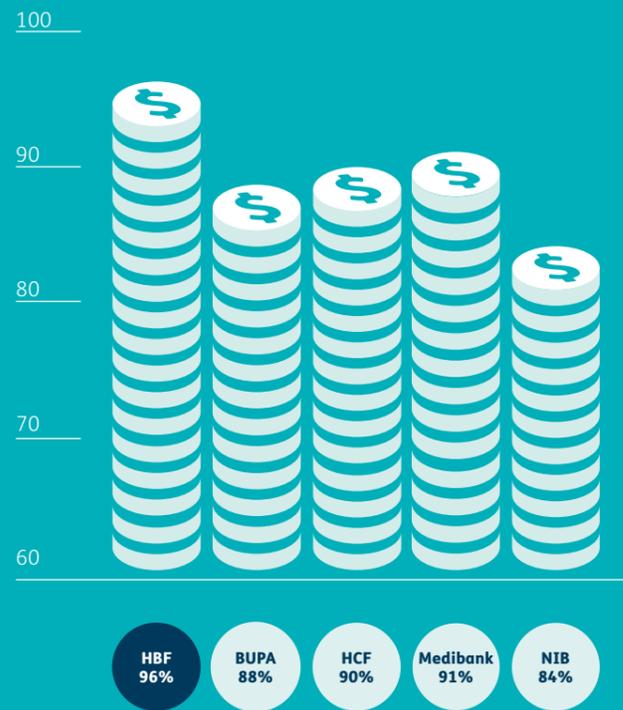


2018  
Annual  
Review

# CEO update

**Our most important achievement for the year was the record \$1.6 billion in health benefits we returned to you – our membership of more than 1 million Australians.**

**The average HBF member received 4.6% more in hospital benefits and 4% more in general (or extras) benefits than the previous year. And, of the major health funds, we paid the most back for treatment in WA hospitals.**



**Of the major funds in WA, we covered the greatest percentage of hospital related charges**

Source: State of the Health Funds Report 2017, Commonwealth Ombudsman. Published March 2018.

Before I share other key take-outs for the year, I'll get straight to the issue that's on many of your minds – affordability, and hopefully give you confidence that we're tackling this head-on for you.

Across the industry, the percentage of Australians with health insurance fell again this year because the cost of having it simply became too much. The cost of healthcare in Australia shows no sign of slowing. More people are using the system and the cost of hospital accommodation, medical specialists and medical devices continue to increase each year.

When I became CEO a year ago, HBF's work with Government, healthcare providers and industry partners to reduce some of these input costs was well advanced. But it was clear to me that to immediately relieve some of the pressure on our members' premiums, it was incumbent on us to look inward and to make our business as efficient as possible, without compromising member experience.

It's never an easy or enjoyable task to reduce expenses, but for the first time in a decade operating expenses for our health insurance business this year were lower than the previous year. Cost-saving decisions included our withdrawal from Members Own Health Funds, conclusion of AFL sponsorships, ending our presence on broker websites iSelect and Compare the Market, closure of three branches where demand had fallen and service hours adjustments of two others, and changes to our products.

Decisions to reduce costs enabled us to deliver the second lowest average premium increase of the top five Australian funds. And we promise to deliver a lower average increase next year.

