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MEDIA RELEASE – FOR IMMEDIATE USE

Slowdown in health claims growth welcomed

An easing of the rate of health insurance claims growth has been welcomed today by the Health Funds Association (HFANZ).

Releasing the association's latest industry statistics, chief executive Roger Styles said claims costs in the year to June 2011 grew by just 3.8 percent on the previous year – well down on the average 9 percent per annum claims cost growth seen over the last five years.

“While it is a positive trend, it is not consistent across all claims areas. For example, anecdotal evidence suggests that there has been a significant reduction in cardiac claims but an increase in orthopaedic surgery,” he said.

“The lower rate of claims cost growth will be welcome news for policyholders, as premiums have been rising in response to past jumps in claims costs,” Mr Styles said.

Claims paid in the June 2011 quarter totalled \$212 million, taking claims paid in the 12 months to June 30, 2011 to \$827 million. Mr Styles said this was an increase of \$30 million, or 3.8 percent, on the total claims paid in the 12 months to June 2010, and continued a downward trend in claims inflation since claims cost growth peaked at 13.2 percent in the December 2008 quarter.

Mr Styles said the recent drop in the number of people covered by health insurance had also contributed to the slowing of claims cost growth. Since December 2008, the number of lives covered by health insurance had fallen by around 30,000, or 2 percent.

Despite this, he said 31 percent of New Zealanders – 1.367 million people - held health insurance, which was still a fairly high ratio for a country with no specific incentives or elements of compulsion.

“This shows that people are still valuing the certainty and peace of mind health insurance provides,” Mr Styles said.

Total health insurance premiums hit the \$1 billion mark for the June year, as premiums had risen to offset recent claims cost growth.

Mr Styles said premium income for the 12 months to June 30 totalled \$1.002 billion, an increase of \$85 million, or 9.3 percent on the \$918 million in premium income for the June 2010 year.

He said that while claims cost growth had shown more volatility than premium growth, the average annual rate of growth for both claims costs and earned premium over the last decade was 7 percent.

“This marks the significant contribution that private health insurance makes to health care in New Zealand,” Mr Styles said.

ENDS (Three-page statistical summary follows)

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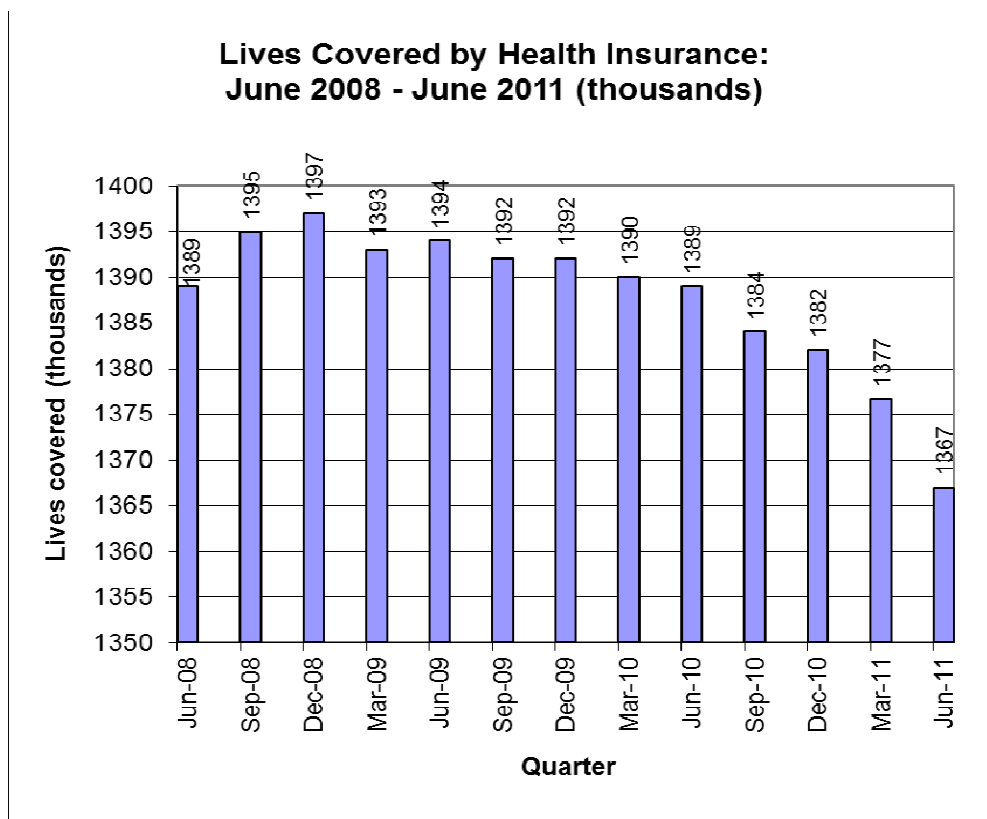
Health Insurance Statistics June 2011



This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended June 30, 2011.

