



Cover Stories Health insurance news



Welcome Back

Welcome back to Cover Stories, the industry newsletter of the Health Funds Association of New Zealand (HFANZ). Our new-look newsletter, which we hope to publish quarterly, aims to work closely with members and stakeholders to inform you of trends and issues in the health sector, particularly related to health insurance and financing.



We encourage you to keep in touch, let us know your concerns and interests, and how we might be able to assist.

Roger Styles
Executive Director.

In the March 2008 issue

- Health insurance coverage up 17,000 in 2007
- Most elective surgery done privately, future demand enormous
- HFANZ opposes proposal to withdraw DHB funding for privately referred lab tests
- Current legislation of interest
- New faces at National Office

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Health insurance coverage up 17,000 in 2007

The number of New Zealanders covered by health insurance jumped by 17,000 in 2007, to 1.387 million people, according to the latest HFANZ statistics.

This follows a similar increase in 2006 of 15,500 people.

Claims paid out last year totalled a record \$615 million, up from \$574 million in 2006. The majority of policies – 63.4 percent – were for elective surgical and specialist cover, and the majority of claims’ cost related to the more than 100,000 elective surgical discharges funded by health insurance in the last year.

Notably, more policies were being taken out for children aged under four (up 4 percent to 63,600 for the year) and in the 20-29 and 60-74 age brackets. The majority of people with health insurance are aged 35 to 59.

Read more of the latest statistics at: <http://www.healthfunds.org.nz/pdf/StatisticsDec07.pdf>



Want some advice? Read our newly updated brochure “Making sense of health insurance”. You’ll find it online at www.healthfunds.org.nz or you can order a copy by e-mailing your details to admin@healthfunds.org.nz. Brochures cost 18c each plus GST (minimum order 100).

Most elective surgery done privately, future demand likely to be enormous

The private health sector has delivered elective surgery to 148,200 people in the year ended June 2007, nearly 60 percent of New Zealand's total elective surgical discharges.

Official government information shows that public hospitals delivered 112,700 elective surgical discharges in the year ended June 2007, meaning a total of 260,900 people received elective surgery in the 12 month period.

"Confirmation that the private health sector delivers more than half New Zealand's elective surgery is unsurprising given the increasing proportion of private health insurance being taken out specifically for elective surgical cover," said Roger Styles.

"The past few years have seen steady growth in the number of people covered by health insurance, and a strong growth from 50 percent to 70 percent of health insurance cover being for elective surgery (hospital and specialist coverage) rather than comprehensive cover."

HFANZ believes the growth in the elective share done by the private sector, and the increased share in health insurance taken out for elective surgery, is good news for New Zealand's health services, as it will take pressure off what is likely to become an extremely overcrowded public system.

"This is because our analysis indicates that over the next 20 years the number of people needing elective surgery is likely to double to around 500,000 a year. This is largely due to the ageing of the population," Mr Styles said.

"Given this will take elective demand to nearly 10,000 discharges a week by 2028, and that the private sector now does nearly

60 percent of elective surgery, it is increasingly important that the public and private health sectors work even more closely together to ensure this looming crisis is met," he said.

HFANZ urges South Island DHBs to reject the proposed withdrawal of payments for privately referred laboratory tests

HFANZ made a submission late last year on the proposal by five South Island district health boards to withdraw their funding of laboratory tests referred by specialists operating in their private capacity. Our submission was based on analysis of the situation since a similar plan was introduced by Wellington DHBs in 2006.

We submitted that implementation of the proposal in Otago, Southland, West Coast, Canterbury and South Canterbury could lead to:

- The imposition of \$2 to \$3 in costs to patients for every \$1 saved from the DHB budgets;
- A one-off health inflation hit of 2 percent upon implementation
- An un-modelled increase in demand for public services from DHBs as patients transfer from private to public;
- Around \$15-16 million per annum in patient charges paid by South Island patients referred by specialists for laboratory tests;
- Charges averaging \$35 per patient visit, up to \$1600 for some testing.

HFANZ urged the DHBs to reject the proposal or defer consideration for 12 months to review a full evaluation of the Wellington experiment, which has now been delayed until at least April, a move Roger Styles believes may be deliberate.

