



August 9, 2010

MEDIA RELEASE – FOR IMMEDIATE USE

Elective surgery boosts health insurance claims by 10 percent

Health insurers paid 10.1 percent more in claims in the year to the end of June than they did for the same time last year, according to figures released today by the Health Funds Association (HFANZ).

HFANZ executive director Roger Styles said insurers paid \$797 million in claims in the year, up \$72 million on June 2009. On average, claims costs had grown by 9 percent per annum over the past five years.

Mr Styles said that around 80 percent of the value of claims paid related to elective surgery and associated costs.

“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. Cost-shifting from the public sector has also contributed,” Mr Styles said.

Premium income was up 8.5 percent on the June 2009 year to \$918 million. This compared with an annual increase of 4.9 percent recorded for the March year and 5 percent for the previous June year.

“Increases in premium income over recent years have tended to lag behind the underlying growth in claims costs,” Mr Styles said.

Despite premium and claims growth, the level of health insurance coverage eased again slightly in the June quarter with a drop of 800 lives covered. The reduction in lives covered

over the full June year was 5200 or 0.4 percent. Mr Styles said the drop took numbers back to where they were in June 2008, with 1.389 million New Zealanders having health insurance.

“Overall, coverage tends to be holding up pretty well despite the adverse economic conditions over the last couple of years,” Mr Styles said.

ENDS (Three-page statistical summary follows)

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Health Insurance Statistics June 2010

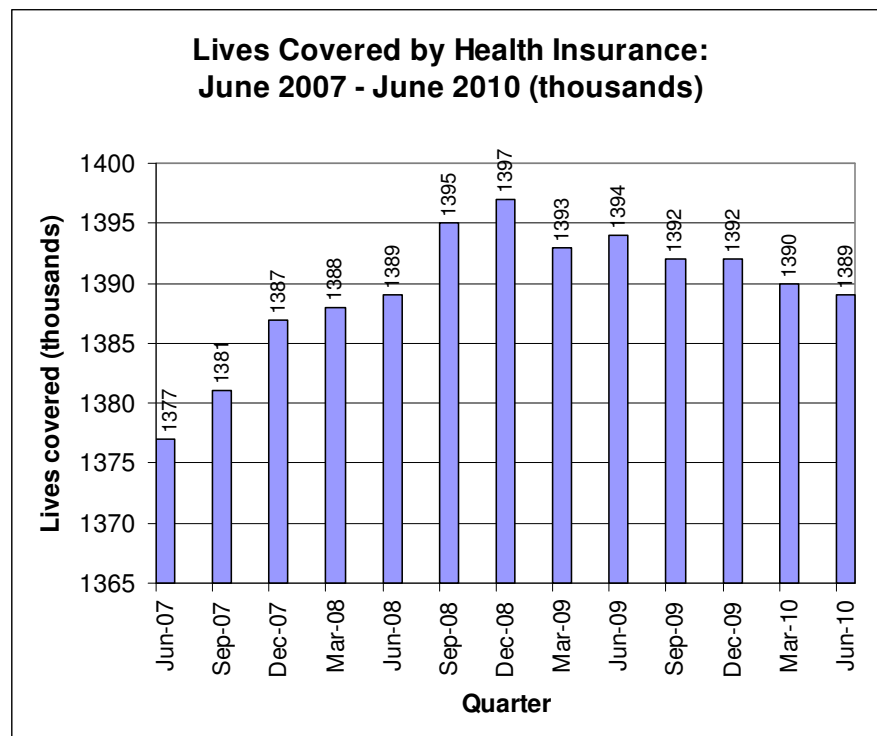


This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended June 30, 2010.

➤ Lives covered fall 0.1 percent in June Quarter

The number of lives covered fell by 800 (0.1 percent) in the June 2010 quarter, taking total lives covered to 1.389 million. This is a fall of 5200 (-0.4 percent) compared with June 2009. The number of lives covered has been easing since December 2008 and is now at the same level as June 2008. The fall of 800 is lower than the 2700 reduction in the March 2010 quarter.

Health insurance coverage is correlated with employment numbers, as many of those insured are members of group health insurance schemes, some of which are part funded by employers. The easing of coverage may simply reflect the continuation of subdued employment levels.



