Private Healthcare Australia

Annual Report 2019-2020

Private Healthcare Australia
Better Cover. Better Access. Better Care.

Contents

This annual report presents information to Private Healthcare Australia members on the activities of the organisation in the 2019/20 Financial Year.

About Private Healthcare Australia

Private Healthcare Australia (PHA) is the peak representative body for Australia's private health insurance industry.

PHA represents 24 Australian health funds with a combined membership of over 13 million Australians (97% of the sector based on membership).

The Year in Numbers

Health funds provide value to millions of members

13.6 million
Australians have PHI cover

11.2 million
have hospital cover

13.6 million
have general treatment (extras) cover

$21.7 billion
in benefits paid[1]

Down by $497 million
or -2.4% due to COVID-19 shut down[1]

Medical devices
$2.098 billion or +0.8% YoY

Specialist fees
$2.308 billion or -3.5% YoY

Hospital treatment
(including HST): $15.303 billion or -0.9% YoY

General treatment
(extras): $4.959 billion or -6.4% YoY

In the year to June 2020, private health insurers funded:

86.27 million
allied health services[1]

4.483 million
hospital treatment episodes (including HST)

367,979
hospital claims over $10,000 in the 12 months ending December 2019
+ 4.8% YoY

19,455
hospital claims over $10,000 for people aged under 30
+ 4.9% YoY

All figures pertain to the 2019-2020 Financial Year unless otherwise stated.

1. APRA
2. PHA estimates

Dental

39.87 million
dental services worth $2.602 billion

- 7.2% YoY

Mental Health

414,236
psychology and group therapy services (under extras cover) worth $31.8 million
+ 0.2% YoY[2]

Over 210,000
mental health-related hospital admissions
+ 0.96% YoY[2]

Over $720 million
for hospital treatment and care of patients with psychiatric, mental, addiction or behavioural disorders (under hospital cover)
+ 1.26% YoY[2]

Industry Profitability

Net margin
fell to 2.8% (from 4.9% in the year ending June 2019)[1]

42%
decline in profitability YoY

-0.4%
Net margin fall in the June quarter 2020, the lowest in at least the last 12 years

COVID-19

Over $500 million
in savings returned to members by funds via:

$112+ million
in financial hardship provisions for over 108,000 members financially impacted by COVID-19

6-month
postponement of the April 1 premium increase

Cash backs
rollover of services to the next calendar year or cancelling the premium increase altogether

Millions
of dollars donated to charities, COVID-19 response providers and local communities

Note: Restrictions on elective surgeries were imposed for the period 26 March to 28 April. Deferrals of procedures resulted from the restrictions are now expected to occur in the next 12 months.

Chairman's Message

Australia's unique system, relying on a balance between public and private healthcare, has once again shown that what happens in one sector has consequences for the other.

Since the beginning of the year, COVID-19 has affected the global and Australian community in far-reaching ways, including how people access and experience healthcare.

While Australia has so far escaped the overflowing emergency rooms, experienced in other parts of the world, the short and longer-term impacts of COVID-19 on the health of Australians and the Australian healthcare system are real and significant.

I want to take a moment to recognise how magnificently Rachel and her team have responded to the changes and additional pressures created by the pandemic, ensuring PHA was prepared to respond with agility and intelligence, to get in front of emerging issues, as well as being able to focus on the big reform agenda.

PHA would not have been able to do this without the support and assistance from our member funds, providing data, insights and advice in a timely way.

In April, the ACCC granted interim authorisation for health funds to coordinate on providing financial relief to policy-holders during the pandemic after receiving an application lodged by Private Healthcare Australia and Members Health Fund Alliance.

The same month, the Commission authorised private hospitals in some states to cooperate with their state health agencies, public hospitals and each other, to prepare for a coordinated COVID-19 response while also ensuring the continued viability of private hospitals.

The PHI industry will continue to respond to the immediate health and financial implications of COVID-19 on members. We know the impact on elective and non-emergency surgeries – what remains to be seen is the fallout from late diagnosis, screening and treatments delayed by the pandemic.

Australia's unique system, relying on a balance between public and private healthcare, has once again shown that what happens in one sector has consequences for the other.

As a degree of normalcy resumes in parts of Australia, our industry faces a new set of challenges, not least, forecast higher unemployment, that will reduce discretionary spending for many Australian households and affect their ability to pay for PHI. Our sector must continue to demonstrate real value (for both policy-holders and the healthcare system) to retain the backing and support of consumers and the Australian Government.

Amid the uncertainty, it is clear that Australians value our country's world-class healthcare and those who provide it. A robust and equitable PHI sector is essential to ensure our healthcare system can meet the needs of all Australians well into the future.

John Hill
Chairman, Private Healthcare Australia

CEO's Message

> ***Health funds have weathered an unprecedented market impact due to COVID-19 while continuing to pay out benefits exceeding $21.7 billion in the year to June 2020.***

This year, Australia's private healthcare insurers demonstrated industry-wide corporate citizenship through a rapid, COVID-19 response that was sensitive to their members' changing needs. Claims the industry stood to accumulate "windfall gains" from the pandemic were firmly debunked by APRA data. Further, the PHI industry is playing a key role, clearing waitlists for elective and non-emergency treatment and procedures, that were postponed as a result of the COVID-19 pandemic.

We changed how we worked both as an organisation and with member funds, implementing fortnightly CEO briefings, regular video calls and more open, frank communication, helping us to meet new challenges head-on.

PHI's response to COVID-19

Health funds have weathered an unprecedented market impact due to COVID-19 while continuing to pay out benefits exceeding $21.7 billion[1] in the year to June 2020.

In April, PHA applied on behalf of its members, for interim authorisation to co-ordinate the provision of financial relief to policy-holders during the pandemic, broadening insurance coverage to include COVID-19 treatment, telehealth and medical treatment provided at home, along with deferment of the approved April 1 premium increase. The industry also forgave over $112 million in premiums for members experiencing financial hardship due to the pandemic.

Together these changes equated to over $500 million in premium relief for Australians impacted by the pandemic. The uptake of online service delivery options has also resulted in many funds making teleconsultations for mental health, physiotherapy, and others available to their members.

