

**Date:**

2 March 2005

**Subject**

NIB changes contribution rates and revises product benefits

NIB Health Funds Limited (NIB) has revised its contribution rates and some product benefits in response to more NIB members taking advantage of better health care services and claiming the benefits available to them from their health cover.

The changes to NIB's contribution rates and products become effective on 1 April 2005.

One of the strongest funds in the private health insurance industry, NIB returned 90 cents as total benefits paid from every one dollar received in member contributions - a total of \$442million during the 2004 calendar year. This represents an increase of 19.6% for the year, or the equivalent of more than an additional \$195,000 per day, when compared with the 2003 calendar year.

As a result of member feedback, NIB is changing some of its products. Examples of changes include:

- \$100 increase in annual limit for General Dental - Extractions
- \$25 increase in annual limit for Optical services
- NEW Gym membership and Gym visits as part of a Health Management Program
- NEW Natural Therapy benefits - Myotherapy and Chinese Herbalism
- NEW Group Physiotherapy benefit

NIB's Chief Executive Officer, Mr Mark Fitzgibbon, said the contribution rate change will ensure that NIB continues to be there when members need to claim benefits from their health cover.

"The cost of advances in medical science and access to improved health care for our members resulted in higher claims," Mr Fitzgibbon said.

The cost of providing medical services is also becoming more expensive. Increases in treatment costs, greater complexity in surgical procedures, improvements in technology and greater use of prosthetic items all contribute to cost rises.

In 2004, NIB's total benefits paid for hospital care increased by 24% to \$267million while benefits paid for ancillary services rose by 9% to \$119million.

A major factor behind rising hospital benefit payments was a 36.4% increase in the cost of providing prosthetic items (such as artificial hips, bone screws, pacemakers, vein stents and replacement knees). Prostheses represented \$36million of total hospital benefits paid during the 2004 calendar year.

Contributions for NIB's most popular product for young singles, Bodyguard, will increase by 80 cents per week while contributions for Gold, NIB's premium health

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cover, will increase by \$1.90 per week. Contributions for NIB members with Ambulance Cover will not change. These three products represent more than 50% of NIB's policy holders. On average, 57% of NIB members will experience a contribution increase of less than \$4 per week.

NIB is increasing benefit limits on dental and optical services in response to claiming patterns that show dental (up by 13% to 1.2million visits) and optical (up by 11% to 337,000 visits) as two of the ancillary services most used by members during 2004.

- **Dental:** a \$100 increase in annual limit for General Dental - Extractions and a 10% increase in the amount that can be claimed for Extractions and Fillings. These increased benefits apply to NIB members with Gold cover.
- **Optical:** a \$25 increase in annual limit and increases in the amount members can claim for optical benefits including items such as a pair of multifocal lenses, single multifocal lenses, disposable soft toric contact lenses and disposable soft spherical contact lenses. These increases benefits apply to NIB members with Gold cover.

In response to member feedback and health industry research, NIB is also introducing a number of new benefits for some health cover products including:

- **Gym membership and gym visits** to Healthier Lifestyle Benefit. These are available on NIB Gold cover when prescribed as part of a Health Management Program by a relevant NIB recognised provider. The annual limit of \$100 per person per calendar year and a limit to \$200 per family per calendar year for the Healthier Lifestyle Benefit will remain unchanged.
- Two **natural therapies** to Natural Therapies Benefit. NIB has introduced Myotherapy (deep tissue massage) and Chinese Herbalism to the existing Natural Therapies benefit. This benefit is available to members with Gold, Quality Extras, and Public Hospital Plus Extras cover. Members will be able to claim for Myotherapy and Chinese Herbalism consultations from NIB recognised providers up to the existing annual limit for Natural Therapies which is \$170 per person per calendar year and a limit of \$340 per family per calendar year.
- **Group physiotherapy** to Physiotherapy Benefit. Available on NIB Gold cover as part of existing Physiotherapy benefit. Members will be able to claim up to \$10 a visit on the cost of group Physiotherapy sessions. For example, these include Hydrotherapy and Pilates when provided by a Physiotherapist. The annual limit of \$900 per person per calendar year for a range of services including Physiotherapy, Acupuncture, Antenatal Classes, Speech Therapy, Occupational Therapy, Chiropractic and Osteopathy will remain unchanged.

"By introducing new benefits, and by increasing the amount that can be claimed on ancillary services in highest demand, we are reinvesting contributions into the areas that will deliver the best value to NIB members," Mr Fitzgibbon said.

NIB is one of the top six health funds in Australia, providing health cover for more than 600,000 people.

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Mr Fitzgibbon said NIB was confident of maintaining the strong growth that the fund had recorded during the past year.

During 2004, NIB achieved membership growth of 4.40% in an industry that has been relatively stable over the same period (0.92% industry growth).

"NIB offers value for money private health insurance. We provide advice and options to help members get the best value from their NIB health cover", Mr Fitzgibbon said.

"To help members understand how they can save, and to ensure they are getting the best value from their private health cover, NIB has introduced a 10 point checklist", Mr Fitzgibbon said.

NIB will be writing to members who will receive changes to contribution rates and / or product benefits in March.

Changes to NIB's most popular products are as follows:

	product					
	Ambulance	Quality Extras	Bodyguard	Safeguard	NIB Gold	Public Hospital
Single rate 01/04/04	\$0.70	\$8.75	\$10.30	\$12.80	\$15.20	\$4.20
Single rate 01/04/05	\$0.70	\$9.05	\$11.10	\$15.10	\$17.10	\$4.90
<b>Difference</b>	<b>Nil</b>	<b>\$0.30</b>	<b>\$0.80</b>	<b>\$2.30</b>	<b>\$1.90</b>	<b>\$0.70</b>
Couple rate 01/04/04	\$1.40	\$17.50	\$20.65	\$25.65	\$30.45	\$8.40
Couple rate 01/04/05	\$1.40	\$18.10	\$22.25	\$30.20	\$34.20	\$9.80
<b>Difference</b>	<b>Nil</b>	<b>\$0.60</b>	<b>\$1.60</b>	<b>\$4.55</b>	<b>\$3.75</b>	<b>\$1.40</b>
Family rate 01/04/04	\$1.40	\$17.50	\$20.65	\$25.65	\$30.45	\$8.40
Family rate 01/04/05	\$1.40	\$18.10	\$22.25	\$30.20	\$34.20	\$9.80
<b>Difference</b>	<b>Nil</b>	<b>\$0.60</b>	<b>\$1.60</b>	<b>\$4.55</b>	<b>\$3.75</b>	<b>\$1.40</b>

The contribution rates in the table above are weekly contribution rates for NSW / A

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