



31st October 2006

Alistair Sands
Secretary
The Senate
P O Box 6100
Parliament House
CANBERRA ACT 2600

Re: Medibank Private Sale Bill 2006

Thank you for your invitation to make a submission to your enquiry in your letter of 20th October 2006.

You seek submissions on the effect of the sale of Medibank Private in connection with:-

1) **Competition and Efficiency in PHI**

Our view where a shareholder is placed above a member, as could happen in a for profit health fund, policies in regard to claim payments would become more focussed towards the stakeholder return than the outcome for the member, which in our view is not efficient or competitive.

2) **Premiums**

There are a number of considerations in regard to affect on Premiums though lower cost premiums would come at the cost of lower claim payments which may adversely be prejudicial to the older members of the community.

3) **Health Insurance Markets**

Our view is the less PHI funds there are the less PHI members you will have, because of the substantial niche market in regions and industry. A new player replacing Medibank will not necessarily make the market more efficient or competitive.

4) **Access and Equity**

If the major PHI insurer is to be sold there will be access and equity issues, major issues are the reserve accumulated by Medibank Private members and there disbursement, and if Medibank is sold to a for profit health fund this will affect access and equity as a different philosophy takes over for a profit motive (e.g. closure of branches, restricted products for the aged and changed benefit culture).

Yours faithfully,

(Mr) Grahame Danaher
MANAGING DIRECTOR

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