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MEDIA RELEASE – FOR IMMEDIATE USE

Health insurance drops 10,000 in 2010 - HFANZ

The number of New Zealanders covered by health insurance dropped by 10,000 during 2010, according to figures released by the Health Funds Association (HFANZ) today.

Executive director Roger Styles said the drop over the year continued the easing of coverage since the credit crunch in 2008.

“We have seen a drop of around one percent in the number of lives covered since December 2008, which is not a large reduction in the context of the subdued economy and the level of health inflation over recent years,” he said.

Despite the dip in coverage, both claims and premiums increased over the year. Total claims paid rose by \$60 million on 2009 to \$825 million for the 2010 year. Premium income increased to \$962 million for 2010, an increase of \$87 million on 2009.

Mr Styles said there was an underlying resilience in the sector, given that people valued the benefits and peace of mind that health insurance offered.

“Health insurance predominantly funds elective surgery, with a major attraction being the choice, convenience and ability to bypass public waiting lists. The recent tightening of ACC funding for elective surgery has helped reinforce the importance of maintaining private health cover.”

Although around half of elective surgery in New Zealand is privately funded, Mr Styles said he believed there was scope to help lift the private contribution in health. He pointed to the latest OECD data showing New Zealand was slipping behind the OECD average private contribution to total health costs.

“This will become an important focus over the next decade as the aging population places huge funding pressure on the public health sector. If we are to maintain a balanced health system, then we need to look to policy measures which will help lift the private contribution in health,” Mr Styles said.

ENDS (Three-page statistical summary follows)

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Health Insurance Quarterly Statistics

December 2010



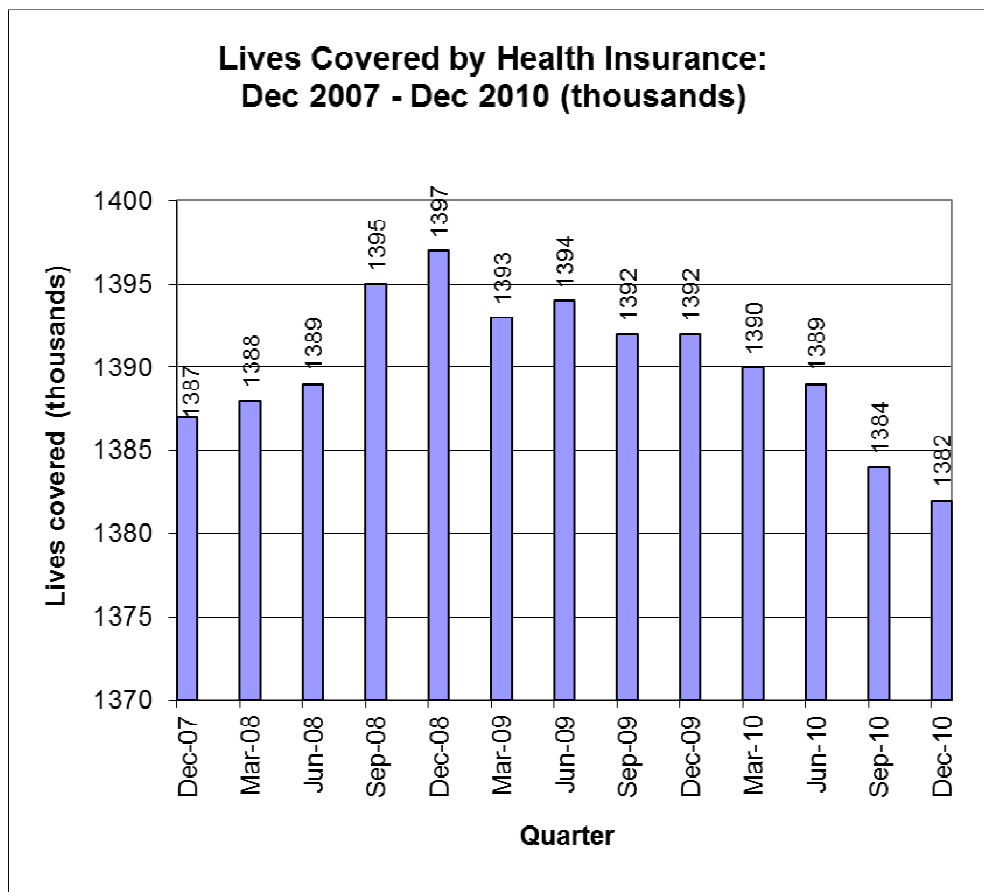
This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data for the quarter ended December 31, 2010.