As restrictions on elective surgeries and other social distancing measures ease, and private health activities return to normal levels, PHI benefits including the timing of surgery and choice of doctor will again become a key selling point for PHI, particularly with the added strain COVID-19 has put on public hospital wait times.

Over
$500 million
returned by health funds to support members through the pandemic.

1. Includes $1.4 billion in deferred claims liability.

Declining membership numbers for Australians under 40

Attracting young Australians to PHI is a significant challenge for our industry. The government and the healthcare sector must work together to ensure the healthcare needs of our aging baby boomer population can be funded.

In 2019/20 PHA focussed on demonstrating the value of PHI for young Australians, in particular those needing prolonged mental health care treatment. The demand for and cost of mental healthcare for this group is highlighted in our Private Healthcare Australia's Annual Hospital High Claims 2020 Report with 30,587 hospital high claims for mental health treatment in the 12 months ending December 2019 (a 5.9% increase on the previous year), costing private health insurers over $611 million.

We continue to advocate for government reform to make PHI more affordable for Australians under 40.

Working alongside health funds, the Australian Government has an important role to play to halt and reverse the trend of declining young adult participation in private health insurance by:

- Restoring the rebate to 30% of PHI premiums for participants under the age of 40;

> ***Working alongside health funds, the Australian Government has an important role to play to halt and reverse the trend of declining young adult participation in private health insurance.***

- Introducing a fringe benefits tax exemption applicable to PHI premiums for employees under the age of 40; and
- Increasing the awareness of existing PHI initiatives such as the newly introduced age-based discount and the Lifetime Health Cover policy.

These targeted actions would put PHI within the reach of young people who will benefit from healthcare services not readily available to them in the public sector, such as mental health treatment and dental care.

Preliminary, research-based estimates suggest applying these three levers could restore participation in hospital cover in the 18-39 age group to 38% by 2024, compared to a projected 32% participation rate if no action was taken.

In the lead up to the October Budget, PHA will push for incentives to improve participation in PHI and reduce wasteful costs to ensure the product remains viable and ensure all Australians are paying their fair share.

Addressing wasteful healthcare spending

> ***The medical device industry should be subject to the same regulatory regime as the pharmaceutical industry.***

This year, PHA regularly met with senators and members to advocate for sensible measures to reduce waste in the Australian healthcare system.

A key component of work has been our continued efforts to bring attention to the inflated costs of medical devices and the questionable methods used by device companies to recoup funds.

The medical device industry should be subject to the same regulatory regime as the pharmaceutical industry.

Released in August, PHA's medical device transparency consultation draft generated strong interest among the health sector, the media and government. The report investigating the medical device industry found that industry rebates and pricing practices were costing Australian families more than $2 billion per annum in PHI premiums.

Lowest premium increase in 19 years

In December 2019, Australian health funds delivered the lowest premium increase in 19 years. This was achieved through the industry's focus on realising efficiencies and use of retained capital.

The approved average premium increase of 2.92%, which was to come into effect on 1 April 2020, was delayed by most funds for a period of 6 months. At the time of writing, the government has advised that health funds still have the option to go ahead with the premium increase on October 1.

1 April 2020

premium increase delayed by most funds for 6 months.

PHA remains focused on addressing our industry's key challenges

The actions of health funds this year, in particular their collective response to COVID-19, are proof the industry is committed to providing value to their members and ensuring Australia's successful healthcare system is sustainable well into the future.

Despite these efforts, the latest APRA data showed the number of people insured with hospital treatment cover fell by more than 30,000 in the year to June 2020, taking hospital coverage (as a share of population) from 44.3% in June 2019 to 43.6% in June 2020.

Further decline in PHI coverage would result in an increased burden on state and territory health budgets at a time when they are already affected by the economic impacts of COVID-19.

Falling membership is particularly pronounced among younger Australians, with the number of people insured with hospital treatment cover in the 20-49 age group declining by more than 55,000 in the year ending June 2020.

"Further decline in PHI coverage would result in an increased burden on state and territory health budgets at a time when they are already affected by the economic impacts of COVID-19."

While we expect to make up some of this decline when suspended policies are reinstated by members looking to access private hospital and extras coverage, these numbers are further proof that impactful reform is needed to keep young people in cover.

PHI coverage in the 20-49 age bracket fell by more than

55,000.

PHI Reform

The industry has made significant progress towards implementing the PHI reforms introduced in April 2019, working with the government to ensure our health system continues to deliver high quality, accessible and affordable care for all Australians.

This year, PHA will continue advocating for measures to reduce waste in the healthcare system and cut red tape.

> ***The industry has made significant progress towards implementing the PHI reforms introduced in April 2019, working with the Government to ensure our health system continues to deliver high quality, accessible and affordable care for all Australians.***

We know what changes must be made and have identified clear strategies for improvement. Our Budget Submission 2020/21 clearly outlines our key asks:

Incentives to encourage increased PHI participation by younger people. The rebate should be restored to 30% and measures like fringe benefits tax exemption for PHI premiums should be on the table.

Permission for health funds to pay for healthcare out-of-hospital on a broad scale, in line with community needs and demand.

Stronger protection from fraudulent and wasteful claims and unfair charges. There are a range of regulatory restrictions and compulsory payments that promote low-value care that need to be addressed.

This year will be a challenging one for our industry as Australia faces a post-pandemic economic reality. PHA is ready to support member funds in advocating for fairer, more efficient healthcare policies and regulation.

Dr Rachel David
CEO, Private Healthcare Australia

Policy and Research Overview

> ***Sound research combined with greater scrutiny is assisting us to provide value to members and the community.***

This year PHA welcomed Ben Harris as its new Director of Policy and Research.

Private Healthcare Australia has invested significant time and resources into research and developing policy. Influence at the government level can be a slow process, but policy based on research and evidence is a necessary precondition for building trust and achieving change.

The longstanding issues with the Prostheses List is the area of greatest investment. With our partners at Evaluate and working with member health funds, we have been able to clearly demonstrate the lack of public value in elements of the current process. We have been successful in having some products removed or limited and have been taking a forensic approach to ensuring that products going onto the list have been properly vetted.

The hibernation of reviews into the general and miscellaneous category by the government has been the major setback during 2019-20. We are working hard to ensure this area of claims leakage is addressed in the short-term, as it puts upward pressure on premiums without demonstrated value to patients.