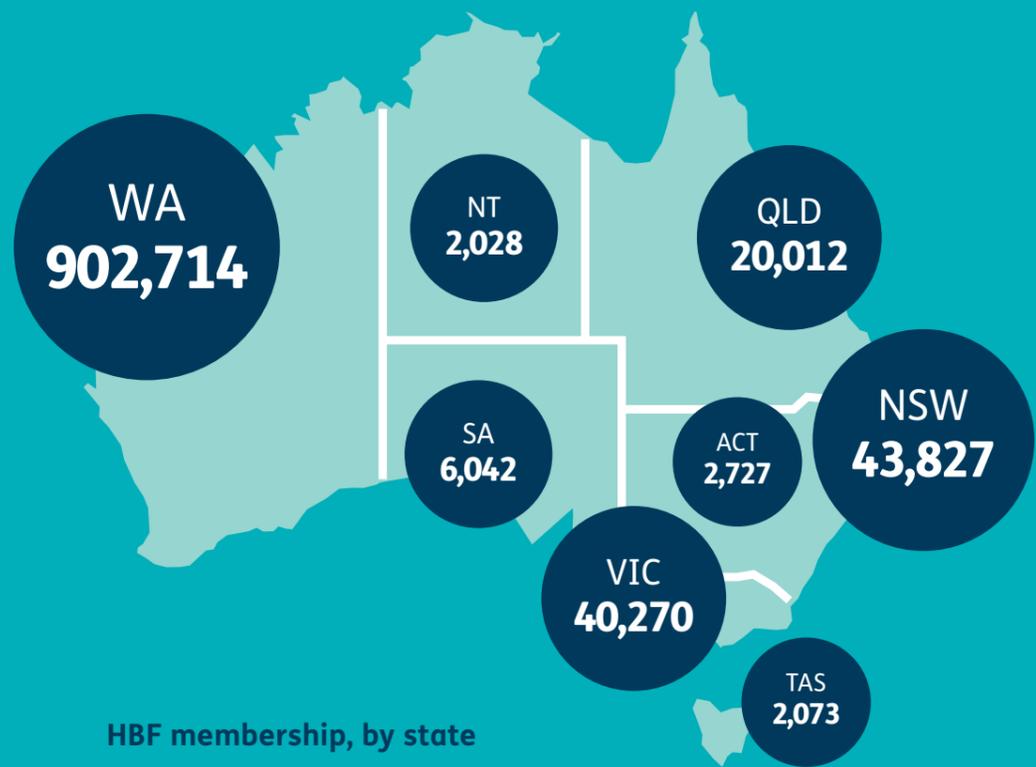
Of the top five funds, we again delivered the most benefits back to members as a percentage of premium contributions (91.4%, State of the Health Funds Report 2017, Commonwealth Ombudsman). That is, we returned over 91 cents in every dollar we received in premiums back to members as benefits. For added context, if HBF gave back the industry average of 85% we would have had an additional \$75 million surplus. Instead, we made the conscious decision to give this back to members.



**“Of the major health funds, we paid the most back for treatment in WA hospitals”**

# CEO update

“We returned over 91 cents in every dollar we received in premiums back to members as benefits”



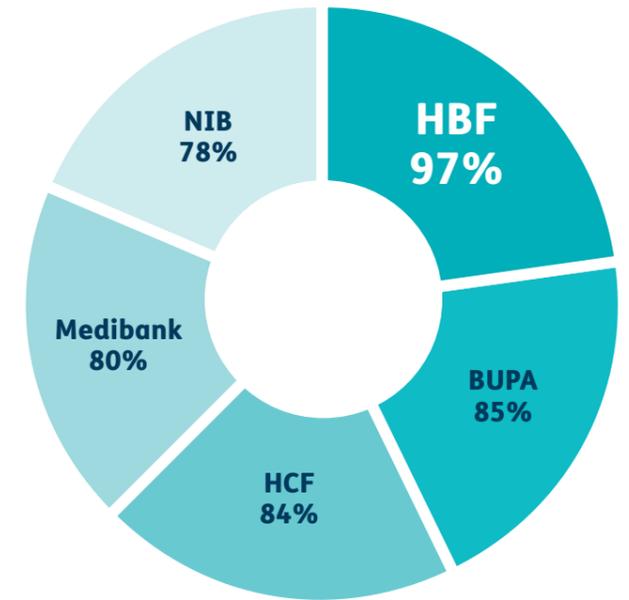
During the year, the service our members received from our Member Contact Centre and branches improved significantly. Independent figures from the Australian Prudential Regulatory Authority (APRA) and the Commonwealth Ombudsman showed we had above-average member retention, and of the major funds, we had the lowest number of complaints, as a percentage of total policies.

During the year our plan to grow scale and expand nationally by merging with not-for-profit fund, HCF was widely reported. We were clear from the outset that the merger would only proceed if it provided real benefits to HBF members in WA. In the end, both funds agreed the merger would not be in the best interests of our members. Our Board and senior leadership team were disappointed the merger did not proceed, but we are now refocused on alternative strategies to deliver affordable, high-value health insurance for our members.

