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MEDIA RELEASE – FOR IMMEDIATE USE

## **Surprise jump in health insurance coverage and claims - HFANZ**

Health insurance coverage has shown resilience in the September quarter with modest growth in lives covered, despite deteriorating economic conditions, according to the Health Funds Association (HFANZ).

Health insurers recorded an extra 5500 lives covered in the three months to September 30, 2008, an increase of 0.4 percent bringing the total number of New Zealanders with health insurance to 1.395 million, HFANZ executive director Roger Styles said today.

“There was an expectation of a reasonably flat quarter, following a slowdown in growth in the June quarter and the economy going into recession. So the increase is a bit of a surprise,” he said.

In the 12 months to the end of September, 13,500 more people took out health insurance policies, representing 1.0 percent growth on the September 2007 year. Significant gains were noticed in the 60-64 age bracket, where the number of new policies grew 6.6 percent in the year.

Claims paid in the last year jumped 12.6 percent to \$676 million – an increase of \$76 million on the September 2007 year's \$600 million in claims. Mr Styles said tightening up of access to elective surgery in the public sector was a significant factor, leading to higher usage of the private sector. He also cited continued increases in healthcare costs which have been running ahead of general inflation rate in recent years.

“The CPI data out yesterday showed hospital costs had risen by 7.1 percent in the year to September,” he said.

Despite the increase in coverage this quarter, Mr Styles said the immediate outlook remained relatively flat, which could cause greater pressure on public hospitals.

“Because the private sector funds around 60 percent of elective surgery, people with health insurance are relieving significant pressure from the public system. If health insurance growth continues to slow or even dips slightly, the pressure on public hospitals is likely to get much worse,” Mr Styles said.

ENDS. (Three-page statistical summary attached.)

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# Health Insurance Statistics September 2008

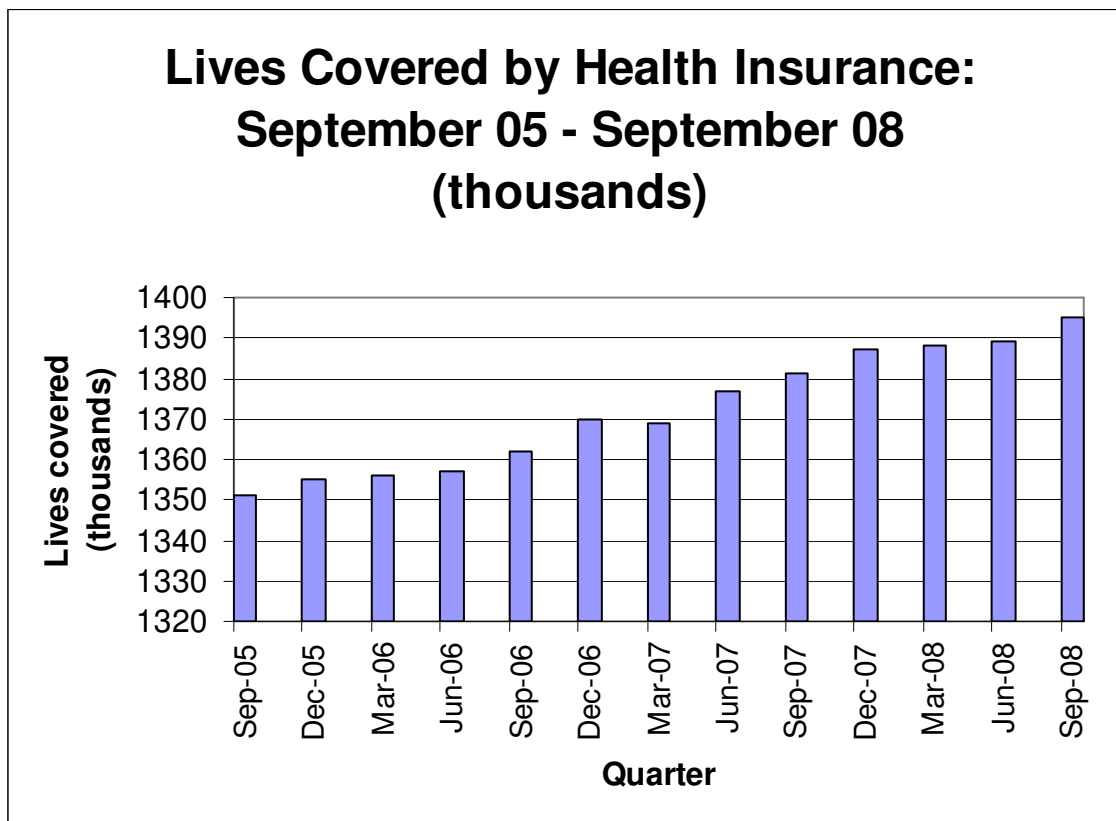


This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended September 30, 2008.

