

Please have each team member complete the deed. Happy if you want to email them all through to me as one pack.

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22@health.gov.au
Part-time hours - Mo, Tu, Th, Fr.



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s22

From: s47F @deloitte.com.au>
Sent: Friday, 9 September 2022 4:03 PM
To: s22
Cc: s47F; KELLEHER, Brian
Subject: RE:Letter of Offer - Expert Services 2023 Premium Round [SEC=OFFICIAL]
Attachments: Official Order - Expert Services 2023 Premium Round SIGNED.pdf

Categories: Red Category

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Hi s22

Thank you for selecting us to help with this work. We are looking forward to working with you all again.

Please find attached my signature with the Order.

Have a great weekend and speak next week.

Regards

s47F

s47F
 D: s47F | M: s47F
 s47F @deloitte.com.au | www.deloitte.com.au

Please consider the environment before printing.

From: s22 @health.gov.au>
Sent: Friday, 9 September 2022 4:11 PM
To: s47F @deloitte.com.au>
Cc: s47F @deloitte.com.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: [EXT]Letter of Offer - Expert Services 2023 Premium Round [SEC=OFFICIAL]

Hi s47F,

Please see attached.

If you have any questions, please let me know.

Regards,

s22

Acting Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division
 Australian Government Department of Health and Aged Care
 T: 02 6289 s22 | E: s22 @health.gov.au
 Part-time hours - Mo, Tu, Th, Fr.



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[Redacted]

From: [Redacted] <[Redacted]@deloitte.com.au>
Sent: Friday, 13 January 2023 3:57 PM
To: [Redacted]; [Redacted]; [Redacted]
Cc: KELLEHER, Brian; [Redacted]
Subject: 2023 Premium Rate Round - Assessment of Resubmissions - Supporting documentation
Attachments: [Redacted].pptx

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Hi [Redacted] and team

Please find documentation of our findings and assessments of the information supplied in the January 2023 resubmission of premium round applications attached and saved to the link below.

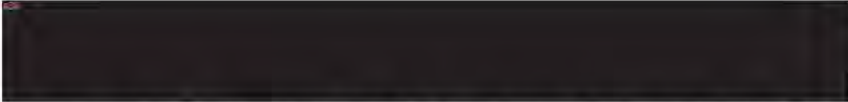
 [Redacted].pptx

The pack reflects our discussions over the week and what could be achieved for an assessment in the timeframe.

[Redacted]

[Redacted]

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I trust this information will be helpful in compiling your advice. If you need any further information or clarification prior to our call on Monday, please just call.

Kind regards

[Redacted]

[Redacted]

Director | Health, Government and Public Sector | Actuaries and Consultants
Deloitte Consulting Pty. Ltd.
477 Collins Street, Melbourne, VIC, 3000
D: [Redacted] | M: [Redacted]
[Redacted]@deloitte.com.au | www.deloitte.com.au

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Deloitte.



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From: s47F @deloitte.com.au >
Sent: Wednesday, 21 December 2022 11:15 AM
To: s22
Cc: s47F ; s47F ; s22
Subject: 2023 Premium round - Expert Services - Request to invoice and Summary of Fees to 20 Dec 2022

Categories: Red Category

Hi s22

Below a summary on the work completed on the 2023 premium round.

For services delivered to 20 December 2022 we have incurred a total of s47E(d), s47G (incl. GST) or s47E(d), s47G before GST. This compares to the budget of s47E(d), s47G (incl. GST), which means s47E(d), s47G (incl. GST) remains available.

As discussed, we would like to issue an invoice for the work. Please confirm you are happy with us raising an invoice for s47E(d), s47G (incl. GST) and the steps for submission, including the PO number we should use.

• **Breakdown of hours and fees**

The tables below give a summary of times and fees incurred by our team to 20 December 2022. This covers all work relating to input on the submission templates, discussions prior to receipt of the first round of submissions, analyses of individual insurer submissions as well as industry analyses.

Please note that we have not charged for all of s47F time, in line with our proposal which said he would invest 3 days of effort.

Table 1: Budgeted hours, Incurred hours and Charged Hours by Resource – for the period up to and including 20 December 2022

Resource Name	Designation	Budgeted hours (Incl. investment time by Partner)	Hours incurred (a) = (b) +(c)	H
s47F	s47(1)(b)			

Table 2: Hours Charged and Fees by Resource – for the period up to and including 20 December 2022

Resource Name	Hourly rate (incl. GST)	Hours charged (b)	Total Fees (incl. GST)
s47F	s47(1)(b)		

Please let me know if you need any further information or if you would like to discuss on the phone.

s47F

s47F

Director | Health, Government and Public Sector | Actuaries and Consultants
Deloitte Consulting Pty. Ltd.
477 Collins Street, Melbourne, VIC, 3000
D: s47F | M: s47F
s47F @deloitte.com.au | www.deloitte.com.au

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From: s47F @deloitte.com.au>
Sent: Thursday, 8 December 2022 12:45 PM
To: s22, s47F
Cc: s22, s47F, s47F
Subject: 2023 Premium round - Expert Services - Summary of Fees to 7 Dec 2022
Categories: Red Category

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Hi s22

Following on from our conversation on Tuesday, we have incurred s47(1)(b) (including GST) or s47(1)(b) (before GST).

This compares to the budget of s47E(d), s47G (including GST), which means s47(1)(b), s47E(d), s47G (including GST) remains available.

• **Breakdown of hours and fees**

The tables below give a summary of times and fees incurred by our team to date. This covers all work relating to input on the submission templates, discussions prior to receipt of the first round of submissions as well as work to produce the draft report shared with DOHAC yesterday i.e. up to 7 December 2022.

Please note that we have not charged for all of s47F time, in line with our proposal which said he would invest 3 days of effort.

Table 1: Budgeted hours, Incurred hours and Charged Hours by Resource – for the period up to and including 7 December 2022

Resource Name	Designation	Budgeted hours (Incl. investment time by Partner)	Hours incurred (a) = (b) +(c)	H
s47F	s47(1)(b)			

Table 2: Hours Charged and Fees by Resource – for the period up to and including 7 December 2022

Resource Name	Hourly rate (incl. GST)	Hours charged (b)	Total Fees (incl. GST)
s47F	s47(1)(b)		

• **Next steps:**

Our work order encompasses the period 15 November 2022 to 16 December 2022.

Following developments on your end, we will be guided on how best we support next week and also how we rescope for work beyond that.

Please let me know if you need any further information or if you would like to discuss on the phone.

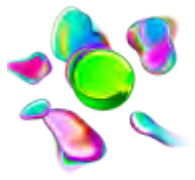
s47F

s47F

Director | Health, Government and Public Sector | Actuaries and Consultants
Deloitte Consulting Pty. Ltd.
477 Collins Street, Melbourne, VIC, 3000
D: s47F | M: s47F
s47F @deloitte.com.au | www.deloitte.com.au

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From: s47F@deloitte.com.au <[redacted]@deloitte.com.au>
Sent: Friday, 27 January 2023 6:18 PM
To: s22
Cc: s47F; s47F; s22
Subject: 2023 Premium round - Expert Services - Summary of Fees to 20 Jan 2023
Categories: Red Category

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Hi s22,

Please see below a summary of work completed on the 2023 premium round.

For services delivered to 20 January 2023 we have incurred a total of s47(1)(b) incl. GST or s47(1)(b) before GST. This compares to the budget of s47E(d), s47G incl. GST (being the original amount of s47E(d), s47G plus s47E(d), s47G extension), meaning s47E(d), s47G (incl. GST) remains available.

The following tables provide a breakdown of time worked and fees incurred by our team. This covers all work completed to date including analysis of insurer resubmissions. Please note that we have not charged for all of Ignatius' time, in line with our proposal where it was said he would invest three days of effort, plus an additional day per the extension of work order.

Table 1: Budgeted hours, Incurred hours and Charged Hours by Resource - for the period up to and including 20 January 2023

Resource Name	Designation	Budgeted hours (incl. investment time by Partner)	Hours incurred (a) = (b) + (c)	Hours charged (b)
s47F	s47(1)(b)			

Table 2: Hours Charged and Fees by Resource - for the period up to and including 20 January 2023

Resource Name	Hourly rate (incl. GST)	Hours charged (b)	Total fees (incl. GST)
s47F	s47(1)(b)		

Please let me know if you need any further information or if you would like to discuss over the phone.

