Annual Report 2022/23

In our members' best interests

Contents

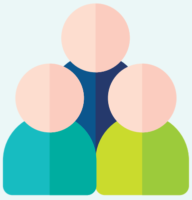
In the spirit of reconciliation, we acknowledge the Nyungar Nation, the traditional custodians of this Whadjuk Nyungar boodja, which we stand on, and our connection to land, sea and community.

We pay our respects to our Elders past, present and emerging and extend that respect to all Aboriginal and Torres Strait Islander people.

Our purpose:
to help members live healthy lives

Our vision:
to renew community confidence

Our values:



Community

Value and Affordability

Integrity

Member for Life

Accountability

Our strategy:

Vision	**Renewing Community Confidence**				
Strategic Drivers	**Members' Interests Come First**			**Choice and Access**	
Strategic Pillars	**People and Culture**		**Simplification**		**Enhanced Capability**
	Attracting, developing and retaining the right talent. Support our people supporting our Members		Back to Basics and Process Excellence. Overhauling processes, legacy systems and simplifying our messaging.		Complementary Digital. Technology and systems that enables and protects.
Hygiene	**Financial Sustainability and Risk Management**				
Values	**Community**	**Value & Affordability**	**Integrity**	**Member for Life**	**Accountability**
Purpose	**Helping our members live healthy lives**				

What if ... we told you a bit about ourselves

Our story began back in 1954 as the Western Australian Government Railways Employees Hospital and Medical Benefits Fund Inc. Not the catchiest of names, we admit.

We sought to fix that 24 years later when we became the Health Insurance Fund of WA before, in June 2010, settling on Health Insurance Fund of Australia to reflect our growing nationwide membership.

Some 69 years on, we stand tall amongst our competitors as an ethical, member-focused health fund offering great value health and travel cover.

Unlike many Australian health funds, we do not have shareholders. Moreover, cash dividends are not paid directly to our fund members. Instead, we return any surpluses to our members in the form of lower premiums, increased benefits and new services. That's just our way of rewarding our loyal members.

Our philosophy is to give members the freedom to choose when it comes to their healthcare providers. It's why everything we do is centred on providing choice and access to help our members and their dependents lead healthy and happy lives.

We also support causes that matter to our members.

HIF has covered same-sex couples for decades and was the first Australian health insurer to support Australian Marriage Equality. We welcome members who are trans or non-binary and have specific policies in place to ensure the experience of our trans, non-binary and gender diverse members is welcoming, safe and seamless.

HIF was Australia's first carbon neutral health fund, as certified by the Carbon Reduction Institute (CRI) on 25 September 2008, thanks to initiatives such as encouraging staff to ride to our offices in the Perth CBD – where we have secure bicycle parking facilities and showers – or take public transport.

We don't have a fleet of company vehicles and our only office building was designed and built to the National Australian Built Environment Rating System (NABERS) 4-star standards.

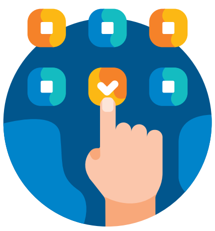
Our business is also largely paperless, and we are continually looking at ways to ensure our internal processes are electronic and produce very little waste.

We also encourage our members to opt-in for electronic communications and encourage employees to recycle their waste.

Our efforts were rewarded in 2022 when we were named the first ever Green Health Insurer of the Year in the Finder Green Awards. But we haven't been resting on our laurels.

In 2023, we were a finalist once again and we are continually looking for ways to champion sustainability and pave the way for a greener future.

A future that is firmly focused on doing what's right – by our members and by the community.



Our philosophy is to give members the freedom to choose when it comes to their healthcare providers.

A word from our Chairman

The 2022/23 financial year has been a significant one for HIF.

We rounded out the year with 101,267 adults and their dependants choosing to trust their health with us, processed 492,874 claims and paid out $134,486,913 in claims to our members.

The COVID-19 pandemic saw an increase in the uptake of private health insurance as Australians took a more vested interest in how to keep themselves, and their families, safe.

They recognised private health insurance allows people greater choice and access to health services, especially when public hospital wait times are rapidly escalating.

Around 14.4 million Australians now have private health insurance and thereby access more than $22 billion in health and medical benefits each year.

However, as we try to move on from the pandemic, we are acutely aware we face another challenge in rising interest rates and cost of living pressures impacting people's decisions and choices when it comes to where they spend their money.

As a private health insurer, we need to plan for these challenges and remain realistic about growth at a time industries across the world are being impacted by affordability issues.

It also means we have a lot of work to do to ensure those who have trusted HIF with their access to health benefits – and those looking for an insurer – see value in private health insurance.

As a not-for-profit, we remain committed to giving back to members. In previous years, we have offered cash back payments in recognition of the temporary suspension of elective surgery procedures and Extras services due to the COVID-19 pandemic.

Over the next 12 months, our focus will shift into ensuring any profits are invested back into the products and services we are offering our members.

We also recognise the very present threat of cyber security attacks, having watched in September 2022 as hackers obtained the private details of 10 million Australians in two high profile cyber breaches.

We have improved, and will continue to improve, our risk and compliance maturity, complemented by a full team of RCC specialists to meet the ever-increasing regulatory demand, while educating our members on how they too can protect themselves.

Without doubt, we face challenging times ahead. But equally, there is a lot to be excited about as we continue to grow as an organisation and invest in a team driven to deliver on all of our company objectives.

HIF is proud of the work we do, both for our members and the community as a whole, through our partnerships with some wonderful organisations.

We also remain committed to our Reconciliation Action Plan and, as we move from Reflect to Innovate, we are looking at tangible ways of acknowledging, respecting and learning from Aboriginal and Torres Strait Islander people.

We will continue to champion for equality for the LGBTIQ+ community when it comes to accessing the appropriate health care and are proud to have a team working within HIF dedicated to this cause.

And we recognise climate change as a subject to address as it may affect private health insurers, both through an increased need for health care and the uncertainty it brings.

We stand alongside other private health funds in our response to climate change and commit to continually striving to find greener ways of doing business.

As we look ahead to the next financial year, I would like to say thank you to our Board, stakeholders and HIF employees, including our dynamic leadership team, guided by our CEO Justin James.

And of course, the biggest thank you to our members for their ongoing loyalty to HIF. Your interests continually underpin our thoughts and decision making.

HIF turns 70 in 2024 and we look forward to reflecting on and celebrating all our achievements over the years.

Richard Homsany
Chairman

A word from our CEO

In 2022, we emerged from the pandemic more committed than ever to supporting our members, strengthening our existing partnerships and reinforcing the value of private health insurance.

Just before Christmas we once again honoured our commitment to not profiting from the pandemic by giving back $3 million in COVID-19 claims savings to our members.

In February, we announced that our 2023 premium increase was not just lower than last year, it was our lowest in nine years.

Furthermore we used the premium increase as an opportunity to highlight our commitment to showing value in private health insurance by introducing several product changes.

These included supporting single parent families by not increasing premiums on their Hospital cover. As part of our commitment to providing choice and access to members and ensuring the continuity of cover for younger Australians, we also increased the age limit for student dependants from 25 to 31.

Taking onboard valued feedback, we made changes to pay a rebate on oral contraceptive pills if prescribed for a medical condition (not just acne) for members with Extras cover for Pharmacy.

We also care about our members' mental health and understand that finding the right path to treatment can often seem overwhelming.

We continue to offer Mental Health Navigator at no extra charge for all HIF members who are 18 years or over no matter their level of cover and over the past 12 months have looked at alternative forms of treatment for people with chronic mental health conditions.

With prescription rates for anti-depressants doubling in the past 10 years, we have a duty of care to our members to explore all avenues of addressing the growing mental health crisis, even if it means taking the road less travelled.

It's why in March, we confirmed our sponsorship of Reset Mind Sciences, who are working at the forefront of emerging therapies.

Sleep is also intrinsically linked to mental – as well as physical - health. So in 2023/24 we will continue to champion its importance through our Sleep Eazzzy with HIF program.

We will continue to speak out on other issues relating to public health such as vaping, which has drawn a huge amount of attention over the past 12 months.

We recognise we are entering into a period of continued economic uncertainty.

As the cost-of-living and healthcare rises, it's our job to reinforce the value of private health insurance.

As a not-for-profit organisation, we remain committed to giving back to members.

However, while in previous years we have offered cash back payments, in 2023/24 we will be investing back into things we may otherwise not have had the opportunity to, including our dental offerings.

Poor oral health has been linked to heart disease, diabetes, respiratory illness, cancer and stroke, and can have a huge impact on a person's overall mental health.

So, over the next 12 months, we will be focusing on ways we can make dental care more accessible and affordable for our members.

Of course, everything we do for the 100,000+ adults and their dependants covered by HIF is driven by our own team, which is why we have been focusing over the past 12 months on employee satisfaction.

After all, if our employees are happy and engaged, it's more likely our members will feel the same.

We are proud of our commitment to recognising and respecting diversity in the workplace and ensuring everybody is treated with courtesy, fairness and respect and we will continue to work with partners and stakeholders who share this same vision.

I want to take this opportunity to thank our fantastic employees and Board and all our members for their loyalty to HIF.

We will never take for granted the responsibility to act in our members best interests as we capitalise on a positive year just gone.

Justin James
CEO

The year in review

101,267
Adults and their dependants covered by HIF

579
Pets insured

$46,349,647
paid on overnight hospital stays assisted by HIF

$43,190,795
Private

$3,158,852
Public

213
Member attendances each month at St John Urgent Care centres (↑400%)

$1,751,785
Paid out in Ambulance cover

492,874
Claims processed

27,157
Hospital

73,318
Medical

387,399
Extras

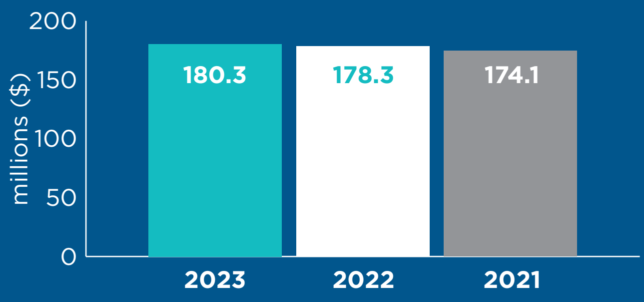
$38,522,847
In Extras claims

Dental:	$25,969,991
Optical:	$7,597,163
Physio:	$2,957,479
Chiropractic:	$1,998,213

$134,486,913
In claims paid to HIF members

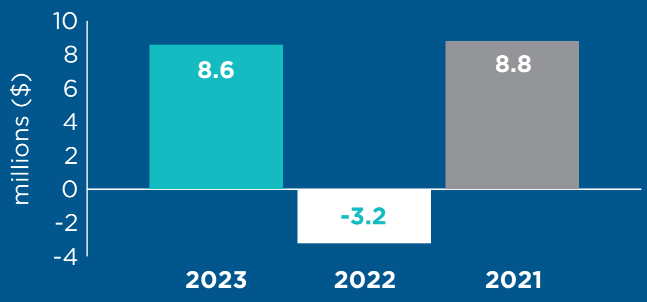
Financial summary

Revenue



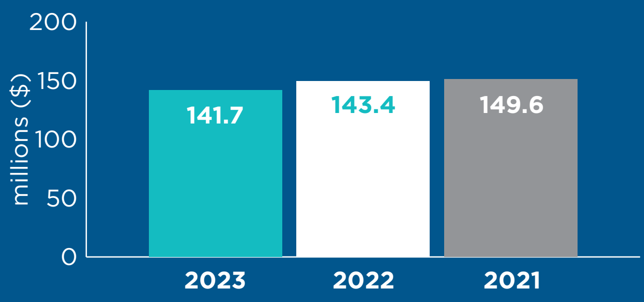
Premium revenue for the year was **$180.3 million** against a budgeted **$174.1 million**.

Investment results



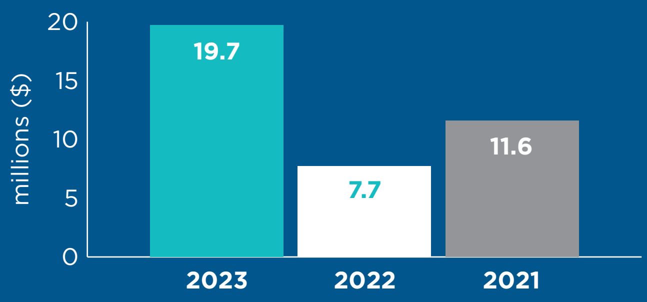
Investment income and fair value (losses)/ gains in 2023 was **$8.6 million** compared to a budgeted **$2.9 million**.

Net claims



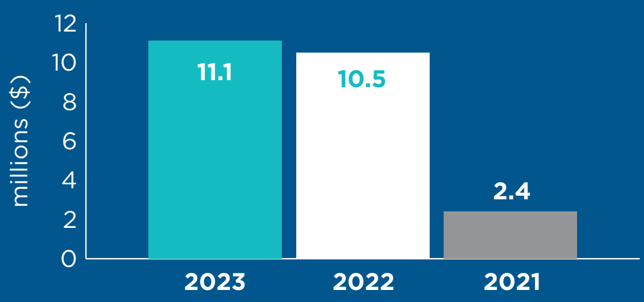
Net claims incurred in 2023 were **$141.7 million** against a budgeted **$148.4 million**.

Consolidated surplus



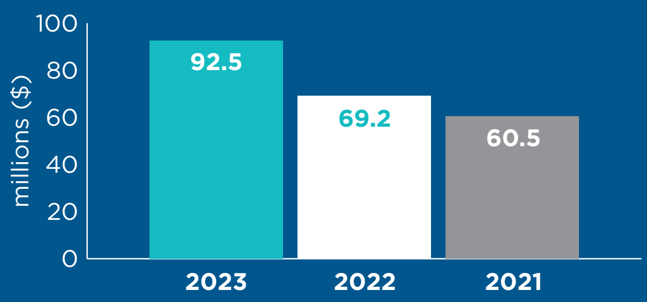
Consolidated surplus in 2023 was **$19.7 million** against a budgeted **$4.6 million**.

Net margin



Net margin (operating surplus before investment income) was **$11.1 million** in 2023 compared to a budgeted **$1.4 million**.

Capital adequacy



Capital in excess of the regulatory requirement in 2023 was **$92.5 million** compared to a budgeted **$61 million**.

Putting members' interests first

At HIF, everything we do is driven by our commitment to putting members' interests first and helping them live healthy lives.

Our partnership with St John WA saw the **opening of a new St John Urgent Care centre** in Osborne Park, WA and the **launch of a new St John Community Transport Service (CTS) vehicle** in Northam, WA.

We also announced an exciting new partnership with Reset Mind Sciences – a wholly owned subsidiary of Little Green Pharma – to establish a **proof-of-concept mental health treatment facility with capability to deliver psychedelic-assisted psychotherapy** to eligible patients.

We continue to offer hospital substitute and care-at-home services through programs sourced by the **Australian Health Service Alliance**. These are all fully funded programs providing our members with hospital transition, acute nursing, chemo and infusions, wound care and other acute services all in the comfort of their own home.

In 2021, we partnered with **Kieser** to cover the cost of tailored physiotherapy and supervised exercise programs for eligible members suffering from chronic conditions such as hip and knee osteoarthritis and spinal issues. Earlier this year, Kieser opened new centres in Queensland, Tasmania and Victoria, giving our members more choice and access to their services. Later this year, they will expand to South Australia.

Through our partnership with **Oska Wellness**, eligible HIF members receive 10% discount when purchasing an Oska Pulse device. The Oska Pulse is a pain management device that uses pulsed electromagnetic fields (PEMF) to help relieve pain at the source and is seen as a drug-free alternative to the long-term use of pain killer medication.

According to The Cancer Council, one in two Australians will be diagnosed with cancer by the age of 85. To support our members who have been diagnosed with cancer, we also provide access to **Valion Health's** virtual cancer support program that helps participants maintain physical wellness and manage side effects after cancer treatment.

Members who have held Hospital cover (excluding Basic) for 12 months and meet the clinical eligibility criteria can also access a Healthy Weight for Life program with no out of pocket costs, thanks to our partnership with Prima Health.

Healthy Weight for Life (HWFL) programs are specifically designed for people who are dealing with heart health risk factors, knee or hip osteoarthritis, or Type 2 diabetes and offer comprehensive support from a team of highly skilled allied health professionals.

We will continue to educate our members about HIF products and services and have committed to helping them make the most of their private health insurance, especially within the first 12 months of joining us.

Recognising navigating the world of private health insurance can feel quite overwhelming, we introduced a welcome pack containing everything new members need to know to get started on their journey with us.

And we will continue to look at ways to recognise our loyal members, including a little surprise on significant anniversaries.

In 2022/23 we:

Paid **$3m in COVID claims** savings back to members.

Ensured our average premium increase was the **lowest in nine years.**

Increased our Member Satisfaction score to **92%.**

Began paying benefits on oral contraceptives **for all medical conditions** (not just acne) for members with Extras cover for Pharmacy*.

Increased the age limit for student dependants from 25 to 31.

Provided **family level cover** on Basic Plus Hospital.