➤ Lives covered fall 0.7 percent in June quarter

The number of lives covered fell by 10,000 (0.7 percent) in the June 2011 quarter, taking total lives covered to 1.367 million. This is a fall of 22,000 (-1.5 percent) compared with June 2010.



The last three years from June 2008 to June 2011 have seen a decline of 22,000 lives covered, with overall lives covered down 30,000 from its recent peak in December 2008.

➤ Trend to elective surgical cover

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 22,000 decrease in lives covered over the year represents a decrease of 5800 people with elective surgical and specialist cover and a reduction of 16,400 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 916,400 of the 1.367 million lives covered, or 67.1 percent of those covered by health insurance. Comprehensive health insurance coverage now accounts for just 450,200 lives covered, or 32.9 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. The June year has seen a significant reduction in lives covered among working age and children, suggesting a drop in the number of family health insurance policies. At the same time, coverage for older age groups has remained flat, despite the demographic movements and increase in population in these age groups.

The table below shows the overall movements for the year for each five-year age band.

Table: Lives Covered by Age group: June 2010 and June 2011

| Age | Jun 2010 | Jun 2011 | Diff | Percent |
|---------------|------------------|------------------|----------------|----------------|
| 0–4 | 66,608 | 65,408 | -1200 | -1.8% |
| 5–9 | 81,762 | 80,551 | -1211 | -1.5% |
| 10–14 | 89,899 | 87,569 | -2330 | -2.6% |
| 15–19 | 97,393 | 93,522 | -3871 | -4.0% |
| 20–24 | 76,678 | 78,236 | 1558 | 2.0% |
| 25–29 | 67,957 | 67,313 | -644 | -0.9% |
| 30–34 | 80,728 | 79,986 | -742 | -0.9% |
| 35–39 | 107,533 | 102,320 | -5213 | -4.8% |
| 40–44 | 118,761 | 118,174 | -587 | -0.5% |
| 45–49 | 128,135 | 124,509 | -3626 | -2.8% |
| 50–54 | 123,049 | 122,451 | -598 | -0.5% |
| 55–59 | 112,305 | 110,650 | -1655 | -1.5% |
| 60–64 | 99,062 | 98,305 | -757 | -0.8% |
| 65–69 | 58,635 | 58,200 | -435 | -0.7% |
| 70–74 | 34,248 | 35,396 | 1148 | 3.4% |
| 75–79 | 21,441 | 20,555 | -886 | -4.1% |
| 80–84 | 15,324 | 14,152 | -1172 | -7.6% |
| 85–89 | 7081 | 7025 | -56 | -0.8% |
| 90+ | 2183 | 2317 | 134 | 6.1% |
| Totals | 1,388,797 | 1,366,650 | -22,147 | -1.6% |

➤ **Premiums paid up 9.3 percent**

Health insurance earned premiums in the June 2011 quarter were \$255 million, compared with \$254 million for the March 2011 quarter. Premium income for the full year ended June 30, 2011 totalled \$1.002 million, an increase of \$85 million or 9.3 percent on the \$918 million in premium income for the June 2010 year.

➤ **Claims paid up 3.8 percent**

Health insurance claims paid in the June 2011 quarter totalled \$212 million, taking claims paid in the 12 months to June 2011 to \$827 million. This is an increase of \$30 million or 3.8 percent on the total claims paid in the 12 months to June 2010. Growth in claims costs has been running at a high level over recent years due to increased demand, expansion of services funded, and medical inflation.

The 3.8 percent annualised claims growth continues a downward trend since claims cost growth peaked at 13.2 percent in the December 2008 quarter. In addition to reflecting the decline in lives covered, the lower level of claims cost growth could be an indication that insurer measures to help address medical inflation are starting to have an impact.