Best regards,

s47F

s47F

Manager | Social Outcomes, Actuarial Consulting
Deloitte Consulting Pty Ltd
E: s47F@deloitte.com.au | M: s47F

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From: s47F@deloitte.com.au
Sent: Tuesday, 10 January 2023 5:59 PM
To: s22, s22, s22
Cc: KELLEHER, Brian; s47F, s47F, s47F
Subject: Analyses of Resubmissions - tasks through to end of week

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Hi s22, s22, s22 and Brian,

Following our conversation this morning, this is our current plan which we will work on over the next couple of days:

1. Prostheses savings
 - a) Produce results excluding savings estimated for the product category “08 - Cardiac (CIED)” and create charts similar to those on page 10-12 (0%, 50% and 100% expected savings under various utilisation growth assumptions).
 - b) Comment on how insurers’ estimates of saves compare and show the insurers which had been requested to resubmit around prostheses identified by a different colour.
2. Summary of findings from the resubmissions – the primary aim is to evaluate quickly how each insurers has met the requests laid out in the resubmission letters, how each insurer has gone about it and, most importantly, whether the information as a collective stacks up.
 - a) Review each resubmission, taking into consideration the following:

Insurer	FCI change	Net Margin Change	Did all product premiums reduce/stay equal?	If not, what percentage of products increased in premium?	Did each product tier's gross margin reduce or stay equal?	Did the number of people covered under each product remain equal?	Did the depend reform change
			This compares the “2023 MONTHLY PREMIUM (\$) as at 1 April 2023 - for all products (new and existing)” column between the old and new submissions.	In the event that certain product codes exhibit a higher premium in the resubmission, this column will highlight the proportion of the total number of products exhibited this premium increase.	These compare the product tier gross margins attained from Template D.	This compares the “TOTAL NUMBER OF PEOPLE COVERED BY THIS PRODUCT as at 30 September 2022” column between the old and new submissions.	This con the dep reform impact a from Te C.

There is a lot of detail here but we think that the detail can help to provide the support for any follow ups with insurers. We have deliberately focussed our effort on the “how” i.e. how have insurers produced a reduced headline rate and does it genuinely pass the public interest test in terms of real improvements to premium. We are envisaging collating this information in a table form as an addendum to the original pack and include signposts in the original pack pointing out cases of resubmissions.

Catch up tomorrow.

Cheers

s47F

s47F

Partner | Health | Actuarial
Deloitte Consulting

s47F

225 George Street, Sydney/Gadigal, NSW 2000, Australia

D: s47F | M: s47F

s47F @deloitte.com.au | www.deloitte.com.au

PA s47F | T: s47F | s47F @deloitte.com.au

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s22

From: s22
Sent: Monday, 12 December 2022 5:39 AM
To: s47F; s22; s22
Cc: s47F; s47F; s47F; s47F
Subject: RE: TRIM: Apr-23 Rate Submission Analyses [SEC=OFFICIAL]
Attachments: Measuring Efficient Price Growth in the NHRA [SEC=OFFICIAL]

Hi s47F,

Thank you for sending through the pack.

Below are our questions and comments re the slide pack. We are hoping to brief up the line this this week, would it be possible to have a new pack taking into account these comments tomorrow? Please let us know if there are any issues.

Questions and comments:

- Page 3 – it would be great to call out that “other” column doesn’t refer to the capacity for insurers to “move” their requested premium rate.
- Where possible, it would be great to have axis labels (including units presented) on all charts.
- What are the criteria for the ‘peer’ groupings? i.e. what are the sizes/thresholds etc?
- Projected benefit growth charts – can we please confirm if the figures were taken directly from the written part of the submission, or if there was some other calculation carried out?
- In the date deferred section of each insurer summaries, most say ‘implemented’ when there wasn’t a deferral. Others say ‘NA’ instead – such a s47G and s47G
- Can you please add ‘protected’ markings to each page
- Can we please re-order to have the industry slides up front
- Slide 88 – the IHACPA reference. We checked this with the Public Hospitals Section and they suggested we should instead use the efficient growth in unit price of public hospitals in 22-23 as calculated in the attached email.

Regards,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division
 Australian Government Department of Health and Aged Care
 T: 02 6289 s22 | E: s22@health.gov.au
 Part-time hours - Mo, Tu, Th, Fr.

From: s47F@deloitte.com.au>
Sent: Wednesday, 7 December 2022 3:32 PM
To: s22@health.gov.au>; s22@health.gov.au>; s22@health.gov.au>; s22@Health.gov.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s47F@deloitte.com.au>; s47F@deloitte.com.au>; s47F@deloitte.com.au>; s47F@deloitte.com.au>; s47F@deloitte.com.au>
Subject: TRIM: Apr-23 Rate Submission Analyses

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Hi [REDACTED], Brian, [REDACTED] and [REDACTED]

Please find attached our analyses of each insurer and for the industry.

The analyses

As you would have already seen, this year we have introduced the waterfall chart. The purpose of this chart is to explore whether we can explain the rate increase being requested, attributing it to different drivers: underlying benefit growth, change in margins, flowing through of reforms savings etc. In one of the very initial discussions we had as part of the planning for this work, you shared that hospitals were indicating that they are facing significant cost pressures from for example, staffing shortages and generally higher inflation. Hence, to the extent that this would flow directly to insurers' claim costs, and to the extent that insurers might have a different view of those cost pressures, we felt that this became a key question to understand. The waterfall helps with this by showing what insurers have assumed about benefit growth rates.

Another key insight that we wanted to get from the waterfall chart is how insurers are changing their targeted gross margins. Our approach has been to compare Apr-22 with Apr-23 from Template D of this year's submission. In a "normal" year, the difference may very well be indicative of planned changes to the targeted GMs. However, Apr-22 has continued to be impacted by COVID-19 resulting in far lower claims than expected. Hence, we have added some additional commentary to bridge the (often significant) difference between the expected Apr-22 GM (per last year's submission) with the updated expectation (not quite an actual because there is still be 6 months remaining for the Apr-22 premium year as at September). You will see that the analyses of how GM is changing sometimes provides an internally coherent story, but just as often, there are potentially significant impacts coming through from membership changes, planned migration that are captured in the balancing waterfall item called "Other".

The second page of the insurer pack is similar to previous year's and help to quickly identify where there may be a higher net margin being requested than historically, where an insurer is targeting a higher net margin compared with its peers and whether its approach to capital is more or less conservative than its peers and the industry.

Finally, we have included many of the same industry slides again. There are some new ones to show the impact of the new prudential capital standards and exploring the additional capital insurers will need to hold as well as their ability to generate additional capital through premiums. Given the focus on benefit growth, we have also got a slide that summarises each insurer's assumption for benefit growth and compared that with the industry average and what we could see as being assumed by IHACPA in their latest pricing report.

Additional thoughts

Please excuse the long email but a couple of other initial thoughts we wanted to share following yesterday's discussion.

Resubmission risks:

- Information asymmetry has always been a challenge and is impacted by the manner in which insurers represent information in their submissions. The creation of the waterfall has highlighted the challenge of piecing together all the different information they provide into a coherent "story". An insurer that is asked to resubmit may not offer new information and feel discouraged from being more transparent going forward. How do you align/reward ease of getting through the process with increased transparency?
- Insurers can currently introduce new products (and prices) that do sit outside the rate submission process. This might produce the desired official increase even though the experience of the consumer is detrimentally affected. Does the opportunity to resubmit simply exacerbate this practice? i.e. it is dressing up the request differently without any "real" impact for members? How can we keep insurers honest about the way they manage products? E.g. review Template A in detail across years? Could DOH consider reporting approved/planned "loss ratios" in future (i.e. the premium increase is one part of the picture, the other part is how much goes back to members as claims).

Conditions for resubmission:

- Insurers with a materially higher hospital and/or general treatment benefit growth assumed. All hospitals and health providers are generally subject to the same forces that drive up their costs. Therefore, we would expect that most insurers have broadly similar expectations on benefit growth. The exception to this are insurers with a geographic concentration – in which case the inflationary pressures for hospitals in that location should be an additional consideration (Insurer's first page and page 88)
- Insurers with a rate increase before rate protection, age based discounts and dependent reforms above their benefit growth assumption are potential examples where there is an increase in GM being priced into the Apr-23 submission. To the extent that this cannot be explained by performing the additional analyses to look at how the GM expectation has changed for Apr-22, or any other explanatory factor, this raises a red flag that there is more information that the insurer could provide to help explain the final FCI (Insurer's first page comparing total benefit growth with the first black bar).
- Net margins that appear to be consistently higher than the rest of the industry, plus target capital that is also materially greater than the industry (insurer's second page and page 76)
- Insurers that have estimated materially higher contract and medical cost indexation than the rest of the industry and using that to justify a higher rate increase (insurer's first page including commentary on hospital contracting)
- Insurers that have not reflected any savings at all from prostheses reforms (Insurer's first page i.e. the pros bens item plus pages 78-80, 90, 91)
- Insurers who are deferring rate rises without clearly describing how that is being allowed for in their rate rise request (insurer's second page where Apr-23 column of the premium rate request table indicates whether an insurer mentions this is being considered)
- Insurers where information provided is internally inconsistent e.g. the excel template differs from the written submission

Happy to talk through this when we next catch up or drop [REDACTED] and I can call if earlier is better.

