IMPROVE PRIVATISATION
ON HEALTH INSURANCE

Peter Derbyshire, General Manager of Strategy and Business Development
The Medibank story

What privatisation means for Medibank

The increasing costs of the health system

Reversing the trend

Creating sustainability through a focus on health outcomes
MEDIBANK AT A GLANCE

Largest private health insurer in Australia
29.1% Market Share
1.8m Memberships
3.8m People Covered

Large healthcare contractor
450 hospitals
>100,000 ancillary providers

One business. Two brands.

Large telehealth provider
700 health professionals
2 million health triage calls

Significant payer for services $4.9b
$3.7 b hospital outlays
$1.2 b ancillary expenditure

Innovative population health operator
Key competency: comprehensive national integrated health service management

Extensive national footprint
>90 retail stores
35 clinics

Award winning business
7 years in a row
3,000 employees
MEDIBANK – A LEADING HEALTH BUSINESS FOR NEARLY 40 YEARS

- **1976**: Medibank was established by the Australian Government as a not-for-profit private health insurer.
- **1997**: MPL was incorporated.
- **2002**: Change of registered address to Melbourne from Canberra.
- **2009**: Acquires ahm, merges with Health Services Australia, converts to for-profit entity (Cth) passes.
- **2011-13**: Health Solutions is formed, ADF Health Services contract secured, Medibank & ahm health benefits funds merge, repositioned ahm.

**MEDIBANK LEADING THE WAY FOR NEARLY 40 YEARS**

- **1980**: Medibank health benefits fund was transferred from HIC to MPL.
- **1985**: 
- **1990**: 
- **1998**: 
- **2005**: McKesson and Carepoint acquired.
- **2010**: 
- **2014**: New head office listed on the ASX.
A historic moment which saw a number of Medibank policy holders become Medibank shareholders.
WHAT WE DO...

...placing the customer at the centre of the service experience...

ACTIVE PROVIDER ENGAGEMENT

INSIGHTS & ANALYTICS

COMPLEMENTARY SERVICES

Population Health Management
Telehealth
Corporate Health Services
Diversified Consumer Businesses

HEALTH INSURANCE

medibank
For Better Health

medibank
For Better Health
AUSTRALIAN HEALTHCARE EXPENDITURE AND CLAIMS HAVE OUTGROWN GDP OVER 10 YEARS

Average annual growth rate (%) from 2003-04 to 2012-13

- Private health insurance claims paid: 8.65%
- Total hospital expenditure: 5.01%
- Total health expenditure: 5.07%
- GDP: 3.00%
- Population: 1.61%

Sources:
- Population – ABS
- Hospital & Health expenditure - Health expenditure Australia 2012-13: analysis by sector, supplementary tables and figures & AIHW health expenditure database
UTILISATION DRIVING COSTS AT MEDIBANK

HOSPITAL USE

2011

14%

2014

HOSPITAL BENEFITS

2011 $1.92bn

22%

2014 $2.35bn

HIP OPERATION

2011 $27,052

12.9%

Admissions

3.3%

Costs

2014 $27,949

WHAT’S DRIVING THIS TREND?

Our growing but ageing population
- By 2050, 2x as many people aged 65-84.
- 4x people over 85.

New technologies
- Hip replacement device costs over $10,000.
- Medibank paid $500 million for prostheses in 2014.

Increasing prevalence of chronic disease
- 1 in 3 people have chronic conditions
- Chronic disease increases with age

A sustainable healthcare system continues to innovate and delivers efficiencies to offset these growing cost pressures

Sources: 2015 Intergenerational report, Australian Government, March 5 2015, page viii. 201-2014 MPL data excluding ahm
TRIPLE AIM OF HEALTHCARE

Reduce Costs
Reducing the per capita cost of health care

Enhance patient experience
Improving the patient experience of care (including quality and satisfaction)

Improve Health Outcomes
Improving the health of populations

Reference: Institute for HealthCare Improvement
A lot goes on behind the scenes at a hospital.

And a lot goes on behind the scenes at Medibank as well. Not least of all ensuring the best possible outcomes for our more than 3.8 million members.

You may not have realised, but we work with over 450 of Australia’s private hospitals and more than 100,000 health professionals to make sure they give our members the right care when they need it. And at a price that keeps private health insurance affordable.

A focus on quality is at the heart of what we do and we look to partner with healthcare providers who share that view.

