

Recent Government initiatives welcomed

In the last month, the Government has made a number of health announcements which have been greeted warmly by the Health Funds Association.

Laboratory tests:

Following an independent review, Health Minister Tony Ryall has ended the practice of district health boards charging private patients for laboratory tests.

HFANZ executive director Roger Styles said the move was a sensible one, which would improve people's access to health services while lowering New Zealand's total health expenditures.



Tony Ryall

"We supported the Minister of Health's moratorium on this, and were confident that a review of the charges would lead to the right outcome," he said.

HFANZ has been at the forefront of opposition to the charges, which were initiated by Wellington area DHBs in 2006. Tairāwhiti DHB followed suit, and some South Island DHBs and the Auckland area health boards were considering the charges when Mr Ryall initiated a moratorium on becoming minister in November 2008.

If the charges were rolled out nationally, Mr Styles had estimated that health insurance premiums would rise by around 3 percent to cover increased costs. He predicted charges would lead to adverse health outcomes and increase total health costs.

Medical Devices:

As part of an extended role for Pharmac, as recommended by the Ministerial Review Group, Mr Ryall has announced Pharmac will also be involved with the new Shared Services Agency in the management and procurement of medical devices.

"DHBs currently manage this spending but the Ministerial Review Group believed that over the longer term, Pharmac was the best option for managing this area," Mr Ryall said.

Pharmac already manages pregnancy test kits, blood glucose testing and management devices, and urine testing devices for blood/protein. The government will now extend that role to insulin pumps.

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Recent Govt initiatives welcomed

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Mr Ryall said that over time Pharmac would become responsible for managing the prioritisation, assessment, standardisation and procurement of all medical devices.

The government planned to pace any changes to address the caution of many clinicians about Pharmac taking over this role from DHBs. In the meantime, the Shared Services Agency would begin the process of procuring a range of medical devices nationally that were already used in public hospitals, to achieve lower costs through the power of bulk purchasing.

The Ministry of Health, in consultation with Pharmac and the Shared Services Agency would report back in two years with a detailed plan for Pharmac to take over managing other medical devices.

The Ministerial Review Group report estimated about \$100 million in health costs could be saved if medical devices were bulk-purchased by Pharmac or a similar body.

Mr Styles believes the estimate is conservative and the true savings from smarter purchasing could be much higher. He hopes the Government will advance the issue sooner rather than later.

GST:

Revenue Minister Peter Dunne has proposed a solution to some unintended consequences of the GST rate rise on October 1 which would have unfairly impacted the insurance industry and policyholders.



Peter Dunne

The GST rise from 12.5 to 15 percent was problematic for health insurance and other companies collecting regular payments, which have to advise customers of their monthly payment changes and alter computer systems to cope.

Parliament is expected to soon pass legislation which will grandfather the 12.5 percent GST rate for health and general insurance contracts and finance leases that straddle the October 1 change-over date, subject to criteria, until the policy renewal or anniversary date.

“Legislative change will either address unmanageable compliance costs for affected businesses or provide much needed certainty,” Mr Dunne said.

HFANZ has welcomed the provisions as a pragmatic response to the situation which will help avoid a compliance cost headache.

CRISIS COMING IN HEALTH CARE, IFHP CONFERENCE TOLD



The world faces a looming crisis in healthcare, dominated by twin forces of an aging population and governments forced to make harsh budget decisions, in the aftermath of the global credit crunch.

This was one of the strongest themes at the biennial International Federation of Health Plans (IFHP) conference in Istanbul, Turkey, in May, attended by HFANZ executive director Roger Styles.

We have known about the aging population for some time, Mr Styles said, but the budgetary constraints now facing governments all over the world have been the surprise factor.

He said many countries tried the same approach as New Zealand over the last decade – as the good times rolled, they found it easier just to throw more and more money into health without worrying about efficiency or value for money. This was no longer an option going forward. Instead, governments across the world were taking a scalpel to their spending as they tried to get on top of their deficits and borrowing. The implications for health spending – which dominates most budgets – just got a whole lot worse.