In terms of next steps – we will take on board any feedback you might have on the attached. We will also reflect more on the resubmission risks and conditions for resubmissions and update you with any further thoughts if we have them.

Separately, we have been developing an asset that we want to share with clients showing quarterly analyses of product movements e.g. number of products opening and closing by tier, what clinical categories are being added/dropped and so on. We are close to finishing an initial version and will share that with you. Just thought it might also help with your internal discussions around the product migration issue but also ongoing tracking.

Regards

[REDACTED]

[REDACTED]

Partner | Health | Actuarial
Deloitte Consulting

[REDACTED]

225 George Street, Sydney/Gadigal, NSW 2000, Australia

D: [REDACTED] | M: [REDACTED]

[REDACTED]@deloitte.com.au | www.deloitte.com.au

PA [REDACTED] T: [REDACTED] | [REDACTED]@deloitte.com.au

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From: KELLEHER, Brian
Sent: Thursday, 18 August 2022 7:27 AM
To: s22
Cc: s22; s22
Subject: RE: For approval ASAP today - 2023 Premium Round Procurement Plan [SEC=OFFICIAL]
Attachments: Premium Round 2023 - Procurement Plan - AS signed and dated - 19Aug22.docx

Good morning

All recs noted and approved – template not allowing draw function, so I have used strikethroughs where appropriate.

I have made a change to the reasons for pursuing a direct source with D in the minute.

Please let me know how the approach to market will be raised with D – email and / or Austender.

I have let D know they may expect to receive an approach.

Brian

From: s22 @Health.gov.au>
Sent: Thursday, 18 August 2022 8:57 AM
To: KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s22 @health.gov.au>; s22 @Health.gov.au>
Subject: For approval ASAP today - 2023 Premium Round Procurement Plan [SEC=OFFICIAL]

Hi Brian,

For approval - please see attached updated documents as per our discussion yesterday. I've attached the full pack to this email for completeness, with summary of documents below.

- Procurement plan agreement for PR23
- Attachment A – Expenditure information
- Attachment B – IIP checklist
- Attachment C – Risk Profile
- Attachment D - Request for Quotation
- Attachment E - Value for Money Assessment
- Attachment F - PAS endorsement

Thanks,

s22

s22

Private Health Policy and Financing

Private Health Industry Branch | Medical Benefits Division | Health Resourcing Group

Australian Government, Department of Health and Aged Care

T: 07 3360 s22 | E: s22 @health.gov.au

Location: 160 Ann Street, Brisbane

GPO Box 9848, Brisbane QLD 4001, Australia

The Department of Health and Aged Care acknowledges First Nations peoples as the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to all Elders both past and present.

From: KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Sent: Wednesday, 17 August 2022 9:06 AM
To: s22 <[REDACTED]> <[\[REDACTED\]@Health.gov.au](mailto:[REDACTED]@Health.gov.au)>
Cc: s22 <[REDACTED]> <[\[REDACTED\]@health.gov.au](mailto:[REDACTED]@health.gov.au)>
Subject: RE: RE-FLAGGING FW: For approval by Thursday 11 August - 2023 Premium Round Procurement Plan [SEC=OFFICIAL]

Hi s22 <[REDACTED]> – please call so we can discuss the attached – please review revise dates

From: s22 <[REDACTED]> <[\[REDACTED\]@Health.gov.au](mailto:[REDACTED]@Health.gov.au)>
Sent: Thursday, 4 August 2022 2:57 PM
To: KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s22 <[REDACTED]> <[\[REDACTED\]@health.gov.au](mailto:[REDACTED]@health.gov.au)>; s22 <[REDACTED]> <[\[REDACTED\]@health.gov.au](mailto:[REDACTED]@health.gov.au)>; s22 <[REDACTED]> <[\[REDACTED\]@Health.gov.au](mailto:[REDACTED]@Health.gov.au)>
Subject: For approval by Thursday 11 August - 2023 Premium Round Procurement Plan [SEC=OFFICIAL]

Hi Brian,

For your approval and review by *Thursday 11 August*, see attached documents for 2023 Premium Round procurement. See below summary of attachments.

- Procurement plan agreement for PR23
- Attachment A – Expenditure information
- Attachment B – IIP checklist
- Attachment C – Risk Profile
- Attachment D - Request for Quotation
- Attachment E - Value for Money Assessment
- Attachment F - PAS endorsement

Please let us know if you have any questions or queries.

Thanks,

s22 <[REDACTED]>

s22 <[REDACTED]>

Private Health Policy and Financing

Private Health Industry Branch | Medical Benefits Division | Health Resourcing Group
Australian Government, Department of Health and Aged Care
T: 07 3360 s22 <[REDACTED]> | E: s22 <[REDACTED]> <[\[REDACTED\]@health.gov.au](mailto:[REDACTED]@health.gov.au)>
Location: 160 Ann Street, Brisbane
GPO Box 9848, Brisbane QLD 4001, Australia

The Department of Health and Aged Care acknowledges First Nations peoples as the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to all Elders both past and present.

s22

From: KELLEHER, Brian
Sent: Friday, 9 September 2022 1:27 PM
To: s22
Cc: s22
Subject: RE: For Clearance (by Monday if possible): Official Order for Deloitte re Premium Round 2023 [SEC=OFFICIAL]
Attachments: Commitment Approval Minute - Premium Round 2023 Procurement - 9Sep2022.docx; Attachment B - Letter of Offer - Expert services for 2023 Premium Round - 9Sep22.docx

Thanks s22 – as discussed
Brian

From: s22@health.gov.au>
Sent: Friday, 9 September 2022 1:08 PM
To: KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s22@Health.gov.au>
Subject: For Clearance (by Monday if possible): Official Order for Deloitte re Premium Round 2023 [SEC=OFFICIAL]

Hi Brian,

Please see attached.

Note that Deloitte quoted s47(1)(b) including GST, and so this is the amount sought. Any extensions etc can be covered off in future with variations to the contract.

Thanks,

s22

Acting Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division
 Australian Government Department of Health and Aged Care
 T: 02 6289 s22 | E: s22@health.gov.au

Part-time hours - Mo, Tu, Th, Fr.

 [Explore medical specialists costs across Australia with the Medical Costs Finder](#)

s22

From: s22
Sent: Friday, 23 December 2022 6:59 AM
To: s47F, s47F
Cc: s22
Subject: FW: Order Variation - Actuarial Services for Premium Round 2023 [SEC=OFFICIAL]
Attachments: Schedule 6A Order Variation - DoHAC AS signed and dated - 23Nov22.pdf

Hi s47F and s47F,

Please see attached the counter-signed Order Variation.

If you have any questions, please let me know.

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division
 Australian Government Department of Health and Aged Care
 T: 02 6289 s22 | E: s22@health.gov.au
 Part-time hours - Mo, Tu, Th, Fr.
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From: KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Sent: Friday, 23 December 2022 9:43 AM
To: s47F@deloitte.com.au; s47F@deloitte.com.au
Cc: s22@health.gov.au; s22@health.gov.au
Subject: RE: Order Variation - Actuarial Services for Premium Round 2023 [SEC=OFFICIAL]

Good morning – please find attached the signed and dated Order Variation.
Brian

From: s47F@deloitte.com.au
Sent: Thursday, 22 December 2022 4:42 PM
To: s22@health.gov.au; s47F@deloitte.com.au
Cc: s22@health.gov.au; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: RE:Order Variation - Actuarial Services for Premium Round 2023 [SEC=OFFICIAL]



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Hi s22

Thanks for pulling this together for us.

Please find attached a scanned version with my signature. We are comfortable for the Department to sign the document electronically.

Regards

s47F

s47F

D: s47F | M: s47F
s47F @deloitte.com.au | www.deloitte.com.au

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At Deloitte, we work flexibly. If you receive an email from me outside of business hours, I'm sending it at a time that suits me – please don't feel you need to respond until regular business hours.