It is clear that in 2018/19 health insurers will continue to be challenged and held to account by members, commentators and Government. As I have outlined, we have already taken important steps to ensure that we are efficient and focussed on maximising return to our members. There will certainly be further changes in the coming year and I have every confidence that HBF is more than equal to the task ahead.

Finally, I'd like to thank you, our members, for entrusting us with your health. Many of you, I know, have been HBF members your whole lives. Together with the HBF Board and employees, I am personally committed to delivering you affordable, high-value health insurance, and the best possible experience as an HBF member.

**John Van Der Wielen**  
Chief Executive Officer



**We retained a greater percentage of our members, compared to other major funds**

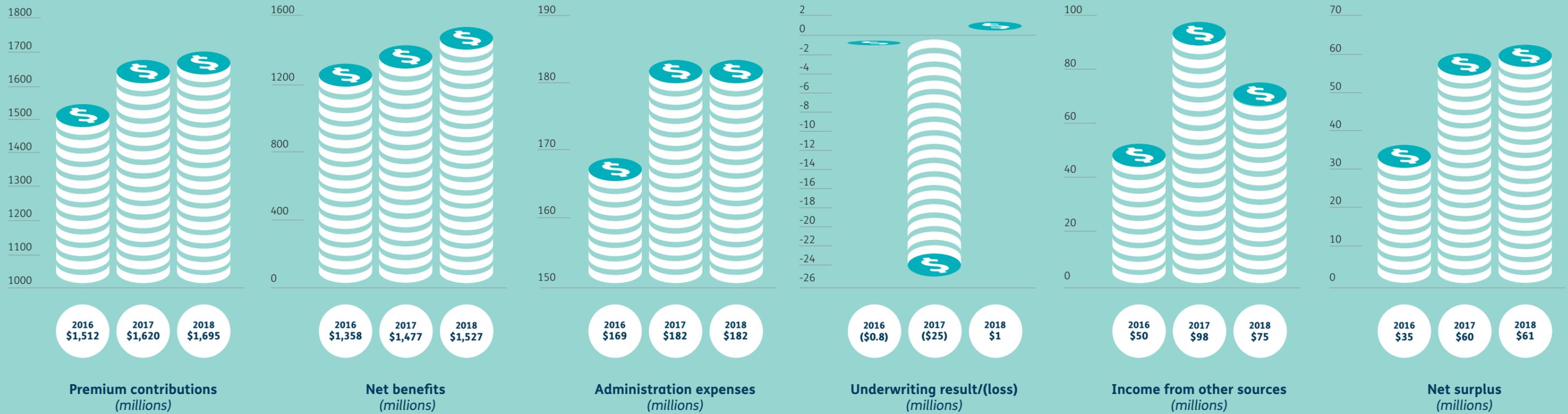
Source: State of the Health Funds Report 2017, Commonwealth Ombudsman. Published March 2018.

# Financial snapshot

HBF operates as a not-for-profit health insurer, which is reflected in our modest 2017/18 underwriting result (\$1 million).

Our net surplus (\$61 million) largely reflects income from other sources - primarily our investment portfolio.

To keep premium increases for our members to an absolute minimum, managing our administration expenses is critical. In 2017/18, for the first time in a decade, administration expenses for our health insurance business were lower than the previous year.



“Our performance this year will translate to a lower average increase in premiums for members next year”

HBF CEO, John Van Der Wielen

# A lifetime of service

In our 77th year of operation, we believe it's telling that more than 30,000 of our 1 million members have been with us for at least 50 years and, for many of those, we've been a trusted part of their lives, their children's, grandchildren's and (even) great grandchildren's lives, for as long as they can remember.



**1941**

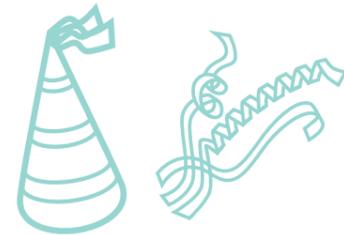
We began as the Metropolitan Hospital Benefit Fund, to help Western Australians cover the cost of hospital treatment.