Implications for Healthcare

There would be some big ramifications for healthcare as nations moved to balance their books after many years over-relying on borrowing. The possible impacts of this were more exclusions from public treatment, greater co-funding requirements, and reductions in the number of new drugs being developed or funded. Mr Styles said the likely scaling back of public healthcare would see individuals taking responsibility for funding a bigger portion of their healthcare costs in future than they do at present. This, in turn, could mean greater opportunities for the health insurance sector to help people manage that.

The conference was told a number of treatments where benefits were negligible or non-existent, including popular surgical interventions, were going to come increasingly under the spotlight as part of attempts to control cost growth.

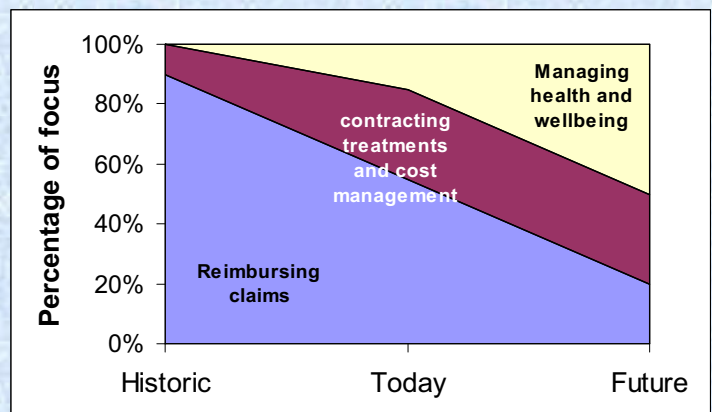
Healthcare reforms in the United States had focused on insurance coverage and had largely ignored the biggest issue, treatment costs. The conference was told the focus in the US in the future would quickly turn towards the cost of treatment, spurring reforms aimed at reducing costs.

Mr Styles said he believed the United States would need to lead the debate on efficiencies in health spending over the next decade – simply because they dominated present spending. The US accounts for half of the worldwide total health spending – around \$2.7 trillion out of \$5.5 trillion.

Private health insurance would increasingly need to demonstrate value in terms of economies from aggregating out-of-pocket spending and being able to drive efficiencies in applying that spending. This would be a transition from simply reimbursing claims and would likely involve strategies for smart buying, contracting and more active management of policyholders' health.

A range of strategies were already in place for active management of policyholder health, particularly those identified as making high claims costs or those with chronic health conditions. Mr Styles said these involved new tasks and roles for insurers, beyond the traditional roles of simply sharing risk and reimbursing treatment costs on a passive basis. Active health management strategies would become commonplace in the future, as the benefits far outweighed the costs, relieving pressure on premiums and improving the health of policyholders.

A Shifting Focus for Health Insurers
How the balance is shifting to active health management



The conference was told further devolution of healthcare and responsibility to individuals was likely. Scarce health dollars meant doctors would be empowering patients to actively manage their healthcare or illness, giving them the tools to self-manage and reducing dependence, frequency and cost of health interventions.

Mr Styles said the benefits at the other end would be greater, too, with health outcomes improving if people were actively managing their health rather than seeing doctors when they fell ill.



Cover Stories

Health Insurance News

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 the latest figures from 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.

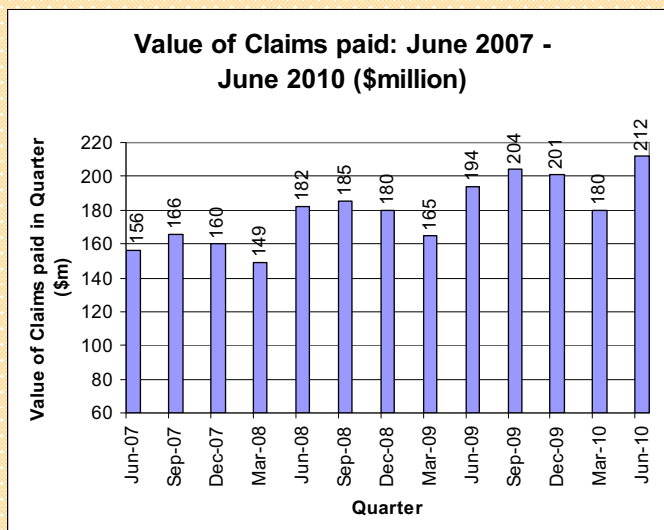
Mr Styles said that around 80 percent of the value of claims paid related to elective surgery and associated costs.

“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.

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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.

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