From: s22 @health.gov.au
Sent: Thursday, 22 December 2022 1:30 PM
To: s47F @deloitte.com.au; s47F @deloitte.com.au
Cc: s22 @health.gov.au; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: [EXT]Order Variation - Actuarial Services for Premium Round 2023 [SEC=OFFICIAL]

Dear s47F and s47F,

Attached is an Order Variation to extend the timelines on your actuarial services in relation to Premium Round 2023, to 30 June 2023.

I've attached a pdf and word version.

- If you would like to request any changes for our consideration please do so using the word version in track changes and comments.
- If you are happy with the document as is then please proceed for the appropriate person and witness to sign and date the last page of the pdf version.
- The Department proposes to sign the document electronically and seeks Deloitte's confirmation that this is acceptable.

We wish to finalise this by **no later than midday tomorrow**.

Any questions or concerns please don't hesitate to contact me.

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22 @health.gov.au
Part-time hours - Mo, Tu, Th, Fr.

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THE DEPARTMENT OF HEALTH AND AGED CARE

s22

From: s47F [REDACTED]@deloitte.com.au>
Sent: Tuesday, 13 December 2022 12:54 PM
To: s22 [REDACTED]
Cc: s47F [REDACTED]; s22 [REDACTED]; s22 [REDACTED]; s47F [REDACTED]; s47F [REDACTED]; s47F [REDACTED]
Subject: Apr-23 Rate Submission Analyses - Documentation updated [SEC=OFFICIAL]
Attachments: Rate Submission by Insurer APR 23_SENT to DOHAC v20221213.pptx; Rate Submission by Insurer APR 23_SENT to DOHAC v20221213_with tracked changes.pdf

Hi s22 [REDACTED]

We have made edits to the document in line with your request.

Attached, please find two version of the document:

- one highlighting the changes in yellow (a pdf version) and
- one with the changes but not highlighted (an editable power point version).

For completeness, a summary on how we addressed your request is given in your email 12/12/22 below.

Let me know if you need anything further.

Kind regards

s47F [REDACTED]

From: s22 [REDACTED]@health.gov.au>
Sent: Monday, 12 December 2022 8:39 AM
To: s47F [REDACTED]@deloitte.com.au>; s22 [REDACTED]@health.gov.au>; s22 [REDACTED]@Health.gov.au>
Cc: s47F [REDACTED]@deloitte.com.au>; s47F [REDACTED]@deloitte.com.au>; s47F [REDACTED]@deloitte.com.au>; s47F [REDACTED]@deloitte.com.au>
Subject: [EXT]RE: TRIM: Apr-23 Rate Submission Analyses [SEC=OFFICIAL]

Hi s47F [REDACTED],

Thank you for sending through the pack.

Below are our questions and comments re the slide pack. We are hoping to brief up the line this this week, would it be possible to have a new pack taking into account these comments tomorrow? Please let us know if there are any issues.

Questions and comments:

- Page 3 – it would be great to call out that “other” column doesn’t refer to the capacity for insurers to “move” their requested premium rate.
 - **We have included new wording – now slide 26**
- Where possible, it would be great to have axis labels (including units presented) on all charts.
 - **This has been addressed as far as possible**
- What are the criteria for the ‘peer’ groupings? i.e. what are the sizes/thresholds etc?
 - **Groupings have been based on HIB Premium Revenue as per APRA operations report. We have included the definition of peer groupings in the text of each divider slide.**

- Projected benefit growth charts – can we please confirm if the figures were taken directly from the written part of the submission, or if there was some other calculation carried out?
 - **In all cases we have used what was provided in the written submissions. However, we made approximations if data was not split between hospital and general treatment products. The second line on Slide 20 has been added to clarify what was done.**
- In the date deferred section of each insurer summaries, most say ‘implemented’ when there wasn’t a deferral. Others say ‘NA’ instead – such as s47G and s47G
 - **Change “NA” to “Implemented” for consistency, also filled in some insurers’ tables which had blank spaces**
- Can you please add ‘protected’ markings to each page
 - **This has been added to the top of each page**
- Can we please re-order to have the industry slides up front
 - **Reordered, now spans Slides 3-24.**
- Slide 88 – the IHACPA reference. We checked this with the Public Hospitals Section and they suggested we should instead use the efficient growth in unit price of public hospitals in 22-23 as calculated in the attached email.
 - **The final line on Slide 20 has been updated to align with this.**
 - **This slide now also includes an additional average on each chart where the average growth figure is weighted by PY22 claims.**

Regards,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division
 Australian Government Department of Health and Aged Care
 T: 02 6289 s22 | E: s22 @health.gov.au
 Part-time hours - Mo, Tu, Th, Fr.

From: s47F @deloitte.com.au
Sent: Wednesday, 7 December 2022 3:32 PM
To: s22 @health.gov.au; s22 @health.gov.au; s22 @Health.gov.au; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s47F @deloitte.com.au; s47F @deloitte.com.au; s47F @deloitte.com.au; s47F @deloitte.com.au
Subject: TRIM: Apr-23 Rate Submission Analyses

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Hi s22, Brian, s22 and s22

Please find attached our analyses of each insurer and for the industry.

The analyses

As you would have already seen, this year we have introduced the waterfall chart. The purpose of this chart is to explore whether we can explain the rate increase being requested, attributing it to different drivers: underlying benefit growth, change in margins, flowing through of reforms savings etc. In one of the very initial discussions we had as part of the planning for this work, you shared that hospitals were indicating that they are facing significant cost pressures from for example, staffing shortages and generally higher inflation. Hence, to the extent that this would flow directly to insurers’ claim costs, and to the extent that insurers might have a different view of those cost

pressures, we felt that this became a key question to understand. The waterfall helps with this by showing what insurers have assumed about benefit growth rates.

Another key insight that we wanted to get from the waterfall chart is how insurers are changing their targeted gross margins. Our approach has been to compare Apr-22 with Apr-23 from Template D of this year's submission. In a "normal" year, the difference may very well be indicative of planned changes to the targeted GMs. However, Apr-22 has continued to be impacted by COVID-19 resulting in far lower claims than expected. Hence, we have added some additional commentary to bridge the (often significant) difference between the expected Apr-22 GM (per last year's submission) with the updated expectation (not quite an actual because there is still be 6 months remaining for the Apr-22 premium year as at September). You will see that the analyses of how GM is changing sometimes provides an internally coherent story, but just as often, there are potentially significant impacts coming through from membership changes, planned migration that are captured in the balancing waterfall item called "Other".

The second page of the insurer pack is similar to previous year's and help to quickly identify where there may be a higher net margin being requested than historically, where an insurer is targeting a higher net margin compared with its peers and whether its approach to capital is more or less conservative than its peers and the industry.

Finally, we have included many of the same industry slides again. There are some new ones to show the impact of the new prudential capital standards and exploring the additional capital insurers will need to hold as well as their ability to generate additional capital through premiums. Given the focus on benefit growth, we have also got a slide that summarises each insurer's assumption for benefit growth and compared that with the industry average and what we could see as being assumed by IHACPA in their latest pricing report.

Additional thoughts

Please excuse the long email but a couple of other initial thoughts we wanted to share following yesterday's discussion.

Resubmission risks:

- Information asymmetry has always been a challenge and is impacted by the manner in which insurers represent information in their submissions. The creation of the waterfall has highlighted the challenge of piecing together all the different information they provide into a coherent "story". An insurer that is asked to resubmit may not offer new information and feel discouraged from being more transparent going forward. How do you align/reward ease of getting through the process with increased transparency?
- Insurers can currently introduce new products (and prices) that do sit outside the rate submission process. This might produce the desired official increase even though the experience of the consumer is detrimentally affected. Does the opportunity to resubmit simply exacerbate this practice? i.e. it is dressing up the request differently without any "real" impact for members? How can we keep insurers honest about the way they manage products? E.g. review Template A in detail across years? Could DOH consider reporting approved/planned "loss ratios" in future (i.e. the premium increase is one part of the picture, the other part is how much goes back to members as claims).