There has been a significant amount of output. Most importantly, our contribution to the government's work on what will happen with the Prostheses List following the expiry of the MTAA Agreement in 2022 resulted in that review stating that the existing process should not continue. The main target is to ensure that the post-2022 policy settings take much greater account of public value.

We have encouraged member funds to focus on compliance and enforcement, and have provided advice on key issues. The pressure applied by funds through this process is clearly impacting behaviour in the sector for the better. Sound research combined with greater scrutiny is assisting us to provide value to members and the community.

Elsewhere, we have developed our policy positions on demand issues such as the Medicare Levy Surcharge, a proposal for fringe benefits tax changes, and were successful in ensuring the value of the Private Health Insurance Rebate was not further eroded in 2020.

We have also produced background policy documents on second-tier default benefits, surprise billing, private patients in public hospitals, rehabilitation and Type C certificates which are having an impact across government and the sector.

PHA is also a vehicle for the industry to make submissions to a range of consultation processes, including MBS Reviews (eight submissions in 2019-20), implementation processes and evaluations; policy positions of government; and representing the industry on a range of committees and task forces.

The last part of 2019-2020 was dominated by the community and industry response to COVID-19. The private health insurance funds were quick off the mark to halt premium increases, provide relief to customers in need, provide expanded coverage to customers and contribute to support networks.

Member funds were rapidly able to convert funding for general treatment services to telehealth, doing so even before government, and using an evidence-based approach which should be sustainable into the future. PHA worked closely with member funds and professional associations to ensure we were able to demonstrate to the

community that funds were providing value to customers in unprecedented times.

PHA also undertook modelling on the effects on elective surgery shutdowns on both public and private systems, clearly demonstrating that COVID-19 will drive up waiting times in the public system for years to come.

PHA has worked closely with a range of stakeholders to increase understanding about the issues affecting private health insurance. These stakeholders include peak provider organisations, including those representing private hospitals and device manufacturers; professional associations; consumer groups such as the Consumers Health Forum; and a range of policy experts, researchers and academics.

Thank you to everyone who has helped me get up to speed this year. My aim was to visit each fund in my first year – I got to slightly more than half before COVID-19 halted travel. I have been grateful to everyone who has provided counsel, data and support.

Ben Harris
Director of Policy and Research, Private Healthcare Australia

> ***PHA is also a vehicle for the industry to make submissions to a range of consultation processes, including MBS Reviews, implementation processes and evaluations; policy positions of government; and representing the industry on a range of committees and task forces.***

2019-2020 Highlights

It has been an eventful and constructive year for Private Healthcare Australia and its members.

Private health premiums rise lowest in 19 years

By Fergus Hunter
December 7, 2019 — 3.02pm

Share A A A

169 View all comments

The Morrison government has announced the smallest increase in private health insurance premiums in two decades, revealing premiums on average will go up 2.92 per cent in 2020.

The figure represents a notable drop from the government-approved increases over recent years, which have ranged from 3.25 to 6.2 per cent, and comes after Health Minister Greg Hunt rejected insurers' requests for increases of 3.5 per cent two weeks ago.

Health Minister Greg Hunt rejected previous premium increase proposals from insurers. ALEX ELLINGHAUSEN

The Sydney Morning Herald, 7 December 2019

Lowest premium increase in 19 years

Australian health funds delivered the lowest premium increase in 19 years. The average premium increase of 2.92% was achieved by creating efficiencies and using retained capital.

Funds don't want to raise premiums by a single dollar but explained to stakeholders that it is necessary to meet the rising costs of healthcare in Australia.

PHA is having constructive discussions with the Health Minister about how a low premium pathway for the next few years will only be achieved if regulatory hurdles are removed and waste in the system is addressed.

Prostheses pricing campaign

Over the last 12 months PHA has run a sustained campaign to raise awareness about inflated costs of medical devices, device companies offsetting government savings and Prostheses List regulation.

While the medical device industry ramped up its own campaigning this year, PHA received cut through with key policymakers and press when we simply pointed out the price disparity for the same device in Australia compared to other countries.

Quarterly APRA data started to show a pattern of device companies driving up sales volumes to offset government savings. Given these savings aren't being returned to consumers by the multinational device companies, we will continue to make representations to government and regulators that prostheses costs are driving up premiums for all members.

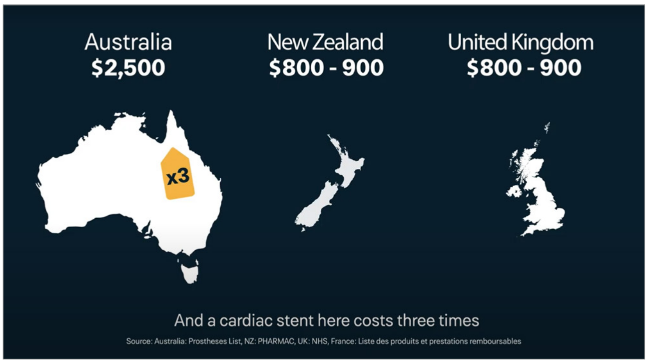
Medical device firms push sales to offset reforms, say health insurers

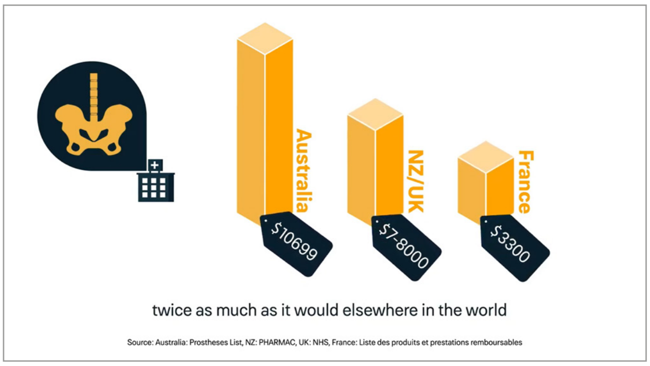
By **SARAH-JANE TASKER**
FORMER REPORTER AT THE AUSTRALIAN

3:56PM AUGUST 20, 2019
1 COMMENT

Private Healthcare Australia chief executive Rachel David. Hollie Adams/The Australian

The Australian, 20 August 2019





Out-of-pocket cost transparency

Health funds worked with government, doctors and industry to help consumers better navigate out-of-pocket costs. In December, the government's fee transparency website launched. This was an important first step in helping private patients manage out-of-pocket costs. In conjunction with the four tiers, private health insurance is much easier to choose, use and understand.