Provided **premium rate rise reprieve** for single parents on Hospital cover

Relaunched our **non-working visa** Overseas cover

Offered travel insurance through Allianz Global Assistance

Continued to provide **access to Mental Health Navigator for all members** aged 18 years and over on any level of cover

Supported members impacted by flooding across the country by offering the option of suspending their policy if needed and access to Mental Health Navigator support

**Effective from 28/02/2023. For members on eligible Extras products with cover for Pharmacy (non-PBS) Drugs. Benefits payable up to available limits. Waiting periods apply. The claim must be accompanied with a letter from the treating medical practitioner to state the medical condition for which the medication is being prescribed for. Oral contraceptives are excluded where prescribed for the purpose of contraception only.*

HIF in the community

HIF Kiosk

In 2022/23, our travelling, pop-up Kiosk had a makeover to include a new digital screen which allows us to rotate brand and offer messaging in shopping centres, even when the Kiosk is unattended.

We decided to set up shop in some of the smaller shopping centres around WA where we're more likely to see regular customers return and remember our friendly faces!

Over the past 12 months, the Kiosk has travelled 233kms, visiting shopping centres across WA, including Whitford City, Belmont Forum, Innaloo, Ellenbrook Central, Riverton and Livingston.

We also took the Kiosk to the AMA (WA)'s annual conference, MEDCON, where our team donned specially branded Sleep Eazzzy with HIF pyjamas to promote our sleep program.

HIF Branch & Community Lounge

Our branch is located at 100 Stirling Street, Perth and is a walk-in storefront for members who wish to speak to someone face-to-face regarding their health cover.

We also invite members to pop into our office on Stirling Street and share their HIF story with us.

Forging strong partnerships

When it comes to sponsorships, we always ensure our partners' values are aligned with our own and the relationship is a mutually beneficial one that drives brand awareness, consideration and advocacy.

Perth Wildcats

Anyone who has been to a Perth Wildcats game knows it's one exhilarating experience.

Featuring high energy, non-stop entertainment, it's a unique and memorable night out for the whole family.

HIF has been a proud sponsor of the Wildcats since 2013 and, as their Diamond Partner, our logo has prime position on the back of all player (and fan purchased) jerseys.

The Wildcats won back-to-back NBL titles in 2019 and 2020 and have 10 championship trophies – more than any other team in the league – and 36 NBL finals appearances under their belt.

The club boasts close to 11,000 members and enjoys regular game attendances of more than 11,000, along with a loyal army of 280,000+ followers across its social media channels.

St John WA

St John WA is a charitable, non-profit humanitarian organisation teaching first aid to the community and delivering the State's ambulance service, while also shaping and leading the sector nationally.

St John has been servicing and operating as an integral part of the Western Australian community for more than 130 years:

- Making first aid a part of everyone's life
- Delivering high-quality cost-effective ambulance services to West Australians
- Providing appropriate, timely and equitable access into the health system for unscheduled care

Together with St John, we work to support critical healthcare initiatives in WA and help close the gap when it comes to accessible healthcare services for all.

Since 2021, HIF has been covering the cost of members' consultations at **St John Urgent Care centres**. These centres are designed to take some of the pressure off the public hospital system by treating injuries or illnesses that are urgent but don't require a trip to the emergency department.

There are now six St John Urgent Care centres around WA, all of which are open seven days a week offering medical treatment for walk-in patients with non-life-threatening injuries or illnesses, such as sprains, broken bones, mild cuts and more.

Our partnership with **St John Giving –** the charitable arm of St John WA – began two years ago with the launch of the Bunbury Community Transport Service (CTS), which provides an essential service to ensure patients in the South West of WA can get to their medical appointments.

This service is also offered across Perth, the Goldfields, Great Southern and the Wheatbelt and this year expanded to Northam after HIF funded a Kia Carnival fully equipped with automatic external defibrillators and first aid kits.

We also continue to send **St John WA first aid kits** to our members on special anniversaries as a small token of appreciation of their ongoing loyalty to HIF.

St John

Little Green Pharma

In 2021, in partnership with Little Green Pharma, we were proud to support a national research study – the QUEST Initiative – one of the world's largest observational study into the treatment of chronic conditions using medicinal cannabis.

The results provided valuable insights for patients, prescribers, researchers and the medicinal cannabis industry and paved the way for the next phase of the study – QUEST Global.

QUEST Global will be led by Curtin University and will focus on a more detailed assessment of health economic outcomes, including the potential for medicinal cannabis to reduce the number of medications a patient requires and their need for healthcare services.

In the meantime, HIF will continue to pay benefits for medicinal cannabis across all but one of our Extras policies.

Reset Mind Sciences

Leveraging our partnership with Little Green Pharma, in March 2023 we sponsored their subsidiary Reset Mind Sciences to establish their landmark mental health treatment facility with capability to deliver psychedelic assisted psychotherapy.

HIF and Reset will also undertake a concurrent health economics study to provide real-world data to inform potential member coverage for the treatment.

Up to 100 HIF members will also be given priority assessments for treatment in the facility, which we anticipate will be open towards the end of 2023.

The Australian Medical Association (WA)

In 2022/23, we continued our partnership with the Australian Medical Association (WA) as a Diamond Sponsor of its annual conference MEDCON, held at Crown Perth.

MEDCON brings together doctors from all specialties, including those from regional and remote areas, and provides delegates with the opportunity to learn from the expertise of medical colleges, health organisations and sponsors and exhibitors.

The HIF Kiosk was in prime location in the MEDCON exhibition hall while we hosted two successful sessions:

- **What if the medical profession put greater emphasis on the importance of sleep.** Hosted by HIF CEO Justin James and featuring Dr Jennifer Walsh, Director of the Centre for Sleep Studies at the University of Western Australia; Dr Joe Kosterich GP, speaker, author, and health industry consultant; and Dr Jennifer Wood, co-chair for the AMA WA Doctors in Training committee.
- **Emerging therapies ... What a difference a year makes.** Hosted by Di Darmody and featuring HIF CEO Justin James; Professor Sean Hood, Head of the Division of Psychiatry at the University of Western Australia; and Dr Leon Warne, Head of Research and Innovation at Little Green Pharma and Reset Mind Sciences

This year the AMA (WA) celebrated its 125-year anniversary, which was recognised and celebrated during MEDCON23 and MEDBALL23, along with HIF's sponsorship for a third consecutive year.

AMA
WESTERN AUSTRALIA

Binar Futures

In October 2022, we announced a new partnership with Binar Futures – a not-for-profit sport, education and leadership organisation supporting Indigenous youth in Western Australia.

The three-year partnership will see HIF provide funding support for Binar's sporting teams and homework classes while work experience and volunteering opportunities will be explored for Binar participants and HIF employees.

Binar Futures was founded by Midland businessman Adam Desmond in 2011 when he supported a local basketball team of six Indigenous youths. It has grown to now support more than 1,400 young people across Perth in sporting pursuits, education opportunities, leadership training, employment and cultural awareness.

Binar Futures embodies a brand and culture that values community, family and connection to culture, an ethos which is mirrored at HIF.

The partnership also reflects our commitment to supporting causes that are important to our members and aligned with our RAP journey.

It is also an opportunity to provide valuable cultural learnings for HIF employees and work with Binar to build positive a positive future for Indigenous youth.

BINAR

Living our values

The road to reconciliation

Throughout 2022/23, we placed great emphasis on strengthening and enhancing our Reconciliation Action Plan (RAP) journey, focusing on initiatives that make a difference and participating in important national events such as National Reconciliation Week and NAIDOC week.

Our commitment to fostering meaningful relationships with Indigenous communities and driving cultural awareness initiatives among our employees has driven positive outcomes for our organisation, including:

- **Our RAP working group:** Our commitment to reconciliation is reinforced through the continued dedication of our RAP working group. The group comprises a diverse mix of employees from across HIF to ensure actions are both inclusive and meaningful, and meets regularly to drive progress, share insights and develop strategies to achieve the targets outlined in our RAP.
- **Ongoing cultural awareness for employees:** Our monthly Community Halls and People Experience newsletters provide an opportunity to ensure our employees are engaged and educated on important RAP matters.

- **National Reconciliation Week (NRW) (27 May – 3 June):** NRW provided another opportunity for us to reaffirm our commitment to reconciliation. The theme for NRW 2023 was *Be a Voice for Generations* and encouraged all Australians to be a voice for reconciliation in tangible ways in their everyday lives. During the week, we took part in various activities, including the Walk for Reconciliation through Kaarta Koomba (Kings Park), hosted by Reconciliation WA, and our own HIF Walk for Reconciliation through Hyde Park. We also hosted Indigenous inspired baking classes for employees, encouraged employee participation in the National Reconciliation Week Virtual Breakfast seminar; and organised an essential items collection drive to support the Waalitj Foundation's Deadly Sista Girlz Program.
- **NAIDOC Week (2-9 July 2023):** NAIDOC Week is a significant highlight of the year and in 2023 we ran with the theme *'For our Elders'*, organising and promoting various events and activities to celebrate the history, culture, and achievements of Aboriginal and Torres Strait Islander peoples. We also invited traditional owner Ingrid Cumming to share her story and collaborated with Noongar artist Buffie Corunna to showcase her creative work. These initiatives not only underlined our commitment to reconciliation but also fostered a deeper understanding of Indigenous culture among our employees.
- **Voice to Parliament:** We provided resources on the Voice to Parliament to enable our employees to make an informed decision ahead of the historic vote.

Our focus for the next 12 months will be on attaining our next level of RAP, *Innovate*, through continued efforts in collaborating with Indigenous communities, refining our strategies and implementing meaningful actions.

We sincerely thank all our employees, stakeholders and Indigenous partners for their support and dedication to this important cause.

Championing equity, diversity and inclusion

In addition to our RAP-related efforts, we made significant strides in advancing our diversity and inclusion initiatives.

We established a dedicated Diversity and Inclusion working group to lead the design and delivery of our D&I Working Plan and implemented several initiatives, including:

- **Menstrual and menopause support:** HIF employees are entitled to an additional two paid leave days per year if they are experiencing menstruation or menopause symptoms.
- **Fertility support:** In recognition of the challenges some employees may face when balancing fertility treatment with work, we have established health and fertility partnerships to provide fertility support resources for employees.
- **Diverse hiring and development:** We actively seek diverse talent to join our team and invest in professional growth through training, development and coaching.
- **Education, awareness and listening:** We provide resources and training to educate employees on the value of diversity and how we can collectively contribute to a more inclusive workplace. We actively encourage feedback from employees to understand their experiences and identify opportunities for improvement.
- **Changes to leave policy:** We made some changes to our leave policy to ensure inclusivity and respect for everyone's preferences. Recognising Australia Day has different meanings for different people, starting in 2024, it will now be considered optional leave. This means employees can choose whether they want to take the day off or work as usual.

By fostering a committed working group, enhancing our team's knowledge and awareness through in-person and online training, participating in significant national events and promoting diversity and inclusion initiatives, we have further solidified our commitment to reconciliation and social responsibility … and it's something we are incredibly proud of.

Our HIF Leadership Team

Trudy Adams
Strategy and Information Leader

Jessica Blackwell
Culture Leader

Belinda Goosen
Risk Leader

Nikesh Hirani
Data & Proposition Leader

Elizabeth Lefort
Marketing Leader

Glenn Oellermann
Financial Leader

Elevating our brand

Our ‘What if’ branding is now starting to enjoy greater recognition amongst our competitors in the private health insurance market.

Our **brand tracker survey**, which measures thoughts and behaviours of consumers in order to understand how they view us and other health insurers, has seen strong results over the past year.

Brand recall has gained traction with more than half of our survey respondents correctly identifying HIF when shown unbranded versions of our advertisements.

Our ‘What if’ call to action is working, with more than half of those who have seen our campaign having either thought about joining us or actively taken steps towards it.

Insights like this help us to better understand what people are looking for from their private health insurer and ensure we stay on track when it comes to meeting the needs of our members and the broader community.

After successfully launching our **‘What if’ brand campaign** in 2021, during the past 12 months we moved excitedly into phase two.

New ‘What if’ messages were released into market across digital, TV and outdoor platforms that showcased how we are different to other private health insurers and reaffirmed our commitment to putting members’ interests first.

The What if branding was further embedded throughout messaging with our partners, including Perth Wildcats, to ensure all our campaigns are instantly recognisable as HIF.

Performing online

Around **60% of new members** come to us through **hif.com.au** – so we want to make sure our website is easy to find, easy to navigate and a valuable resource for whoever knocks on our virtual door.

In 2022/23 we saw:

6%
increase in visitors to the website

2.5m
page views

9%
increase in users who accessed the website via mobile

53%
of website visitors were female

47%
of website visitors were male

7%
increase in people purchasing a policy online at hif.com.au

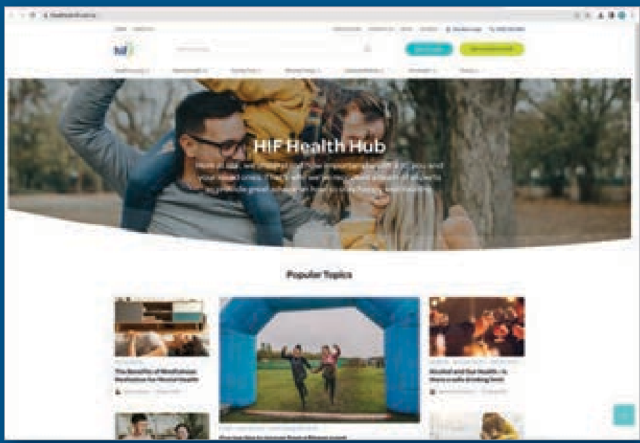
Meanwhile on social media, we saw our audience move away from Facebook and a **53% increase in our LinkedIn engagement** rate from last year.

HIF's LinkedIn page saw a three-fold increase in post link clicks, generating greater post engagement and directing users to our website and new Health Hub.

Health Hub

At HIF, we understand how important health is to our members. It's why in 2022 we recruited a team of experts to provide advice on how to stay happy and healthy.

The helpful and well-received content we share on Health Hub is at the heart of online performance for **hif.com.au**.



60%
of new members come to us through our website

Driving change through thought leadership

Sleep

Sleep. It's one of the three pillars of health along with diet and exercise.

Yet despite the fact one third of our lives are spent sleeping, 40% of Australians have trouble getting the recommended 7-9 hours sleep a night.

According to an April 2021 report by the Sleep Health Foundation:

- Around 1 in 10 Australians have a sleep disorder that can have a serious effect on their health, well-being and productivity
- Poor sleep costs the Australian economy $14.4 billion a year

Investment in sleep and education around fatigue has never been more topical or important which is why we have implemented a program – *Sleep Eazzzy with HIF*.

Over the past 12 months, we've been championing sleep through:

- **Sleepy September** – Our A to Zzzz of Sleep Myths social media campaign debunked some common misconceptions around sleep.
- **World Sleep Day** – Research shows exposure to sunlight in the morning can help you sleep at night. So, to celebrate World Sleep Day in March, we teamed up with the Cold Nips community movement for a sunrise meditation and ocean dip. More than 400 people joined us at City Beach in Western Australia, including Dr Jen Walsh, Director of the Centre for Sleep Science at the University of Western Australia, who provided a few pre-dip sleep tips.

- **Sleep Index Survey** – We worked with market research agency CoreData WA to survey 2,000 people – including more than 1,000 of our members – to determine the different factors influencing their sleep habits. Respondents were given a live 'sleep score', which we hope they will improve on next year, thanks to our continued education around sleep. The survey also generated a number of media headlines.
- **Continued education and discussion** across social media, in our quarterly newsletter SmartHealth and discussions in the media and at conferences.

Over the next 12 months we will be introducing new products and services across all levels of cover to better assist our members in getting a good night's shut eye ... and enjoying the health benefits that come with it.

Emerging therapies

In 2020, HIF announced a new partnership with West Australian-based medicinal cannabis manufacturer Little Green Pharma, providing rebates for members.

Over the last two years, our conversation around alternative forms of treatment has expanded to include psychedelics in the treatment of chronic mental health conditions.

In February this year, the Therapeutic Goods Administration (TGA) made one of its most talked about decisions to date - that medicines containing psychedelic substances psilocybin and MDMA could be prescribed by specifically authorised psychiatrists to treat certain mental health conditions from 1 July, 2023.

It paved the way for us to pursue a sponsorship with Reset Mind Sciences.

More than 44% of Australians aged 16-85 are estimated to have experienced a mental disorder at some time in their life, and around one in seven Australians now taking anti-depressants daily.

Our hope is that these alternative drugs will provide hope for people for whom traditional forms of treatment have just not worked.

Vaping

Over the past 12 months we have taken a public stance against vaping. So it was heartening when, in May this year, the Federal Government announced it would ban non-prescription vapes as part of the biggest smoking reforms in a decade.

The Government allocated $234 million to tobacco and vaping reforms, including $63 million for an information campaign to discourage smoking and vaping.

Another $30 million will be invested in support programs for those who quit and $140 million to combat smoking and vaping among indigenous Australians.

Like the rest of the private health insurance industry, we welcomed the Government's decision and remain hopeful that by minimising access to vapes, less people – particularly children – will use them.

Research suggests one in six Australians aged 14-17 years old and one in four people aged 18-24 has vaped. Vaping also triples the likelihood someone will take up smoking.

According to Private Healthcare Australia, 122 private health insurance members have been admitted to hospital for vaping illnesses since 2020, the youngest being just two years old and suffering from an accidental exposure to vaping.