**1951**

We expanded our services to include a Medical Fund to cover doctors' consultations.

**1945**

Our coverage extended to all WA hospitals, so we lost the word 'Metropolitan' in our name to become the Hospital Benefit Fund.

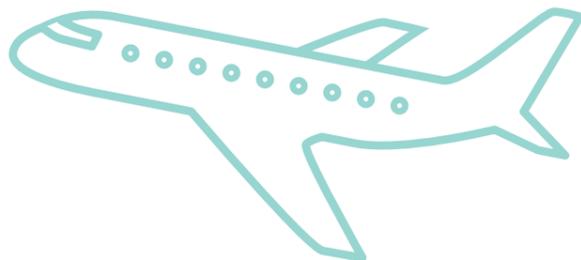


**1970**

This decade, we opened our first regional branches at sites including Albany, Collie, Geraldton and Katanning.

**1975**

We expanded our services to cover ancillary health services such as physiotherapy and podiatry.



**1980**

Our head office employees moved into 125 Murray Street Perth.

**1983**

As well as health, we began offering home and car insurance.



**1986**

We added travel insurance to our general insurance offering.



**1994**

'Ted' first appeared as the star of Hospital Benefit Fund commercials.



**2000**

Our name was shortened to HBF.

**2006**

In addition to health, home, car and travel, we began offering life insurance.

**2008**

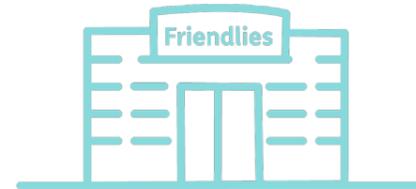
We introduced electronic claiming for ancillary services.

**2010**

We held the first HBF Run for a Reason, which has since raised more than \$9 million for WA health charities.

**2013**

We acquired the Friendlies Pharmacies franchise, to give our members access to a broader range of free and discounted health services.



**2014**

Friendlies was the first pharmacy chain in Australia where health insurance members could claim instantly in-store.

**2015**

We consolidated the HBF Group, closing our small Central West Health brand and migrating members to GMF (HealthGuard). Later in the year, we merged HealthGuard with HBF Health Ltd.