## ➤ Lives covered up 0.4% in September quarter

The number of lives covered has continued to increase, despite deteriorating economic conditions. The first two quarters of 2008 suggested a slowdown in growth, however the September quarter figures appear to defy this. In the three months to September 30, 2008, health insurers reported a net increase in the number of lives covered of 5500 (0.4%) taking the total lives covered to 1.395 million. The 12 month increase of 13,500 represents a 1.0% increase from September 2007.

A significant driver of increased coverage in recent years has been the tightening of access to surgery in public hospitals, coupled with growth in population and employment.

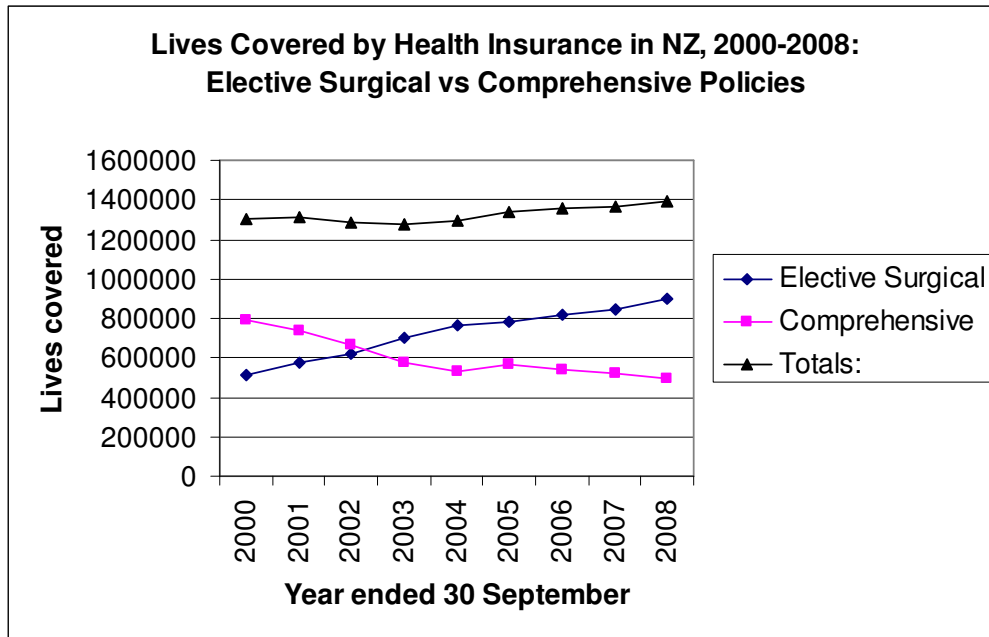


The total growth in lives covered over the three years from September 2005 to September 2008 is 44,000.

➤ **Trend to elective surgical cover**

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 5500 increase in lives covered represents an increase of 8800 people with elective surgical and specialist cover and a reduction of 3300 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 897,600 of the 1.395 million lives covered, or 64.4% of those covered by health insurance. Comprehensive health insurance coverage has dipped below 500,000 and now accounts for just 497,300 lives covered, or 35.6% of policies.



➤ **Lives covered by age**

A breakdown of the lives covered by age group shows significant net gains in the number of lives covered for several age groups in the September year:

- Aged under 5: up 2900 (+4.6%);
- Aged 20-24: up 3000 (+4.3%);
- Aged 25-29: up 2100 (+3.2%).
- Aged 60-64: up 5800 (+6.6%).

However, it is noticeable that despite the aging population, the growth in lives covered for those aged over 65 was less marked than expected, with the 75-79 age group experiencing a reduction in lives covered.

- Aged 65-69: up 1000 (+1.8%);
- Aged 70-74: up 1100 (+3.4%);
- Aged 75-79: down 200 (-0.7 %);
- Aged 80-84: up 200 (+1.1%).

➤ **Claims paid up 12.6%**

Health insurance claims paid in the September quarter totalled \$186 million, taking claims paid in the 12 months to September 2008 to \$676 million. This is an increase of \$76 million or 12.6% on the total claims paid in the 12 months to September 2007. The increase is attributable to both an increase in the number of claims and an increase in the costs of treatment.

Many factors contribute to rising claims costs. There are more treatments being performed, together with significant inflation in the broader health sector. In addition, there is a faster adoption of new technology in the private sector.

In addition to this, recent years have seen utilisation rates increase, as access to elective surgery in the public sector has been tightened significantly.