For the last 38 years Medibank has been working with hospitals, doctors and health professionals to keep our members and our health system healthy.

To find out more visit keephealthaffordable.com.au

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REVERSING THIS TREND

Helping deliver quality and affordability within healthcare

A focus on quality and outcomes

Paying hospitals a fair rate to look after our members

Helping eliminate the payments of benefits where misuse has occurred

Supporting our members and their doctors outside of hospital

Working with governments to improve the functioning of the healthcare system
A FOCUS ON QUALITY AND OUTCOMES

Two key risk sharing initiatives driving quality outcomes in our hospital contracts

28 Day Readmissions

• Over 6,000 Medibank members had an unplanned readmission to hospital within 28 days of their original admission

• This added over $42million to our hospital bill

Highly Preventable Adverse Events

• Adverse events are defined as incidents in which harm resulted to a person receiving health care.

• For example, infections, falls resulting in injuries, and problems with medication and medical devices.
## Identifying the Adverse Events

<table>
<thead>
<tr>
<th>National Standards</th>
<th>CHADx</th>
<th>Medibank</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Standards</td>
<td>• 4500 CHADx codes&lt;br&gt;• 500+ “high priority complication” codes</td>
<td>• 161 selected CHADx codes</td>
</tr>
<tr>
<td>Std 3 - Infection Control</td>
<td>• Healthcare associated infections (131)</td>
<td>• Infection related (15)</td>
</tr>
<tr>
<td>Std 4 – Medication Safety</td>
<td>• Medication complications (12)</td>
<td>-</td>
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<tr>
<td>Std 8 – Pressure Injuries</td>
<td>• Pressure areas (5)</td>
<td>• Pressure areas (2)</td>
</tr>
<tr>
<td>Std 10 – Falls prevention</td>
<td>• Falls resulting in harm (236)</td>
<td>• Falls related (131)</td>
</tr>
<tr>
<td></td>
<td>• VTE (4)&lt;br&gt;• Surgical Complications (14)&lt;br&gt;• Other (103)</td>
<td>• VTE (4)&lt;br&gt;• Surgical complications (9)</td>
</tr>
</tbody>
</table>
ADVERSE EVENTS - HIGHER COST DOESN’T ALWAYS MEAN QUALITY

Highly Preventable Adverse Events

SOURCE: Medibank claims data showing % of total FY2013 admissions:
A comparison of 11 major Sydney Hospitals with more than 100 beds and ICU
READMISSIONS - HIGHER COST DOESN'T ALWAYS MEAN QUALITY

Unplanned, Related Readmissions within 28 Days

SOURCE: Medibank claims data showing % of total FY2013 admissions:
A comparison of 11 major Sydney Hospitals with more than 100 beds and ICU
CLINICAL QUALITY DASHBOARDS
PUBLIC HOSPITAL SPEND

- On any given day 1,850 Medibank members occupy a bed in a public hospital
- Publics have more members in their beds on any one day than any other private group
- Historically a low level of sensitivity to public spend as ‘cheaper’ alternative to private hospitals
- Utilisation is increasing with aggressive public-to-private ‘conversion’ practices
- There is an absence of sophisticated data sets

• Public hospital annual spend now ranks as the third largest provider group ($281M)
HELPING ELIMINATE THE PAYMENT OF BENEFITS WHERE FRAUD OR MISUSE OCCURS

• DRG coding errors in hospitals across the country – audits have uncovered complexity and diagnosis code errors
• Hospitals subject to audit as a contractual obligation
• Audit conducted by independent nationally renowned auditor
• Hospitals have limited coding resources and tight timelines resulting in rushed completion and high error rates
• On average 24% of audited claims were found to be incorrect
• Hospitals agreed to correct these errors

Ancillary

• Identifies variations in service patterns
• Medibank investigates variations to see if they are reasonable
• If they are found not to be reasonable, we can subject the provider to ongoing monitoring, suspend the provider or recoup payments
THE CHRONIC DISEASE CHALLENGE IS INCREASING

Note: Chronic conditions are self reported and comprise of; asthma, type 2 diabetes, ischaemic heart disease, cerebrovascular disease, arthritis, osteoporosis, COPD, depression and high blood pressure

Sources: AIHW analysis of the 2007-2008 National Health Survey, Figure 6.22: Number of selected chronic conditions, by age group, 2007-08, Intergenerational Report 2015 (ABS + Treasury)
OUR OWN MEMBERS SHOW SIMILAR TRENDS TO WHAT WE SEE NATIONALLY