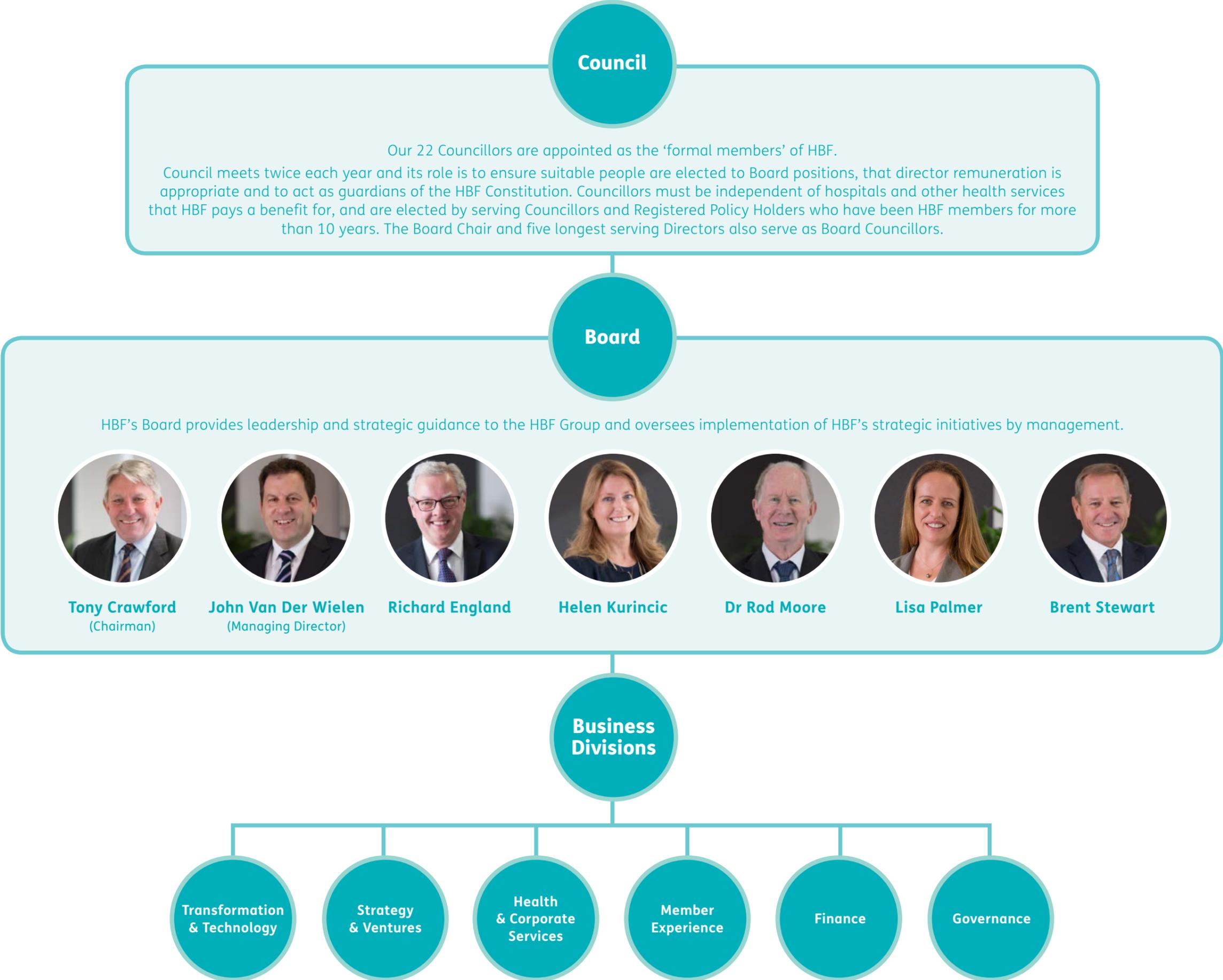
**2016**

Our head office relocated from 125 Murray Street to Kings Square Perth.



**2018**

Today we're proud to be WA's leading health insurer. A lot has changed over the past 77 years, including our expansion from health to home, car, travel and life insurance. However, our sole purpose - to provide the highest quality insurance for our members - remains the same.