Conditions for resubmission:

- Insurers with a materially higher hospital and/or general treatment benefit growth assumed. All hospitals and health providers are generally subject to the same forces that drive up their costs. Therefore, we would expect that most insurers have broadly similar expectations on benefit growth. The exception to this are insurers with a geographic concentration – in which case the inflationary pressures for hospitals in that location should be an additional consideration (Insurer's first page and page 88)
- Insurers with a rate increase before rate protection, age based discounts and dependent reforms above their benefit growth assumption are potential examples where there is an increase in GM being priced into the Apr-23 submission. To the extent that this cannot be explained by performing the additional analyses to look at how the GM expectation has changed for Apr-22, or any other explanatory factor, this raises a red flag that there is more information that the insurer could provide to help explain the final FCI (Insurer's first page comparing total benefit growth with the first black bar).
- Net margins that appear to be consistently higher than the rest of the industry, plus target capital that is also materially greater than the industry (insurer's second page and page 76)

- Insurers that have estimated materially higher contract and medical cost indexation than the rest of the industry and using that to justify a higher rate increase (insurer's first page including commentary on hospital contracting)
- Insurers that have not reflected any savings at all from prostheses reforms (Insurer's first page i.e. the pros bens item plus pages 78-80, 90, 91)
- Insurers who are deferring rate rises without clearly describing how that is being allowed for in their rate rise request (insurer's second page where Apr-23 column of the premium rate request table indicates whether an insurer mentions this is being considered)
- Insurers where information provided is internally inconsistent e.g. the excel template differs from the written submission

Happy to talk through this when we next catch up or drop [REDACTED] and I am call if earlier is better.

In terms of next steps – we will take on board any feedback you might have on the attached. We will also reflect more on the resubmission risks and conditions for resubmissions and update you with any further thoughts if we have them.

Separately, we have been developing an asset that we want to share with clients showing quarterly analyses of product movements e.g. number of products opening and closing by tier, what clinical categories are being added/dropped and so on. We are close to finishing an initial version and will share that with you. Just thought it might also help with your internal discussions around the product migration issue but also ongoing tracking.

Regards

[REDACTED]

[REDACTED]

Partner | Health | Actuarial
Deloitte Consulting

[REDACTED]

225 George Street, Sydney/Gadigal, NSW 2000, Australia

D: [REDACTED] | M: [REDACTED]

[REDACTED]@deloitte.com.au | www.deloitte.com.au

PA [REDACTED] T: [REDACTED] | [REDACTED]@deloitte.com.au

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s22

From: s47F @deloitte.com.au>
Sent: Tuesday, 20 December 2022 2:22 PM
To: s22
Cc: s22; s47F; s22
Subject: RE:Draft Order Variation (without prejudice) [SEC=OFFICIAL]

Categories: Red Category

Hi s22

The only comment is for the milestone dates for the assessment of comparability of PHI products for consumers which is currently reflected as April-June 2023. If you are able to bring the April start earlier, that would be helpful e.g. start in Feb.

Kind regards

s47F

From: s22 @health.gov.au>
Sent: Tuesday, 20 December 2022 5:00 PM
To: s47F @deloitte.com.au>
Cc: s22 @health.gov.au>; s47F @deloitte.com.au>; s22 @Health.gov.au>
Subject: [EXT]RE: Draft Order Variation (without prejudice) [SEC=OFFICIAL]

Thanks s47F,

Can I confirm that you and s47F didn't have any comments on the Order Variation?

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division

Australian Government Department of Health and Aged Care

T: 02 6289 s22 | E: s22 @health.gov.au

Part-time hours - Mo, Tu, Th, Fr.

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From: s47F @deloitte.com.au>
Sent: Tuesday, 20 December 2022 4:32 PM
To: s47F @health.gov.au>
Cc: s22 @health.gov.au>; s47F @deloitte.com.au>; s22 @Health.gov.au>
Subject: RE:Draft Order Variation (without prejudice) [SEC=OFFICIAL]

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Hi s22

Attached, please find our thoughts on the proposed scope and estimated fees for the three pieces of work listed below. The document is a draft so we would welcome your feedback.

I also wanted to flag that [redacted] and I are planning longish periods of leave during April and May 2023, so it would be helpful if we could discuss a workarounds for the timing of work for the assessment of comparability of PHI products for consumers analysis piece. An initial thought is to bring that work forward if possible.

Kind regards

[redacted]

From: [redacted] <[redacted]@health.gov.au>
Sent: Tuesday, 13 December 2022 4:25 PM
To: [redacted] <[redacted]@deloitte.com.au>
Cc: [redacted] <[redacted]@health.gov.au>; [redacted] <[redacted]@deloitte.com.au>; [redacted] <[redacted]@Health.gov.au>
Subject: [EXT]Draft Order Variation (without prejudice) [SEC=OFFICIAL]

Hi [redacted]

Without prejudice, we attached a draft order variation to our contract with Deloitte.

We have added the following three pieces of work:

1. advice on resubmissions to the 2023 premium round process.
2. advice on amendments to the premium round application form to improve information gathered for assessment in future premium round assessments and potential changes to future premium round processes.
3. an update to previous work on the assessment of comparability of PHI products for consumers.

If possible, would you be in a position to provide an estimate of fees for each of these three pieces of work?

Please review, and as always we are happy to discuss.

Thanks,

[redacted]

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division
 Australian Government Department of Health and Aged Care
 T: 02 6289 [redacted] | E: [redacted]@health.gov.au
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s22

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Sent: Tuesday, 20 December 2022 1:32 PM
To: s22
Cc: s22; s47F; s22
Subject: RE:Draft Order Variation (without prejudice) [SEC=OFFICIAL]
Attachments: 20221219_Letter_PHI support_extension of work order_to client.pdf

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Hi s22

Attached, please find our thoughts on the proposed scope and estimated fees for the three pieces of work listed below. The document is a draft so we would welcome your feedback.

I also wanted to flag that Ignatius and I are planning longish periods of leave during April and May 2023, so it would be helpful if we could discuss a workarounds for the timing of work for the assessment of comparability of PHI products for consumers analysis piece. An initial thought is to bring that work forward if possible.

Kind regards

s47F

From: s22 @health.gov.au>
Sent: Tuesday, 13 December 2022 4:25 PM
To: s47F @deloitte.com.au>
Cc: s22 @health.gov.au>; s47F @deloitte.com.au>; s22 @Health.gov.au>
Subject: [EXT]Draft Order Variation (without prejudice) [SEC=OFFICIAL]

Hi s47F

Without prejudice, we attached a draft order variation to our contract with Deloitte.

We have added the following three pieces of work:

1. advice on resubmissions to the 2023 premium round process.
2. advice on amendments to the premium round application form to improve information gathered for assessment in future premium round assessments and potential changes to future premium round processes.
3. an update to previous work on the assessment of comparability of PHI products for consumers.

If possible, would you be in a position to provide an estimate of fees for each of these three pieces of work?

Please review, and as always we are happy to discuss.

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division

Australian Government Department of Health and Aged Care

T: 02 6289 522 | E: 522@health.gov.au

Part-time hours - Mo, Tu, Th, Fr.

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s22

From: s47F @deloitte.com.au>
Sent: Wednesday, 14 December 2022 12:20 PM
To: s22, s22, s22
Cc: s47F
Subject: PR23 Initial assessment - thoughts on resubmission
Attachments: 20221213_Premium round_Thoughts on resubmission_to client.pptx

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Hi s22, s22 and s22

We provide some thoughts on what we would write to insurers regarding:

1. the request for prostheses reform information (page 1)
 2. those identified for resubmission (page 2).
- In both cases, we have been factual and called out the areas of concern. This approach has merit as it gives the insurer a clear steer on the information you are seeking and the way to rectify their submission in a constructive manner. The disadvantage however, is that it shows the insurer what you are monitoring and it doesn't necessarily remove the risk they just come back with some wordy arguments supporting their initial submission or the way you have interpreted their results.
 - On the request for prostheses reform information (page 1), we toyed with telling the insurers that this information will be collected and monitored retrospectively and on an ongoing basis, as a means of encouragement to supply information. Depending on your appetite to commit to monitoring it, you could put that in.
 - On the request to those identified for resubmission (page 2), we have called out all the areas of concern, irrespective of the specific areas the insurer was found to be defective in. This was done to make the insurer consider all those areas in the resubmission and removes their ability to compare with others in areas of deficiencies.

Naturally, you will have your own style, persuasion techniques and specific formalities so please use as much or as little from our thoughts.

Also happy to chat further about this, just let us know.

s47F

From: s22 @health.gov.au>
Sent: Tuesday, 13 December 2022 4:24 PM
To: s47F @deloitte.com.au>; s47F @deloitte.com.au>
Cc: s22 @health.gov.au>; s22 @Health.gov.au>
Subject: [EXT]PR23 Initial assessment discussion pack [SEC=OFFICIAL]

Hi s47F and s47F

Here is the pack we discussed last week.

s22

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s47F

From: s47F@deloitte.com.au>
Sent: Wednesday, 7 December 2022 12:32 PM
To: s22; s22; s22; KELLEHER, Brian
Cc: s47F; s47F; s47F; s47F
Subject: Apr-23 Rate Submission Analyses
Attachments: Rate Submission by Insurer APR 23_SENT to DOHAC v20221207.pdf

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Hi s22, Brian, s22 and s22

Please find attached our analyses of each insurer and for the industry.

