

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL ESTIMATES 2012-2013

Finance and Deregulation Portfolio

Department/Agency: Medibank Private
Outcome/Program: Medibank
Topic: Prepayments

Senator: Nash

Question reference number: F31

Type of question: Written

Date set by the committee for the return of answer: Tuesday, 2 April 2013

Number of pages: 1

Question:

- a) As has been stated at the last supplementary estimates (16th October 2012 Hansard page 14) in regards to the 30% rebate Medibank stated that there had been substantial prepayments as at 30 June 2012. This resulted in about 55,000 policy holders covering 100,000 individuals signing up. Medibank stated this was a "...substantial amount of prepayment". In light of this what was the impact on the 11/12 financial performance relative to Medibank's original budget for 11/12?
- b) Given these large prepayments will flow through predominately into the 12/13 financial year, will these prepayments will have a disproportionate impact on Medibank's 12/13 financial performance than would otherwise be the case?

Answer:

- a) Prepayments are treated as a liability (unearned revenue) on the balance sheet and do not have an immediate impact on profits. Because of the way prepayments are accounted for, there was no impact on Medibank's FY12 financial performance due to the prepayment of premiums.
- b) Prepayments will not have a disproportionate impact on Medibank's financial performance in FY13. The additional profit generated from the interest earned on pre-paid premiums is largely offset by the income foregone due to rate protection from the 2013 premium adjustment round.