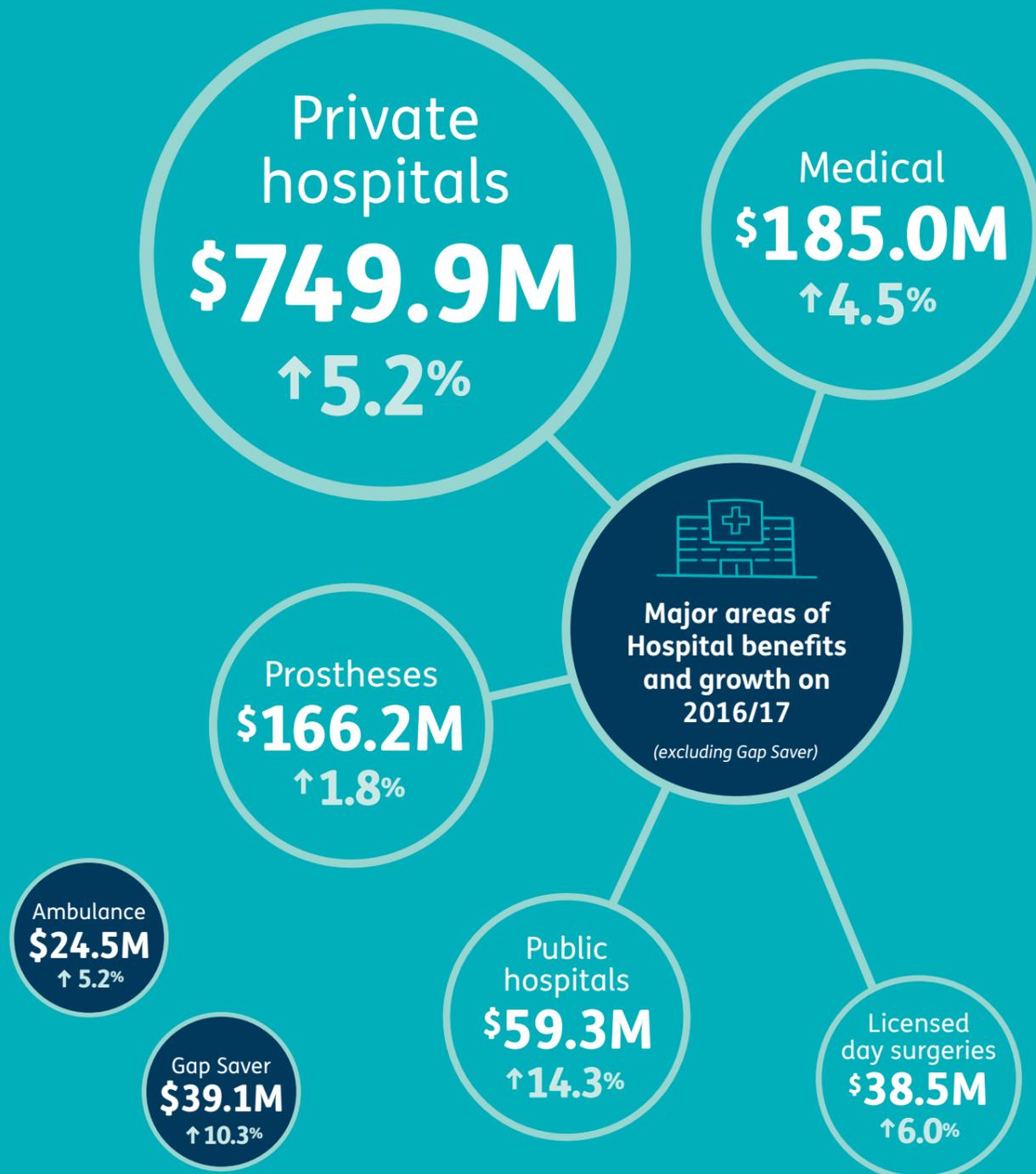


# Benefits breakdown

Even though we had fewer members, compared to the previous financial year, HBF members received record benefits back in 2017/18, highlighting the impact of rising health costs on claims.

Members received \$1.2 billion in Hospital benefits and \$411 million in General Treatment benefits.

Hospital claims for mental health treatment and obesity procedures grew the most, while dental was by far the most claimed General Treatment. The average HBF member was covered for 65 per cent of each dental visit.