- 3% of Medibank members
- Consume 1/3 of all hospital and medical expenditure
- 69 years old on average
- Approx. 13 hospital separations in 4 years
- 40% of all hospital bed days
- 70% of this group have underlying chronic disease
- 3 Major Diagnostics Categories in 4 years
FROM 2009-2013 WE PAID FOR 200,000 POTENTIALLY PREVENTABLE HOSPITALISATIONS DRIVEN BY CHRONIC DISEASE

2009
- Vaccine preventable: 4%
- Chronic: 27%
- Acute: 69%

2013
- Vaccine preventable: 4%
- Chronic: 30%
- Acute: 66%

Source: MPL data
INTERNATIONAL EVIDENCE SHOWS COORDINATED PRIMARY CARE REDUCES HOSPITAL ADMISSIONS

25% Heart failure
34% Amputation
45% Stroke

Substantial literature demonstrates coordinated care leads to a reduction in hospital admissions because patients access more appropriate care which can meet their needs.

Source: Scott I. 2010, Public hospital bed crisis: too few or too misused, Australian Health Review, 34 pp. 317-324
DESPITE ITS GOOD REPUTATION OUR HEALTH SYSTEM HAS TOO MANY DISCONTINUITIES

ARE WE SPENDING ENOUGH ON PRIMARY CARE?

Total expenditure on health, by funding & area 2012-13 ($bn)

- Federal Gov’t: 61
- State/territory: 40
- PHI & consumer: 47

Expenditure on primary health care ($bn)

- Hospitals: 56
- Primary Health Care: 53
- Other CAPEX: 9

Expenditure on primary health care ($bn)

- GP services
- Dental services
- Other health practitioners
- Community health
- Public health
- Benefit-paid pharmaceuticals
- All other medications


Non-government includes: Health Insurance Funds, Individuals (gap), workers compensation etc.
FEE FOR SERVICE IS COMPROMISING THE ABILITY TO PROVIDE GOOD PRIMARY CARE FOR PATIENTS WITH COMPLEX CONDITIONS

“I can’t fit them into a 10 minute consult slot. Patients have multiple co-morbidities; diabetes, osteoarthritis etc, but they come in to me when they have a cold and I have to deal with that cold – I don’t get the opportunity to talk about their blood glucose or weight management.”
More work in primary care is needed to “join the dots” for high-risk patients with complex health needs

• Move from fee for service and short consults to longitudinal care
• Help our most vulnerable patients to ensure coordinated and ongoing care
OUR CARE SUITE OF PROGRAMS

- **Care POINT**
  - Integrated care program targeting people who experience chronic & complex conditions.

- **Care FIRST**
  - Behaviour change focused model supported by telephonic & online education & navigation.

- **Care TRANSITION**
  - Program integrated into the hospital discharge process that addresses the care needs of those most at risk of unplanned readmissions to hospital.

- **Health Promotion for Healthy Populations**
  - (no target healthcare needs)
THE DNA OF OUR PRIMARY CARE PROJECTS

- A primary-care based clinical coordinator that helps manage the patients' holistic care needs
- Home-based services to support patients managing their chronic conditions and lives at home
- Lifestyle counselling to improve self-management, motivation and adherence to plans
- A call-centre based team that will help patients navigate appointments and logistics
- Hospital discharge services that will ensure preventative measures are in place to mitigate readmission
- After hours support for questions and advice when required
SYSTEM-WIDE COORDINATED CARE FOR HIGH UTILISERS, LED BY GPS
MRS JENSEN

• Reported weight loss of 2.1kg, now exercises every day.
• Better understands her health conditions and her confidence in managing them has increased.
• With the help of her dietician she is making healthy food choices.
• Attends a regular group hydrotherapy class - not only has this increased her level of physical activity it has strengthened her connection with her local community.
• Level of knee-pain has decreased and is able to do “more around the home”

This is the best thing I did. I finally have the right team around me.
CREATING SUSTAINABILITY THOUGH A FOCUS ON HEALTH OUTCOMES

MEDIBANK
Shared value for our policyholders and shareholders

We keep our members healthy and out of hospital

The quality and affordability of private healthcare is strengthened and our business is kept healthy

It will take true collaboration from all parts of the health system to create sustainability
THANK YOU