We recognise there will always be a black market in vaping, but we are confident this is a good first step in the right direction.

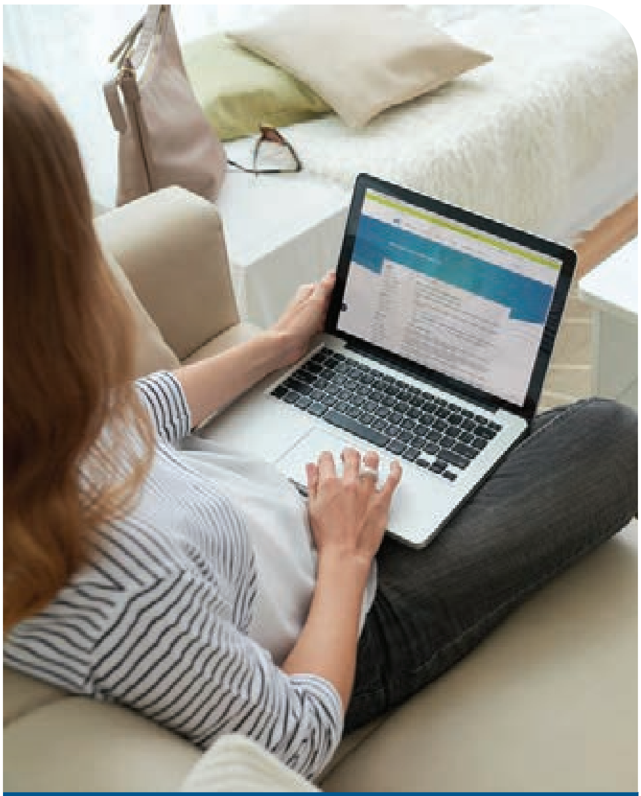
Material Business Risks

Our Risk Management Framework ('RMF') defines the systems, structures, policies, procedures and processes used by HIF to identify, measure, evaluate, monitor, report and mitigate the material risks that may affect its ability to meet its obligations to members.

The Board has developed a three-year rolling strategic plan that sets out its desired approach for the implementation of HIF's strategic objectives. The strategic plan organises HIF's strategic objectives and deliverables under three strategic pillars, namely: People and Culture, Simplification and Enhanced Capability.

These pillars are underpinned by Financial Sustainability and Risk Management. Risk management is fully integrated into the strategic planning cycle, providing an opportunity to annually review strategic objectives and to assess the impact of any changes on HIF's risk profile.

The Board accepts a certain amount of risk in pursuit of HIF's strategic objectives and in achieving its vision of renewing community confidence. The Board will however only accept material business risks that have been carefully assessed and for which it has geared itself to accept, including through operating effective controls to avoid unwelcome risk, mitigating the likelihood of this risk occurring, and reducing the resulting impact of this risk.



Preventing the risk of a cyber attack

When cyber attacks happen, like the two high profile attacks in 2022, it serves as a sobering reminder for us all to remain vigilant.

At HIF we value the privacy and security of our members' data. To help ensure it remains secure, we continue to invest in and uplift our cyber security capabilities.

We use a number of tools to monitor the performance of our external cyber security posture while continuing to educate our members on ways they can limit the risk of fraud.

The following table outlines HIF's material risks under each strategic pillar:

Strategic Pillar	Risk	Risk Description
People and Culture	**Conduct Risk**	The risk that HIF's organisational behaviours and culture do not align with its core values and the ethical expectations of the community in which it operates, resulting in diminished brand loyalty and stakeholder confidence.
	People Risk	The risk of not having the right people, capability and workforce composition negatively impacting the achievement of the overall strategy.
Simplification	**Poor Member Value Proposition Risk**	The risk of failing to proactively communicate and deliver on value proposition to current and prospective members with evolving expectations, leading to limited market competitiveness and increased member churn.
	Service Delivery Risk	The risk of delivering inadequate levels of service resulting in member dissatisfaction and attrition.
Enhanced Capability	**Cyber Security Risk**	The risk of failure, unauthorised or erroneous use of information systems resulting in financial loss, disruption or damage to HIF's reputation.
	Enabling Technology Risk	The risk of inadequate technology and infrastructure resulting in operational disruptions, poor member experience and loss of business.
Financial Sustainability and Risk Management	**Regulatory Intervention and Sovereign Risk**	The risk of HIF's inability to respond to private health insurance related Government or Regulatory changes/ reforms resulting in financial or reputational loss.
	Brand and Reputation Risk	The risk of potential losses in financial capital, community confidence and/or market share resulting from damage to HIF's brand and reputation.
	Third Party Risk	The risk of dependency on and inadequate management of third-party service providers resulting in poor service delivery, regulatory non-compliance and financial loss.
	Insurance Risk	The risk of an unexpected increase in claims, changes in member and product mix and product competitiveness negatively impacting affordability, financial viability and sustainability.
	Capital and Liquidity Risk	The risk that HIF cannot meet its financial commitments as and when they become due and has insufficient assets to cover its prudent liabilities and regulatory capital requirements.
	Investment Risk	The risk that HIF's investment portfolio produces insufficient income and/or a loss in capital value due to negative investment market factors including equity prices, interest rates, currency and credit risks.

HIF Financial Report

Corporate information

Directors

R. Homsany (Chairman)

S. V. Blake

P. L. Hersey

K. Laufmann

M. M. Malone

T. W. Shackleton

Company secretary

K. L. J. Garvey

Registered office and principal place of business

100 Stirling Street, Perth
Western Australia

Whadjuk Country
GPO Box X2221
Perth WA 6847

Solicitor

Lavan

Level 20, 1 William Street, Perth
Western Australia

Banker

National Australia Bank

Level 29, 395 Bourke Street, Melbourne
Victoria

External auditor

Deloitte Touche Tohmatsu

Quay Quarter Tower
Level 46, 50 Bridge Street, Sydney
New South Wales

Internal auditor

PricewaterhouseCoopers

Brookfield Place,
Level 15, 125 St Georges Terrace, Perth
Western Australia

Appointed actuary

J. Reid – Finity Consulting

Level 7, 68 Harrington Street, Sydney
New South Wales

Directors' report

The board of directors (**Board**) of Health Insurance Fund of Australia Limited (**the Company**) submit herewith the Directors' report for the year ended 30 June 2023 in accordance with the *Corporations Act 2001* (Cth).

Information about the Directors

The directors of the Company (**Directors**) during or since the end of the year ended 30 June 2023 are:

Mr R. Homsany *LLB (Hons), BCom, Grad Dip App Fin & Inv* **Chairman**	Mr Homsany was appointed to the Board in June 2010. Mr Homsany is Executive Vice President, Australia of Mega Uranium Ltd, a TSX listed company and is an experienced corporate lawyer having been admitted as a solicitor for over 20 years. Mr Homsany is also the principal of Cardinals Lawyers and Consultants. Previously he was Partner, Corporate and Commercial, of DLA Phillips Fox (now DLA Piper) and prior to that was a partner of Gadens Lawyers. Mr Homsany has also worked for an ASX top 50-listed internationally diversified resources company in operations, risk management and corporate. Mr Homsany is a Certified Practising Accountant (CPA) with CPA Australia, a fellow of the Financial Services Institute of Australasia (FINSIA) and a member of the Australian Institute of Company Directors. Mr Homsany has a Commerce Degree and Honours Degree in Law from the University of Western Australia and a Graduate Diploma in Finance and Investment from FINSIA. Mr Homsany has significant board experience with public listed companies including as Chairman of ASX listed companies Galan Lithium Limited, Toro Energy Limited and Redstone Resources Ltd, and of TSX-V listed Central Iron Ore Limited, and as a Non-Executive Director of ASX Listed Brookside Energy Limited. Mr Homsany is a member of the Audit Committee, Risk Committee and the Investment Committee; and Chairman of the Nomination and Remuneration Committee.

Ms S. V. Blake *MMkt, Grad Dip Comm, BComm Mkt & PR, GAICD* Non-executive Director	Ms Blake was appointed to the Board in September 2016. Ms Blake has significant experience as a consultant in building marketing strategies for clients, including in financial and professional services, utility, government, retail, hospitality, non-government and member-based organisations. Ms Blake has held senior marketing leadership positions in several organisations, involving national promotions and communications strategy and product development, and lectured in marketing and professional practice at Curtin University, and she is a former partner at strategy consulting firm Black House. Ms Blake is the former founding director of Glue Marketing Consulting, a firm specialising in marketing, brand and digital communication and channel strategy development. She was the Chief Marketing Officer for a global technology company, Tape Ark. Currently Ms Blake is a Lead Business Consultant at IBM Consulting in Energy and Utilities. Ms Blake is also a former Councillor of Scotch College and former Chairman of the College's Risk Committee. Ms Blake is a member of the Audit Committee and Chairman of the Risk Committee.
Mr P. L. Hersey *BSc, MBA, MAICD* Non-executive Director	Mr Hersey was appointed to the Board in June 2019. Mr Hersey has extensive experience in the health, insurance, government, not for profit and financial services sectors as a senior executive and external consultant. Mr Hersey's early career involved working as a management consultant in London, primarily within the health and finance sector. Mr Hersey held roles in quality healthcare and as a project director in the Asia-Pacific region, as a senior executive of the Company, program manager for Ramsay Health, executive manager in health partnerships for a private health insurer and as a director within PricewaterhouseCoopers' health and government practice, working for clients in federal and state health departments, aged care, community and treasury, not-for-profit entities, private hospital groups and health insurers. Mr Hersey was Chief Executive Officer of 360 Health and Community, a not-for-profit primary healthcare organisation until 2017 before becoming a founding director of the Mavuno Group, a wealth, advisory and investments consultancy. Mr Hersey has held board positions within both the not for profit and private sectors, including at Pat Thomas House, Moorditj Koort Aboriginal Health and Wellness Centre and Intium Energy. Mr Hersey is a member of the Investment Committee and Chairman of the Audit Committee.

Mr K. B. Laufmann *BEcon, Dip Fin Plan, GAICD* **Non-executive Director**	Mr Laufmann was appointed to the Board in April 2020. Mr Laufmann is a Financial Advisor at Ord Minnett. Preceding his current role, Mr Laufmann was the Western Australian State Manager, Equity Partner and National Compliance Committee member of EL&C Baillieu Ltd, one of Australia's oldest share brokerage firms. Mr Laufmann has worked in financial markets for the past 25 years, holding positions with Salomon Smith Barney Inc., Citigroup Inc. and HSBC, focusing on capital raising, portfolio management and corporate advice. Throughout his career, Mr Laufmann has advised and funded several ASX resource companies from early-stage venture capital, through to IPO, and discovery. Previously Mr Laufmann was a non-executive director at NxGold Ltd, which held assets in WA and North America and was a member of its Audit Committee. Mr Laufmann is a member of the Risk Committee and the Nomination and Remuneration Committee and Chairman of the Investment Committee.
Mr M. M. Malone *BSc, Grad Dip Education, FAICD* **Non-executive Director**	Mr Malone was appointed to the Board in February 2023. Mr Malone is an accomplished entrepreneur and seasoned company director with three decades of expertise across the telecommunications, technology, and media domains. Presently, Mr Malone is a Non-Executive Director at nbnco, as well as ASX-Listed Seven West Media Ltd and WiseTech Ltd. Mr Malone founded iiNet in 1993 and continued as its CEO until Mr Malone's retirement in 2014. A founding figure of Diamond Cyber Security, Mr Malone served as Chairman from 2014 to 2020, a period culminating in Diamond Cyber's integration into the prestigious national security enterprise, CyberCX. Mr Malone is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management, and the Australian Computer Society. Mr Malone holds a Bachelor of Science in Mathematics and a postgraduate Diploma in Education. Mr Malone is a member of the Risk Committee.
Mr T. W. Shackleton *BSc, Grad Dip HSM* **Non-executive Director**	Mr Shackleton was appointed to the Board in June 2020. Mr Shackleton has extensive experience as an executive and non-executive director in the public, private and non-government health sectors in WA. Currently employed as Chief Executive Officer (CEO) of Rural Health West (an non-government organisation dedicated to improving access to health care for people in rural and remote regions of WA), his previous experience includes CEO of the Royal Flying Doctor Service, Regional Director for Health in the Pilbara, Gascoyne and Wheatbelt Regions, General Manager of the Murchison Health Service and Executive Director of the Asthma Foundation of WA. In 2011, Mr Shackleton also established health consultancy firm Virtual Health, which he operated successfully until joining Rural Health West in 2016. In addition to his executive experience, Mr Shackleton has a strong background in board directorship. Previous appointments include Chair of the Western Australian Regional Development Council, Chair of the Wheatbelt Development Commission and Chair of WA General Practice Education and Training Pty Ltd. In addition to his position on the Board of HIF, Mr Shackleton is currently Chair of the Western Australian Pastoral Lands Board and Non-Executive Director of the Royal Flying Doctor Service WA. Mr Shackleton has a bachelor's degree in Human Movement and a Post Graduate Diploma in Health Service Administration.

The Directors, except for Mr Malone, held office during the whole of the year ended 30 June 2023.

Company Secretary

Ms K. L. J. Garvey LLB, BA, MAICD is an experienced corporate and commercial lawyer and is presently Legal Counsel and Company Secretary at Toro Energy Limited and a Director at Cardinals Lawyers and Consultants. Ms Garvey is also Company Secretary of ASX listed companies Brookside Energy Limited and Mineral Commodities Limited and of TSX-V listed company Central Iron Ore Limited. Ms Garvey is a member of the Australian Institute of Company Directors.

Principal Activities

"The principal activity of the Company is the provision, as an underwriter, of private health insurance in Australia by operating as a registered private health insurer in accordance with the *Private Health Insurance Act 2007* (Cth) (Act). Private health insurance provided by the Company includes coverage for Australian citizens and permanent residents who are entitled to Medicare benefits under Complying Health Insurance Products (CHIP) for:

- Hospital treatment – inpatient, day patient and in-the-home services.
- General treatment (extras) – ancillary health services (including dental, optical, physiotherapy and chiropractic).

Collectively, these categories of health insurance are health insurance business as this term is defined in the Act or in the rules referred to in the Act.

The Company provides, as an underwriter, non-CHIP private health insurance, including hospital treatment and/or general treatment, to overseas visitors who temporarily reside in Australia, including Temporary Skill Shortage visa holders (health related business). The Company also provides travel and pet insurance under agency agreements with third party underwriters.

The Company's principal activities include providing present and future contributors (as that term is defined in the Company's constitution) to the fund operated by the Company and their dependents (Members) access to a wide range of competitively priced healthcare treatments and services that are intended to be used to support healthy lives and lifestyles.

Objectives

The Company's purpose is to help present and future Members lead healthy lives by:

- Providing them choice and access to relevant and high-quality healthcare facilities, providers, treatments and services.
- Informing them about their health cover and relevant healthcare issues.
- Providing them attractive benefits and rebates.
- Keeping their premiums affordable and valuable.
- Providing them the highest standards of service.

The Company's objectives involve:

- Acquiring financial and non-financial benefits to increase value for Members.
- Gaining greater prominence, relevance and reputation amongst Members, consumers, government, regulators and other stakeholders in the community.
- Building confidence with Members to increase their loyalty.
- Growing long term relationships with key healthcare providers and other stakeholders.

The Company leverages its membership of stakeholder groups, including the Australian Health Services Alliance Ltd for purchasing medical services and access to over 536 private hospitals and a limited number of general treatment benefits, and HAMB Systems Ltd for core insurance application services and related electronic and digital information, technology and communications solutions.

The Company's vision is to create lasting relationships with Members through confidence, by providing them value that matters to them.

To support its purpose and vision, the Company believes in its core values of Community, Member Value and Affordability, Integrity, Member for Life and Accountability.

Performance Measures

The Company measures its performance in many ways, including by measuring, monitoring and analysing:

- Size, distribution and composition of its Member base.
- Member loyalty, effort, experience and satisfaction.
- How motivated Members are to recommend the Company and its products and services.
- Member acquisition and retention and the related costs.
- Cost and effort to serve Members.
- Premium revenue, claim benefit outlays and out-of-pockets.
- Capital adequacy and solvency strength.
- Efficiency and effectiveness of financial and non-financial resources.
- Staff engagement and culture.
- Income from investments and other activities.

Risk management

The Company also measures its performance by monitoring its governance and risk management frameworks and its ability, using capital and the gearing of its operational resources, to support the Company's strategy and key objectives for performance and development whilst building financial resilience and sustainability.

Financial Results

Profit

The consolidated profit for the year ended 30 June 2023 was $19.7 million compared to $7.7 million in 2022. Premium revenue for the year was $180.3 million compared to $178.3 million in 2022, an increase of 1.1%.

The profit this year reflects the Company's lower than expected net claims incurred and fair value gains on financial assets.

In response to the Company's commitment to not benefit financially from COVID-19, the Company returned premium of $2.9 million to policyholders in December 2022. The amount returned to policyholders ranged between $18 to $120 depending on the type of cover.

Comprehensive income

Consolidated total comprehensive income for the year was $20.6 million compared to $7.7 million in 2022. This year, the Directors of the Company adopted an independent licensed valuer's estimate of fair value at 30 June 2023 of the carrying values of its commercial properties, resulting in an increase in the revaluation reserve of $0.9 million.

