

# Macquarie Australia Conference

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# Update on market conditions

Thematic	Update – April 2021 FYTD <sup>1</sup>
Customer support	<ul style="list-style-type: none"><li>• Medibank’s total financial customer support during COVID-19 was more than \$195m as at the end of April</li><li>• Permanent net claims savings due to COVID-19 will be returned to customers with a further update at the FY21 result</li><li>• Support continues to be available for customers experiencing financial hardship</li></ul>
PHI market activity	<ul style="list-style-type: none"><li>• Based on industry data - market growth continues</li><li>• Despite 1 April premium increase, customer retention is significantly better than in the prior corresponding period</li></ul>
COVID-19 claims recovery	<ul style="list-style-type: none"><li>• Surgical procedures are recovering quicker than non-surgical procedures</li><li>• Victorian claims now broadly in line with the rest of Australia</li><li>• Normalisation of claims in 3Q21 resulted in a small receipt in Risk Equalisation – modestly above our expectations</li><li>• We now expect the increase in annualised average net claims expense per policy unit for FY21 to be c. 2.5%</li></ul>
COVID-19 claims liability	<ul style="list-style-type: none"><li>• COVID-19 deferred claims liability of \$310m at 30 April is in line with 31 December</li><li>• Hospital claims deferral assumption of 85% to be reviewed at 30 June with particular focus on non-surgical claims</li><li>• Expect the 1H21 \$10m COVID-19 cost to the P&amp;L to reverse in 2H21<sup>2</sup></li></ul>
Medibank Health	<ul style="list-style-type: none"><li>• COVID-related income in telehealth has significantly reduced</li><li>• Travel insurance revenue remains subdued with international borders closed</li><li>• Expect Medibank Health operating profit to be modestly lower in 2H21 compared to 1H21 (excluding Myhealth)</li></ul>
Capital position	<ul style="list-style-type: none"><li>• Since 31 December capital position has benefited from strong net investment income FYTD April of c. \$99m</li><li>• c. \$63m investment in Myhealth Medical Group reduces unallocated capital by a similar amount</li><li>• Strong unallocated capital position provides investment for growth, including for further M&amp;A in Medibank Health</li></ul>

<sup>1</sup> Unless otherwise stated

<sup>2</sup> In 1H21, customer relief measures of \$109m were \$10m greater than the COVID-19 net claims expense impact of \$99m

# Momentum in policyholder growth has continued

## Insights – April 21 FYTD

- FYTD net resident policyholder growth:
  - Up 70.2k policyholders or 3.9% on a reported basis
  - Up 61.1k or 3.3% adjusting for suspensions<sup>1</sup>
- Continued strong growth in new-to-industry joins - 70% of all FYTD joins
- Total FYTD lapse rate > 200bps below pcp
- Total suspensions of c. 9k consistent with 1H21

## Medium term drivers of policyholder trajectory

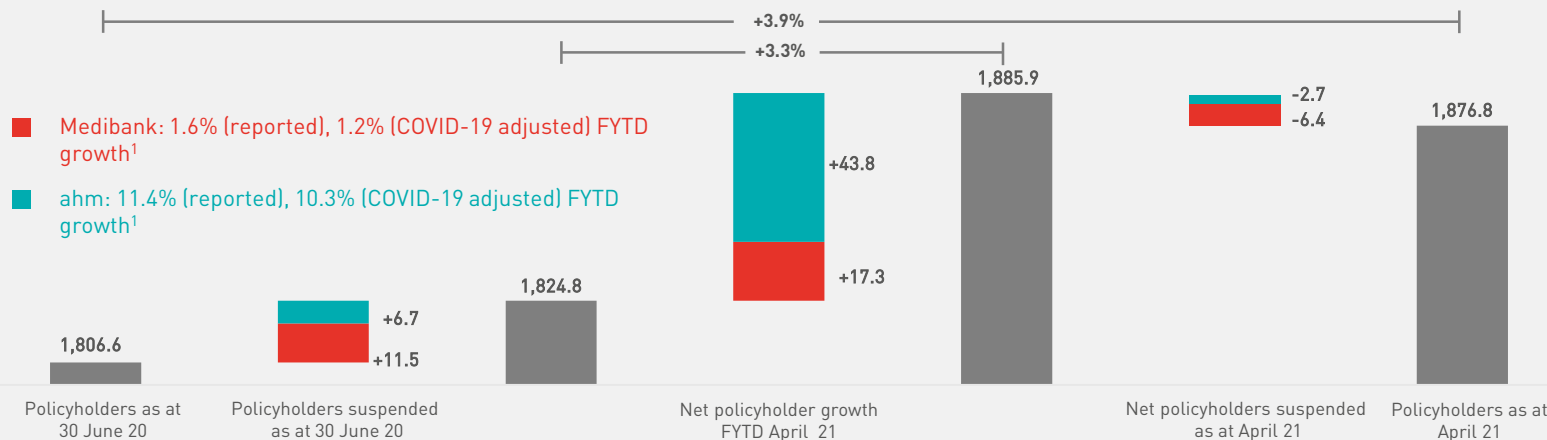
### External factors:

