	

5 most common overnight procedures

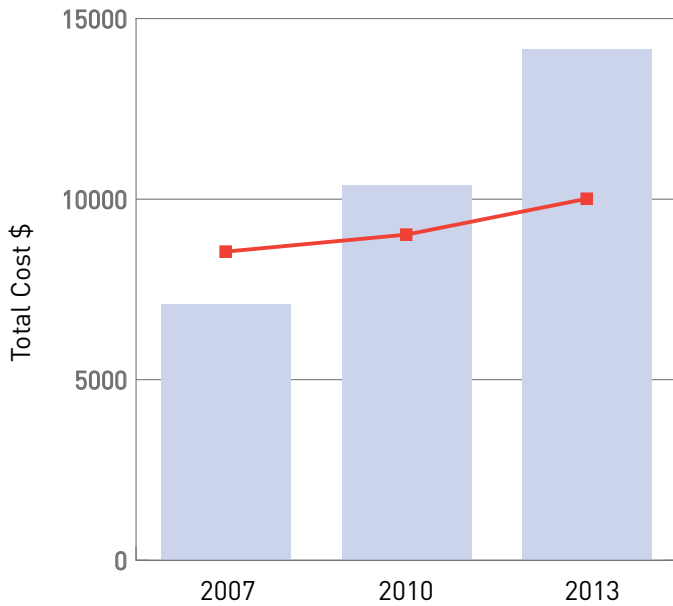
Procedure	No. hospital admissions (2013)	Admission growth (2010 to 2013)	Average total cost (2013)	Cost growth (2010 to 2013)	Average out-of-pocket (2013)
Childbirth	21,884	-3.3%	\$8,191*	16.4%	\$425*
Rehabilitation	14,142	33.9%	\$10,011	7.2%	\$50
Knee Replacement	7,443	14.9%	\$23,070	6.9%	\$1,088
Shoulder Procedures	6,520	9.3%	\$9,021	12.9%	\$912
Hip replacement	5,442	12.2%	\$27,990	5.9%	\$1,144

*Does not include costs of pre-natal and out of hospital care

N.B. Ave total cost includes hospital cost, prostheses outlay and medical cost

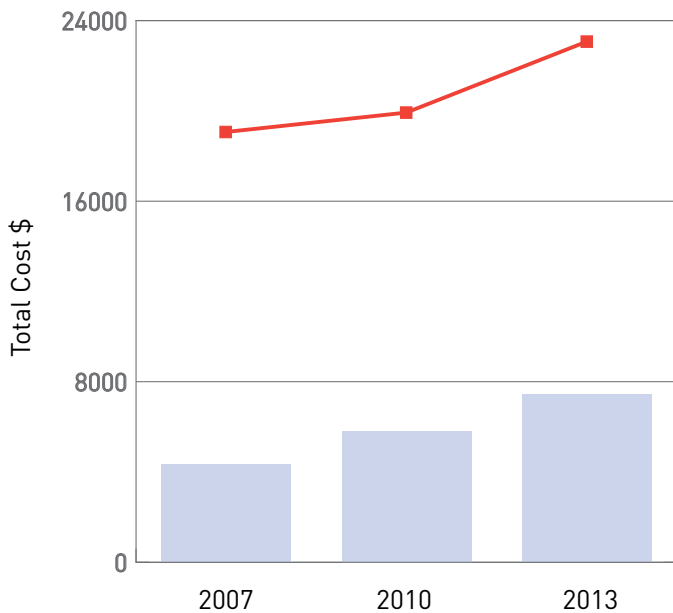
5 most common same-day procedures

Procedure	No. hospital admissions (2013)	Admission growth (2010 to 2013)	Average total cost (2013)	Cost growth (2010 to 2013)
Colonoscopy	104,058	6.7%	\$1,681	11.4%
Chemotherapy	67,599	17.4%	\$657	9.5%
Renal Dialysis	48,161	22.0%	\$375	10.8%
Rehabilitation	43,386	106.6%	\$272	3.1%
Cataracts	30,921	10.0%	\$3,931	8.4%



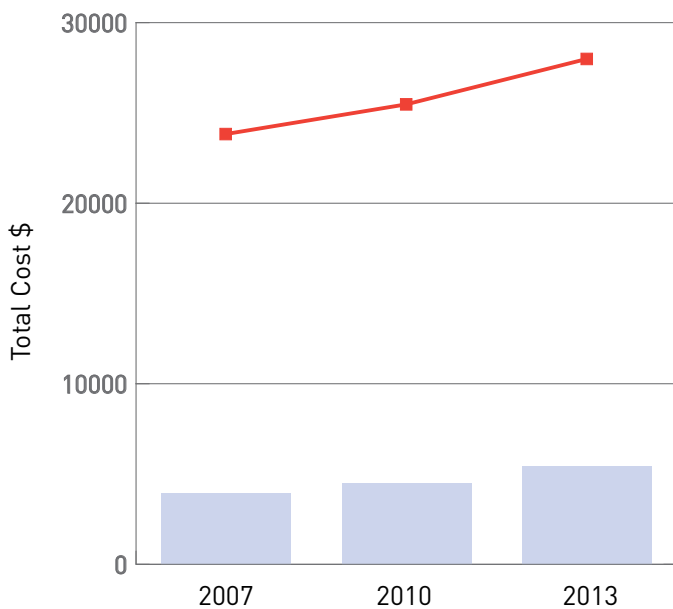
Rehabilitation		
	Admissions	Ave total cost
2007	7,087	\$8,546
2010	10,379	\$9,017
2013	14,142	\$10,011

■ Average Total Cost \$
■ No. overnight rehabilitation admissions



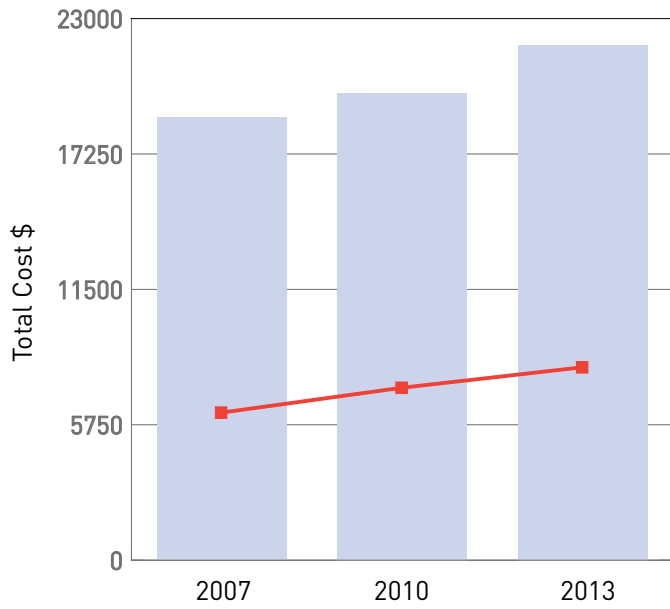
Knee Replacement		
	Admissions	Ave total cost
2007	4,323	\$19,065
2010	5,819	\$19,925
2013	7,443	\$23,070

■ Average Total Cost \$
■ No. overnight knee replacement admissions



Hip Replacement		
	Admissions	Ave total cost
2007	3,947	\$23,829
2010	4,501	\$25,475
2013	5,442	\$27,990

■ Average Total Cost \$
■ No. overnight hip replacement admissions



Childbirth		
	Admissions	Ave total cost
2007	18,808	\$6,264
2010	19,837	\$7,321
2013	21,884	\$8,191

- Average Total Cost \$
- No. overnight childbirth admissions