Claims incurred and underwriting

Net claims incurred was $141.7 million compared to $143.4 million in 2022, a decrease of 1.2%. The relatively smaller decrease in the net claims incurred compared to the 4.1% decrease in net claims incurred in the prior year, reflects changes in the product mix combined with the influence of the post COVID-19 industry landscape where the utilisation of hospital and medical services are yet to return to pre COVID-19 levels.

Underlying this year's net claims incurred, of which 71.6% is hospital treatment policies related, was a 8.0% decrease in the number of hospital claims assessed and a 2.6% increase in the number of extras claims assessed.

The decrease in hospital claims assessed was due to claims utilisation not returning to pre COVID-19 levels combined with some disruptions to the provision of hospital services during the year. The increase in extras claims was due to extras claims utilisation increasing back towards pre COVID-19 levels. Medical claims assessed in 2023 were in line with the prior year.

In accordance with the Australian Prudential Regulation Authority (APRA)'s COVID-19 guidance and advice from our actuaries, the Company started to unwind the Covid-19 deferred claims liability balance of $8.8m as at 1 July 2022 on a systematic basis over a period of 24 months.

The decrease in net claims incurred that resulted from the write back of the deferred claims liability and the lower utilisation of treatments over the year resulted in the Company consuming 78.6% of this year's premium revenue towards the net claims incurred, compared to 80.4% in 2022.

Investment income and fair value gains/(losses)

Investment income for the year 2023 amounted to $7.1 million which was a significant increase from the $4.2 million reported in 2022. This increase is attributed to investment fund distributions totalling $5.0 million and interest income amounting to $2.1 million. Interest income reflects the substantial rise in the average cash rate, which was 2.9% in 2023, compared to the historically low average cash rate of 0.2% in 2022.

The fair value (unrealised) gains on financial assets (i.e. the investment portfolio) at fair value was $0.7 million compared to a (unrealised) loss of $7.3 million in 2022. Investment markets have performed well, particularly equities with the Australian All Ordinaries Index increasing 9.7% during the year.

Overheads

Total overheads for the year were $27.5 million (15.3% of premium revenue) compared to $24.4 million (13.7% of premium revenue) in 2022. The main drivers of the increase in the cost of overheads were a $1.2 million increase in acquisition expenses and $2.0 million increase in other operating expenses, offset by a decrease of $0.1 million in claims handling expenses.

Acquisition costs increased from 6.7% of premium revenue in 2022 to 7.3% in 2023 mainly because of the allocation of increased information technology and employee costs to acquisition costs. The net deferral of acquisition costs in 2023 was an increase of $0.2 million which was similar to the increase in 2022.

Other operating expenses for the year were $11.5 million compared to $9.5 million in 2022. The main driver of the 20.7% increase in these expenses was a $1.8 million increase in employment benefits expense and $0.8m increase in information technology costs, less an increase of $1.1m in costs reclassified as acquisition costs.

Capital management

The Company's capital management framework including a capital management policy, a pricing philosophy and a capital management plan (**CMP**), guide management's practices to ensure that the Company has enough capital to support the risks it undertakes and to meet its liabilities, including in the event of adverse circumstances.

The pricing philosophy establishes target gross and net margins that must be considered when making decisions affecting the prices of policies. Consideration of the target net margins in pricing decisions helps the Company's management and Board fulfil the obligation to hold adequate economic capital.

The CMP is aligned to the Board's risk appetite which evolves through regular reviews. The reviews involve assessing the required levels of internal risk capital and related trigger points and action plans.

The Company's investment policy contains investment rules and guidelines to ensure the appropriate investment of the Company's financial and non-financial assets and that investments align with the Board's risk appetite.

In May 2023 the Company reviewed its target capital taking into consideration APRA's new capital prudential standards that come into effect on 1 July 2023.

Risk management

The Company's risk management capability is supported by the operation of a risk management framework that among other uses, allows the Board to monitor on an ongoing basis the Company's exposure to the key risks identified by the Board and the effectiveness of risk management processes and practices of management.

Review of Operations

Member growth

The Member base covered by CHIP's decreased by 1.4% compared to a decrease of 0.1% in 2022 and 1.9% net growth in the industry for 2023. Overseas visitor Members declined by 1.1% in 2023 due to international border restrictions earlier in the year. The proportion of the total Member base from non-traditional markets (states/territories other than Western Australia) at 30 June 2023 was 40% compared to 41% 12 months earlier.

The Board considers net growth in the industry will be subdued due to ongoing affordability issues for lower and middle income earners as inflation continues to outpace wage growth; and limited effectiveness of stimuli for young Australians to take out private health cover for the first time.

The Board considers its growth prospects in the short to medium term will be slightly positive, reflecting its strategy to improve Member confidence and resulting retention and its resonance with consumers looking for choice and access with an ethical insurer.

Affordability

The Minister for Health and Aged Care approved, for deployment on 1 April 2023, a weighted average 3.10% increase to Members' premiums, compared to a 2.90% weighted average increase for the industry (including the Company). The Company's increase this year reflected the need to keep pace with the increased prices charged by health providers and suppliers and to correct certain CHIP prices in some of the markets in which the Company operates. Postponing the 2020 premium increase by six months and allowing the suspension of premiums due to financial hardship provided premium relief of approximately $6.8 million for Members since the start of the COVID-19 pandemic. The estimated net financial relief provided to Members in response to COVID-19 including premium relief, givebacks and access to additional mental health support is $12.6 million to date.

The Board considers part of the solution to addressing affordability is for the government to address prostheses reforms, public hospitals charging patients with private health insurance and to restore the 30% rebate for low and middle income earners. Without a positive change in government policy towards funding arrangements for private health insurance, the rebate which is now below 25%, will continue to be eroded.

Choice and convenience

The Company's strong stance on choice aligns with the understood consumer preference for them to remain in control when it comes to choosing their health cover and their service provider. This means that Members retain the freedom to choose any level of hospital and/or extras cover from the Company's generous range of covers and go to their family health provider without being financially disadvantaged.

Personalised service and convenience

The Company's priority is to develop its culture, people and processes to ensure Members get access to service-delivery from friendly, qualified, skilled and experienced staff when and in the form they want it. The Company remains focussed on building a Member experience model that provides access to relevant and smart digital transaction processing and communication solutions, including self-service options. The Company believes that its Members will benefit from cost savings resulting in a higher allocation of available reserves for increased benefits and more affordable premiums.

Investments

Investments performed well during the year, recovering from the negative impact of COVID-19 and other international events in financial year 2022. Returns from fixed interest funds and bank term deposits continued to increase following several rises in the official cash rate by the Reserve Bank ending the year at 4.10% (0.85% at 30 June 2022). Income from investments of $7.1 million in 2023 increased by $3.0 million from 2022, which included a $5.0 million distribution from managed funds. The Company recorded a $1.2 million fair value (unrealised) gain on financial assets at fair value in 2023, including a $0.5 million increase in value of its investment property, compared to an (unrealised) loss on financial assets at fair value of $7.3 million in 2022.

The investment portfolio (excluding cash and cash equivalents) increased from $112.1 million at 30 June 2022 to $131.8 million at 30 June 2023, an increase of 17.6% for the year. The additional cash invested in bank term deposits of $15.7 million during the year was drawn from operating surpluses and a reduction in cash and cash equivalents from $13.9 million at 30 June 2022 to $12.4 million at 30 June 2023.

Property

The Company leases one floor of the Company's head office premises at 100 Stirling Street under a commercial tenancy. All other floors are occupied by the Company.

The Company owns an investment property at 60 – 62 Stirling Street, Perth to earn commercial property rent. This property was fully tenanted for the year ended 30 June 2023.

Other Developments

Digital and technology

The Company has refreshed its Digital Strategy and Roadmap to enhance foundational infrastructure, deliver member experiences that are intelligent, intuitive and value adding, and accelerate our data strategy. This has been done in line with ethical aspirations and in the spirit of simplicity and providing choice and access.

Products

Significant progress has been made in improving the product suite available to members. These enhancements support simplification as well as increasing choice and access.

Code of Conduct

The Company subscribes to the Australian private health insurance industry's peak representative body, Private Healthcare Australia (**PHA**). The Company subscribes to and complies with the PHA's Code of Conduct (**Code**) which is audited regularly. The Company remains compliant with the Code.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2023.

Significant Matters or Circumstances after 30 June 2023

No other matters or circumstances have arisen since 30 June 2023 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 years.

Environmental Regulations

The Company's operations are not subject to any environmental regulation under a law of the Commonwealth or of a State or Territory.

The Company is certified NOCO2 by the Carbon Reduction Institute Pty Ltd. Certification confirms the Company's financial contribution, by purchasing carbon offsets, towards reducing carbon emissions.

Indemnification of Officers and Auditors

During the year ended 30 June 2023, the Company paid a premium in respect of a contract insuring the Directors, Secretary and all Executive Officers of the Company and of any related body corporate of the Company against a liability incurred as such by a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001* (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its Auditor, Deloitte Touche Tohmatsu (Deloitte), as part of the terms of its audit engagement agreement (Engagement) against certain claims by third parties arising from the audit work as that term is defined in the Engagement (for an unspecified amount). No payment has been made to indemnify Deloitte during or since the financial year ended 30 June 2023.

The Company has not, during or since the financial year ended 30 June 2023, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees established by the Directors) held during the year ended 30 June 2023 and the number of meetings attended by each Director (including committee meetings attended by them as committee members). During the year ended 30 June 2023, eight Board meetings, two Audit Committee meetings, four Risk Committee meetings, two Nomination and Remuneration Committee meetings and five Investment Committee meetings were held.

	Board of Directors		Audit Committee		Risk Committee		Nomination and Remuneration Committee		Investment Committee	
Directors	**Ent. Att.**	**Att.**	**Ent. Att.**	**Att.**	**Ent. Att.**	**Att.**	**Ent. Att.**	**Att.**	**Ent. Att.**	**Att.**
Ms S. V. Blake	8	7	2	2	4	4	-	-	-	-
Mr P. L. Hersey	8	7	2	2	-	-	2	2	5	5
Mr R. Homsany	8	8	2	2	4	4	2	2	5	5
Mr K. B. Laufmann	8	8	-	-	4	4	2	2	5	5
Mr M. M. Malone	4	3	-	-	1	1	-	-	-	-
Mr T. W. Shackleton	8	7	-	-	-	-	-	-	-	-

Ent. Att. – Entitled to attend.

Att. – Attended

Auditor's Independence Declaration to the Directors of Health Insurance Fund of Australia Limited

The Company has obtained an independence declaration from the Auditor, Deloitte, which is set out on the following page and forms part of this Directors' report for the year ended 30 June 2023.

Signed in accordance with a resolution of the Directors.

R. Homsany
Chairman

Perth, 27 September 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Board of Directors
Health Insurance Fund of Australia Limited
100 Stirling Street
PERTH WA 6000

27th September 2023

Dear Board Members

Auditor's Independence Declaration to Health Insurance Fund of Australia Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Health Insurance Fund of Australia Limited.

As lead audit partner for the audit of the financial report of Health Insurance Fund of Australia Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountant

Health Insurance Fund of Australia Ltd and its controlled entity

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

		Consolidated		Health Insurance Fund of Australia	
	Note	**2023 $**	2022 $	**2023 $**	2022 $
Premium revenue	5	**180,267,494**	178,287,594	**180,267,494**	178,287,594
Net claims incurred	9	**(141,712,005)**	(143,370,771)	**(141,712,005)**	(143,370,771)
Acquisition expenses	16	**(13,133,569)**	(11,921,026)	**(13,133,569)**	(11,921,026)
Claims handling expenses	10	**(2,877,887)**	(2,939,767)	**(2,877,887)**	(2,939,767)
Underwriting result		**22,544,033**	20,056,030	**22,544,033**	20,056,030
Investment income	6	**7,074,562**	4,151,718	**7,074,562**	4,151,718
Fair value gains/(losses) on financial assets at fair value through profit or loss	7	**1,210,465**	(7,296,875)	**1,210,465**	(7,296,875)
Other income	8	**380,818**	358,488	**380,818**	358,488
Other operating expenses	10a	**(11,476,514)**	(9,506,691)	**(11,476,514)**	(9,506,691)
Result of operating activities		**19,733,364**	7,762,670	**19,733,364**	7,762,670
Finance costs	10b	**(22,292)**	(22,761)	**(22,292)**	(22,761)
Profit before income tax		**19,711,072**	7,739,909	**19,711,072**	7,739,909
Income tax expense	11	**-**	-	**-**	-
PROFIT FOR THE YEAR		**19,711,072**	7,739,909	**19,711,072**	7,739,909
Other comprehensive income		**896,889**	-	**896,889**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,607,961**	7,739,909	**20,607,961**	7,739,909

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Health Insurance Fund of Australia Ltd and its controlled entity

Statement of financial position

As at 30 June 2023

		Consolidated		Health Insurance Fund of Australia	
	Note	**2023 $**	2022 $	**2023 $**	2022 $
ASSETS					
Current assets					
Cash and cash equivalents	12	**12,402,737**	13,940,680	**12,402,737**	13,940,680
Trade and other receivables	13	**6,305,760**	4,928,157	**6,275,002**	4,897,399
Other financial assets	14	**60,455,412**	44,755,405	**60,455,412**	44,755,405
Deferred acquisition costs	16	**2,092,586**	1,892,503	**2,092,586**	1,892,503
		81,256,495	65,516,745	**81,225,737**	65,485,987
Non-current assets					
Other financial assets	14	**71,342,939**	67,305,414	**71,342,939**	67,305,414
Investment in controlled entities	15	**-**	-	**1**	1
Property, plant and equipment	17	**13,604,984**	13,070,249	**13,604,984**	13,070,249
Investment property	18	**4,500,000**	4,000,000	**4,500,000**	4,000,000
		89,447,923	84,375,663	**89,447,924**	84,375,664
Total assets		**170,704,418**	149,892,408	**170,673,661**	149,861,651
LIABILITIES					
Current liabilities					
Trade and other payables	19	**4,529,389**	2,553,787	**4,529,390**	2,553,788
Claims liabilities	20	**24,951,861**	27,857,530	**24,951,861**	27,857,530
Unearned premium liability	21	**28,291,218**	27,563,876	**28,291,218**	27,563,876
Unexpired risk liability	23	**-**	-	**-**	-
Provisions	22	**1,706,036**	1,440,886	**1,706,036**	1,440,886
		59,478,504	59,416,079	**59,478,505**	59,416,080
Non-current liabilities					
Provisions	22	**247,718**	106,094	**247,718**	106,094
		247,718	106,094	**247,718**	106,094
Total liabilities		**59,726,222**	59,522,173	**59,726,223**	59,522,174
Net assets		**110,978,196**	90,370,235	**110,947,438**	90,339,477
EQUITY					
Reserves attributable to the entity's members					
Reserves	24	**1,384,969**	488,080	**1,384,969**	488,080
Retained earnings		**109,593,227**	89,882,155	**109,562,469**	89,851,397
Total equity		**110,978,196**	90,370,235	**110,947,438**	90,339,477

The above statement of financial position should be read in conjunction with the accompanying notes.

