

# Strategic update

UBS bi-annual company visits

**7 JUNE 2016**

# HEALTH POLICIES IN 2016 ELECTION

## Medicare freeze

- Unmitigated, the freeze is equivalent to ~\$5m annual impact on PRY revenue and EBIT
- Under Liberal policy, the freeze on indexation of MBS will be extended to 2020
- Under Labor it will cease on 1 January 2017

## *Primary initiatives*

- Support for AMA and RACGP campaigns against freeze during election period
- Introduction of private billing centres
- On-going efficiency drives in bulk billing centres

## *Sector impact*

- Freeze will create financial pressure in GP sector. If pathology rents are cut, the impact will be more severe
- Sector consolidation is likely and Primary should benefit in GP and practices acquisitions
- Bulk billing rates are likely to drop with less competition to Primary's bulk billing clinics

# HEALTH POLICIES IN 2016 ELECTION

## Bulk billing incentive cuts

- If BBI cuts are introduced, unmitigated they represent ~\$52m pa impact to Primary's EBIT, ~\$37m in pathology and ~\$15m in imaging
- Under current Liberal policy:
  - Impact in pathology will be offset by savings from regulation of ACC rent (see slide 10)
  - Impact in imaging will be delayed until 1 January 17 and after Government evaluate cost pressures in industry
- Labor opposed Liberal's BBI cuts when announced as part of MYEFO and appear supportive of retaining BBI

## *Primary initiatives*

- Selective introduction of private billing in imaging and pathology to diversify revenue streams
- Reduction in collection centre rents:
  - Rents have been reduced on underperforming ACCs to-date
  - Should BBI cuts be introduced without ACC rent regulation, PRY will look to lower rental costs in return for maintaining bulk billing of pathology services

# HEALTH POLICIES IN 2016 ELECTION

## Agreement by Liberals with Pathology Australia on collection centre rents

- Agreement for the regulation of collection centre rents to 'local commercial market rents'
- Agreement for the deferral of BBI cuts and moratorium on new collection centres until the regulatory framework in place
- It is uncertain what 'local commercial market rents' will entail in practice
- It is uncertain how the Liberals will enforce such regulation
- Labor opposes the agreement

### *Primary initiatives*

- Initial analysis suggests the savings to Primary will more than offset the negative impact of BBI cuts
- Response dependent on details and timing of any regulation