Advice to consumers on how to avoid out-of-pocket costs

Talk to your GP so they can help you find a low charging specialist. Use the government's new fee transparency website to find typical specialist fee costs.

Talk to your health fund. Most health funds have tools which list specialists covered by their GapCover schemes, who charge either no gap, or a known gap.

Ask your specialist for a quote up-front which contains all likely out-of-pocket costs, including the anaesthetist, surgical assistant and diagnostic tests.

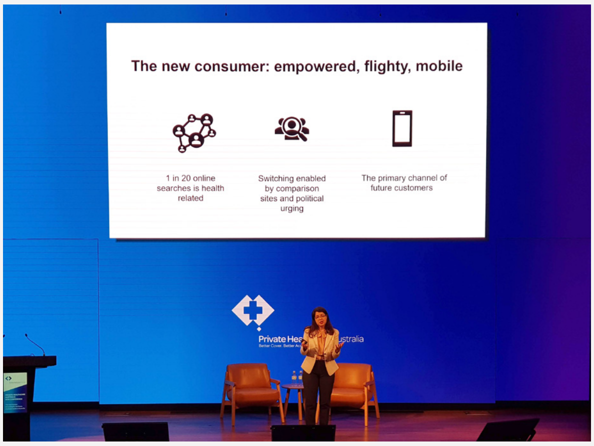
Talk to your GP so they can help you find a low charging specialist. Use the government's new fee transparency website to find typical specialist fee costs.

Talk to your health fund. Most health funds have tools which list specialists covered by their GapCover schemes, who charge either no gap, or a known gap.

APRA statistics

This year much of the public discussion around private health insurance was centred around young people dropping out of cover. Each round of quarterly APRA data that was released continued to show a decline in membership for age brackets under 30. Talk of a "death spiral" (a term coined by the Grattan Institute) took hold early in the financial year. PHA used these public discussions, including an appearance by Dr David at the National Press Club, to promote key reforms the government and regulators must consider – notably prostheses reform, out of hospital care and increasing the rebate.

Dr Tony Bartone, Dr Stephen Duckett and Dr Rachel David speaking at the National Press Club



2019 Conference

In November, we hosted one of our best-attended conferences. Focusing on how technology and innovation will impact private health in the coming years, we gathered in Sydney to hear from speakers both within and outside our industry.

Walking away from the conference, members felt they had been exposed to new ideas and ways of thinking. Being confronted with the challenges and opportunities that technology poses to private health, left members with creative ideas and new perspectives.

Industry Response to COVID-19

Australian health funds were among the first organisations to respond to the COVID-19 crisis.

Much of the heavy lifting in terms of provision of inpatient care through the pandemic has been done by the private sector.

An interim decision by the ACCC allowed us to work together to provide the best support to our members during this crisis – through both financial relief and access to new services.

Following the announcement of the government's six-week shutdown of elective surgery and some allied health providers – we fast-tracked members' access to telehealth and care outside of the hospital setting. We are now working with private hospitals and doctors to safely and efficiently clear the backlog of elective surgery. Health funds have said from the start they will not profit from the COVID-19 restrictions. We remain steadfast in this commitment to members.

Health funds supported members during COVID-19

Postponed the April 1 increase for six months

Gave back over $500 million in savings to members through premium postponement/ cancellation, rollover of services, cashbacks

Access to allied telehealth services for psychology, physiotherapy, speech pathology, dietetics, exercise physiology and more

Donated millions of dollars to charities, COVID-19 response providers and local communities

Offered treatment in the home, such as chemotherapy

The Board

Mr John Hill
Independent Chair

Ms Sheena Jack
Deputy Chair
HCF Ltd

Dr Andrew Wilson
Medibank Private Limited

Ms Emily Amos
BUPA HI Pty Ltd

Mr Mark Fitzgibbon
NIB Health Funds Ltd

Mr Mark Valena
GMHBA Limited

Mr Gerard Fogarty
Defence Health Limited

Mr Byron Gregory
Health Partners Limited

Mr Rob Seljak
Queensland Teachers'
Union Health Fund Limited

The PHA Team

Dr Rachel David
Chief Executive Officer

Ben Harris
Director of Policy and Research

Camilla Milazzo
Company Secretary & Director of Governance and Regulator Relations

Jen Eddy
Director of Media and Communications

Julian Lim
Chief Analytics Officer

Lisa Minchin
Executive Assistant & Office Manager

Private Healthcare Australia Ltd

ABN 35 008 621 994

Financial Statements

For the Year Ended 30 June 2020

Private Healthcare Australia Ltd

ABN 35 008 621 994

Contents

For the Year Ended 30 June 2020

Private Healthcare Australia Ltd
Directors' Report
30 June 2020

The directors present their report, together with the financial statements of Private Healthcare Australia Ltd (the **Company** or **PHA**) for the year ended 30 June 2020.

Information on directors

The Hon. John HILL

Appointment:
Independent Chair of PHA since 3 May 2019

Experience and expertise:
Minister (several portfolios including Minister for Health) – Government of South Australia 2002-2013
Deputy Chancellor – University of South Australia
Deputy Chair – ACH Group
Director – Benberry Ltd
Chair – Goyder Institute

Sheena JACK

Appointment:
Non-Executive Director of PHA since 24 November 2017
Deputy Chair since 29 November 2019

Experience and expertise:
Managing Director – Hospitals Contribution Fund of Australia Limited (HCF)
Director – Business Council of Cooperatives and Mutuals
Bachelor of Arts (Accounting)
Member – Institute of Chartered Accountants
Member – Australian Institute of Company Directors
Member – Chief Executive Women

Emily AMOS

Appointment:
Non-Executive Director of PHA since 17 March 2020

Experience and expertise:
Managing Director – Bupa HI Proprietary Limited
Bachelor of Economics (Hon.)
Master of Business (finance & accounting)
CPA, GAICD, FINSIA
Member – CPA Australia
Member – Australian Institute of Company Directors
Member – Chief Executive Women

