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MEDIA RELEASE – FOR IMMEDIATE USE

Record claims show health insurance value

Health insurance claims topped three-quarters of a billion dollars for the first time last year, according to industry figures released today by the Health Funds Association (HFANZ).

Executive director Roger Styles said the \$764 million in claims paid in the year to the end of December 2009 highlighted the significant contribution the private sector was making in funding healthcare in New Zealand.

He said there had been some concern in the industry over the higher than usual claims cost growth in recent years. The December 2009 quarter's annualised 9.8 percent claims growth was down from the peak of 13.2 percent reached in December 2008.

"Health insurers obviously want to contain health inflation wherever possible, as increased treatment costs ultimately mean higher premiums," Mr Styles said.

But he said a significant amount of that additional cost represented access to services which were not previously available, or to which the public sector had limited people's access.

He cited the recent opening of a private Auckland radiotherapy clinic, which offered private patients an alternative to waiting for cancer treatment in the public sector, as being a good example of health insurance delivering extra benefits.

“Of course this adds a little to the cost, but it represents value that policyholders are getting from their insurance,” Mr Styles said.

“Another example is the trend for insurers to increasingly cover things which the public sector excludes or limits funding for. ACC has recently moved to limit physiotherapy funding and has increased the number of people it excludes from funded elective surgery.”

Mr Styles said he expected the rate of health cost growth to slow further this year, and supported Government initiatives to rein in cost growth in the health sector, including a focus on wage setting.

Lives covered remained static in the December quarter at 1.392 million, which was down 4300 on the previous December.

Premium income for the December year was up 5.7 percent on the previous year to \$875 million.

ENDS (Three-page statistical summary follows)

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Health Insurance Statistics December 2009

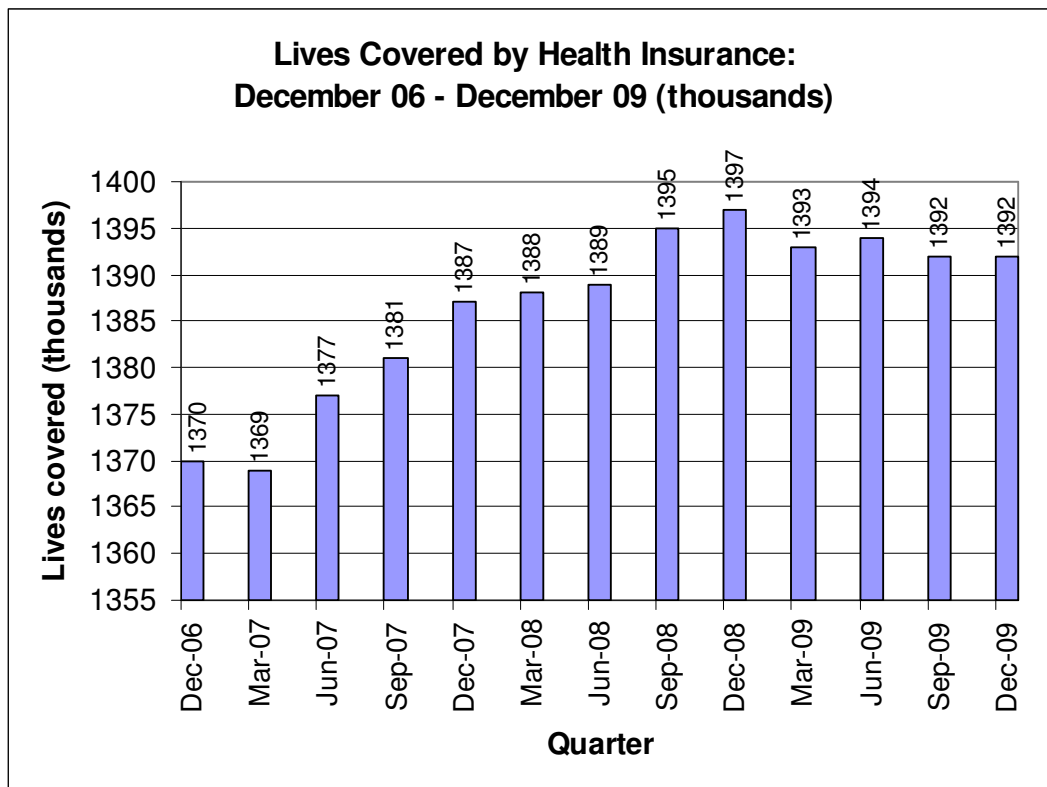
This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended December 31, 2009.