The analyses

As you would have already seen, this year we have introduced the waterfall chart. The purpose of this chart is to explore whether we can explain the rate increase being requested, attributing it to different drivers: underlying benefit growth, change in margins, flowing through of reforms savings etc. In one of the very initial discussions we had as part of the planning for this work, you shared that hospitals were indicating that they are facing significant cost pressures from for example, staffing shortages and generally higher inflation. Hence, to the extent that this would flow directly to insurers' claim costs, and to the extent that insurers might have a different view of those cost pressures, we felt that this became a key question to understand. The waterfall helps with this by showing what insurers have assumed about benefit growth rates.

Another key insight that we wanted to get from the waterfall chart is how insurers are changing their targeted gross margins. Our approach has been to compare Apr-22 with Apr-23 from Template D of this year's submission. In a "normal" year, the difference may very well be indicative of planned changes to the targeted GMs. However, Apr-22 has continued to be impacted by COVID-19 resulting in far lower claims than expected. Hence, we have added some additional commentary to bridge the (often significant) difference between the expected Apr-22 GM (per last year's submission) with the updated expectation (not quite an actual because there is still be 6 months remaining for the Apr-22 premium year as at September). You will see that the analyses of how GM is changing sometimes provides an internally coherent story, but just as often, there are potentially significant impacts coming through from membership changes, planned migration that are captured in the balancing waterfall item called "Other".

The second page of the insurer pack is similar to previous year's and help to quickly identify where there may be a higher net margin being requested than historically, where an insurer is targeting a higher net margin compared with its peers and whether its approach to capital is more or less conservative than its peers and the industry.

Finally, we have included many of the same industry slides again. There are some new ones to show the impact of the new prudential capital standards and exploring the additional capital insurers will need to hold as well as their ability to generate additional capital through premiums. Given the focus on benefit growth, we have also got a slide that summarises each insurer's assumption for benefit growth and compared that with the industry average and what we could see as being assumed by IHACPA in their latest pricing report.

Additional thoughts

Please excuse the long email but a couple of other initial thoughts we wanted to share following yesterday's discussion.

Resubmission risks:

- Information asymmetry has always been a challenge and is impacted by the manner in which insurers represent information in their submissions. The creation of the waterfall has highlighted the challenge of piecing together all the different information they provide into a coherent “story”. An insurer that is asked to resubmit may not offer new information and feel discouraged from being more transparent going forward. How do you align/reward ease of getting through the process with increased transparency?
- Insurers can currently introduce new products (and prices) that do sit outside the rate submission process. This might produce the desired official increase even though the experience of the consumer is detrimentally affected. Does the opportunity to resubmit simply exacerbate this practice? i.e. it is dressing up the request differently without any “real” impact for members? How can we keep insurers honest about the way they manage products? E.g. review Template A in detail across years? Could DOH consider reporting approved/planned “loss ratios” in future (i.e. the premium increase is one part of the picture, the other part is how much goes back to members as claims).

Conditions for resubmission:

- Insurers with a materially higher hospital and/or general treatment benefit growth assumed. All hospitals and health providers are generally subject to the same forces that drive up their costs. Therefore, we would expect that most insurers have broadly similar expectations on benefit growth. The exception to this are insurers with a geographic concentration – in which case the inflationary pressures for hospitals in that location should be an additional consideration (Insurer’s first page and page 88)
- Insurers with a rate increase before rate protection, age based discounts and dependent reforms above their benefit growth assumption are potential examples where there is an increase in GM being priced into the Apr-23 submission. To the extent that this cannot be explained by performing the additional analyses to look at how the GM expectation has changed for Apr-22, or any other explanatory factor, this raises a red flag that there is more information that the insurer could provide to help explain the final FCI (Insurer’s first page comparing total benefit growth with the first black bar).
- Net margins that appear to be consistently higher than the rest of the industry, plus target capital that is also materially greater than the industry (insurer’s second page and page 76)
- Insurers that have estimated materially higher contract and medical cost indexation than the rest of the industry and using that to justify a higher rate increase (insurer’s first page including commentary on hospital contracting)
- Insurers that have not reflected any savings at all from prostheses reforms (Insurer’s first page i.e. the pros bens item plus pages 78-80, 90, 91)
- Insurers who are deferring rate rises without clearly describing how that is being allowed for in their rate rise request (insurer’s second page where Apr-23 column of the premium rate request table indicates whether an insurer mentions this is being considered)
- Insurers where information provided is internally inconsistent e.g. the excel template differs from the written submission

Happy to talk through this when we next catch up or drop s47F and I am call if earlier is better.

In terms of next steps – we will take on board any feedback you might have on the attached. We will also reflect more on the resubmission risks and conditions for resubmissions and update you with any further thoughts if we have them.

Separately, we have been developing an asset that we want to share with clients showing quarterly analyses of product movements e.g. number of products opening and closing by tier, what clinical categories are being added/dropped and so on. We are close to finishing an initial version and will share that with you. Just thought it might also help with your internal discussions around the product migration issue but also ongoing tracking.

Regards

s47F

s47F

Partner | Health | Actuarial
Deloitte Consulting

s47F

225 George Street, Sydney/Gadigal, NSW 2000, Australia

D: s47F | M: s47F

s47F @deloitte.com.au | www.deloitte.com.au

PA s47F | T: s47F | s47F @deloitte.com.au

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[REDACTED]

From: [REDACTED]@deloitte.com.au
Sent: Monday, 16 January 2023 12:14 PM
To: [REDACTED]; [REDACTED]; [REDACTED]
Cc: KELLEHER, Brian; [REDACTED]
Subject: RE:2023 Premium Rate Round - Assessment of Resubmissions - Supporting documentation
Attachments: [REDACTED].pptx

Hi [REDACTED]

Attached, a more refined version of the report.

Changes:

[REDACTED]

Do let me know if we need to jump on a call regarding the attached or any other information.

Kind regards

[REDACTED]

From: [REDACTED]
Sent: Friday, 13 January 2023 6:57 PM
To: [REDACTED]@health.gov.au; [REDACTED]@health.gov.au; [REDACTED]@health.gov.au
Cc: KELLEHER, Brian <Brian.Kelleher@health.gov.au>; [REDACTED]@deloitte.com.au
Subject: 2023 Premium Rate Round - Assessment of Resubmissions - Supporting documentation

Hi [REDACTED] and team

Please find documentation of our findings and assessments of the information supplied in the January 2023 resubmission of premium round applications attached and saved to the link below.

[REDACTED].pptx

The pack reflects our discussions over the week and what could be achieved for an assessment in the timeframe.

[REDACTED]



I trust this information will be helpful in compiling your advice. If you need any further information or clarification prior to our call on Monday, please just call.

Kind regards

[Redacted signature]

[Redacted name]

Director | Health, Government and Public Sector | Actuaries and Consultants
Deloitte Consulting Pty. Ltd.
477 Collins Street, Melbourne, VIC, 3000

D: [Redacted] | M: [Redacted]

[Redacted]@deloitte.com.au | www.deloitte.com.au

I work part time and am unavailable on a Friday

Deloitte.



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s22

From: s47F @deloitte.com.au>
Sent: Friday, 2 September 2022 11:50 AM
To: s22
Cc: s47F ; KELLEHER, Brian
Subject: RE:RFQ - Management Advisory Services Panel - Premium Round 2023 [SEC=OFFICIAL]
Attachments: 20220902 Proposal for Premium Round Assistance_MAS panel.pdf
Categories: Red Category

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Hi s22

Thanks for the opportunity to respond to this RFQ. Our response is attached.

Whilst the general approach we have proposed will be similar to previous years, we note that the themes under which rate submissions have been prepared are different. These include the economic challenges but also the proximity of new capital standards and the solidifying expectations around pandemic commitments.

In our response, we have attempted to identify as many uncertainties that we can think of, and internally considered how this might shape the analysis. A key part of the September phase will be to hone in on the scope of analysis that will be most important.

I hope our proposal meets your requirements and we hope to work with the Department again on this important engagement.

If there are any questions at all on our proposal, please don't hesitate to let me know.

Regards

s47F

s47F
 D: s47F | M: s47F
 s47F @deloitte.com.au | www.deloitte.com.au

Please consider the environment before printing.