Dwayne CROMBIE

Title:
Non-Executive Director of PHA from 22 May 2013 to 17 March 2020

Experience and expertise:
Director - Bupa HI Proprietary Limited
Managing Director, Health Services - Bupa Health Services Proprietary Limited
Bachelor of Medicine and Bachelor of Surgery (MB ChB) - University of Otago, NZ
Master of Business Administration (MBA) - University of Auckland, NZ
New Zealand College of Public Health Medicine (FNZCPHM) - (Public Health Medicine Specialist)

Information on directors (continued)

Mark FITZGIBBON

Appointment:
Non-Executive Director of PHA since 12 December 2019

Experience and expertise:
Managing Director and Chief Executive Officer – NIB Health Funds Limited
Master of Business Administration (MBA) – University of Technology Sydney
Master of Arts (MA) - Macquarie Graduate School of Management
Fellow – Australian Institute of Company Directors

Gerard FOGARTY

Appointment:
Non-Executive Director of PHA since 11 November 2015

Experience and expertise:
Chief Executive Officer - Defence Health Limited
Major General, AO (Ret'd)
Bachelor of Business (BBus), Grad Dip Management, Master of Business Administration (MBA), Master's Degree (MSS) (USA), Graduate of the Australian Institute of Company Director (GAICD)
Director - Defence Health Foundation Pty Ltd
Director - Members Own Health Funds
Director - Australian Health Service Alliance
Member - Private Health Insurance Code Compliance Committee

Byron GREGORY

Appointment:
Non-Executive Director of PHA since 10 November 2004

Experience and expertise:
Chief Executive Officer - Health Partners Limited
Business Commerce (B Comm)
Chair - Private Health Insurance Code Compliance Committee
Director - Australian Health Services Alliance Ltd
Director - Members Own Health Funds

Rhod McKENSEY

Appointment:
Non-Executive Director of PHA from 27 November 2013 to 29 November 2019
Deputy Chair from 24 March 2017 to 29 November 2019.

Experience and expertise during appointment:
Non-Executive Director – Whitecoat Operating Proprietary Limited
Group Executive, Australian Residents Health Insurance – NIB Health Funds Limited
Bachelor of Economics - Sydney University
Bachelor of Laws - Sydney University
Graduate Diploma in Applied Finance and Investments
Securities Institute of Australia
Member – CPA Australia
Member – Australian Institute of Company Directors

Information on directors (continued)

Rob SELJAK

Appointment:
Non-Executive Director of PHA since 19 July 2005

Experience and expertise:
Chief Executive Officer – Queensland Teachers' Union Health Fund Limited
Bachelor of Arts (B.A.), Bachelor of Law (LLB), Master of Business (M.Bus), Fellow of the Australian Institute of Company Directors (FAICD), FAIM
Chair – Hambs Systems Ltd
Chair – Pacific Health Dynamics
Chair – Hillbrook Anglican School
Director – Australian Health Services Alliance Ltd
Director – Members Health Fund Alliance
Director – TUH Healthcare Services Pty Ltd

Mark VALENA

Appointment:
Non-Executive Director of PHA since 16 April 2008

Experience and expertise:
Chief Executive Officer – GMHBA Limited
Bachelor of Business (BBus)
Director – Australian Health Service Alliance
Director – Members Own Health Funds
Director – Ideas to Action Consultancy
Director – Hambs Systems Ltd
Member – Institute of Chartered Accountants

Andrew WILSON

Appointment:
Non-Executive Director of PHA since 21 April 2015

Experience and expertise:
Group Executive, Healthcare and Strategy – Medibank Private Limited
Bachelor of Medicine (MBBS), Master of Music (MM), The Royal Australian and New Zealand College of Psychiatrist (FRANZCP), FACHSE
A founder and Co-President of McKesson Asia-Pacific

Information on directors (continued)

Rachel DAVID

Title:
Chief Executive Officer and Company Secretary since 16 January 2016

Experience and expertise:
Bachelor of Medicine (MBBS)
Graduate of the Australian Institute of Company Director (GAICD)
Master of Business Administration (MBA) – Macquarie University

Camilla MILAZZO

Title:
Company Secretary since 1 June 2020

Experience and expertise:
Juris Doctorate - UNSW
Bachelor of Arts (BA) (Hon) – UNSW
Graduate Diploma of Legal Practice – The College of Law
Certificate of Corporate Governance – The Governance Institute
Affiliated Member – The Governance Institute

Steven FANNER

Title:
Deputy Chief Executive Officer and Company Secretary from 25 November 2015 to 30 March 2020

Experience and expertise:

Bachelor of Communication, Public Relations – University of Canberra
Company Directors Course – Australian Institute of Company Directors

Meetings of directors
The number of Board meetings (including meetings of committees of the Board) held during the year ended 30 June 2020 and the number of meetings attended by each director were:

Board Meetings	Attended	Eligible to attend
HILL, J	9	9
CROMBIE, D	5	6
FOGARTY, G	7	9
GREGORY, B	8	9
JACK, S	9	9
McKENSEY, R	5	5
SELJAK, R	9	9
VALENA, M	9	9
WILSON, A	7	9
AMOS, E	3	3
FITZGIBBON, M	4	4

Audit Committee Meetings	Attended	Eligible to attend
SMITH, A	4	4
JOYCE, B	2	4
VALENA, M	4	4

Eligible to attend: represents the number of meetings held during the time the director held office.

Company secretary
Company secretaries at any time during or since the end of the financial year are:

Name	Date appointed	Date ceased
DAVID, Rachel	2 February 2016	-
FANNER, Steven	25 November 2015	30 March 2020
MILAZZO, Camilla	1 June 2020	-

Principal activities
As an industry association, the Company's short-term and longer-term objectives are focused on advancing the interests of its members by fostering strong relations with government, media, and other stakeholders involved in the health care sector. These objectives are met through the provision of information and advice, and through maintaining ongoing relationships with other industry associations. During the year there was no significant change in the nature of the Company's objectives or activities.

Short and Long-term objectives
The objectives of the Company are to advocate for the advancement of the Australian private health insurance industry to government, political, media and industry organisations and to advance the collective interests of its members and their policy holders. The Company is currently focused on securing a favourable outcome for its members and their policy holders from Federal Government reviews on private health insurance policy.