➤ No change in lives covered in December quarter

The number of lives covered by health insurance was static in the December 2009 quarter at 1.392 million. In the full year ended December 31, 2009, health insurers reported a net decrease in the number of lives covered of 4300 (-0.3 percent).

The last year has seen health insurance dip slightly, retreating from the recent peak in December 2008. Quarterly numbers have shown some volatility, with minor ups and downs in lives covered. This contrasts with a period of increased coverage over the preceding years due to growth in population and employment.

The total growth in lives covered over the three years from December 2006 to December 2009 is 22,000 or 1.6 percent.



➤ Trend to elective surgical cover

The trend towards elective surgical and specialist cover continues. As at December 31, 2009, elective surgical and specialist cover accounted for 917,700, or 65.9 percent, of the 1.392 million lives covered by health insurance. Comprehensive health insurance accounted for just 474,600 lives covered, or 34.1 percent of policies.

➤ **Lives covered by age**

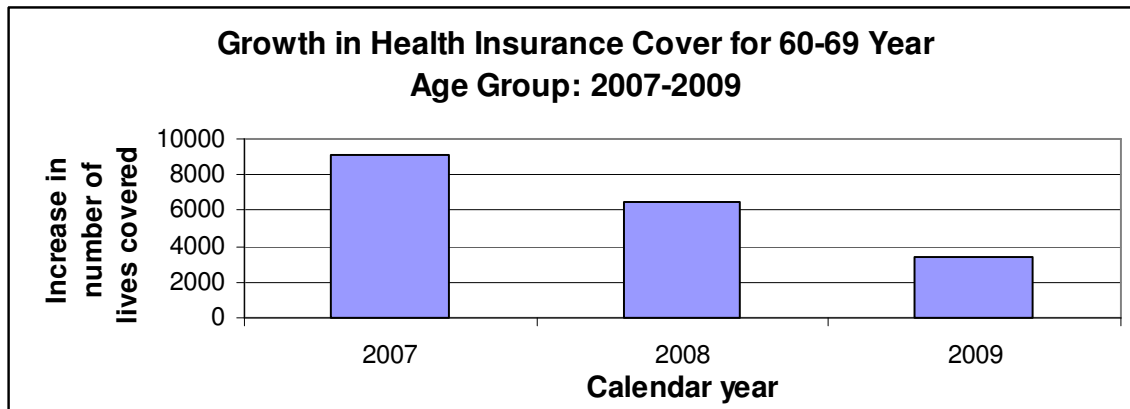
The following table contrasts lives covered by five year age bands for December 2009 and December 2008. The net reduction of 4300 for the year comprises increases and decreases for different age groups, with some of the key changes being:

- Age 10-19 down 2700 (-1.9 percent);
- Age 30-39 down 2600 (-1.9 percent);
- Age 60-69 up 3400 (+2.2 percent);

Age	Dec 2008	Dec 2009	Diff	Percent
0-4	65,989	67,245	1,256	1.9%
5-9	82,549	82,083	-466	-0.6%
10-14	92,231	90,439	-1,792	-1.9%
15-19	100,116	98,178	-1,938	-1.9%
20-24	74,079	75,236	1,157	1.6%
25-29	67,050	67,903	853	1.3%
30-34	82,818	81,321	-1,497	-1.8%
35-39	111,169	109,030	-2,139	-1.9%
40-44	120,314	118,924	-1,390	-1.2%
45-49	131,205	129,575	-1,630	-1.2%
50-54	122,486	122,580	94	0.1%