Health Insurance Fund of Australia Ltd and its controlled entity

Statement of changes in equity

For the year ended 30 June 2023

	Revaluation reserve	Retained earnings	Total
	$	$	$
Consolidated			
At 1 July 2021	**488,080**	**82,142,246**	**82,630,326**
Profit for the year	-	7,739,909	7,739,909
Total comprehensive income for the year	-	7,739,909	7,739,909
At 30 June 2022	**488,080**	**89,882,155**	**90,370,235**
Fair value revaluation of land and buildings	896,889	-	896,889
Profit for the year	-	19,711,072	19,711,072
Total comprehensive income for the year	896,889	19,711,072	20,607,961
At 30 June 2023	**1,384,969**	**109,593,227**	**110,978,196**
Health Insurance Fund of Australia			
At 1 July 2021	**488,080**	**82,111,488**	**82,599,568**
Profit for the year	-	7,739,909	7,739,909
Total comprehensive income for the year	-	7,739,909	7,739,909
At 30 June 2022	**488,080**	**89,851,397**	**90,339,477**
Fair value revaluation of land and buildings	896,889	-	896,889
Profit for the year	-	19,711,072	19,711,072
Total comprehensive income for the year	896,889	19,711,072	20,607,961
At 30 June 2023	**1,384,969**	**109,562,469**	**110,947,438**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Health Insurance Fund of Australia Ltd and its controlled entity

Statement of cash flows

For the year ended 30 June 2023

		Consolidated		Health Insurance Fund of Australia	
	Note	**2023 $**	2022 $	**2023 $**	2022 $
Cash flows from operating activities					
Premiums received		**180,857,395**	178,785,818	**180,857,395**	178,785,818
Interest and unit distributions received		**6,485,115**	4,078,616	**6,485,115**	4,078,616
Other income received		**1,109,787**	918,128	**1,109,787**	918,128
Amounts paid to the Risk Equalisation Special Account		**(7,592,875)**	(8,249,931)	**(7,592,875)**	(8,249,931)
Rent received		**364,032**	348,815	**364,032**	348,815
Claims paid		**(135,210,746)**	(135,483,102)	**(135,210,746)**	(135,483,102)
Ambulance levy paid		**(496,369)**	(534,335)	**(496,369)**	(534,335)
Interest and other finance payments		**(423,024)**	(434,955)	**(423,024)**	(434,955)
Payments to suppliers and employees		**(27,204,931)**	(24,737,578)	**(27,204,931)**	(24,737,578)
Net cash from operating activities	25	**17,888,384**	14,691,476	**17,888,384**	14,691,476
Cash flows from investing activities					
Payments to acquire financial assets		**(25,283,081)**	(27,049,866)	**(25,283,081)**	(27,049,866)
Proceeds on sale of financial assets		**6,256,015**	11,107,996	**6,256,015**	11,107,996
Purchases of property, plant and equipment		**(399,261)**	(439,806)	**(399,261)**	(439,806)
Proceeds from disposal of property, plant and equipment		**-**	94,922	**-**	94,922
Net cash used in investing activities		**(19,426,327)**	(16,286,754)	**(19,426,327)**	(16,286,754)
Net cash flows from financing activities		**-**	-	**-**	-
Net decrease in cash and cash equivalents		**(1,537,943)**	(1,595,279)	**(1,537,943)**	(1,595,279)
Cash and cash equivalents at beginning of year		**13,940,680**	15,535,959	**13,940,680**	15,535,959
Cash and cash equivalents at end of year	12	**12,402,737**	13,940,680	**12,402,737**	13,940,680

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

a) General information

Health Insurance Fund of Australia Limited ('the Company') is a company limited by guarantee incorporated in Australia. The address of its registered office and principal place of business is disclosed in the corporate information on page 34. The principal activities of the Company and its subsidiaries ('the Group') are described in the Directors' Report on page 35.

b) Application of new and revised Australian Accounting Standards

b.1) New and amended Accounting Standards that are effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are effective for the current financial reporting period beginning 1 July 2022.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-20 and Other Amendments

The impact of the adoption of these Standards and Interpretations did not have a material impact on the Group.

b.2) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ending 30 June 2023. Management is in the process of assessing the impact of the adoption of these standards and interpretations on the Group:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 *Financial Instruments*	1 January 2023	30 June 2024
• Extension of the Temporary Exemption from Applying AASB 9 (Amendments to AASB 4)	1 January 2023	30 June 2024
• AASB 17 *Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts*	1 January 2023	30 June 2024
• AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*	1 January 2023	30 June 2024
• AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023	30 June 2024
• AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*	1 January 2024	30 June 2025

Notes to the Financial Statements

For the year ended 30 June 2023

1 Summary of significant accounting policies (continued)

b) Application of new and revised accounting standards (continued)

b.2) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

AASB 9 Financial Instruments

The Group will adopt AASB 9 Financial Instruments from 1 July 2023 with the first financial statements presented including AASB 9 for the year ended 30 June 2024. AASB 9 became effective for financial years starting on or after 1 January 2018, but the Group elected to defer the application as allowed by AASB 4 Insurance Contracts, to coincide with the adoption of AASB 17 Insurance Contracts.

The deferral of AASB 9 to coincide with the adoption of AASB 17 is not expected to impact the Group's financial liabilities, however it may impact the Group's financial assets. AASB 9 introduces new requirements for the classification, measurement, including impairment, and derecognition of financial assets, financial liabilities as well as requirements for hedge accounting.

The Group currently classifies its investments at fair value through profit or loss. There will be no change in the measurement of financial instruments on adoption of AASB 9, as the Group will designate these financial assets as held at fair value through profit or loss on transition. As such the impact on the adoption of AASB 9 is not expected to be material to the Group.

AASB 17 Insurance Contracts

AASB 17 Insurance Contract s (AASB 17) is a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure which was adopted by the AASB in July 2017. In June 2020, the IASB issued Amendments to IFRS 17 which deferred the effective date from 1 January 2021 to 1 January 2023 and made significant amendments to the standard in response to feedback from, and implementation issues raised by, stakeholders. These amendments were adopted by the AASB in July 2020. The Group will adopt AASB 17 for the financial year ending 30 June 2024.

(i) Measurement models

AASB 17 introduces a new general measurement model for the recognition and measurement of insurance contracts. The liability for remaining coverage which represents future insurance coverage to be provided after the reporting date and is measured as the sum of:

- the present value of expected future cash flows, including an explicit risk adjustment (collectively referred to as the 'fulfilment cash flows'); and
- a contractual service margin representing unearned profit, which is recognised in the statement of profit or loss and other comprehensive income to reflect services provided over the coverage period.

AASB 17 permits the use of a simplified measurement model, the premium allocation approach (PAA), which is similar to the current basis on which general insurance is brought to account under AASB 1023. The PAA can be used if the liability for remaining coverage under the simplified approach is not expected to materially differ from that under the general model, or if the coverage period of the contracts is less than one year. The Group has completed a detailed impact assessment of AASB 17 and has determined that the Group will be eligible to apply the PAA to all insurance contracts.

For groups of contracts accounted for under the PAA and that have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Group will apply this option.

Notes to the Financial Statements

For the year ended 30 June 2023

1 Summary of significant accounting policies (continued)

b) Application of new and revised accounting standards (continued)

b.2) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

AASB 17 Insurance Contracts (continued)

(ii) Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification. AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities. The Group has taken the decision to use a confidence level technique to estimate a risk adjustment that leads to a value that is consistent with the margin of prudence under AASB 1023.

(iii) Discount rates

AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. Where the contract boundary and related cashflows are expected to be less than 12 months, AASB 17 provides an option to not discount cashflows within the contract boundary. As the Group has adopted the PAA method, has a contract boundary less than one year and the Group's claims profile is short-tailed with claims payments in excess of 12 months being immaterial, the Group has elected not to apply discounting.

(iv) Onerous contracts

AASB 17 requires the identification of 'groups' of onerous contracts and recognition of losses arising on these contracts. As the Group has adopted the PAA, all policies are assumed to be profitable at initial recognition. In order to determine if a group of contracts is onerous, facts and circumstances need to exist relating to cash flows within the boundary of an insurance contract that indicate that a group of contracts are onerous. The Group has determined that the contract boundary will begin each time an insured decides to continue the contract or first enters a contract. The contract boundary ends when the Group can either reprice the portfolio or set a level of benefits that fully reflects the risks of the portfolio. The Group will adopt a contact boundary of the premium renewal date equal to 90 days past the renewal date. Onerous contract losses are required to be recognised in the statement of profit or loss and other comprehensive income on a gross basis when the expected fulfilment cash flows exceed the carrying value of the contract, or group of contracts.

(iv) Transition

AASB 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach may be applied. Based on an assessment performed by the Group, the Group will apply the full retrospective approach.

1 Summary of significant accounting policies (continued)

b) Application of new and revised accounting standards (continued)

b.2) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

AASB 17 Insurance Contracts (continued)

(v) Presentation and disclosure

AASB 17 introduces several significant changes to the presentation of and disclosures in the financial statements.

Existing insurance contract line items on the statement of financial position will be replaced and allocated to single line items representing portfolios of insurance contract assets, and separately liabilities. Insurance contract liabilities under AASB 17 include all cash flows that relate to the fulfillment of insurance contracts including direct costs (such as acquisition, claims settlement and policy administration and maintenance costs) and other costs that are attributable to the fulfilment of insurance contracts (such as overheads costs). Insurance contract liabilities, and separately assets, include portfolios of direct insurance contracts issued.

In the statement of profit or loss and other comprehensive income, gross earned premium will be replaced by insurance contract revenue reflecting the amount that the Group expects to receive for the services it has provided in the period. Claims incurred, including recoveries other than those from reinsurers, and attributable operational expenses will be combined into a single line item for the insurance service expenses. The total of insurance contract revenue less the insurance service expense will represent the insurance service result.

(vi) Financial Impact

Based on the Group's analysis of the adoption of AASB 17, including the decisions made outlined above, the Group expects recognising insurance acquisition costs as expenses when incurred will result in a 1 July 2022 opening net asset reduction of $1.9 million. Liability for incurred claims includes claims that have occurred based on a contractual basis, therefore there will be no recognition of deferred claims liability on transition to AASB 17. This will result in an increase in the 1 July 2022 opening net asset position of $8.8 million. The combined impact increases net assets as at 1 July 2022 by $6.9 million.

Other opening impacts to the net asset position will be driven by the application of the AASB 17 risk adjustment, recognition of onerous contracts and no longer using one month hindsight in recognising outstanding claims. As at the date of this report the application of AASB 17 is well progressed and work is ongoing to finalise these impacts which are not expected to be material.

c) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001 (Cth)*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group and Company. For the purposes of preparing the consolidated financial statements, the Company is a not-for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 27 September 2023.

Notes to the Financial Statements

For the year ended 30 June 2023

1 Summary of significant accounting policies (continued)

d) Basis of preparation

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Australian Prudential Regulation Authority (APRA).

These financial statements have been prepared on a historical cost basis, except for land and buildings, investment property and financial assets at fair value through profit and loss, which have been measured at fair value, as explained in the accounting policies below.

All amounts are presented in Australian dollars, which is the Group's functional currency, unless otherwise noted.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

f) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer as it satisfies the performance obligation.

Premium revenue

Premium revenue comprises amounts charged to the policyholders, excluding taxes collected on behalf of third parties.

Premium revenue is recognised from the attachment date, over the period of contract on a daily basis. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned at the reporting date is recognised in the statement of financial position as an unearned premium liability.

Notes to the Financial Statements

For the year ended 30 June 2023

1 Summary of significant accounting policies (continued)

f) Revenue recognition (continued)

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.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Commission income

Commission income from referrals to third party pet and travel insurers is recognised when received.

g) Claims expense

Claims expense represents payment for claims and the movement in outstanding and COVID-19 deferred claims liabilities [Note 1(l)].

h) Risk Equalisation Special Account levies / recoveries

Under the provisions of the *Private Health Insurance Act 2007* (Cth), all health insurers must participate in the Risk Equalisation Special Account (RESA). The RESA shares a proportion of the hospital claims of all persons aged 55 years and over and those persons with claims in excess of $50,000 in the current and preceding three quarters, amongst all health insurers based upon the number of policy holders. Individual health insurers are required to pay in to the RESA or receive a payment from the RESA for the difference between their proportional share and their actual claims paid.

The amounts payable to and receivable from the Risk Equalisation Special Account are determined by APRA after the end of each quarter. Estimated provisions for amounts payable and income receivable are recognised on an accrual basis.

i) Acquisition costs

Acquisition costs incurred in obtaining health insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the statement of profit or loss and other comprehensive income in subsequent reporting periods.

Deferred acquisition costs (DAC) includes commission paid to intermediaries and other direct costs incurred in relation to the acquisition or renewal of health insurance contracts. Acquisition costs incurred are amortised in accordance with the expected pattern of the incidence of risk under the health insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

j) Unearned premium liabilities

Unearned premium liability is determined by apportioning the premium written over the period of the policy from date of attachment of risk.

1 Summary of significant accounting policies (continued)

k) Unexpired risk liability

Liability adequacy testing is performed in order to recognise any deficiencies in the statement of profit or loss and other comprehensive income arising from the carrying amount of the unearned premium liability less any related DAC and intangible assets not meeting the estimated future claims under current health insurance contracts.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus the anticipated administration costs attributable to processing the claims and additional risk margin to reflect the inherent uncertainty in the central estimate, exceeds the unearned premium liability less related intangible assets and related DAC, then the shortfall is first offset against related DAC and then to the extent necessary a separate unexpired risk liability is recognised.

l) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of future projected claims payments and associated claims handling costs in respect of claims reported but not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER).

Standard actuarial methods are applied to assess the net central estimate of outstanding claims liabilities. Features and trends of claim experience including seasonality, service type mix, claims ratios and claims processing are analysed and assumptions about the future are selected.

A risk margin is added to the central estimate in determining the outstanding claims liabilities. The risk margin is designed to increase the probability of the outstanding claims liabilities proving ultimately to be adequate.

m) Financial assets at fair value through profit or loss

(i) Financial assets backing health insurance liabilities

Assets backing health insurance liabilities are segregated from other assets.

Financial assets are held to back health insurance liabilities on the basis that these assets are valued at fair value in the statement of financial position, and consist of liquid and high quality investments such as cash and fixed income securities.

The management of financial assets and health insurance liabilities are closely monitored to ensure that investments are appropriate, given the expected pattern of future cash flows arising from health insurance liabilities.

Financial assets backing health insurance liabilities are designated at fair value through profit or loss. Initial recognition is at cost and subsequent measurement is at fair value in the statement of financial position with any resultant unrealised profits and losses recognised in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

For the year ended 30 June 2023

1 Summary of significant accounting policies (continued)

m) Financial assets at fair value through profit or loss (continued)

(ii) Determination of fair value

Fair value for the various types of financial assets is determined as follows:

(a) Cash and term deposits - at face value of the amounts deposited;

(b) Unlisted securities - based on redemption value per unit as reported by the fund managers using valuation techniques.

Such valuation techniques include the use of recent arm's length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(iii) Recognition and de-recognition

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date.

Financial assets are de-recognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risks and rewards of ownership.

n) Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

o) Property, plant and equipment

Property, plant and equipment, excluding buildings and freehold land, are depreciated over their estimated useful lives using the reducing balance and straight line methods. Buildings are depreciated on a straight line basis to write off the net cost or revalued amount over their expected useful lives. Depreciation rates are as follows:

Freehold buildings	2.5%
Office furniture and equipment	5.0% – 33.3%
Motor vehicles	20.0%

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Buildings and freehold land are valued using the revaluation model whereby measurement subsequent to initial recognition is at fair value at the date of the latest revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

1 Summary of significant accounting policies (continued)

o) Property, plant and equipment (continued)

Every third year the valuations are based on external property valuation reports. In the intervening years, valuations are based on management estimates. All properties are valued simultaneously.

When a revaluation increases the carrying value of a property, the increase is credited directly to equity under the heading of revaluation reserve. However, an increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss and other comprehensive income.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the statement of profit or loss and other comprehensive income. However, any decrease is debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Any remaining balance on the revaluation reserve is credited to retained earnings when the corresponding property is de- recognised.

Properties in the course of construction for administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

p) Cash and cash equivalents

Cash and short term deposits comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

q) Receivables

Trade receivables, which generally have 15-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Amounts due from policyholders and intermediaries are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

An allowance for doubtful debts or expected credit losses is made when there is objective evidence that the entity will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of doubtful debts. Bad debts are written off when identified.

Amounts due under the Federal Government Rebate Incentives Scheme are stated at the net amount expected to be collected.

r) Taxation

(i) Income tax

In accordance with Section 50 - 30 of the *Income Tax Assessment Act 1997* (Cth), the income of the Company is exempt from income tax. The profit of the controlled entity, which is included in the consolidated statements of the Group, has been determined after providing for taxation expense at 30% of the controlled entity's pre-tax operating profit, adjusted for exempt income and non-deductible expenses.

1 Summary of significant accounting policies (continued)

r) Taxation (continued)

(ii) Deferred tax

Deferred tax is provided in full, using the statement of financial position approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes attributable to amounts recognised directly in equity are recognised in equity.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables and payables.

Cash flows are included in the statement of cash flows on a gross basis.

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

s) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Any resultant write-down is recognised as an expense in the reporting period in which it occurs, unless the asset had previously been revalued, in which case the previous revaluation is written back with any excess being expensed.

The recoverable amount is the higher of an asset's fair value, less direct selling costs, and its value in use. In assessing the value-in-use of assets, the relevant cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or company of assets.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operational cash flows (cash generating units).

t) Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Payables generally have 15 - 30 day terms.

u) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, rostered days off and long service leave and they are measured at their nominal value, except the liability for long service leave which is measured as the present value of the expected payments to be made in respect of services provided by employees up to the reporting date.

1 Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Liabilities arising in respect of wages and salaries, annual leave, personal leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

v) Leasing

(i) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group has determined that it does not have any contracts where the Group is a lessee.

(ii) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

w) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2 Critical accounting estimates and judgements

Estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of significant judgement and the methodologies used to determine key assumptions are set out below.

Uncertainty over estimate of claims expense provision arising from health insurance contracts

Actuarial estimates are obtained after analysis of past claims experience. From these analyses, models of the claim payment process can be established and used to project future payments on claims outstanding at the balance date.

The estimates of outstanding claims obtained in this manner are estimates in the sense that there is a degree of uncertainty as to the difference which will ultimately arise between the estimates and the final result of the experience. This uncertainty arises from four sources:

(a) the nature of the claims process is not fully understood, it might be that none of the valuation models used is an entirely accurate representation of reality;

(b) there are components of randomness in the claims process, it is not possible to estimate the parameters of that process with complete precision even if complete confidence were felt in the nature of the model;

(c) any erroneous data will similarly have introduced uncertainties into the estimates of those parameters;

(d) even if the parameters could be estimated with precision, it would not be possible to predict outstanding claims with the same precision because of the random component in future experience.

Errors associated with (b) and (d) can be quantified in a formal way (estimation and statistical errors). However a large part of the uncertainty is associated with (a) (model specification error), and it is not possible to quantify this component.

The investigation and application of different models to the data is intended to reduce the model specification error, although the extent to which this is achieved is unknown.

The initial estimates obtained from the calculations are central estimates in the sense that they incorporate no deliberate bias towards over or under estimation. By definition, the estimates are intended to have about an even chance of ultimately turning out to be sufficient.