From: s22 @health.gov.au>
Sent: Monday, 29 August 2022 8:45 AM
To: s47F @deloitte.com.au>
Cc: s47F @deloitte.com.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: [EXT]RFQ - Management Advisory Services Panel - Premium Round 2023 [SEC=OFFICIAL]

Hi s47F and s47F,

Please find attached an RFQ for Premium Round 2023 for your consideration.

This RFQ is under the Management Advisory Services Panel (SON 3751667) seeking actuarial services.

As per our emails below, we are seeking responses by Friday 2 September. Please contact me if you believe this may be an issue.

Let me know if you have any questions.

Regards,

s22

Acting Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22@health.gov.au
Part-time hours - Mo, Tu, Th, Fr.



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From: s47F@deloitte.com.au
Sent: Thursday, 25 August 2022 5:03 PM
To: s22@health.gov.au
Cc: s47F@deloitte.com.au; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: RE:Important information regarding the RFQ - Premium Round 2023 [SEC=OFFICIAL]

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Hi s22

Thanks for checking.

I will have my laptop with me to ensure I can work with s47F to get our response to you if it is next week. We have most of the response written so I'm hoping it will be relatively straight forward to realign some of the detail with the new RFQ.

I'm at Thredbo next week and back on deck late Thursday. I'm not sure what internet quality I will encounter there but in case I need the extra day, could we make it due next Friday? Would that be possible? I am hoping we wont need to rely on that.

Regards

s47F

Regards

s47F

s47F
D: s47F | M: s47F
s47F@deloitte.com.au | www.deloitte.com.au

Please consider the environment before printing.

From: s22 [redacted] <[redacted]@health.gov.au>
Sent: Thursday, 25 August 2022 12:56 PM
To: s47F [redacted] <[redacted]@deloitte.com.au>
Cc: s47F [redacted] <[redacted]@deloitte.com.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: [EXT]RE: Important information regarding the RFQ - Premium Round 2023 [SEC=OFFICIAL]

Hi s47F [redacted],

One more thing re the RFQ: would you be in a position to respond to the new RFQ when it's sent out (aiming for early next week at the latest) to respond within five days? I know you mentioned leave next week, so I just wanted to run this past you.

Thanks for sending the article through. It's difficult to know the full picture, i.e. could they be private patients with out of pockets, or uninsured people who want to go private and pay full-fee? Like many things in the health space once you start scratching the surface a whole new set of questions presents themselves.

Regards,

s22 [redacted]

Acting Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s47F [redacted] | E: s22 [redacted] <[redacted]@health.gov.au>
Part-time hours - Mo, Tu, Th, Fr.

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From: s47F [redacted] <[redacted]@deloitte.com.au>
Sent: Thursday, 25 August 2022 12:15 PM
To: s22 [redacted] <[redacted]@health.gov.au>
Cc: s47F [redacted] <[redacted]@deloitte.com.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: RE: Important information regarding the RFQ - Premium Round 2023 [SEC=OFFICIAL]

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Hi s22 [redacted]

Thanks for confirming the panel.

We have mostly written our response so will just be a matter of referring back to the right panel when that comes through, and adjusting any timelines we have mentioned.

By the way, have you seen this article today:
<https://www.abc.net.au/news/2022-08-25/australians-using-super-retirement-savings-pay-health-costs/101368246>

Do we know what treatments people are funding from Super (I'm guessing the data is not linked or perhaps it gets captured when the request comes through)? Should there be tougher rules for withdrawal – what is the overall long term health system implication of allowing this? Just does not seem like a good outcome if we are asking people to sacrifice their long term retirement savings (when their health costs will be highest) in order to pay for health costs in their earlier age.

We'll keep an eye out for the new RFQ – thanks for letting us know.

Regards

s47F

s47F

D: s47F | M: s47F
s47F @deloitte.com.au | www.deloitte.com.au

Please consider the environment before printing.

From: s22 @health.gov.au>
Sent: Thursday, 25 August 2022 11:25 AM
To: s47F @deloitte.com.au>
Cc: s47F @deloitte.com.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Subject: [EXT]Important information regarding the RFQ - Premium Round 2023 [SEC=OFFICIAL]

Hi s47F,

Thank you for your call on Tuesday.

The Procurement team have advised that I will need to reissue a new RQF, now that the Management Advisory Services Panel (SON SON3751667) is mandatory for use across Government. I was not advised or aware of this Panel until this week, and apologise for any inconvenience.

I will reissue a new RFQ as soon as possible. It will broadly be consistent with the original RFQ, but timelines may need to be adjusted to allow you sufficient time to respond to the new RFQ.

Please call me if you have any questions.

Regards,

s22

Acting Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22 @health.gov.au
Part-time hours - Mo, Tu, Th, Fr.

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s22

From: s47F @deloitte.com.au>
Sent: Wednesday, 7 December 2022 2:51 PM
To: s22, s22, s22; KELLEHER, Brian
Cc: s47F, s47F, s47F, s47F
Subject: RE:Apr-23 Rate Submission Analyses [SEC=OFFICIAL]
Attachments: Rate Submission by Insurer APR 23_SENT to DOHAC v20221207.pptx

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Hi s22

Of course – please see attached.

Regards
s47F

s47F
D: s47F | M: s47F
s47F @deloitte.com.au | www.deloitte.com.au

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At Deloitte, we work flexibly. If you receive an email from me outside of business hours, I'm sending it at a time that suits me – please don't feel you need to respond until regular business hours.

From: s22 @health.gov.au>
Sent: Wednesday, 7 December 2022 4:44 PM
To: s47F @deloitte.com.au>, s22 @health.gov.au>; s22 @Health.gov.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s47F @deloitte.com.au>, s47F @deloitte.com.au>; s47F @deloitte.com.au>
Subject: [EXT]RE: Apr-23 Rate Submission Analyses [SEC=OFFICIAL]

Hi s47F and team

Thanks so much for this pack – we really appreciate the work that has gone into this.

We will review and come back with any questions or feedback. In the meantime, any chance we could please get the powerpoint version also.

Thanks

s22

From: s47F @deloitte.com.au>
Sent: Wednesday, 7 December 2022 2:32 PM
To: s22 @health.gov.au>; s22 @health.gov.au>; s22 @Health.gov.au>; KELLEHER, Brian <Brian.Kelleher@health.gov.au>
Cc: s47F @deloitte.com.au>; s47F @deloitte.com.au>; s47F @deloitte.com.au>

s47F @deloitte.com.au>; s47F @deloitte.com.au>

Subject: Apr-23 Rate Submission Analyses

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Hi s22, Brian, s22 and s22

Please find attached our analyses of each insurer and for the industry.

The analyses

As you would have already seen, this year we have introduced the waterfall chart. The purpose of this chart is to explore whether we can explain the rate increase being requested, attributing it to different drivers: underlying benefit growth, change in margins, flowing through of reforms savings etc. In one of the very initial discussions we had as part of the planning for this work, you shared that hospitals were indicating that they are facing significant cost pressures from for example, staffing shortages and generally higher inflation. Hence, to the extent that this would flow directly to insurers' claim costs, and to the extent that insurers might have a different view of those cost pressures, we felt that this became a key question to understand. The waterfall helps with this by showing what insurers have assumed about benefit growth rates.

Another key insight that we wanted to get from the waterfall chart is how insurers are changing their targeted gross margins. Our approach has been to compare Apr-22 with Apr-23 from Template D of this year's submission. In a "normal" year, the difference may very well be indicative of planned changes to the targeted GMs. However, Apr-22 has continued to be impacted by COVID-19 resulting in far lower claims than expected. Hence, we have added some additional commentary to bridge the (often significant) difference between the expected Apr-22 GM (per last year's submission) with the updated expectation (not quite an actual because there is still be 6 months remaining for the Apr-22 premium year as at September). You will see that the analyses of how GM is changing sometimes provides an internally coherent story, but just as often, there are potentially significant impacts coming through from membership changes, planned migration that are captured in the balancing waterfall item called "Other".

The second page of the insurer pack is similar to previous year's and help to quickly identify where there may be a higher net margin being requested than historically, where an insurer is targeting a higher net margin compared with its peers and whether its approach to capital is more or less conservative than its peers and the industry.

Finally, we have included many of the same industry slides again. There are some new ones to show the impact of the new prudential capital standards and exploring the additional capital insurers will need to hold as well as their ability to generate additional capital through premiums. Given the focus on benefit growth, we have also got a slide that summarises each insurer's assumption for benefit growth and compared that with the industry average and what we could see as being assumed by IHACPA in their latest pricing report.

