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MEDIA RELEASE – FOR IMMEDIATE USE

Briefing papers warn of looming health funding crisis

The health insurance sector has highlighted the need to address a growing imbalance in health funding over the next two decades in papers briefing the incoming Minister of Health released today.

The papers from the Health Funds Association (HFANZ) warned that small increases to operational health funding were unsustainable over the longer term, and that policy consideration must be given to rebalancing the public and private contributions to health spending.

HFANZ chief executive Roger Styles said the papers also cited the health projections in Treasury's 2009 long-term fiscal model as evidence that policy change was required. The model showed public health spending rising to 11 percent of GDP by 2050 under two scenarios.

Mr Styles said New Zealand already had a worryingly high reliance on taxation to fund healthcare, with public health spending the fifth highest in the OECD as a proportion of GDP.

"While private spending on average accounts for 28 percent of total health spending for OECD countries, in New Zealand it is just 19.5 percent," he said.

"Like New Zealand, many countries are focusing on reducing deficits and containing debt. As the largest single budget item for most governments, health spending is not immune from scrutiny. The OECD average of 28 percent private funding can be expected to increase in coming years as governments look to individuals to pick up a greater share of health costs."

According to the briefing papers, a recent dip in insurance coverage in New Zealand had not been helpful, and policy measures to help stimulate greater levels of health cover needed serious consideration.

The papers singled out two potential measures – a rebate on premiums for those aged 65 and over, and the removal of fringe benefit tax on employer contributions to workplace health plans – as potential low-cost policy initiatives to help address the health sector imbalance.

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