

# keeping you informed

March 2008

## Caring For Life

Manchester Unity exists to provide and secure the care members need for themselves and their families throughout their lives.

### Your Health Fund

2008 looks to be an exciting year for Manchester Unity and our members, while we continue to review the value we provide to you. Manchester Unity is committed to remaining a mutual, not for profit health fund that exists for the benefit of members, not shareholders. That means that your contributions are used to maximize member benefits rather than being used to pay dividends to shareholders who may not even hold their health cover with us.

In the 2007 calendar year, your health fund paid a record amount in claims benefits to members. A total of \$164 million was paid in hospital and extras benefits, an increase of 31% on 2006 benefit payments. Hospital benefit payments increased by 35% and extras benefits increased by 22%. During the same period, our total membership grew by 8% and our premiums increased on average by only 4.74% from April 2007. Clearly, this means that the average benefits paid per membership increased substantially during this period.

### Continued Growth

Our 2007 membership growth was well ahead of the 4.7% growth in membership experienced by the industry as a whole. We now have more than 81,000 members and over 194,000 people covered.

It is satisfying to realise that a growing number of members to the fund have not previously had private health insurance. In 2007, 57% of new members were also new to private health insurance, compared to 54% the previous year. We extend a warm welcome to these new members.

### Why The Increase In Member Contributions?

Members will appreciate that the imbalance between revenue and claims is unsustainable in the longer term and needs to be addressed. We believe that the changes we have introduced from 1 April 2008 will achieve the required financial outcomes in a way that is fair to all of our members.

Our products have been extremely popular and very competitive, which is one of the reasons for our growth. But while the average pricing of our products has been below the industry average, our benefits have not. In the 2006/07 financial year, the benefits we paid to members compared to the total premiums received was well above the industry average; 95% of your hospital contribution income was spent on paying claims compared to the industry average of 86%. Industry data also show that while the pricing of our hospital products has been around 6% below the industry average, our benefits have been 3% higher (Source: PHIAC).

A simple solution to this would have been to impose large premium increases on all products without making any other changes. We are very aware, however, that many of our members are struggling to keep up with increases to the cost of living such as rising interest rates. A significant number of our members make few claims but want to maintain the peace of mind that comes with knowing that your private health insurance is there when you need it.

We have therefore introduced some changes to our existing products to better suit the majority of our members as well as introducing some new products to give you more choice. These product changes have allowed us to minimise this and future years' contribution increases.

### Changes To Products And Benefits

We have made the following changes to existing products with the dates of effect of these changes designed to allow you sufficient time to discuss alternative product choices with us if you wish to do so.

Some changes have been applied across a number of our products. These refer to:

- Hospital excesses and how they are applied;
- Surgical procedures to control obesity; and,
- Benefits for obstetrics and pregnancy related services.

### Hospital Excesses

The way in which hospital excesses will be applied for our Healthmate, Healthmate Executive, HealthStart Hospital and HealthClub members will change for all admissions from 1 May 2008 for existing products.

The excess, which had been \$200 payable for the first two admissions in a calendar year irrespective of the number of persons covered on the membership, has been increased to \$250 which is still payable for the first two admissions for Single memberships but which is now payable for the first four admissions in a calendar year for memberships that cover more than one person. The excess is not payable for an admission that is the direct result of an accident. This change will mean a more equitable distribution of costs in relation to Single memberships and those that cover more than one person. It will affect less than three percent of all of the members on these products.

Some Super Hospital excess options with very few members have been eliminated to reduce administration costs and those members have been transferred to the closest remaining alternative.

## Surgical procedures to control obesity

There are a number of different types of surgery to control obesity, including gastric banding. These are all elective procedures which are expensive and where the condition requiring the surgery would have been present for some time. These procedures will be excluded on all products, other than Top Hospital cover, from 1 May 2008. For any admissions from 1 May which have been arranged prior to 1 April 2008, benefits will be payable at the member's eligible level of cover.

## Obstetrics and pregnancy related services

Benefits for obstetrics will not be payable from 1 January 2009 on the Healthmate Executive and HealthStart Hospital covers. Benefits will continue to be paid for obstetrics on the Top Hospital cover and our new product, Healthmate Ultimate.

We are giving members plenty of notice to allow them time to have their baby on their current cover if they are already expecting, but also to transfer to either Healthmate Ultimate or Top Hospital if they are planning a family in the future. A transfer from Healthmate Executive or HealthStart Hospital to Healthmate Ultimate or Top Hospital will give you full continuity of cover, but you need to do so by 1 January 2009. Importantly, Healthmate Ultimate and Top Hospital will provide a comprehensive level of care for some types of treatment that are not available on your current cover, such as post natal depression which can seriously affect the health of mothers and their babies if left untreated.