➤ Lives covered fall 0.1 percent in December quarter

The number of lives covered fell by 2000 (0.1 percent) in the December 2010 quarter, taking total lives covered to 1.382 million. This is a fall of 10,200 (-0.7 percent) compared with December 2009. The number of lives covered has been easing since December 2008 and is now at the same level as late 2007.

Much of the easing of coverage over the last two years reflects the continuation of subdued employment levels, with loss of membership of group health insurance schemes as employment levels have dipped.

The reduction in coverage also reflects a price response, as continued claims cost growth has put upward pressure on premiums over recent years, most notably for older age groups.



➤ **Elective surgical cover two-thirds of all policies**

The trend away from comprehensive health insurance towards elective surgical and specialist cover continued through 2010. The net 10,200 decrease in lives covered over the year represents an increase of 7200 people with elective surgical and specialist cover and a reduction of 17,400 covered by comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 924,900 of the 1.382 million lives covered, or 67.0 percent of those covered by health insurance. Comprehensive health insurance cover now accounts for just 457,300 lives covered, or 33.0 percent of policies.

➤ **Lives covered by age**

A breakdown of the lives covered by age group highlights a number of offsetting changes which contribute to the overall change for the year.

Table: Lives Covered by Age group: December 2009 and December 2010

Age	Dec 2009	Dec 2010	Change	Percent
0-4	67,245	67,337	92	0.1%
5-9	82,083	81,678	-405	-0.5%
10-14	90,439	88,697	-1742	-1.9%
15-19	98,178	95,511	-2667	-2.7%
20-24	75,236	76,854	1618	2.2%
25-29	67,903	68,175	272	0.4%
30-34	81,321	80,681	-640	-0.8%
35-39	109,030	105,695	-3335	-3.1%
40-44	118,924	118,396	-528	-0.4%
45-49	129,575	126,534	-3041	-2.3%
50-54	122,580	122,739	159	0.1%
55-59	113,165	111,582	-1583	-1.4%
60-64	98,596	98,844	248	0.3%
65-69	58,509	58,359	-150	-0.3%
70-74	33,324	35,162	1838	5.5%
75-79	21,819	21,193	-626	-2.9%
80-84	15,348	15,380	32	0.2%
85-89	6961	7073	112	1.6%
90+	2077	2257	180	8.7%
Totals	1,392,329	1,382,159	-10,170	-0.7%

The drop in coverage for the year is spread across a wide range of age groups, although is more pronounced for working age groups and children. This indicates that families are likely to have comprised a significant proportion of the reduction in health cover over the last year.

➤ **Premiums paid up 9.3 percent**

Health insurance earned premiums in the December 2010 quarter were \$250 million, compared with \$244 million for the September quarter. Premium income for the full year ended December 31, 2010 totalled \$962 million, an increase of \$87 million or 9.9 percent on the \$875 million in premium income for the December 2009 year.

➤ **Claims paid up 7.9 percent**

Health insurance claims paid in the December 2010 quarter totalled \$208 million, taking claims paid in the 12 months to December 2010 to \$825 million. This is an increase of \$60 million or 7.9 percent on the total claims paid in the 12 months to December 2009.

Growth in claims costs has been running at a high level over recent years due to increased demand, expansion of services funded by health insurance, and medical inflation. Cost-shifting from the public sector has also contributed. The average annualised growth in claims costs over the last five years has been 8.7 percent.