The total growth in lives covered over the three years from June 2007 to June 2010 is 12,000.

➤ Trend to elective surgical cover

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 5200 decrease in lives covered over the year represents an increase of 11,500 people with elective surgical and specialist cover and a reduction of 16,700 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 922,200 of the 1.389 million lives covered, or 66.4 percent of those covered by health insurance. Comprehensive health insurance coverage now accounts for just 466,600 lives covered, or 33.6 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.

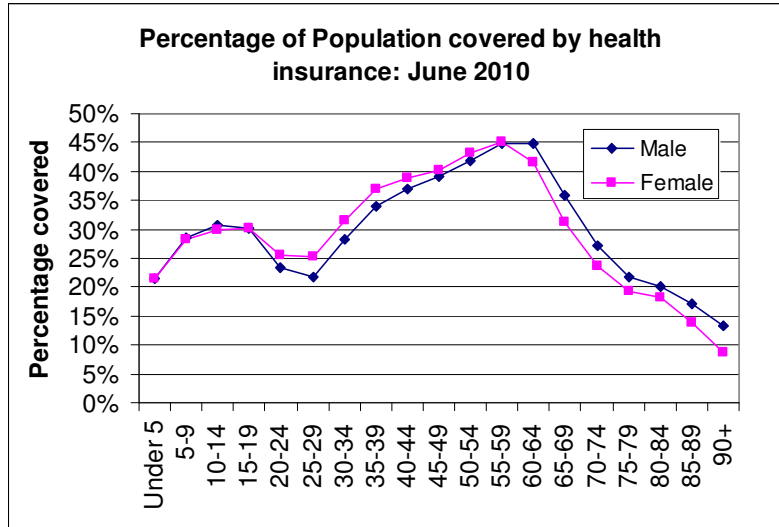
Table: Lives Covered by Age group: June 2009 and June 2010

Age	June 2009	June 2010	Diff	Percent
0–4	65,524	66,608	1084	1.7%
5–9	82,557	81,762	-795	-1.0%
10–14	91,412	89,899	-1513	-1.7%
15–19	99,383	97,393	-1990	-2.0%
20–24	74,979	76,678	1699	2.3%
25–29	67,007	67,957	950	1.4%
30–34	81,368	80,728	-640	-0.8%
35–39	110,174	107,533	-2641	-2.4%
40–44	119,406	118,761	-645	-0.5%
45–49	130,437	128,135	-2302	-1.8%
50–54	122,796	123,049	253	0.2%
55–59	114,022	112,305	-1717	-1.5%
60–64	97,599	99,062	1463	1.5%
65–69	58,315	58,635	320	0.5%
70–74	32,750	34,248	1498	4.6%
75–79	21,867	21,441	-426	-1.9%
80–84	15,437	15,324	-113	-0.7%
85–89	6880	7081	201	2.9%
90+	2040	2183	143	7.0%
Total	1,393,953	1,388,782	-5171	-0.4%

Coverage rates by age: Percentage of population covered

A comparison of coverage by age band shows total coverage still peaks for the 55-59 age group, although the total percentage of the population in this age group covered has dropped to 45 percent from nearly 50 percent two years ago. The slight dip in the number of lives covered has coincided with the overall population in this age group increasing, which has exaggerated the drop in percentage coverage.

Breaking out male and female coverage, it can be seen that male coverage rates now peak in the 60-64 age group, while for females it is still the 55-59 age group. Coverage rates for both sexes decline markedly after that.



➤ **Premiums paid up 8.5 percent**

Health insurance earned premiums in the June 2010 quarter were \$236 million, compared with \$231 million for the March quarter. Premium income for the full year ended June 30, 2010 totalled \$918 million, an increase of \$72 million or 8.5 percent on the \$846 million in premium income for the June 2009 year.

➤ **Claims paid up 10.1 percent**

Health insurance claims paid in the June 2010 quarter totalled \$212 million, taking claims paid in the 12 months to June 2010 to \$797 million. This is an increase of \$72 million or 10.1 percent on the total claims paid in the 12 months to June 2009. 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. Cost-shifting from the public sector has also contributed. The average annualised growth in claims over the last five years has been 9.0 percent.