- Economic conditions and international border closures
- Value proposition of PHI

### Key areas of internal focus:

- Growth across our two brands
- Increasing health and wellbeing engagement with customers
- Supporting our customers as they navigate the healthcare system
- Increasing healthcare options for consumers through Medibank Health

## FYTD net resident policyholder growth ('000, as at FYTD April 2021)



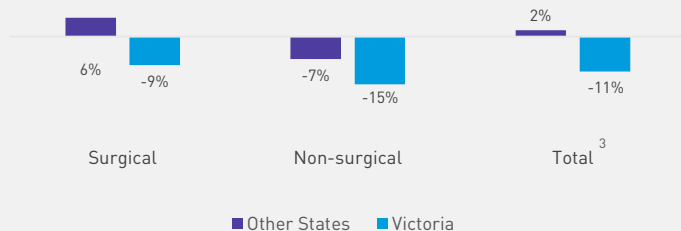
<sup>1</sup> Excluding the impact of policyholder suspensions due to COVID-19 financial hardship

# Continuation of claims trends post COVID-19

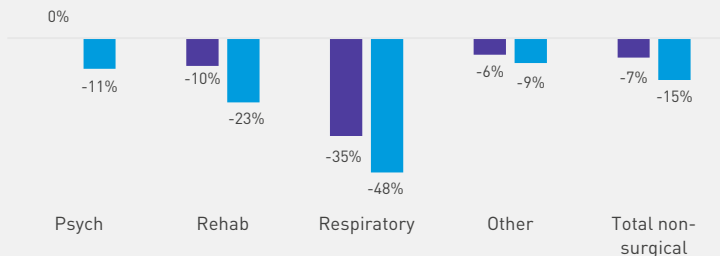
## Private hospital claims paid in non-Victorian states have been mixed

- Private hospital claims comprise<sup>1</sup>:
  - c. 34% Victoria and c. 66% non-Victorian states
  - c. 60% surgical and c. 40% non-surgical<sup>2</sup>
- Rehab annual spend (CY19) c. \$231m, c. 21% of non-surgical claims

### Private hospital claims – FYTD Jan 21 \$ growth vs pcp<sup>1</sup>



### Private hospital non-surgical<sup>2</sup> claims – FYTD Jan 21 \$ growth vs pcp<sup>1</sup>



## Indicative private hospital claims insights Jan FYTD

### Total:

- Non-Victorian claims up 2%, with surgical claims growth continuing to offset reduction in non-surgical claims (FYTD Nov 2020: +2%)
- Victorian claims:
  - Down 11%, reflecting impact of July – October 2020 lockdown (FYTD Nov 2020 down 15%)
  - 3Q21 claims in-line with non-Victorian claims

### Surgical:

- Victorian claims decreased by 9% (FYTD Nov 2020 down 11%)
- Non-Victorian claims increased 6% (FYTD Nov 2020 up 7%) with same day claims showing stronger rebound than overnight claims

### Non-surgical:

- Victorian claims reduced by 15% (FYTD Nov 2020: -21%)
- Non-Victorian claims down 7% (FYTD Nov 2020: -14%)
- Ongoing softness in rehab claims – down 14%-16% compared to surgical volume growth

### Medium-longer term drivers of claims:

- Prosthesis reform consultation under way with potential to save the industry \$500m over four years, supporting continued low premium increases
- Closely monitoring rehab claims – potential permanent change to referral patterns

<sup>1</sup> Private hospital services incurred by Medibank Group in the 7 months to January 2021 and 2020 (excluding prostheses and medical)

<sup>2</sup> Based off industry standard Diagnosis Related Groups (DRGs). Surgical categorisation involves the use of an operating room