The nature of health insurance claims is such that the actual value of the liabilities is unknown because claims experience is subject to random fluctuations. The amount of the claim liability cannot be estimated with certainty. Also it is very difficult to determine the central estimate with a reasonable degree of precision. For this reason the inherent uncertainty in the central estimate must also be considered.

2 Critical accounting estimates and judgements (continued)

The provisions adopted in the Group's accounts are greater than the central estimate and the difference is referred to as a risk margin. The risk margin allows for some part of the uncertainties in the claim process and it also ensures that as far as possible that the surplus is not released until it is reasonably certain that the surplus is real.

The estimated liability for outstanding claims has been calculated after allowing for expenses associated with administering claims during the run-off period. Given the short weighted mean term of the liability (less than two months) no explicit allowances have been made for inflation and discounting.

A claims liability has been recorded for deferred claims that related to the restriction of health services for Members as a result of COVID-19. The Group has an obligation to settle these claims over future periods when the deferred claims are incurred.

Actuarial methods and assumptions

All actuarial methods and assumptions are discussed in Note 3.

3 Actuarial methods and assumptions

Claims estimates for the health insurance classes are derived from an analysis of two different actuarial models. Ultimate number of claims incurred are projected based on changes in claimant behaviour over time and past reporting patterns. Payments experience is analysed based on trends in ultimate incurred by month and paid chain ladder. The resulting projected payments from these models and payments in July 2023 relating to June 2023 and earlier service months are used to determine the final estimate of outstanding claims. The analysis and projection work is done for three valuation categories i.e. hospital, medical and general and consolidated into two health insurance classes, i.e. hospital including medical and general. The exposure period is month of service.

(i) Assumptions

	2023	2022
a) Weighted average expected term to settlement	**Months**	**Months**
Gross central estimate	1.72	1.63
Risk equalisation recoveries	1.67	1.55
Net central estimate	1.72	1.63
	Percent	**Percent**
b) Claims handling expense rate	2.00%	2.00%
c) Risk margin	5.10%	5.10%

(ii) Processes used to determine assumptions

Average weighted term to settlement

The average term to settlement is calculated separately by class of business based on historic payment patterns.

Future claim reports (IBNR)

Future claim reports are analysed using the ratio of late reported claims to reported claims over future development periods.

Expense rate

Claims handling expenses were calculated by analysis of the Company's actual expenses from profit and loss statements over the last 12 months.

Risk margin

The inherent uncertainty in the estimated claim liability means that there is a range of possible outcomes. An analysis of the variation of the expected results lead to adoption of a 5.1% co-efficient of variation and the lognormal distribution. This distribution is then used to calculate the risk margin required to increase the level of sufficiency of the central estimate from 50% to 80%.

Notes to the Financial Statements

For the year ended 30 June 2023

3 Actuarial methods and assumptions (continued)

(iii) Sensitivity analysis - insurance contracts

The Company conducts sensitivity analyses to quantify the exposure risk of changes in the key underlying variables and assumptions, as described above. The movement in any key variable will impact the performance and equity of the Company.

The tables below describe how a change in each assumption will affect the insurance liabilities and hence the profit / (loss) and the equity both gross and net of risk equalisation.

Variable	Impact of movement in variable
Average weighted term to settlement	Does not directly affect the insurance liabilities.
Adopted reporting rates	Used to determine the level of claims IBNR. An increase or decrease in lodgements has a corresponding impact on claims expense.
Incurred cost in latest two service months	A change in the ultimate claims cost incurred for the most recent two service months will have a disproportionate impact on the outstanding claims amount due to the claim payments made to date.
Risk margin	An increase or decrease in the coefficient of variation has a corresponding impact on the risk margin and hence on the actuarial provision.
Claims handling expenses	An increase or decrease in the expense rate assumption has a corresponding impact on claims expense.

Impact of changes in key variables

		Increase / (decrease) in profit and equity ($)			
		2023		2022	
Variable	Movement in variable	Gross of risk equalisation	Net of risk equalisation	Gross of risk equalisation	Net of risk equalisation
Adopted reporting rates	1% decrease	**75,601**	**83,777**	70,201	79,028
	1% increase	**(75,496)**	**(83,660)**	(70,094)	(78,907)
Incurred cost of latest two service months	1% decrease	**271,285**	**293,600**	255,504	279,852
	1% increase	**(271,285)**	**(293,600)**	(255,504)	(279,852)
Sufficiency margin	1% decrease	**143,191**	**158,685**	122,957	138,368
	1% increase	**(143,191)**	**(158,685)**	(122,957)	(138,368)
Claims management expenses	1% decrease	**147,543**	**147,543**	126,694	126,694
	1% increase	**(147,543)**	**(147,543)**	(126,694)	(126,694)

4 Risk management

The Company's financial condition and operating activities are affected by a number of key financial and non-financial risks. Financial risks include capital and liquidity risk, investment risk and insurance risk. Non-financial risks include strategic and operational risks. The Company's approach to managing these financial and non-financial risks are set out in this note.

a) Corporate governance framework

The Board of the Company is responsible for corporate governance. The Board determines the Company's overall risk appetite and approves the management strategies, policies and practices to ensure that material business risks, including compliance risks, are identified and managed within the context of this appetite.

Audit Committee

The Audit Committee is a sub-committee of the Board. The Audit Committee oversees the financial reporting process and the controls in place to ensure the transparency and integrity of internal and published financial information and the circumstances under which the Company's business funding could become inadequate or restricted. The Audit Committee's role includes: reviewing the effectiveness of the Company's financial reporting and advising the Board on the quality and reliability of financial information; overseeing the external audit, internal audit and appointed actuary functions including making recommendations to the Board on the appointment, evaluation and removal of the Appointed Auditor, Internal Auditor and Appointed Actuary; and ensuring there is a whistleblowing process in place, including suitable policies and procedures, for the confidential reporting of concerns about the Company's accounting practices, controls, compliance, audit and other matters.

Risk Committee

The Risk Committee is a sub-committee of the Board. The Risk Committee oversees the implementation and operation of the Company's risk management framework (RMF). The Risk Committee's role includes: overseeing and ensuring that an appropriate framework of policies, procedures, internal controls, reporting, ethical standards and management accountability are established for risk management and legal and regulatory compliance and are consistently maintained and adhered to.

The Risk Committee's responsibilities include to:

(i) review the Board's risk appetite and risk appetite statement for consideration and approval by the Board;

(ii) oversee the Company's current and future risk position relative to the Board's risk appetite and capital strength;

(iii) ensure the Company has established and maintains an appropriate policy and process to identify, assess, manage and report on the risks that could materially affect the business of the Company;

(iv) monitor the appropriateness and effectiveness of the RMF and internal controls ensuring that where any major deficiencies or breakdown in controls have been identified, appropriate and prompt action is taken by management;

(v) monitor the alignment of the capital and liquidity requirements within the Company's risk profile having regard to the Board's appetite for risk and risk tolerances and reviewing policies and procedures required to be authorised by the Board to support the RMF;

4 Risk management (continued)

a) Corporate governance framework (continued)

Risk Committee (continued)

(vi) oversee management's implementation of the risk management strategy;

(vii) ensure management has established and maintains systems, processes and procedures for compliance with relevant legal and regulatory requirements; and

(viii) oversee senior management's promotion, and staff awareness and understanding, of a risk-based culture that properly and effectively balances risk and reward for the risks accepted.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a sub-committee of the Board. The Nomination and Remuneration Committee is responsible for overseeing the Board's renewal, Director nomination, independence, performance assessment and remuneration processes to support the Board in fulfilling its corporate governance responsibilities.

Investment Committee

The Investment Committee is a sub-committee of the Board. The Investment Committee is responsible for monitoring and reviewing the effectiveness of the Company's investment policies and processes in achieving an optimum return relative to the Board's risk appetite; authorising investment decisions on behalf of the Board; and monitoring legislative compliance in relation to the solvency and capital adequacy implications of investment decisions. The Investment Committee utilises specialised investment management services for the management of the investment portfolio.

Board

The Board is responsible for the overall governance and performance of the Company, by providing strategic guidance and effective oversight of management, as well as satisfying other regulatory and ethical expectations and obligations. The Board is also responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the Committees referred to above, these mechanisms include the following:

(a) providing strategic direction through constructive engagement in the development, execution and modification of the Company's strategy;

(b) actively promoting and reinforcing the Company's values and desired culture of acting lawfully, ethically and responsibly; and

(c) assessing business performance against Board approved budgets, targets and strategies.

4 Risk management (continued)

b) Financial Risks

Capital and Liquidity Risk

Capital comprises the total equity as reflected in the statement of financial position. The Company operates within the regulatory environment established by the *Private Health Insurance Act 2007* (Cth) (the "Act"). The regulatory body for the Private Health Insurance industry is APRA. The Company is subject to the Solvency and Capital Adequacy Standards applied by the Act and regulated by APRA. The Company is required to submit quarterly returns to APRA as well as an annual audited return that is used to establish whether the Company complies with the standards. The Company has exceeded the required Solvency and Capital Adequacy reserves throughout the year.

The Company makes use of the Financial Condition Report (FCR) prepared by its Appointed Actuary to inform the Board about decisions on capital management issues. The FCR is a medium term projection of the overall financial position of the business under a variety of economic and operating scenarios, allowing for new business. The FCR considers a number of key performance indicators in addition to solvency and capital requirements. The FCR enables the Company to assess a range of risks to which the business is exposed, their evolution over time, and the impact of the mitigating actions that might be taken.

Other tools the Company utilises to manage its capital requirements are the annual premium submission to the Department of Health and Aged Care, forecasts, the annual budget and monthly management accounts. The annual premium submission considers the financial impact of the Company's plans over the next two years and the impact on capital adequacy and solvency. The annual premium submission, which is reviewed by the Company's Appointed Actuary, is approved by the Minister for Health and Aged Care.

With regards to liquidity risk management, refer to note 28.

Insurance risk

The Company's insurance activities primarily involve the underwriting of risks and claim management. The Company employs a disciplined approach to underwriting and risk management that emphasises maximising member benefits rather than a premium, volume or market share oriented approach.

(i) Risk management objectives and policies for mitigating insurance risk

Risk management activities include prudent underwriting, pricing, claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the Company's overall health insurance operations.

The key policies in place to mitigate risks arising from writing health insurance contracts include the following:

(a) the maintenance and use of management information systems that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time;

(b) the use of actuarial models based on historical data to calculate premiums and monitor claims patterns;

(c) the mix of assets invested in is matched to the term of the insurance liabilities to maximise investment performance;

(d) the diversification of business over two classes of insurance and a large number of uncorrelated individual risks seeks to reduce variability in loss experience.

Notes to the Financial Statements

For the year ended 30 June 2023

4 Risk management (continued)

b) Financial Risks (continued)

Insurance risk (continued)

(ii) Terms and conditions of health insurance business

The terms and conditions attached to health insurance contracts affect the level of insurance risk accepted by the Company. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

(iii) Concentration of insurance risk

The Company's exposure is concentrated in Western Australia where 60% of its policyholders reside. This concentration risk will change as the Company expands its business in other States and Territories.

(iv) Claims management and claims provisioning risks

The Company's approach to determining the outstanding claims liability is set out in Note 3. The Company's Appointed Actuary determines the Company's outstanding claims liability, that is reported at balance date, using an approved actuarial methodology.

Investment Risk

With regards to investment risk management, including market risk and interest rate risk, refer to note 28.

c) Non-Financial Risks

The Company's material non-financial risks comprise of both strategic and operational risks. Strategic risks include Poor Member Value Proposition Risk; Regulatory Intervention and Sovereign Risk; Brand and Reputation Risk; and Conduct Risk. Operational risks include Cyber Security Risk; Enabling Technology Risk; Third Party Risk; People Risk; and Service Delivery Risk.

The Board accepts a certain amount of risk in pursuit of the Company's strategic objectives and in achieving its vision of renewing community confidence. The Board will however only accept material business risks that have been carefully assessed and for which it has geared itself to accept, including through operating effective controls to avoid unwelcome risk, mitigating the likelihood of this risk occurring, and reducing the resulting impact of this risk.

5 Premium revenue

	Consolidated and Health Insurance Fund of Australia		
	Hospital Tables $	**General Tables $**	**Total $**
Premium revenue has been determined after including:			
2023 premium revenue			
Premiums received including Federal Government rebates	**124,386,890**	**56,271,310**	**180,658,200**
+/- premiums in arrears	**(14,381)**	**(8,194)**	**(22,575)**
+/- unearned premium liability	**(488,070)**	**(240,563)**	**(728,633)**
+/- amount receivable from the Federal Government Rebate Incentives	**250,302**	**110,200**	**360,502**
Total premium revenue	**124,134,741**	**56,132,753**	**180,267,494**
2022 premium revenue			
Premiums received including Federal Government rebates	123,259,504	55,287,776	178,547,280
+/- premiums in arrears	(37,589)	(7,221)	(44,810)
+/- unearned premium liability	(149,973)	(111,613)	(261,586)
+/- amount receivable from the Federal Government Rebate Incentives	32,511	14,199	46,710
Total premium revenue	123,104,453	55,183,141	178,287,594

The Group assessed the disaggregation of the revenue by geographical region and type of policies. This is information regularly reviewed by the Board to evaluate the financial performance of the Group. The Group's revenue from external customers by geographical location and type of policy are detailed below.

	Consolidated		Health Insurance Fund of Australia	
Geographical region	**2023 $**	2022 $	**2023 $**	2022 $
Australian Capital Territory	**1,232,769**	1,212,348	**1,232,769**	1,212,348
New South Wales	**17,701,990**	17,800,252	**17,701,990**	17,800,252
Northern Territory	**233,704**	223,733	**233,704**	223,733
Queensland	**16,108,916**	15,821,825	**16,108,916**	15,821,825
South Australia	**4,406,654**	4,272,806	**4,406,654**	4,272,806
Tasmania	**976,405**	961,648	**976,405**	961,648
Victoria	**27,557,234**	27,649,116	**27,557,234**	27,649,116
Western Australia	**112,049,822**	110,345,866	**112,049,822**	110,345,866
	180,267,494	178,287,594	**180,267,494**	178,287,594

Notes to the Financial Statements

For the year ended 30 June 2023

5 Premium revenue (continued)

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Type of policy				
Complying Health Insurance Products	**178,575,840**	176,239,759	**178,575,840**	176,239,759
Overseas Visitor Cover	**1,691,654**	2,047,835	**1,691,654**	2,047,835
	180,267,494	178,287,594	**180,267,494**	178,287,594

6 Investment income (net)

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Investment income	**7,074,562**	4,151,718	**7,074,562**	4,151,718

Investment income includes interest income and distribution income from unit trust investments.

7 Fair value gains / (losses) on financial assets at fair value through profit or loss

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Unrealised fair value gain / (loss)	**1,210,465**	(7,296,875)	**1,210,465**	(7,296,875)

Fair value gains / (losses) represent movements on equity and fixed interest unit trust investments.

8 Other income

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Profit from sale of property, plant and equipment	**-**	14,358	**-**	14,358
Rental revenue	**330,938**	317,105	**330,938**	317,105
Other revenue	**49,880**	27,025	**49,880**	27,025
	380,818	358,488	**380,818**	358,488

9 Net claims incurred

	Consolidated and Health Insurance Fund of Australia		
	Current year $	**Prior years $**	**Total $**
2023			
Gross claims expense			
Gross claims incurred – undiscounted	**144,556,639**	**12,352,531)**	**132,204,108**
Discount movement	**-**	**-**	**-**
	144,556,639	**12,352,531)**	**132,204,108**
Ambulance levies	**495,709**	**-**	**495,709**
Risk equalisation expense			
Risk equalisation expense – undiscounted	**15,134,647**	**(6,122,459)**	**9,012,188**
Discount movement	**-**	**-**	**-**
	15,134,647	**(6,122,459)**	**9,012,188**
Net claims incurred	**160,186,995**	**(18,474,990)**	**141,712,005**
2022			
Gross claims expense			
Gross claims incurred – undiscounted	146,082,937	(9,542,835)	136,540,102
Discount movement	-	-	-
	146,082,937	(9,542,835)	136,540,102
Ambulance levies	533,939	-	533,939
Risk equalisation expense			
Risk equalisation expense – undiscounted	4,815,033	1,481,697	6,296,730
Discount movement	-	-	-
	4,815,033	1,481,697	6,296,730
Net claims incurred	151,431,909	(8,061,138)	143,370,771

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

The Company values are the same as the consolidated values.