## Areas of greatest growth in Hospital benefits (compared to 2016/17)

**\$7.7M**  
↑ **20.0%**  
Mental disorder  
E.g. Severe depression, bi-polar and post-natal depression

**\$18.7M**  
↑ **13.9%**  
Cardiovascular  
E.g. Circulatory system disorders and coronary bypass

**\$12.6M**  
↑ **13.8%**  
Digestive  
E.g. Colonoscopy and complex gastroscopy

**\$8.5M**  
↑ **22.3%**  
Endocrine and Metabolic  
E.g. Major procedures for obesity

## Major areas of General Treatment benefits and growth on 2016/17

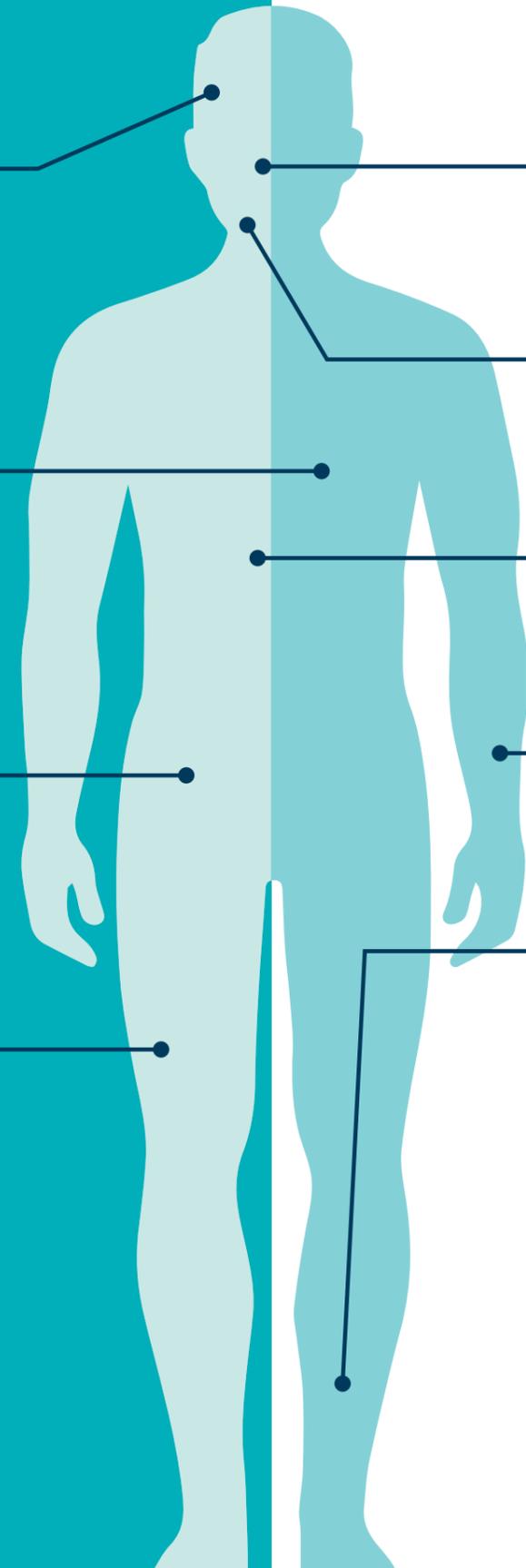
**\$53.3M**  
↑ **3.0%**  
Optical

**\$249.3M**  
↑ **2.8%**  
Dental

**\$19.2M**  
↑ **3.6%**  
Chiropractic

**\$27.7M**  
↑ **3.3%**  
Physiotherapy

**\$9.7M**  
↑ **23.2%**  
Podiatry



# Claims statistics

In 2017/18 HBF members received a record \$1.2 billion in Hospital benefits and \$411 million in General Treatment benefits.

## Largest claims

Two newborn members claimed

**\$128,877**  
& **\$113,951**

respectively due to being born premature, and spending time in a neonatal unit.



An 83 year old member underwent a series of procedures for a fractured hip in a public hospital. She claimed

**\$255,302**

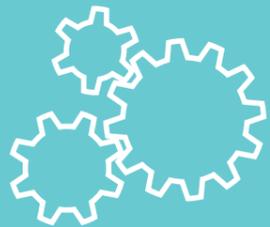
in hospital or related services.



Five HBF members claimed over

**\$200,000**

each in Hospital or related services.



A 20 year old member claimed

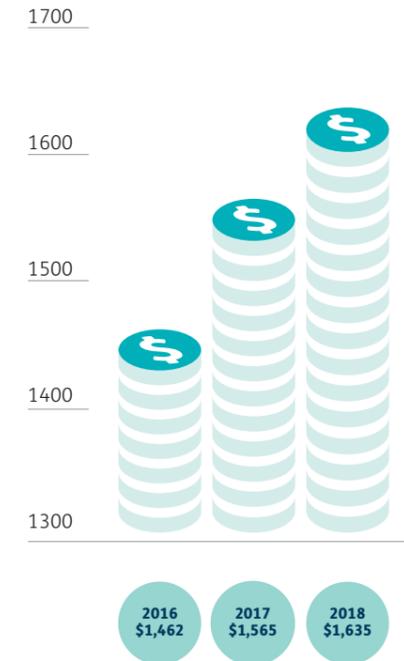
**\$160,617**

for in-hospital psychiatric services.