"I think there is a good chance the report is being deliberately held over because it shows the imposition of the patient charges

for lab tests in Wellington has been a shambles,” he said.

“Our evidence is that patients are being deterred from accessing treatment because of the new charges. Some cardiac patients are paying over \$1600 for lab tests. High charges are also a common feature for testing associated with breast cancer and fertility treatments,” Mr Styles said.

Last year, HFANZ blamed the lab test charges for causing a “spike” in health inflation in Wellington of three times the national average in the six months to March 2007.

“Some patients have avoided the charge by referring testing through GPs, and overall revenues are down on estimates. Whether patients can avoid the charge seems a lottery. It’s really a bit of a shambles,” Mr Styles said.

He said there was no excuse for delaying the Wellington evaluation.

“The charges have been imposed since November 2006, giving more than 12 months of data and several months to compile a report.”

The unwillingness to publicise the Wellington evaluation was likely to make some South Island DHB members “more than a little uneasy about adopting the policy”, he said.

Mr Styles said he understood 75 percent of the 306 submissions opposed the South Island proposal. GPs and other groups were concerned at the possibility the plan could lead to adverse medical outcomes.

The South Island DHBs are due to consider the proposal at meetings over the next month.

Read our submission at:

<http://www.healthfunds.org.nz/pdf/Submlabtest.pdf>

In the House



The Government’s review of financial products and providers continues to move forwards. Recent developments include approval by Cabinet of the two parts of the insurance review, and two Bills introduced to Parliament before Christmas concerning financial advisers and dispute resolution for financial service providers.

It is expected that Bills relating to the insurance reforms, both prudential and market conduct, will be introduced to Parliament around mid-year. Cabinet papers on these matters build upon issues raised in the discussion documents from September 2006.

Cabinet has decided to adopt mandatory financial strength ratings for health insurers, with a threshold for insurers based on annual premium income. The exact threshold will be set by regulation rather than by statute, although the Cabinet Paper envisages this will be set at \$5 million annual premium income initially.

The other Cabinet paper gives effect to the second part of the RFPP discussion document on insurance – market conduct. It contains provisions on a range of matters such as contract avoidance, disclosure requirements and agency status for intermediaries, including where an intermediary might be deemed to be an agent of an insurer.

The two Bills introduced pre-Christmas have had their first reading and been referred to the Finance and Expenditure Select Committee to consider submissions. They are the Financial Advisers Bill and the Financial Service Providers (Registration and Dispute Resolution) Bill.

The Financial Advisers Bill establishes a co-regulatory regime for financial advisers. It mandates registration of financial advisers,

disclosure of fees, commissions and conflicts of interest. All advisers will have to become members of approved professional bodies (APBs).

The Financial Service Providers (Registration and Dispute Resolution) Bill sets up a registration system for financial service providers. The bill also proposes the establishment of an industry-based dispute resolution system to provide consumer access to redress in the financial sector.

Next stages: The Finance and Expenditure Committee will hear submissions on both of these Bills, with reporting back expected by June 10, 2008.

Read our submission at:
<http://www.healthfunds.org.nz/pdf/SubmFSP.pdf>

Contact us

In issues to come, Cover Stories will be providing subscribers with international and national developments within the health and financing sectors.

If you have any specific information interests, questions or comments please contact us on ph (04) 499 0834 or through our website www.healthfunds.org.nz

New faces at National Office

In mid-November, former MP and current Upper Hutt deputy mayor Peter McCardle joined the HFANZ National Office in Wellington as advisor: research and policy.

A former Minister of Social Welfare, he has just commenced a third term on the Hutt Valley District Health Board and has a strong background in strategy, policy and advocacy.



The latest addition to the staff is Andrea McKay, who started last month as advisor: media and communication. She began her journalism career at The Marlborough Express in Kaikoura and Blenheim before moving to Wellington to become a reporter and then duty editor at the New Zealand Press Association.



Both Andrea and Peter will be working 10 hours a week at HFANZ alongside Roger, who succeeded former executive director Claire Austin in August, and office administrator Odette Shaw.

Auckland-based Tower Health and Life chief executive officer Steve Boomert is HFANZ President.