Age	Dec 2008	Dec 2009	Diff	Percent
55-59	114,376	113,165	-1,211	-1.1%
60-64	96,242	98,596	2,354	2.4%
65-69	57,490	58,509	1,019	1.8%
70-74	32,352	33,324	972	3.0%
75-79	21,995	21,819	-176	-0.8%
80-84	15,426	15,348	-78	-0.5%
85-89	6,653	6,961	308	4.6%
90-94	1,754	1,750	-4	-0.2%
95-99	254	308	54	21.3%
100+	16	19	3	18.8%
Totals	1,396,596	1,392,329	-4,267	-0.3%

The overall increase of 3400 for the 60-69 age group is lower than in recent years and lower than expected as a result of demographic changes. By contrast, the number of 60-69 year olds covered by health insurance grew by 9100 in 2007 and 6500 in 2008.

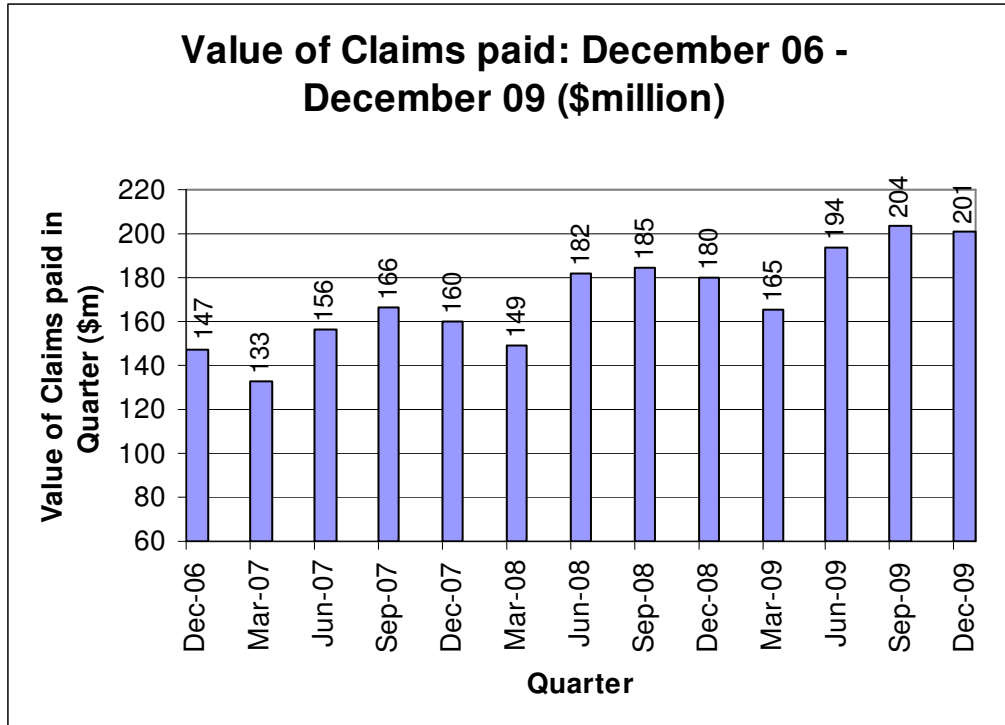


➤ **Premiums paid up 5.7 percent**

Health insurance earned premiums in the December 2009 quarter were \$227 million, compared with \$222 million for the September quarter. Premium income for the full year ended December 31, 2009 totalled \$875 million, an increase of \$47 million or 5.7 percent on the premium income for the December 2008 year.

➤ **Claims paid up 9.8 percent**

Health insurance claims paid in the December 2009 quarter totalled \$201 million, down slightly on the \$204 million claims paid in the September quarter. For the year ended December 2009, claims paid totalled \$764 million. This is an increase of \$68 million, or 9.8 percent on the \$696 million in claims paid in the December 2008 year.



Recent factors contributing to claims cost growth have included a higher number of overall claims together with higher costs of treatments. During the last year, other contributing factors have been an increase in private treatments available, particularly in the cancer treatment area, and an increase in the number of claims for elective surgery rejected by ACC. Despite these exacerbating factors, the annualised rate of claims cost growth is trending down from the peak of 13.2 percent reached in December 2008.