<sup>3</sup> Total growth includes a portion of other claims not yet categorised

# Investments in Medibank Health will support growth, innovation and more choice for customers

## Proactive preventative healthcare: Primary care clinics



- Acquired a non-controlling interest in Myhealth, a leading operator of primary care clinics, for c.\$63m on 31 March 2021<sup>1</sup>
- Business tracking well during 2021
  - Clinic numbers expected to increase by 10 to 95 before 30 June
  - EBITDA budget (incl. rent, 100%) of c. \$21m (FY20: \$17.0m, FY19: \$11.1m) with Medibank's economic interest of 33.4%
- Various avenues to growth
  - Maturation of existing clinic network
  - Brownfields / greenfield growth of >10 clinics per annum
  - M&A opportunities as the sector further consolidates

## New care settings: Short stay, no gap



- Will continue to invest and expand our short stay, no gap offering through additional sites and establishing pilots for new modalities - general surgery and endoscopy
- Aspiration to build an at scale national short stay, no gap network for our customers including:
  - East Sydney Private Hospital
  - JV with doctors for a new short stay, no gap<sup>2</sup> hospital in Kew Melbourne
  - Strong investment pipeline with potential for additional opportunities by the end of calendar 2021

## Clinical homecare



- Increasing acceptance of homecare services post COVID-19 with an increase in virtual hospital bed volumes<sup>3</sup> from 259 in June 2020 to 384 in December 2020
- Continue to broaden our geographic coverage and the type of payors we provide services for
- Calvary and Medibank joint venture delivering 'My Home Hospital', a Wellbeing SA service
  - Over 300 patients have used the My Home Hospital service since its official launch in January 2021
  - Future focus on how to replicate and scale into other geographies

## Virtual health




- Rapidly developing market where we are actively investing to expand our capabilities:
  - Intake and triage services for the mental health system
  - Delivering convenient 24/7 health accessibility including to support our rural, regional and corporate PHI customers
  - Scaling after hours GP services such as video assessment capability
- Increasing use of remote monitoring to enable virtual delivery of care in patients' homes
- Working with other payors to deliver new and innovative models of care

<sup>1</sup> Medibank acquired 49% of the ordinary shares of Myhealth Medical Holdings Pty Ltd, which represents a 33.4% economic interest in the Myhealth Medical Group when taking into account the interests of managements and the local GP shareholders in Myhealth Medical Holdings Pty Ltd and its subsidiaries

<sup>2</sup> The short stay no gap joint venture program will be available for certain treatments and subject to the eligibility and the conditions of the customer's hospital policy. Any excess or co-payment that applies to a policy is still payable

<sup>3</sup> Virtual beds means the number of people receiving hospital substitute treatments by Medibank Health which is calculated for a given period as total days of hospital substitute treatments service / number of days in the period

# Update to FY21 outlook

	Full year outlook at 1H21 result	Updated outlook
<b>Policyholder growth</b> 	<p>We aim to increase market share and achieve total policyholder growth in excess of <b>3%</b>, including an expectation of growing the Medibank brand by <b>c. 1%</b> during FY21<sup>1</sup></p>	<p>We aim to increase market share and achieve total policyholder growth between <b>3.5%-4%</b>, including an expectation of growing the Medibank brand by between <b>1.2%-1.4%</b> during FY21<sup>1</sup></p>
<b>Underlying drawing rate</b> 	<p>Our increase in annualised average net claims expense per policy unit for 2H21 is forecast to be in line with 1H21 (<b>c. 2.6%</b>)</p>	<p>Our increase in annualised average net claims expense per policy unit for FY21 is forecast to be <b>c. 2.5%</b></p>
<b>Health insurance management expenses</b> 	<p>FY21 productivity target of \$20m                      Additional \$30m productivity planned during FY22-FY23                      Management expenses are expected to be c. \$530m for FY21</p>	<p><b>Unchanged</b></p>
<b>Capital</b> 	<p>Dividend payout ratio expected to be towards the top end of our target range of 75%-85%                      Targeted inorganic growth for Medibank Health and Health Insurance remain areas of focus</p>	<p><b>Unchanged</b></p>

**Any permanent net claims savings due to COVID-19 will be given back to customers through additional support in the future**

<sup>1</sup> Excluding the impact of policyholder suspensions due to COVID-19 financial hardship