Notes to the Financial Statements

For the year ended 30 June 2023

10 Other expenses

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
a) Other operating expenses				
Commission	**955,368**	962,714	**955,368**	962,714
Information technology	**2,613,395**	1,785,270	**2,613,395**	1,785,270
Depreciation	**708,736**	772,227	**708,736**	772,227
Post-employment benefits	**1,348,467**	1,145,814	**1,348,467**	1,145,814
Other employee benefits	**13,942,745**	12,314,643	**13,942,745**	12,314,643
Legal fees	**34,874**	16,296	**34,874**	16,296
Postage and telephone	**433,434**	542,287	**433,434**	542,287
Printing and stationery	**102,671**	130,708	**102,671**	130,708
Rental and property expenses	**530,749**	434,763	**530,749**	434,763
Advertising	**4,338,110**	4,254,904	**4,338,110**	4,254,904
Other expenses	**2,278,772**	1,915,650	**2,278,772**	1,915,650
	27,287,321	24,275,276	**27,287,321**	24,275,276
Reclassification to deferred acquisition costs	**(13,110,939)**	(12,013,546)	**(13,110,939)**	(12,013,546)
Reclassification to claims handling expenses	**(2,699,868)**	(2,755,039)	**(2,699,868)**	(2,755,039)
	11,476,514	9,506,691	**11,476,514**	9,506,691
b) Finance costs				
Financial charges and taxes	**423,024**	434,955	**423,024**	434,955
Reclassification to deferred acquisition costs	**(222,713)**	(227,466)	**(222,713)**	(227,466)
Reclassification to claims handling expenses	**(178,019)**	(184,728)	**(178,019)**	(184,728)
	22,292	22,761	**22,292**	22,761

Notes to the Financial Statements

For the year ended 30 June 2023

11 Income tax

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Income tax expense				
Deferred tax	**-**	-	**-**	-
Total tax expense charged to profit or loss	**-**	-	**-**	-
Reconciliation between net profit before tax and tax expense				
Profit before income tax expense	**19,711,072**	7,739,909	**19,711,072**	7,739,909
Tax at the Australian tax rate of 30% (2022: 30%)	**5,913,321**	2,321,973	**5,913,321**	2,321,973
Exempt income of parent entity	**(5,913,321)**	(2,321,973)	**(5,913,321)**	(2,321,973)
Deferred tax liability not recognised on profit in subsidiary	**-**	-	**-**	-
Tax expense for the year	**-**	-	**-**	-

12 Cash and cash equivalents

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Cash on hand	**617**	282	**617**	282
Cash at bank and on call	**12,402,120**	13,940,398	**12,402,120**	13,940,398
	12,402,737	13,940,680	**12,402,737**	13,940,680

13 Receivables

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Current				
Premiums in arrears	**239,723**	262,519	**239,723**	262,519
Investment income receivable	**687,962**	98,515	**687,962**	98,515
Amounts due from the Federal Government Rebate Incentives Scheme	**3,680,687**	3,320,185	**3,680,687**	3,320,185
Other amounts receivable	**1,697,388**	1,246,938	**1,666,630**	1,216,180
	6,305,760	4,928,157	**6,275,002**	4,897,399

Notes to the Financial Statements

For the year ended 30 June 2023

14 Other financial assets

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Current				
Term deposits	**60,455,412**	44,755,405	**60,455,412**	44,755,405
Non-current				
Investments in unit trusts	**71,342,939**	67,305,414	**71,342,939**	67,305,414

The group holds investments in unit trusts carried at fair value through profit or loss (FVTPL).

15 Investments in controlled entities

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Health Insurance Australia Pty Ltd	**-**	-	**1**	1
	-	-	**1**	1

The subsidiary company is 100% owned by Health Insurance Fund of Australia Limited.

16 Deferred acquisition costs

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Deferred acquisition costs at 1 July	**1,892,503**	1,572,517	**1,892,503**	1,572,517
Acquisition costs deferred	**13,333,652**	12,241,012	**13,333,652**	12,241,012
Recognised in Statement of profit or loss and other comprehensive income	**(13,133,569)**	(11,921,026)	**(13,133,569)**	(11,921,026)
Deferred acquisition costs at 30 June	**2,092,586**	1,892,503	**2,092,586**	1,892,503

Notes to the Financial Statements

For the year ended 30 June 2023

17 Property, plant and equipment

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Land at fair value	**3,300,000**	3,000,000	**3,300,000**	3,000,000
Buildings at fair value	**9,871,664**	9,919,641	**9,871,664**	9,919,641
Less: accumulated depreciation	**(571,664)**	(949,788)	**(571,664)**	(949,788)
	12,600,000	11,969,853	**12,600,000**	11,969,853
Office furniture and equipment – at cost	**4,684,683**	5,826,277	**4,684,683**	5,826,277
Less: accumulated depreciation	**(3,785,647)**	(4,869,130)	**(3,785,647)**	(4,869,130)
	899,036	957,147	**899,036**	957,147
Motor vehicles - at cost	**198,605**	198,605	**198,605**	198,605
Less: accumulated depreciation	**(92,657)**	(55,356)	**(92,657)**	(55,356)
	105,948	143,249	**105,948**	143,249
Total property, plant and equipment	**13,604,984**	13,070,249	**13,604,984**	13,070,249

The basis of valuation for land and buildings is the fair value based on existing use. The Company's Board is of the opinion that this basis provides a reasonable estimate of the recoverable amount. There was a revaluation of the Company's freehold land and buildings in June 2023. The valuation was based on the fair market value of the property at that date by reference to several methodologies including capitalisation method and discounted cash flow approach and was conducted in accordance with independent valuation standards. The valuation was performed by Cameron Thomson of Knight Frank Australia Pty Ltd who is a Certified Practising Valuer (Licensed Valuer # 45149). The next independent valuation will be conducted in June 2026. The historic cost of the revalued land and buildings was $2,068,152.

Notes to the Financial Statements

For the year ended 30 June 2023

17 Property, plant and equipment (continued)

	Land & Buildings	Office Furniture & Equipment	Motor Vehicles	Total
	$	$	$	$
Reconciliation of property, plant and equipment 2023 – consolidated				
Carrying amount at 1 July 2022	**11,969,853**	**955,659**	**144,737**	**13,070,249**
Revaluation	**896,889**	**-**	**-**	**896,889**
Additions	**-**	**399,261**	**-**	**399,261**
Assets written off during the year	**-**	**(52,679)**	**-**	**(52,679)**
Depreciation expense	**(266,742)**	**(404,693)**	**(37,301)**	**(708,736)**
Carrying amount at 30 June 2023	**12,600,000**	**897,548**	**107,436**	**13,604,984**
Reconciliation of property, plant and equipment 2022 – consolidated				
Carrying amount at 1 July 2021	12,222,938	1,051,962	208,334	13,483,234
Additions	13,600	368,764	57,442	439,806
Disposals	-	-	(80,564)	(80,564)
Depreciation expense	(266,685)	(465,067)	(40,475)	(772,227)
Carrying amount at 30 June 2022	11,969,853	955,659	144,737	13,070,249
Reconciliation of property, plant and equipment 2023 - Health Insurance Fund of Australia				
Carrying amount at 1 July 2022	**11,969,853**	**955,659**	**144,737**	**13,070,249**
Revaluation	**896,889**	**-**	**-**	**896,889**
Additions	**-**	**399,261**	**-**	**399,261**
Assets written off during the year	**-**	**(52,679)**	**-**	**(52,679)**
Depreciation expense	**(266,742)**	**(404,693)**	**(37,301)**	**(708,736)**
Carrying amount at 30 June 2023	**12,600,000**	**897,548**	**107,436**	**13,604,984**
Reconciliation of property, plant and equipment 2022 - Health Insurance Fund of Australia				
Carrying amount at 1 July 2021	12,222,938	1,051,962	208,334	13,483,234
Additions	13,600	368,764	57,442	439,806
Disposals	-	-	(80,564)	(80,564)
Depreciation expense	(266,685)	(465,067)	(40,475)	(772,227)
Carrying amount at 30 June 2022	11,969,853	955,659	144,737	13,070,249

Notes to the Financial Statements

For the year ended 30 June 2023

18 Investment property

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Fair value				
Investment property	**4,500,000**	4,000,000	**4,500,000**	4,000,000
Balance at beginning of year	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Revaluation	**500,000**	-	**500,000**	-
Balance at end of year	**4,500,000**	4,000,000	**4,500,000**	4,000,000

All of the Group's investment property is held under freehold interests.

The fair value of the Group's investment property as at 30 June 2023 has been arrived at on the basis of a valuation carried out in June 2023 by Cameron Thomson of Knight Frank Australia Pty Ltd who is an independent valuer not related to the Group. Mr Cameron is a member of the Institute of Valuers of Australia, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was based on the fair market value of the property at that date by reference to several methodologies including income capitalisation method and direct comparison approach and was conducted in accordance with independent valuation standards. In estimating the fair value of the properties, the highest and best use of the property is its current use. The next independent valuation will be conducted in June 2026.

19 Trade and other payables

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Amounts due to the Risk Equalisation Special Account	**2,719,967**	1,300,655	**2,719,967**	1,300,655
Trade payables	**657,934**	399,388	**657,934**	399,388
Other creditors	**1,151,488**	853,744	**1,151,489**	853,745
	4,529,389	2,553,787	**4,529,390**	2,553,788

The average credit period on purchases is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice.

20 Claims liabilities

	Note	Consolidated		Health Insurance Fund of Australia	
		2023 $	2022 $	**2023 $**	2022 $
Outstanding claims liability – central estimate	**(A)**	**15,587,740**	13,595,728	**15,587,740**	13,595,728
Claims handling costs	**(B)**	**280,766**	241,093	**280,766**	241,093
Risk margin	**(C)**	**809,294**	705,677	**809,294**	705,677
Gross outstanding claims liability		**16,677,800**	14,542,498	**16,677,800**	14,542,498
COVID-19 deferred claims liability (refer note d below)		**4,418,107**	8,836,215	**4,418,107**	8,836,215
Outstanding claims payable		**3,855,954**	4,478,817	**3,855,954**	4,478,817
Claims liabilities		**24,951,861**	27,857,530	**24,951,861**	27,857,530
Gross claims incurred – undiscounted	**(A)+(B)+(C)**	**16,677,800**	14,542,498	**16,677,800**	14,542,498
a) Reconciliation of movement in gross outstanding claims liability					
Brought forward	**(D)**	**14,542,498**	19,135,775	**14,542,498**	19,135,775
Effect of changes in assumptions		**(3,720,823)**	(2,724,233)	**(3,720,823)**	(2,724,233)
Increase in claims incurred / recoveries anticipated over the year		**16,677,801**	14,542,499	**16,677,801**	14,542,499
Incurred claims recognised in Statement of profit or loss and other comprehensive income	**(E)**	**12,956,978**	11,818,266	**12,956,978**	11,818,266
Claim payments / recoveries during the year	**(F)**	**10,821,676**	16,411,543	**10,821,676**	16,411,543
Carried forward	**(D)+(E)-(F)**	**16,677,800**	14,542,498	**16,677,800**	14,542,498

b) Claims development tables

The claims development table is not required where uncertainty about amount and timing is typically resolved within one year. As greater than 99.9% of the Company's claims are resolved within one year, the claims development table has not been included.

c) Risk margins

Uncertainty was analysed for each portfolio taking into account potential uncertainties relating to the actuarial models and assumptions, the data quality, the health insurance environment and the impact of legislative reform. As the Company is a single portfolio comprising two correlated classes of risk, no allowance is made for diversification when setting the risk margin. The risk margin applied to increase the level of adequacy of the central estimate to 80% is 5.1%.

20 Claims liabilities (continued)

d) COVID-19 deferred claims liability

The Group holds a liability for claims that have been deferred as members were unable to access treatment prior to 30 June 2022 as a result of restricted access to service providers in response to the COVID-19 pandemic.

From 1 July 2022, the Group started to unwind the COVID-19 deferred claims liability on a systematic basis over 24 months.

21 Unearned premium liability

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Unearned premium liability at beginning of the period	**27,563,876**	27,308,397	**27,563,876**	27,308,397
Deferral of premiums on contracts paid in the period	**28,291,218**	27,563,876	**28,291,218**	27,563,876
Earning of premiums paid in previous periods	**(27,563,876)**	(27,308,397)	**(27,563,876)**	(27,308,397)
Unearned premium liability at the end of the period	**28,291,218**	27,563,876	**28,291,218**	27,563,876

22 Provisions for employee entitlements

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Current				
Annual leave	**992,048**	861,743	**992,048**	861,743
Long service leave	**713,988**	579,143	**713,988**	579,143
	1,706,036	1,440,886	**1,706,036**	1,440,886
Non-current				
Long service leave	**247,718**	106,094	**247,718**	106,094

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23 Unexpired risk liability

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
(a) Unexpired risk liability				
Unexpired risk liability closing balance	**-**	-	**-**	-
(b) Calculation of deficiency				
Contributions in advance (CIA)				
Unearned premium liability	**28,581,782**	27,826,395	**28,581,782**	27,826,395
Less: related deferred acquisition costs	**2,092,586**	1,892,503	**2,092,586**	1,892,503
	26,489,196	25,933,892	**26,489,196**	25,933,892
Future claims*	**25,131,657**	24,693,979	**25,131,657**	24,693,979
Risk margin	**666,363**	654,390	**666,363**	654,390
	25,798,020	25,348,369	**25,798,020**	25,348,369
Unexpired risk liability – CIA	**-**	-	**-**	-
Constructive obligation (CO)				
Unearned premium liability	**111,032,809**	110,328,319	**111,032,809**	110,328,319
Less: related deferred acquisition costs	**9,900,290**	9,528,826	**9,900,290**	9,528,826
	101,132,519	100,799,493	**101,132,519**	100,799,493
Future claims*	**98,520,267**	98,197,266	**98,520,267**	98,197,266
Risk margin	**2,612,252**	2,602,227	**2,612,252**	2,602,227
	101,132,519	100,799,493	**101,132,519**	100,799,493
Unexpired risk liability – CO	**-**	-	**-**	-
Unexpired risk liability – CIA and CO	**-**	-	**-**	-

* *Central estimate of present value of expected future cash flows arising from future claims including risk equalisation and policy handling expenses*

The liability adequacy test identified a surplus (2022: surplus) for the combined portfolio of Hospital and General contracts that are subject to broadly similar risks that are managed together as a single portfolio. The process for determining the overall risk margin of 2.65%, is based on a coefficient of variation of 4.0% at 75% level of sufficiency.

The related deferred acquisition costs were recognised only to the extent of the surplus in the current year and in the prior year.

As health insurance contracts have no end date, unlike a general insurance contract, health funds are obliged to keep offering and renewing their products to members thus giving rise to a constructive obligation. The constructive obligation is required to be included when performing the liability adequacy test to determine the unexpired risk liability. It is generally recognised that whilst health insurance contracts have no end date, a health fund will be able to alter its product's prices at least annually (from 1 April), thus limiting the impact of the constructive obligation.

Notes to the Financial Statements

For the year ended 30 June 2023

24 Reserves

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Reserves comprise revaluation of:				
Land and buildings	**1,384,969**	488,080	**1,384,969**	488,080

The land and buildings revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties' revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings. The land and building at 100 Stirling St was revalued at 30 June 2023 resulting in an increase in value of $896,889 against the reserve.

25 Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Net profit from ordinary activities after tax	**19,711,072**	7,739,909	**19,711,072**	7,739,909
Adjustments for:				
Depreciation of property, plant and equipment	**708,736**	772,227	**708,736**	772,227
Profit on sale of property, plant and equipment	**-**	(14,358)	**-**	(14,358)
Net loss on write-down of property, plant and equipment	**52,679**	-	**52,679**	-
Fair value (gains) / losses on financial assets	**(1,210,465)**	7,296,875	**(1,210,465)**	7,296,875
Operating cash flows before movements in working capital	**19,262,022**	15,794,653	**19,262,022**	15,794,653
Increase in deferred acquisition costs	**(200,083)**	(319,986)	**(200,083)**	(319,986)
Increase in unearned premium liability	**727,342**	255,479	**727,342**	255,479
Decrease in contributions in arrears	**22,796**	45,215	**22,796**	45,215
(Decrease) / increase in claims liabilities	**(2,905,669)**	1,168,768	**(2,905,669)**	1,168,768
Increase in employee entitlements	**406,774**	204,144	**406,774**	204,144
Increase in other debtors	**(810,953)**	(341,303)	**(810,953)**	(341,303)
Increase / (decrease) in creditors	**1,975,602**	(2,042,392)	**1,975,602**	(2,042,392)
Increase in interest receivable	**(589,447)**	(73,102)	**(589,447)**	(73,102)
Net cash generated by operating activities	**17,888,384**	14,691,476	**17,888,384**	14,691,476

26 Related party disclosures

The names of each person holding the position of director of the Company during the financial year are:

S. V. Blake, P. L. Hersey, R. Homsany, K. Laufmann, M. M. Malone and T .W. Shackleton.

Directors of the Company are entitled to receive Company health benefits at subsidised rates applicable to all employees.

Transactions with related entities

There were no transactions with related entities in the current financial year.

Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Short-term employee benefits	**2,701,315**	2,672,911	**2,701,315**	2,672,911
Post-employment benefits	**245,756**	242,435	**245,756**	242,435
	2,947,071	2,915,346	**2,947,071**	2,915,346

27 Remuneration of auditors

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Deloitte and related network firms				
– Audit or review of financial reports for Group and subsidiaries	**171,544**	150,150	**171,544**	150,150
– Other Services	**-**	-	**-**	-
PricewaterhouseCoopers and their related network firms				
– Internal audit services	**184,564**	131,938	**184,564**	131,938
	356,108	282,088	**356,108**	282,088

28 Financial instruments

a) Financial risk

The Group is exposed to a number of forms of financial risk, the most significant being market risk. This section provides an explanation of the other aspects in which the Group is affected by financial risks.