Additional thoughts

Please excuse the long email but a couple of other initial thoughts we wanted to share following yesterday's discussion.

Resubmission risks:

- Information asymmetry has always been a challenge and is impacted by the manner in which insurers represent information in their submissions. The creation of the waterfall has highlighted the challenge of piecing together all the different information they provide into a coherent "story". An insurer that is asked to resubmit may not offer new information and feel discouraged from being more transparent going forward. How do you align/reward ease of getting through the process with increased transparency?
- Insurers can currently introduce new products (and prices) that do sit outside the rate submission process. This might produce the desired official increase even though the experience of the consumer is

detrimentally affected. Does the opportunity to resubmit simply exacerbate this practice? i.e. it is dressing up the request differently without any “real” impact for members? How can we keep insurers honest about the way they manage products? E.g. review Template A in detail across years? Could DOH consider reporting approved/planned “loss ratios” in future (i.e. the premium increase is one part of the picture, the other part is how much goes back to members as claims).

Conditions for resubmission:

- Insurers with a materially higher hospital and/or general treatment benefit growth assumed. All hospitals and health providers are generally subject to the same forces that drive up their costs. Therefore, we would expect that most insurers have broadly similar expectations on benefit growth. The exception to this are insurers with a geographic concentration – in which case the inflationary pressures for hospitals in that location should be an additional consideration (Insurer’s first page and page 88)
- Insurers with a rate increase before rate protection, age based discounts and dependent reforms above their benefit growth assumption are potential examples where there is an increase in GM being priced into the Apr-23 submission. To the extent that this cannot be explained by performing the additional analyses to look at how the GM expectation has changed for Apr-22, or any other explanatory factor, this raises a red flag that there is more information that the insurer could provide to help explain the final FCI (Insurer’s first page comparing total benefit growth with the first black bar).
- Net margins that appear to be consistently higher than the rest of the industry, plus target capital that is also materially greater than the industry (insurer’s second page and page 76)
- Insurers that have estimated materially higher contract and medical cost indexation than the rest of the industry and using that to justify a higher rate increase (insurer’s first page including commentary on hospital contracting)
- Insurers that have not reflected any savings at all from prostheses reforms (Insurer’s first page i.e. the prosthesis item plus pages 78-80, 90, 91)
- Insurers who are deferring rate rises without clearly describing how that is being allowed for in their rate rise request (insurer’s second page where Apr-23 column of the premium rate request table indicates whether an insurer mentions this is being considered)
- Insurers where information provided is internally inconsistent e.g. the excel template differs from the written submission

Happy to talk through this when we next catch up or drop ^{s47F} and I am call if earlier is better.

In terms of next steps – we will take on board any feedback you might have on the attached. We will also reflect more on the resubmission risks and conditions for resubmissions and update you with any further thoughts if we have them.

Separately, we have been developing an asset that we want to share with clients showing quarterly analyses of product movements e.g. number of products opening and closing by tier, what clinical categories are being added/dropped and so on. We are close to finishing an initial version and will share that with you. Just thought it might also help with your internal discussions around the product migration issue but also ongoing tracking.

Regards

^{s47F}

^{s47F}
Partner | Health | Actuarial
Deloitte Consulting

^{s47F}
225 George Street, Sydney/Gadigal, NSW 2000, Australia

D: ^{s47F} | M: ^{s47F}
^{s47F} @deloitte.com.au | www.deloitte.com.au

PA ^{s47F} T: ^{s47F} | ^{s47F} @deloitte.com.au

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s47F

From: s22
Sent: Monday, 31 October 2022 1:48 PM
To: s47F; s47F; s47F; s47F;
s47F @apra.gov.au; s47F @apra.gov.au'
Cc: s47F; KELLEHER, Brian; s22
Subject: DoH/Deloitte/APRA - Premium Round approach [SEC=OFFICIAL]
Attachments: MOCK Rate Submission by Insurer APR 23_template.pdf

Hi,

Following on from this afternoon’s meeting, please see the attached the draft analysis template being developed between Deloitte and the Department of Health and Aged Care for this year’s premium round.

Please note that:

- this is still in development and will not necessarily represent the final analyses that will be performed, and
- the new capital requirements should not lead to higher premium increases so the analyses around capital is really trying to “read between the lines” of what can be directly observed from the submissions.

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22 @health.gov.au
Part-time hours - Mo, Tu, Th, Fr.



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s22

From: s47F @deloitte.com.au>
Sent: Thursday, 22 December 2022 9:34 AM
To: s22
Cc: s22, s47F, s22
Subject: RE:Draft Order Variation - proposed allocation of resources
Attachments: 20221220_Letter_PHI support_extension of work order_to client.pdf

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Hi s22

Per conversation earlier, please see a revised letter to formalise thoughts – I’ve made edits to the comparability of PHI products for consumers analyses section.

I trust this works. If not, happy to discuss further.

s47F

From: s47F
Sent: Tuesday, 20 December 2022 4:32 PM
To: s22 @health.gov.au>
Cc: s22 @health.gov.au>; s47F @deloitte.com.au>; s22 @Health.gov.au>
Subject: RE: Draft Order Variation (without prejudice) [SEC=OFFICIAL]

Hi s22

Attached, please find our thoughts on the proposed scope and estimated fees for the three pieces of work listed below. The document is a draft so we would welcome your feedback.

I also wanted to flag that s47F and I are planning longish periods of leave during April and May 2023, so it would be helpful if we could discuss a workarounds for the timing of work for the assessment of comparability of PHI products for consumers analysis piece. An initial thought is to bring that work forward if possible.

Kind regards

s47F

From: s22 @health.gov.au>
Sent: Tuesday, 13 December 2022 4:25 PM
To: s47F @deloitte.com.au>
Cc: s22 @health.gov.au>; s47F @deloitte.com.au>; s22 @Health.gov.au>
Subject: [EXT]Draft Order Variation (without prejudice) [SEC=OFFICIAL]

Hi s47F

Without prejudice, we attached a draft order variation to our contract with Deloitte.

We have added the following three pieces of work:

1. advice on resubmissions to the 2023 premium round process.
2. advice on amendments to the premium round application form to improve information gathered for assessment in future premium round assessments and potential changes to future premium round processes.
3. an update to previous work on the assessment of comparability of PHI products for consumers.

If possible, would you be in a position to provide an estimate of fees for each of these three pieces of work?

Please review, and as always we are happy to discuss.

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22 @health.gov.au
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s22

From: s22
Sent: Tuesday, 13 December 2022 1:25 PM
To: s47F
Cc: s22; s47F; s22
Subject: Draft Order Variation (without prejudice) [SEC=OFFICIAL]
Attachments: Schedule 6A - Order Variation (002).DOCX

Hi s47F

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1. advice on resubmissions to the 2023 premium round process.
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If possible, would you be in a position to provide an estimate of fees for each of these three pieces of work?

Please review, and as always we are happy to discuss.

Thanks,

s22

Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
 Medical Benefits Division

Australian Government Department of Health and Aged Care

T: 02 6289 s22 | E: s22@health.gov.au

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s22

From: s22
Sent: Tuesday, 6 September 2022 12:18 PM
To: s22
Subject: RE: Please review today if you have the chance: VFM - Management Advisory Services Panel - Premium Round 2023 [SEC=OFFICIAL]

Hi s22 – looks good to me!

Thanks,
s22

From: s22@health.gov.au>
Sent: Tuesday, 6 September 2022 9:55 AM
To: s22@health.gov.au>; s22@health.gov.au>
Subject: Please review today if you have the chance: VFM - Management Advisory Services Panel - Premium Round 2023 [SEC=OFFICIAL]

Hi,

Thank you for your time yesterday.

I have prepared the attached value for money assessment to capture our conversation and Deloitte's response to the RFQ.

Please review and let me know if you have any changes.

s22, as chair of the panel I may need to pass to you one final time if there are any edits for final endorsement to proceed.

Thanks,
s22

Acting Assistant Director | Private Health Policy and Financing | Private Health Industry Branch
Medical Benefits Division
Australian Government Department of Health and Aged Care
T: 02 6289 s22 | E: s22@health.gov.au
Part-time hours - Mo, Tu, Th, Fr.

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From: s22
Sent: Friday, 2 September 2022 2:00 PM
To: s22@health.gov.au>; s22@health.gov.au>
Subject: FW: RFQ - Management Advisory Services Panel - Premium Round 2023 [SEC=OFFICIAL]

Hi, for our meeting on Monday re value for money assessment.

I'll include all details in the meeting invite.

s22