A 43 year old member claimed

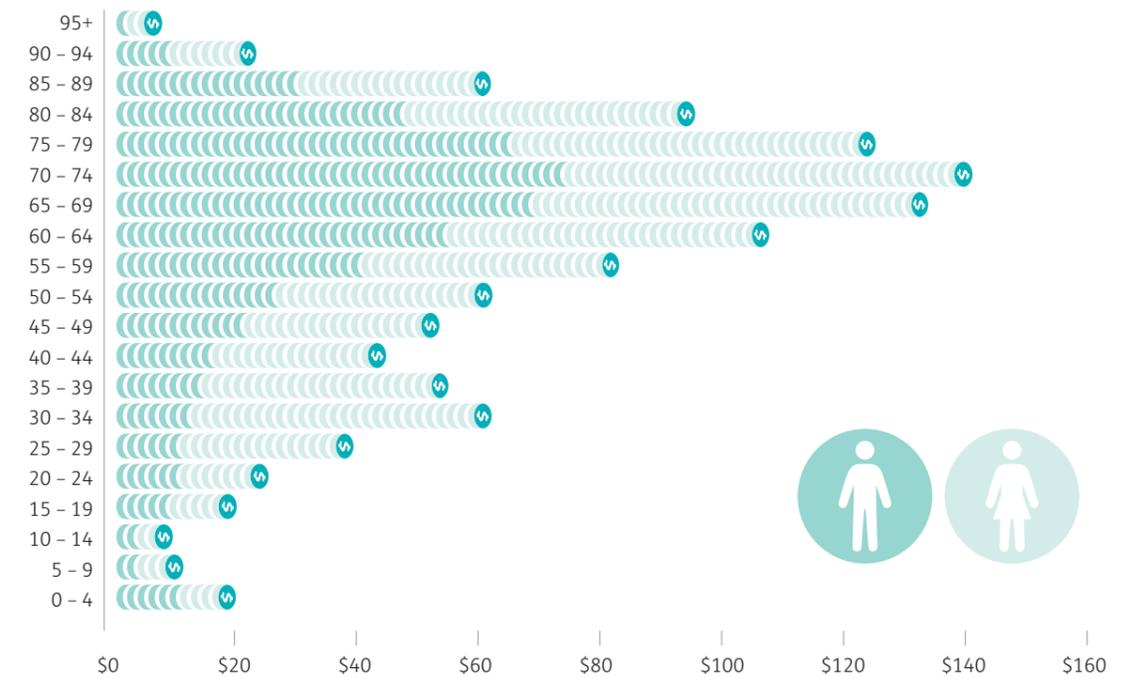
**\$206,900**

for treatment for lymphoma, as well as a tracheostomy with ventilation for acute respiratory failure.



Member benefits (millions)

The average HBF member received 4.4% more in benefits than last year



Hospital claims by age and gender (millions)

## Our commitment to WA

As well as being a trusted health insurer for members, there is an expectation among Western Australians that we will be a force for good in the broader community. We gladly accept this responsibility and undertake a range of activities that reflect our commitment to the WA community.

### FRIENDLIES PHARMACIES

- 33 stores from Albany to Geraldton (up from 15 stores in July 2015)
- Over 25,000 flu vaccinations and 2,000 health checks delivered this year
- Friendlies Busselton - 2018 Pharmacy of the Year for Excellence in Business Management (*Pharmacy Guild of Australia Awards*)



### HBF FITNESS

Over  
**25,000**  
participants this year

### HBF RUN FOR A REASON

**35,000**  
people ran, walked and wheeled the event this year raising \$1 million. It took the total raised in 9 years to more than  
**\$9 million**

### DIRECT ADVICE FOR DADS (DAD)

A website providing support for new fathers

**73,000**

Facebook followers

Awarded 10 national and international awards

### VOLUNTEER DAYS

HBF employees collectively spent  
**410 hours**  
volunteering at WA community organisations

### TELETHON



We helped raise  
**\$100,000**

for Telethon by organising a series of events with special guest, Sir Bob Geldof and HBF employees manned the phones at the Telethon call centre

### HBF GRADUATE PROGRAM



Launched this year, a professional development program designed to unearth new talent and support career progression

### WORKPLACE GIVING



HBF employees donated a portion of their salaries to WA community organisations.  
HBF matched the employee contribution, totalling a donation this year of just under  
**\$70,000**

### HBF ANGELS



A committee of HBF employees who organised fundraising events and initiatives including Easter and Christmas raffles, an Oz Harvest food collection and a Toy Appeal for Wanslea's Foster Care Christmas party



[hbf.com.au](http://hbf.com.au)