Strategy for achieving the objectives
The Company works to achieve these objectives by implementing strategies to:

- provide an effective forum for industry dialogue on policy and strategic issues relevant to private health insurance;
- facilitate strong engagement with relevant decision-makers;
- build a comprehensive data, information and policy basis; and
- utilise effective communication practices to promote the industry's preferred position on key issues.

Performance measures
The Board of the Company reviews progress on its objectives and consults regularly with management on the effectiveness and relevance of the Company's activities and on the performance of the management team in implementing agreed strategies.

The Chief Executive Officer is responsible for the overall implementation of the Board's agreed strategies for meeting the Company's objectives. Board meetings are held regularly throughout the year to monitor progress and provide further direction where necessary. The Chief Executive Officer is issued with Key Performance Indicators each year. The Board conducts an annual performance review through the Chair in which performance against the KPIs are assessed.

Six of the Director positions are subject to elections every two years, with the two largest members each entitled to appoint a director ex-officio, and the Independent Chair being appointed by the Board for a two-year term. This structure ensures each director is incentivised to ensure the Company works effectively to meet its objectives and deliver value for members.

Contributions on winding up
The Company is incorporated under the *Corporations Act 2001* and is a public company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstanding obligations of the Company.

As at 30 June 2020 the total amount that members of the Company are liable to contribute if the Company wound up is $250 (2019: $200). The Company has 25 members (2019: 20 members).

Events occurring after the reporting date
The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not been significantly impacted for the Company up to 30 June 2020, it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under *section 307C of the Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to *section 298(2)(a)* of the *Corporations Act 2001*.

On behalf of the directors

J Hill
Chair

DATE 7 October 2020

To the directors of Private Healthcare Australia Ltd:

As lead auditor for the audit of the financial report of Private Healthcare Australia Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Sydney, NSW
7 October 2020

K L Luong
Director

hlb.com.au

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215
Level 19, 207 Kent Street Sydney NSW 2000 Australia
T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Statement of Surplus or Deficit and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
Revenue	3	**5,566,426**	6,572,798
Expenses			
Administration expenses		**(440,281)**	(509,222)
Advertising and marketing expenses		**(10,334)**	(7,125)
Employee expenses		**(2,073,376)**	(1,879,450)
Consultancy expenses	5	**(1,938,061)**	(3,658,175)
Depreciation and amortisation expense	5	**(117,307)**	(17,966)
Occupancy expenses		**(11,905)**	(142,594)
Short-term leases		**(48,089)**	-
Travel activities		**(125,259)**	(140,293)
Conference activities		**(325,038)**	(7,219)
Finance costs	5	**(13,283)**	-
Other expenses		**(8,573)**	(63,446)
Operating surplus		**454,920**	147,308
Finance income	4	**41,107**	23,685
Surplus before income tax expense		**496,027**	170,993
Income tax benefit	6	**1,447**	-
Surplus after income tax expense for the year		**497,474**	170,993
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**497,474**	170,993

The accompanying notes form part of these financial statements.

Private Healthcare Australia Ltd

ABN 35 008 621 994

Statement of Financial Position

As At 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	7	**5,088,582**	7,659,076
Trade and other receivables	8	**575,601**	250,737
Prepayments		**58,864**	64,644
Deposits		**8,497**	4,897
Other financial assets	9	**2,500,000**	500,000
Total current assets		**8,231,544**	8,479,354
Non-current assets			
Property, plant and equipment	10	**82,037**	96,033
Right-of-use asset	11	**137,559**	-
Deferred tax assets	12	**1,447**	-
Other financial assets	9	**19,388**	19,388
Total non-current assets		**240,431**	115,421
Total assets		**8,471,975**	8,594,775
Liabilities			
Current liabilities			
Trade and other payables	13	**796,770**	817,517
Contract liabilities	14	**4,597,500**	5,328,700
Lease liabilities	15	**88,662**	-
Employee benefits	16	**175,943**	164,520
Total current liabilities		**5,658,875**	6,310,737
Non-current liabilities			
Lease liabilities	15	**55,466**	-
Employee benefits	16	**-**	23,878
Total non-current liabilities		**55,466**	23,878
Total liabilities		**5,714,341**	6,334,615
Net assets		**2,757,634**	2,260,160
Equity			
Retained surpluses		**2,757,634**	2,260,160
Total equity		**2,757,634**	2,260,160

The accompanying notes form part of these financial statements.

Private Healthcare Australia Ltd

ABN 35 008 621 994

Statement of Changes in Equity
For the Year Ended 30 June 2020

	Retained surpluses $	Total equity $
Balance at 1 July 2019	**2,260,160**	**2,260,160**
Surplus after income tax expense for the year	**497,474**	**497,474**
Other comprehensive income for the year, net of tax	**-**	**-**
Total comprehensive income for the year	**497,474**	**497,474**
Balance at 30 June 2020	**2,757,634**	**2,757,634**
Balance at 1 July 2018	2,089,167	2,089,167
Surplus after income tax expense for the year	170,993	170,993
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	170,993	170,993
Balance at 30 June 2019	2,260,160	2,260,160

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
Operating activities:			
Receipts from customers (inclusive of GST)		**5,700,385**	10,005,267
Payments to suppliers and employees (inclusive of GST)		**(6,301,961)**	(7,602,464)
Interest received		**41,107**	22,958
Interest paid		**(13,283)**	-
Australian government grants		**100,000**	-
Net cash (used in)/provided by operating activities		**(473,752)**	2,425,761
Investing activities:			
Purchase of property, plant and equipment	10	**(19,477)**	(5,661)
Purchase of other financial assets - Term deposit		**(2,000,000)**	-
Net cash used in investing activities		**(2,019,477)**	(5,661)
Financing activities:			
Payment of lease liabilities		**(77,265)**	-
Net cash used in financing activities		**(77,265)**	-
Net (decrease)/increase in cash and cash equivalents held		**(2,570,494)**	2,420,100
Cash and cash equivalents at beginning of year		**7,659,076**	5,238,976
Cash and cash equivalents at end of financial year	7	**5,088,582**	7,659,076

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial statements cover Private Healthcare Australia Ltd (the "Company") as an individual entity. The financial statements are presented in Australian dollars, which is Private Healthcare Australia Ltd's functional and presentation currency.