(i) Market risk

The Group takes on exposure to market risks including fair value risk, interest risk and price risk. Market risks arise from open positions in interest rates and equity products, all of which are exposed to general and specific market movements. The market risks that the Group primarily faces are equity risk and interest rate risk, due to the nature of its investments and liabilities.

Investment activity for the Group is undertaken in accordance with an investment policy established by the Board of Directors. The policy stipulates cash flow requirements, liquidity management, authorised investments and maximums, composition of portfolio, performance benchmarks and credit structure.

At 30 June, the Group had the following mix of financial assets exposed to equities price risk:

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Financial assets				
Investment in unit trusts	**71,342,939**	67,305,414	**71,342,939**	67,305,414

The unit trusts invest in companies listed on Australian and international stock exchanges.

At 30 June, if the S&P/ASX 300 Index had moved, as illustrated in the table below, with all other variables held constant, post tax profit/equity would have been affected as follows:

	Post tax profit / equity higher / (lower)			
	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
+ 10% S&P/ASX 300 Index	**2,951,359**	2,825,356	**2,951,359**	2,825,356
– 10% S&P/ASX 300 Index	**(2,951,359)**	(2,825,356)	**(2,951,359)**	(2,825,356)

28 Financial instruments (continued)

a) Financial risk (continued)

(ii) Interest rate risk

The Group manages its exposure to interest rate risk through a diversified portfolio of investments including property and equity investments in addition to interest bearing assets. The interest bearing assets are further diversified in type and duration.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Financial assets				
Cash and cash equivalents	**12,402,737**	13,940,680	**12,402,737**	13,940,680
Term deposits	**60,455,412**	44,755,405	**60,455,412**	44,755,405
	72,858,149	58,696,085	**72,858,149**	58,696,085

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and hence equity would have been affected as follows:

	Post tax profit / equity higher / (lower)			
	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
+ 1.0% (100 basis points)	**1,146,875**	977,479	**977,479**	977,479
- 0.5% (50 basis points)	**(573,437)**	(488,740)	**(488,740)**	(488,740)

The movements in profit / equity are due to higher / lower interest income from variable rate cash and term deposit balances.

(iii) Liquidity risk

The Group is exposed to daily calls on its available cash resources from policy claims. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Company's Board sets limits on the minimum proportion of maturing funds available to meet such calls and to cover claims at unexpected levels of demand.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities at 30 June 2023. The undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2023.

28 Financial instruments (continued)

a) Financial risk (continued)

Maturity analysis of financial assets and liabilities based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Payables and other financial liabilities mainly originate from the ongoing operations of the Group such as overhead expenses and investments in working capital.
To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its various business units that reflects expectations of management of expected settlement of financial assets and liabilities. The financial assets at fair value through profit and loss categorised as maturing in less than or equal to 3 months have been categorised as such because there is no maturity date, however, they are disclosed as non current assets on the Statement of Financial Position as it is the intention to hold these investments for greater than 12 months.

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2023						
Financial assets						
Cash and cash equivalents	**12,402,737**	**-**	**-**	**-**	**-**	**12,402,737**
Term deposits	**26,516,986**	**28,350,432**	**6,275,956**	**-**	**-**	**61,143,374**
Receivables	**5,617,798**	**-**	**-**	**-**	**-**	**5,617,798**
Financial assets at fair value through profit or loss	**71,342,939**	**-**	**-**	**-**	**-**	**71,342,939**
	115,880,460	**28,350,432**	**6,275,956**	**-**	**-**	**150,506,848**
Financial liabilities						
Payables	**(4,529,389)**	**-**	**-**	**-**	**-**	**(4,529,389)**
Net maturity	**111,351,071**	**28,350,432**	**6,275,956**	**-**	**-**	**145,977,459**
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	13,940,680	-	-	-	-	13,940,680
Term deposits	21,577,313	21,266,077	2,010,530	-	-	44,853,920
Receivables	4,829,642	-	-	-	-	4,829,642
Financial assets at fair value through profit or loss	67,305,414	-	-	-	-	67,305,414
	107,653,049	21,266,077	2,010,530	-	-	130,929,656
Financial liabilities						
Payables	(2,553,787)	-	-	-	-	(2,553,787)
Net maturity	105,099,262	21,266,077	2,010,530	-	-	128,375,869

Notes to the Financial Statements

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28 Financial instruments (continued)

a) Financial risk (continued)

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Health Insurance Fund of Australia	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2023						
Financial assets						
Cash and cash equivalents	**12,402,737**	**-**	**-**	**-**	**-**	**12,402,737**
Term deposits	**26,516,986**	**28,350,432**	**6,275,956**	**-**	**-**	**61,143,374**
Receivables	**5,587,040**	**-**	**-**	**-**	**-**	**5,587,040**
Financial assets at fair value through profit or loss	**71,342,939**	**-**	**-**	**-**	**-**	**71,342,939**
	115,849,702	**28,350,432**	**6,275,956**	**-**	**-**	**150,476,090**
Financial liabilities						
Payables	**(4,529,390)**	**-**	**-**	**-**	**-**	**(4,529,390)**
Net maturity	**111,320,312**	**28,350,432**	**6,275,956**	**-**	**-**	**145,946,700**
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	13,940,680	-	-	-	-	13,940,680
Term deposits	21,577,313	21,266,077	2,010,530	-	-	44,853,920
Receivables	4,798,884	-	-	-	-	4,798,884
Financial assets at fair value through profit or loss	67,305,414	-	-	-	-	67,305,414
	107,622,291	21,266,077	2,010,530	-	-	130,898,898
Financial liabilities						
Payables	(2,553,788)	-	-	-	-	(2,553,788)
Net maturity	105,068,503	21,266,077	2,010,530	-	-	128,345,110

Maturity analysis of the Company's undiscounted outstanding claims liability on insurance contracts is as follows:

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
	$	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2023	**18,201,181**	**1,561,419**	**616,924**	**154,231**	**-**	**20,533,755**
Year ended 30 June 2022	18,717,866	1,974,165	299,166	74,791	-	21,065,988

Fair value

The methods for estimating fair value are outlined in Note 1(m) Financial assets at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2023

28 Financial instruments (continued)

a) Financial risk (continued)

Liquidity and interest risk tables

			Fixed interest maturing in:			
	Notes	Floating interest rate	1 year or less	1 to 5 years	Non interest bearing	Total
Consolidated 2023		$	$	$	$	$
Financial assets						
Cash and cash equivalents	12	12,402,120	-	-	617	12,402,737
Term deposits	14	-	60,455,412	-	-	60,455,412
Premiums in arrears	13	-	-	-	239,723	239,723
Other receivables	13	-	-	-	5,378,075	5,378,075
Investment income receivable	13	-	-	-	687,962	687,962
Financial assets at fair value through profit and loss	14	-	-	-	71,342,939	71,342,939
		12,402,120	60,455,412	-	77,649,316	150,506,848
Weighted average interest rate		2.51%	4.50%			
Financial liabilities						
Payables	19	-	-	-	(4,529,389)	(4,529,389)
Net financial assets		12,402,120	60,455,412	-	73,119,927	145,977,459

Notes to the Financial Statements

For the year ended 30 June 2023

28 Financial instruments (continued)

a) Financial risk (continued)

Liquidity and interest risk tables

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	Non interest bearing	Total
Consolidated 2022		**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	13,940,398	-	-	282	13,940,680
Term deposits	14	-	44,755,405	-	-	44,755,405
Premiums in arrears	13	-	-	-	262,519	262,519
Other receivables	13	-	-	-	4,567,123	4,567,123
Investment income receivable	13	-	-	-	98,515	98,515
Financial assets at fair value through profit and loss	14	-	-	-	67,305,414	67,305,414
		13,940,398	44,755,405	-	72,233,853	130,929,656
Weighted average interest rate		0.11%	1.31%			
Financial liabilities						
Payables	19	-	-	-	(2,553,787)	(2,553,787)
Net financial assets		13,940,398	44,755,405	-	69,680,066	128,375,869

Notes to the Financial Statements

For the year ended 30 June 2023

28 Financial instruments (continued)

a) Financial risk (continued)

Liquidity and interest risk tables

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	Fixed interest maturing in: 1 to 5 years	Non interest bearing	Total
Health Insurance Fund of Australia 2023		$	$	$	$	$
Financial assets						
Cash and cash equivalents	12	12,402,120	-	-	617	12,402,737
Term deposits	14	-	60,455,412	-	-	60,455,412
Premiums in arrears	13	-	-	-	239,723	239,723
Other receivables	13	-	-	-	5,347,317	5,347,317
Investment income receivable	13	-	-	-	687,962	687,962
Financial assets at fair value through profit and loss	14	-	-	-	71,342,939	71,342,939
		12,402,120	60,455,412	-	77,618,558	150,476,090
Weighted average interest rate		2.51%	4.50%			
Financial liabilities						
Payables	19	-	-	-	(4,529,390)	(4,529,390)
Net financial assets		12,402,120	60,455,412	-	73,089,168	145,946,700

Notes to the Financial Statements

For the year ended 30 June 2023

28 Financial instruments (continued)

a) Financial risk (continued)

Liquidity and interest risk tables

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	Non interest bearing	Total
Health Insurance Fund of Australia 2022		$	$	$	$	$
Financial assets						
Cash and cash equivalents	12	13,940,398	-	-	282	13,940,680
Term deposits	14	-	44,755,405	-	-	44,755,405
Premiums in arrears	13	-	-	-	262,519	262,519
Other receivables	13	-	-	-	4,536,365	4,536,365
Investment income receivable	13	-	-	-	98,515	98,515
Financial assets at fair value through profit and loss	14	-	-	-	67,305,414	67,305,414
		13,940,398	44,755,405	-	72,203,095	130,898,898
Weighted average interest rate		0.11%	1.31%			
Financial liabilities						
Payables	19	-	-	-	(2,553,788)	(2,553,788)
Net financial assets		13,940,398	44,755,405	-	69,649,307	128,345,110

28 Financial instruments (continued)

b) Credit risk

The credit risk on financial assets of the Group is generally the carrying amount, net of any provisions for doubtful debts. Credit risk is mitigated by close management review of outstanding amounts which are regularly followed up and collected.

The table below provides information regarding the credit risk exposure of the Group at 30 June 2023 by classifying assets according to the Standard and Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

The Group manages credit risk by setting investment limits based on counterparty credit ratings and the duration of investments. The compliance with these limits is reported to the Group's Board on a monthly basis.

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2023	**$**	**$**	**$**	**$**	**$**	**$**
Consolidated						
Financial assets						
Cash and cash equivalents	**-**	**12,402,120**	**-**	**-**	**617**	**12,402,737**
Term deposits	**-**	**60,455,412**	**-**	**-**	**-**	**60,455,412**
Receivables	**3,680,687**	**687,962**	**-**	**-**	**1,937,111**	**6,305,760**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**71,342,939**	**71,342,939**
Total	**3,680,687**	**73,545,494**	**-**	**-**	**73,280,667**	**150,506,848**

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2022	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	-	13,940,398	-	-	282	13,940,680
Term deposits	-	44,755,405	-	-	-	44,755,405
Receivables	3,320,185	98,515	-	-	1,509,457	4,928,157
Financial assets at fair value through profit or loss	-	-	-	-	67,305,414	67,305,414
Total	3,320,185	58,794,318	-	-	68,815,153	130,929,656

The AAA rated receivables reflected above are due from Medicare Australia, a body administered and managed by the Federal Government. The Group's policy does not permit investment in any security rated below Standard and Poor's long term A rating.

Notes to the Financial Statements

For the year ended 30 June 2023

28 Financial instruments (continued)

a) Credit risk (continued)

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2023	**$**	**$**	**$**	**$**	**$**	**$**
Health Insurance Fund of Australia						
Financial assets						
Cash and cash equivalents	**-**	**12,402,120**	**-**	**-**	**617**	**12,402,737**
Term deposits	**-**	**60,455,412**	**-**	**-**	**-**	**60,455,412**
Receivables	**3,680,687**	**687,962**	**-**	**-**	**1,906,353**	**6,275,002**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**71,342,939**	**71,342,939**
Total	**3,680,687**	**73,545,494**	**-**	**-**	**73,249,909**	**150,476,090**

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2022	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	-	13,940,398	-	-	282	13,940,680
Term deposits	-	44,755,405	-	-	-	44,755,405
Receivables	3,320,185	98,515	-	-	1,478,699	4,897,399
Financial assets at fair value through profit or loss	-	-	-	-	67,305,414	67,305,414
Total	3,320,185	58,794,318	-	-	68,784,395	130,898,898

The AAA rated receivables reflected above are due from Medicare Australia, a body administered and managed by the Federal Government. The Group's policy does not permit investment in any security rated below Standard and Poor's long- term A rating.

c) Currency risk

All financial assets and liabilities of the Group are denominated in Australian dollars.

28 Financial instruments (continued)

Reconciliation of net financial assets to net assets

	Note	Consolidated		Health Insurance Fund of Australia	
		2023 $	2022 $	**2023 $**	2022 $
Net financial assets	28a)	**145,977,459**	128,375,869	**145,946,700**	128,345,110
Investment in controlled entities	15	**-**	-	**1**	1
Deferred acquisition costs	16	**2,092,586**	1,892,503	**2,092,586**	1,892,503
Property, plant and equipment	17	**13,604,984**	13,070,249	**13,604,984**	13,070,249
Investment property	18	**4,500,000**	4,000,000	**4,500,000**	4,000,000
Current liabilities	20,21,22	**(54,949,115)**	(56,862,292)	**(54,949,115)**	(56,862,292)
Non-current liabilities	22	**(247,718)**	(106,094)	**(247,718)**	(106,094)
Net assets per the Statement of financial position		**110,978,196**	90,370,235	**110,947,438**	90,339,477

Net fair value of financial assets and liabilities per the Statement of financial position

The net fair value of financial assets and liabilities approximate their carrying value.

Fair value measurements recognised in the consolidated Statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2023	**$**	**$**	**$**	**$**
Financial assets at fair value through profit or loss	**-**	**71,342,939**	**-**	**71,342,939**

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2022	**$**	**$**	**$**	**$**
Financial assets at fair value through profit or loss	-	67,305,414	-	67,305,414

28 Financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	Fair value as at 30 June 2023 $	30 June 2022 $	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property, plant and equipment – land and buildings	**12,600,000**	11,969,853	Level 3	Capitalisation Method, Discounted Cash Flow and Comparable Sales Method	N/A	N/A
Investment property	**4,500,000**	4,000,000	Level 3	Capitalisation Method, Discounted Cash Flow and Comparable Sales Method	N/A	N/A
Other financial assets – unit trusts	**71,342,939**	67,305,414	Level 2	Stated at the redemption price quoted by the trust managers as at the reporting date	N/A	N/A

There were no transfers between Levels 1,2 and 3 during the period.

29 Lease arrangements

The Group owns two properties located at 60-62 Stirling Street and at 100 Stirling Street, Perth. Lease receivables relates to both properties owned by the Group.

60-62 Stirling Street, Perth, has two tenancies. One tenant with a lease term of 3 years, which ends on 31 March 2026 and another tenant with a lease term of five years which ends on the 30 April 2028. The tenants do not have an option to purchase the property at the expiry of the lease period.

The tenancy on level one of 100 Stirling Street, Perth, has a lease term of 5 years, with an end date of 21 January 2026. The tenant has an option to renew for a further 5 years to 2031. The remainder of the property is occupied by the Group.

The property rental income earned by the Group from its properties, which are leased out under operating leases, amounted to $330,938 (2022:$317,104). Direct operating expenses arising on the investment properties in the period amounted to $275,219 (2022:$289,074).

Non-cancellable lease receivables

	Consolidated		Health Insurance Fund of Australia	
	2023 $	2022 $	**2023 $**	2022 $
Not later than 1 year	**475,743**	271,413	**475,743**	271,413
Later than 1 year and not longer than 5 years	**1,379,483**	243,353	**1,379,483**	243,353
Later than 5 years	**-**	-	**-**	-
	1,855,226	514,766	**1,855,226**	514,766

30 Subsequent events

There has not arisen in the interval between 30 June 2023 and the date of this report, any other item, transaction or event, of a material and unusual nature likely, in the opinion of the Board of Directors of the Company, to effect significantly the operations of the Group, the results of its operation, or the state of affairs of the Group in future years, other than the matters disclosed in this report.

HEALTH INSURANCE FUND OF AUSTRALIA LIMITED
DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the group;

(c) the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 (c).

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

R. Homsany
Director

Perth, 27 September 2023

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Independent Auditor's Report to the Members of Health Insurance Fund of Australia Limited

Opinion

We have audited the financial reports of Health Insurance Fund of Australia Limited (the "Entity") and its subsidiaries (the "Group") which comprise the Group and the Entity's statements of financial position as at 30 June 2023, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements 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 reports of the Group and the Entity are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group and the Entity's financial position as at 30 June 2023 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards 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 Reports* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports 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 Entity (the "directors"), 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.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial reports and our auditor's report thereon.

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

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports 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 Reports

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

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

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 the 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 the financial reports.

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 reports, 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 Group or the Entity'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 Group or the Entity's ability to continue as a going concern. If we conclude

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that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports 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 Group or the Entity to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountants

Sydney, 27 September 2023

Freedom to choose

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