Assisted Reproductive Services include any assessment or treatment of infertility. From 1 May 2008 they are totally excluded on Healthmate and Public Shared covers, which have been renamed Healthmate Starter and Healthy First from 1 April 2008.

## Your Range Of Extra Benefits

We continuously receive positive feedback from members in regard to our range of member benefits. 2007 saw a staggering 55% increase in the amount of Health Dollars Loyalty Rewards benefits paid, equating to over \$6 million worth of value to members. This popular program enables our members to direct some of their eligible benefits towards their individual health needs.

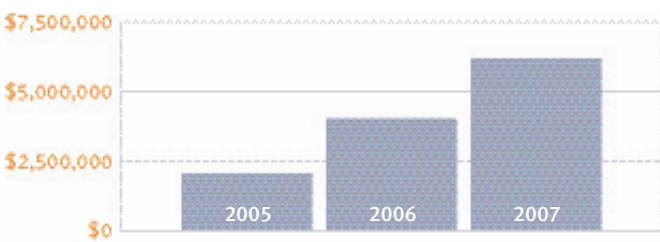


Fig 1: Health Dollars benefits paid.

Our KeepFit benefit, which pays benefits to members for a range of approved health and weight loss services, also saw over \$6 million paid to members in 2007.

To help you maintain good health we have a range of fitness benefits available. We remind members to access our Lifeguard Fitness2Live Program which is free for eligible members. To register visit [www.manchesterunity.com.au](http://www.manchesterunity.com.au)

## Broader Health Cover

Broader Health Cover was an initiative that was introduced as a concept in 2007 by the Federal Government. It allows health funds to provide benefits for services outside the hospital setting that would normally be provided in hospital, such as chemotherapy and wound management. Part of this process has been the development of accreditation and service quality guidelines for the providers of these services and these are due for release from 1 July 2008. Once these are in place, we will be in a better position to negotiate with providers on your behalf to provide these services. Members covered by our Top

Hospital with an extras option will be eligible for treatment and other benefits under these programs as they become available.

## The Cost Of Healthcare

Within the private health insurance industry there has been a considerable increase in the number and cost of claims paid by health funds, not just Manchester Unity. There are many reasons for these increases and we have set out in the following table the increases that we have experienced in claims in a number of major categories.

	Benefits 2005/06	Benefits 2006/07	% increase
Obstetric / Pregnancy	8,300,128	19,290,332	132%
Cardio-thoracic	11,321,763	15,643,883	38%
Knee Replacement	4,193,233	5,907,221	41%
Hip Replacement	2,998,233	4,263,878	42%
Eye Surgery	2,468,695	4,142,128	68%

Fig 2: Claims payments for major treatment categories.

## Addressing The Future

We are excited to announce our new health fund products which have been developed after detailed analysis of our claims data as well as research that we have undertaken into members' expectations. Our new product range will provide our members and prospective members with more choice so that you don't pay for high cost items that you don't need.

Our products are designed to address the health costs that members can expect to encounter at various stages throughout their lives. As part of our Caring for Life philosophy we strongly advise you to review your health needs each year and call us on **13 13 72** if you think your current cover may not be adequate.

## Our Service To You

We have worked hard over the last 12 months to improve the service we provide to you. Improvements in internal processes have already resulted in reduced telephone waiting times and reduced claims turnaround times, so you receive your benefits faster. It is positive to note that this has already had a direct effect on our increased member retention rate and a reduction in the amount of your contributions going towards administration costs.

Throughout 2008 we are pleased to be announcing a range of online initiatives that we believe will further improve the service you receive from us, while also seeing us become more environmentally responsible. The first of these initiatives was launched earlier this year, with a new feature added to your online member services. Our new extras quote tool allows you to check how much you'll get back on your next extras claim and find out how much of your annual limits you have left. We hope this tool will be of assistance to you the next time you need treatment.

If you haven't visited us in a while check out [www.manchesterunity.com.au](http://www.manchesterunity.com.au)

## We Value Your Feedback

At Manchester Unity we value the feedback you provide to us. After all, it's your Manchester Unity. In order to continually serve you better we will continue to conduct research amongst our members to find out how we can better meet your needs.

## Member Services

For more information about your health cover simply visit [www.manchesterunity.com.au](http://www.manchesterunity.com.au) or call Member Services on **13 13 72**. We're here for you.