Private Healthcare Australia Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6 October 2020. The directors have the power to amend and reissue the financial statements.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Revenue recognition

The Company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

1 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

Revenue from contracts with customers (continued)
Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Levy income
The directors approve the administration budget in advance of each financial year. Levy income receivable is recorded when the likelihood of the member remaining is probable. As the levy entitles members to services and benefits during the membership period, this levy income is recognised as unearned income. This unearned income is then recognised on a straight-line basis so that over the duration of the membership, it reflects the timing, nature and value of the benefits provided.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Conference income
Conference income is recognised at a point in time when performance obligations are satisfied.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income
Other revenue is recognised when it is received or when the right to receive payment is established.

1 Summary of significant accounting policies (continued)

(c) Income Tax

The Company is an entity subject to the principle of mutuality, whereby funds contributed to the incorporated body by its members do not constitute income of the body, and the return of any excess funds to members is not assessable to members. Expenses that relate to members are generally not deductible for taxation purposes and general expenses are apportioned based on the proportion of income derived from members compared to non-members. In the case of the Company, the mutuality principle applies to receipts from members.

Expenses incurred in deriving these receipts and expenditure incurred in providing services to members will therefore not be deductible to the Company.

(d) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

1 Summary of significant accounting policies (continued)

(g) Financial instruments

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Non-derivative financial assets
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at amortised cost comprise term deposits.

(h) Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(i) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The depreciable amount of all fixed assets is depreciated on a diminishing value basis (except leasehold improvements and software) as indicated below. Depreciation is calculated on a straight-line basis to write off the net cost of leasehold improvements over their expected useful lives. Software is depreciated either on a diminishing value basis or on a straight-line basis.

1 Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Fixed asset class	Useful life/Diminishing value
Leasehold improvements	10 years
Furniture and fittings	8% - 100% rate based on diminishing value basis
Software	2-5 years / 40% - 100% rate based on diminishing value basis
Office equipment	25% - 100% rate based on diminishing value basis

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(j) Impairment of non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

1 Summary of significant accounting policies (continued)

(m) Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits
Termination benefits are recognised as an expense when termination benefits are paid.

(n) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Right-of-use assets 3-10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 1(j) Impairment of non-financial assets.

1 Summary of significant accounting policies (continued)

(n) Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expensed on a straight-line basis over the lease term.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(p) Comparative figures

Comparatives figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in accounting policy.

1 Summary of significant accounting policies (continued)

(q) Changes in accounting policies, new and amended standards and interpretations

New and amended standards and interpretations

The Company applied AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 15 Revenue from Contracts with Customers

The Company has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 1058 Income of Not-for-Profit Entities

The Company has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 '*Contributions*' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9 '*Financial Instruments*', or provisions in accordance with AASB 137 '*Provisions, Contingent Liabilities and Contingent Assets*'. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(q) Changes in accounting policies, new and amended standards and interpretations (continued)

New and amended standards and interpretations (continued)

AASB 16 Leases

The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 '*Leases*' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The impact of adoption AASB 16 on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019
	$
Operating lease commitments as at 1 July 2019 (AASB 117)	214,248
Operating lease commitments discount based on the weighted average incremental borrowing rate of 6.85% (AASB 16)	(13,417)
Right-of-use assets (AASB 16)	**200,831**
Lease liabilities - current (AASB 16)	(70,901)
Lease liabilities - non-current (AASB 16)	(129,930)
Reduction in opening retained profits as at 1 July 2019	**-**

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019.

When adopting AASB 16 from 1 July 2019, the Company has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

2 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Notes to the Financial Statements
For the Year Ended 30 June 2020

3 Revenue

	2020 $	2019 $
Revenue from contracts with customers		
Membership levies	**4,597,500**	6,515,625
Conference income	**143,926**	47,473
	4,741,426	6,563,098
Other revenue		
- Code mapping revenue	**725,000**	-
- Government grants	**100,000**	-
- Other revenue	**-**	9,700
	825,000	9,700
Total revenue	**5,566,426**	6,572,798

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	2020 $	2019 $
Geographical regions		
Australia	**4,741,426**	-
Timing of revenue recognition		
Services transferred over time	**4,741,426**	-

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

4 Finance income

	2020 $	2019 $
Interest income	**41,107**	23,685

5 Expenses

Profit before income tax includes the following specific expenses:

	2020 $	2019 $
Finance costs		
Interest expense on lease liabilities	**13,283**	-

Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Expenses (continued)

	2020 $	2019 $
Depreciation and amortisation expenses		
Office equipment	**20,485**	5,026
Software	**1,143**	1,451
Furniture and fixtures	**918**	561
Office equipment under lease	**10,927**	10,928
Right-of-use assets	**83,834**	-
	117,307	17,966
Consultancy expenses		
Consultant expenses	**1,835,359**	3,620,682
Professional services	**102,702**	37,493
	1,938,061	3,658,175

6 Income tax benefit

	2020 $	2019 $
Income tax benefit		
Current tax	**-**	-
Deferred tax - origination and reversal of temporary differences	**1,447**	-
Adjustment recognised for prior periods	**-**	-
Aggregate income tax benefit	**1,447**	-
Reconciliation of income tax to accounting profit:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	**136,407**	47,023
Tax effect of:		
- other non-allowable items	**(27,500)**	-
- non-deductible expenses	**(107,460)**	(47,023)
- Adjustment recognised for prior periods	**-**	-
Income tax benefit	**1,447**	-

As at 30 June 2020 the company has carry forward tax losses of $7,475,944 (2019: $7,055,321). Provided the company satisfies the tests as prescribed by income tax legislation, these losses will be available to offset this year's as well as future years' taxable expense. A deferred tax asset has been brought to account on the temporary differences arising from tax adjustments, however a deferred tax asset has not been recognised on the accumulated tax losses as it is not considered probable that future taxable income will be in excess of taxable losses.

