



**SONIC
HEALTHCARE
LIMITED**

11 April 2011

New 5 Year Australian Pathology Funding Agreement

Sonic Healthcare (SHL.AX) is pleased to announce that following the conclusion of the negotiations discussed in Sonic's announcement of 2 March 2011, a Pathology Funding Agreement has been finalised between the Australian Government and the Australian pathology industry.

The new Agreement sets out the targeted growth in Government outlays under the Pathology Services Table of the Medicare Benefits Schedule (excluding outlays relating to the Extended Medicare Safety Net) for the period from 1 July 2011 to 30 June 2016. The outlays growth rate targets are as follows:

	FY2012	FY2013	FY2014	FY2015	FY2016
Growth rate Cap	4.875%	4.9%	4.95%	4.95%	5.2%
Growth rate Floor	4.375%	4.4%	4.45%	4.45%	4.7%

Management of the outlays growth under the new Agreement will operate much like the agreements which existed between industry and Government for the 15 years to 2009. The growth targets may be adjusted during the life of the Agreement should a trigger event (specified in the Agreement) occur, for example if clinician consultations grow at a rate in excess of 3.5% per annum, or if a change to other Government health policies stimulates demand for pathology.

At the end of each financial year, an assessment of the outlays growth versus the target growth rates will be conducted. Should outlays growth be running above the target cap rate, and a trigger event has not occurred, funding rebates for items on the Pathology Services Table will be reduced accordingly, usually with effect from 1 November of the relevant year. Should outlays growth be running below the target floor rate, rebates will be increased. The expectation is therefore that the earliest date at which any adjustment to funding levels (up or down) would be made is 1 November 2012.

As per historical performance, Sonic anticipates growing its Australian pathology revenues in excess of the Government outlays target rates by gaining market share and by growing revenues from non-Government sources.

The new Agreement also sets out a number of other objectives and projects which may be funded by Government outside of the outlays targets described above. These projects include various quality initiatives, as well as funding or cost-related projects such as streamlined billing, electronic ordering and reporting of pathology, and decision support tools for referrers.

Commenting on the Agreement, Sonic Healthcare CEO, Dr Colin Goldschmidt said: "The new Pathology Funding Agreement represents a vitally important development for Australian pathology and an important milestone for Sonic Healthcare. The Agreement will restore much-needed stability and predictability to the private pathology industry in Australia and will serve to restore confidence and provide the appropriate setting for ongoing investment in the sector. We commend the Government's recognition of these important issues and look forward to working collaboratively in the best interests of all pathology stakeholders".

For further information regarding this announcement please contact:

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