



**MEDIA RELEASE**

**27 November 2008**

## **Responsible results in challenging economic climate**

HCF maintained its commitment to working in its members' best interests while facing the challenges of national and international financial instability.

HCF Chairman, Greg Gardiner said at today's AGM, "As a not for profit health fund, we have achieved a responsible annual result. Our dedication to our members is a major factor in our success and will continue to guide our decisions."

Announcing HCF's annual results Mr Gardiner said HCF's group operating net profit was \$37.3 million after tax and donation to the HCF Health and Medical Research Foundation. "The drop from the \$70.5 million operating result in 2007 was caused solely by the extreme volatility of equity markets following the 'sub prime' crisis.

"Despite uncertainty in the community, our member satisfaction stands at 96% and reflects our value to members.

"A major challenge facing the industry is the change to the Medicare Levy Surcharge thresholds. This, combined with the uncertain economic conditions, has caused a slow down in new business across the industry.

"We expect this trend to continue in 2009. HCF will not be immune from this even though we enjoy strong member loyalty, high service standards and a range of excellent value for money products.

"Even in these difficult times HCF exceeded the average growth rate of all health funds for the fifth year in succession. At 30 June this year 1,067,624 people were HCF members, which is 57,000 more than last year."

Mr Gardiner said HCF, as a not for profit organisation, always put its members' interests above profit and built value for members, not shareholder wealth. "This year we paid a record \$973 million for members' health benefits, which is \$107 million more than last year. This was equal to a return of 90 cents in every dollar paid by our members in premiums."

HCF also applauded moves by the Federal Government to introduce public hospital scorecards. Mr Gardiner said that all patients have the right to make an informed decision about which hospital - public or private - they will choose for their treatment.

"HCF strongly supports initiatives in this area. In particular we support changes to the Privacy Act which currently prevent HCF and other private insurers from fully informing our members about the performance of individual private and public hospitals and the extent of any "gap" charges for medical and other health services."

HCF CEO Terry Smith said HCF was moving ahead with the proposed merger between HCF and Manchester Unity. "The Board of Manchester Unity Australia Limited has recommended that members vote in favour of the merger.

"We hope to complete the acquisition of Manchester Unity by the end of December 2008 and to commence the integration process early in the New Year."

Mr Smith said HCF was especially proud of its member health programs, which were introduced last year. "These programs are designed to improve the health and quality of life for our members with chronic or complex conditions such as cardiovascular disease, diabetes and mental illness. There are currently 2,100 members enrolled and our aim is to work with doctors and other healthcare providers to help support up to 25,000 members suffering from chronic disease over the next five years.

"Our commitment to putting our members first is also reflected by our management expense ratio of 7.9% which is the lowest reported of any major fund."

Mr Smith acknowledged the success of HCF is directly influenced by the excellence of its staff and their commitment to providing the best possible service to HCF members.

### 2007/2008 Highlights

- Group operating net profit was \$37.3 million after tax and donation to the HCF Health and Medical Research Foundation
- Record health fund membership of 1,067,624, which is 57,000 more than last year.
- National industry share increased from 9.6% to 9.8%
- Higher than average return to members – 90 cents in the dollar compared to the industry average of 85 cents
- HCF's management expense ratio of 7.9% is the lowest reported of any major fund and more than 25% below the industry average of 10.8%.
- Member satisfaction stands at 96%.
- Total health benefits paid were \$973 million – an increase of \$107 million
- Claims for hospital care increased by 11%.
- Charge agreements negotiated with 19,400 hospital, doctors and ancillary health care providers in 2008 – an increase of 18% on 2007.
- HCF donated \$5 million to the HCF Health and Medical Research Foundation, which currently has \$2.7 million in approved research projects underway.

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**For further information please contact: Toni Rankin at KJA 02 9955 5040 or 0419 255 022**