7 Cash and cash equivalents

	2020 $	2019 $
Cash at bank	**5,088,582**	7,659,076

Notes to the Financial Statements
For the Year Ended 30 June 2020

8 Trade and other receivables

	2020 $	2019 $
Current		
Trade and other receivables	**514,800**	248,600
Accrued income	**10,801**	2,137
Other receivables	**50,000**	-
	575,601	250,737

9 Other financial assets

	2020 $	2019 $
Current		
Term deposits	**2,500,000**	500,000
Non-current		
Term deposits (bank guarantee)	**19,388**	19,388

10 Property, plant and equipment

	2020 $	2019 $
Furniture and fixtures		
At cost	**24,599**	24,599
Accumulated depreciation	**(23,272)**	(22,354)
	1,327	2,245
Office equipment		
At cost	**127,479**	108,002
Accumulated depreciation	**(119,187)**	(98,702)
	8,292	9,300
Software		
At cost	**71,370**	71,370
Accumulated depreciation	**(71,282)**	(70,139)
	88	1,231
Leasehold improvements - King Street		
At cost	**109,278**	109,278
Accumulated amortisation	**(36,948)**	(26,021)
	72,330	83,257
	82,037	96,033

10 Property, plant and equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture and fixtures	Office equipment	Software	Leasehold improvements	Total
	$	$	$	$	$
Balance at the beginning of year	2,245	9,300	1,231	83,257	96,033
Additions	-	19,477	-	-	19,477
Depreciation expense	(918)	(20,485)	(1,143)	(10,927)	(33,473)
Balance at the end of the year	1,327	8,292	88	72,330	82,037

11 Right-of-use assets

	2020	2019
	$	$
Office buildings		
At cost	210,396	-
Accumulated depreciation	(81,195)	-
	129,201	-
Photocopier		
At cost	10,997	-
Accumulated depreciation	(2,639)	-
	8,358	-
	137,559	-

Movement in the carrying amounts for each class of Right-of-use assts between the beginning and the end of the current financial year:

	Office buildings	Photocopier	Total
	$	$	$
Balance at the beginning of year	-	-	-
AASB 16 adoption	189,834	10,997	200,831
Additions	20,562	-	20,562
Depreciation expense	(81,195)	(2,639)	(83,834)
Balance at the end of the year	129,201	8,358	137,559

The Company leases 2 buildings for its offices under agreements of between 1 to 5 years, in some cases, option to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Company also leases a photocopier under an agreement of 5 years.

12 Deferred tax assets

Deferred tax asset comprises temporary differences attributable to:

	2020 $	2019 $
Amounts recognised in profit or loss:		
Employee benefits	**1,626**	-
Property, plant and equipment	**(758)**	-
Leases	**61**	-
Accrued expenses	**518**	-
Deferred tax asset	**1,447**	-
Movements:		
Opening balance	**-**	-
Credited to profit or loss	**1,447**	-
Closing balance	**1,447**	-

13 Trade and other payables

	2020 $	2019 $
Current		
Trade payables	**340,549**	411,350
GST payable	**395,428**	385,860
Accruals	**60,793**	20,307
	796,770	817,517

14 Contract liabilities

	2020 $	2019 $
Current		
Contract liabilities - Member levies and other	**4,597,500**	5,328,700

15 Lease liabilities

	2020 $	2019 $
Current		
Office buildings	**86,134**	-
Photocopier	**2,528**	-
	88,662	-
Non-current		
Office buildings	**49,358**	-
Photocopier	**6,108**	-
	55,466	-

16 Employee benefits

	2020 $	2019 $
Current		
Annual leave	**96,341**	92,417
Long service leave	**79,602**	72,103
	175,943	164,520
Non-current		
Long service leave	**-**	23,878

17 Financial instruments

The Company is not exposed to any significant financial risks in respect to the financial instruments that it held at the end of the reporting period.

The board of directors have the overall responsibility for identifying and managing operational and financial risks.

The Company's financial instruments consist mainly of deposits with banks, trade receivables and payables. The carrying amounts for each category of financial instruments are as follows:

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	**5,088,582**	7,659,076
Trade and other receivables	**575,601**	250,737
Other financial assets	**2,500,000**	500,000
Deposits	**8,497**	4,897
	8,172,680	8,414,710

17 Financial instruments (continued)

	2020	2019
	$	$
Financial liabilities		
Trade and other payables	**796,770**	817,517
Contract liabilities	**4,597,500**	5,328,700
Lease liabilities	**144,128**	-
	5,538,398	6,146,217

18 Capital commitments

As at 30 June 2020, the Company had not entered into any capital commitments (2019: Nil).

19 Contingencies

In the opinion of the directors, the Company did not have any contingencies at 30 June 2020 (30 June 2019:None).

20 Commitments

	2020	2019
	$	$
Non-cancellable operating lease rentals are payable as follows:		
- not later than one year	**50,400**	85,513
- between one year and five years	**-**	128,735
	50,400	214,248

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

21 Related parties

Transactions with director related entities
During the financial year, directors and their director-related entities paid member levies to the Company on the same terms and conditions available to other members.

Directors remuneration
The directors of the Company, with the exception of the Chair, do not receive any remuneration for the services they perform as directors. Directors are eligible to be reimbursed for expenses on the same basis as employees.

21 Related parties (continued)

Transactions with key management personnel
In addition to their salaries the Company contributes to a post-employment superannuation fund on their behalf in accordance with the Superannuation Guarantee requirements. Termination benefits are based on employee entitlements and individual contracts.

	2020	2019
	$	$
Key management personnel compensation	**1,392,431**	1,275,413

22 Contributions on winding up

The Company is incorporated under the *Corporations Act 2001* and is a public company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstanding obligations of the Company.

As at 30 June 2020 the total amount that members of the Company are liable to contribute if the Company wound up is $250 (2019: $200). The Company has 25 members (2019: 20 members).

23 Events occurring after the reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not been significantly impacted for the Company up to 30 June 2020, it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

24 Statutory information

The registered office and principal place of business of the Company is:

Private Healthcare Australia Ltd
Unit 32, Level 1
2 King Street
Deakin ACT 2600

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 29, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date of the Company.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Director ....

Dated 7 October 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Independent Auditor's Report to the Members of Private Healthcare Australia Ltd

Opinion

We have audited the financial report of Private Healthcare Australia Ltd ("the Company") which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Current and Possible Effects and Uncertainties of COVID-19

We draw attention to Note 23 to the financial report, which describes the current and possible effects and uncertainties on the Company arising from the on-going issues associated with COVID-19. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

hlb.com.au

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215
Level 19, 207 Kent Street Sydney NSW 2000 Australia
T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

K L Luong
Director

Sydney, NSW
7 October 2020