

# A Healthy OUTLOOK

As a not-for-profit private health insurance company with a relatively small market share, CBHS has carved out a reputation for being a sustainable fund that puts members first.

Images by Scott Ehler

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- Paul Gladman

One of the modern quandaries of our time is how we can equip the country to best deal with the ageing population and the complex issues and requirements that come with that. As a larger percentage of the population is increasingly reliant on medical treatments and pharmaceuticals to have quality of life in older age, the importance of an affordable world-class health system grows.

In this market, where there is a wealth of competition, many of the health insurance providers seem to be big corporations with little connection to their members. CBHS is different; originally established by the Commonwealth Bank to ensure its employees had access to cost-effective, quality health care, its guiding principles are the same today as they were over 60 years ago when it was founded. While completely

independent today, it is still a restricted fund—only current and former Commonwealth Bank Group employees and their family members can join. This, according to CEO Paul Gladman, is one of the things that sets CBHS apart from its larger competitors. “The big difference I see with CBHS versus a number of larger competitors is our affinity with our members,” Paul says.

“CBHS is a much smaller company with just a 1.5-per-cent market share and that means we have a very different focus. As a small challenger brand, we have fewer resources and so we are very targeted in how we use those resources; in particular, we will focus on product and distribution development and on delivering exceptional customer service. Being awarded Roy Morgan’s Private Health Insurer of the Year for 2014 was particularly gratifying as it is testimony to this focus.

“Member focus is absolutely the first priority for the company,” Paul says. “As a mutual, it is the reason that we exist. It is instilled [in staff] from their day one induction through to training, policies, procedures, and management philosophy. We run the organisation for the benefit of the members. As an example, private health insurance is governed by many complex rules about what may be covered and under what circumstances. Rather than relying on rules to deny payment, we endeavour to find a way to pay a claim within the rules. Ultimately, we look at a claim from the perspective of a member—if I was the member, would I understand and appreciate the decision?”

As a not-for-profit health fund, the member is always top of mind for every person in the company. While this is good for customers, it can actually pose a challenge for management, according to Paul. “It has been expressed to me that it >



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must be an easy life working for a not-for-profit company without the expectations of shareholder returns. I actually argue it is just as challenging working for a not-for-profit organisation as it is for a for-profit organisation because ‘not-for-profit’ doesn’t mean ‘no profit’. You have to make a return for sustainability. The difference is the size of return.

“I believe it takes just as much hard work and capability to run a not-for-profit as it does a for-profit organisation, and I think that’s where my experience has been very useful. I have worked for very commercial, highly regulated organisations like Commonwealth Bank. And I brought a lot of that commercialism with me to this organisation, as has every one of my directors. We have all been brought

up in that commercial environment. We haven’t, since we joined CBHS, changed our philosophy. We still work diligently, taking into account all factors and market conditions to come up with the right answer. What we have changed is, instead of aiming for a 5- or 6-per-cent profit margin, we aim for a less than 2-per-cent margin and we can bring those skills to the fore in managing that very, very tough task.”

Meeting this financial challenge requires the skill and dedication of the whole team at CBHS, and Paul’s background in commercial financial institutions has helped to shape his leadership style. “I see the role of a leader is to encourage idea generation—to encourage the team to be as effective and independent as possible and to create challenge in pursuit of our goals. I am just one mind, and a company will always do better with the output of many minds rather than one. In particular, I ask my team to think about what else we could do for our members to

improve the service we provide or to add benefits. Often this means looking outside of our own organisation for help rather than trying to do it all on our own.”

Paul is very honest and open with his suppliers as well as his staff. He aims for fair deals with his suppliers, and firmly believes that partner relationships can only work if they are equally beneficial. “With suppliers, I have always operated by the philosophy of sustainable deals. In other words, there’s got to be something in it for both parties to want to stay partners. While, when working with suppliers it is important that we get a good deal, what is more important to me is that we develop a sustainable relationship so I can maximise the benefits for our customers. That basically says you have got to understand what they need for sustainability and make them understand what we need for sustainability. That may mean that you pay slightly more or receive slightly less in the short term but

in the long term it works better for both parties.”

For the future, Paul believes that CBHS will continue to provide quality service to their members while trying to keep up with increasing demand as the Baby-Boomer generation retires and grows older. “The ageing population has already had a profound effect and will continue to have a profound effect on the health sector in general and on private health insurance. People who may have died from illness 20–30 years ago are now living longer, more fruitful lives.

“But longer life expectancy comes at a cost, a double whammy effect—not only are they living for longer, they are also utilising more services during their longer life. And the costs of those services are also increasing because of rapidly increasing technological change. Somebody has to pay for this increasing cost; one of the reasons why the cost of private health



insurance is typically increasing at perhaps two to three times CPI.

“Australia has a very effective health system but its effectiveness is also the source of its biggest threat. CBHS cannot reverse the impact of an ageing population. What we can do is continue to run our fund in the most efficient manner possible such that the

costs we pass on are kept as low as possible. In the longer term, we participate through Private Healthcare Australia—the industry’s peak representative body—in helping shape the future of not just private health insurance but the broader health system in Australia in pursuit of a more sustainable health sector. And that’s also good for our members.”

“CBHS is great to work with as they clearly understand and respond to the needs and expectations of their members. This clarity makes our job as a strategic partner in designing healthcare solutions with CBHS an easy task.”  
- David Brajkovic, General Manager, Remedy Healthcare



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\*Source: Best Doctors Australia 2013 data.



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