

Action needed now to reverse shrinking private health contribution

Health systems around the world are creaking at the seams. The tsunami effect of an aging population has coincided with the worst global recession since the great depression. Demand for health care is soaring at the same time as governments are wrestling with tough fiscal decisions. The numbers don't look good.

In New Zealand, the Treasury projects health spending to grow to take 10.7 percent of GDP by 2050, based on historical trends. At 6.9 percent of GDP, it already consumes one dollar in five of government spending.

Around the world, health systems are moving to make better use of the private and not-for-profit sectors in meeting the future health needs of their populations. We must learn from them if we are to have any hope of meeting our future healthcare challenges.

How we compare

In 2008, the OECD average private contribution to health spending was 28 percent. In Australia it is 32 percent. New Zealand dipped below 20 percent in 2008 to record a 19.6 percent private contribution to total health spending.

The gap between New Zealand and the rest of the OECD has widened significantly over recent years. In 2001, the gap was just 4.6 percent; by 2008, it had worsened to 8.2 percent. If this imbalance continues, the pressures on the public purse-strings are going to be much greater here than elsewhere as the population ages. On the bright side, this imbalance highlights the opportunity that we have as a nation to move towards a more balanced health system – one that makes better and smarter use of the private health sector in meeting our health needs.

The public sector is the backbone of balanced health systems around the world. In New Zealand public hospitals deliver world class acute services and a host of elective procedures.

We are also fortunate that we have a high quality network of private health insurance providers and private hospitals. These enable many New Zealanders to access treatment where and when they require it, without having to wait or rely on the public system. Private hospitals also provide a valuable alternative for our health boards in helping meet demand for elective services while balancing their own competing demands on resources.



By Roger Styles

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Action needed to reverse shrinking private contribution (cont'd)

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The private contribution

Around one in three New Zealanders is covered by health insurance. Those who take out health insurance are not only taking responsibility for their own health needs, they are helping to free up resources in the public sector to better deal with acute care and those who are uninsured. In New Zealand, around half of all elective surgical procedures are carried out privately, with most of these being insurance-funded. The balance is a mix of contracted surgery (from DHBs and ACC) and people paying for their treatment out of pocket.

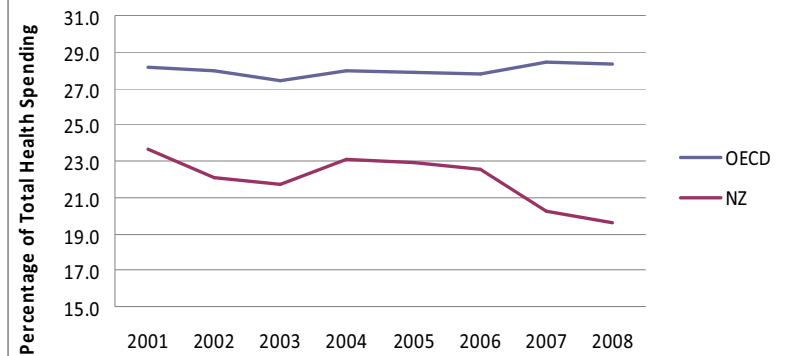
Public spending outstrips private growth

A key factor in the growing imbalance has been the huge increase in government spending over recent years. This has galloped ahead at a faster rate than our GDP or taxes have been able to keep pace with.

Between 2004 and 2010, the Government's health spend in New Zealand increased from \$7.6 billion to \$12.7 billion. Adjusting for inflation, this is an increase of 41 percent. Over the same period, private health insurance premium income grew from \$646 million to \$918 million – an inflation adjusted increase of just 20 percent. So the last six years has seen public health spending grow at double the rate of private health insurance spending.

If this imbalance is left to continue, it would see New Zealand moving in the opposite direction to other OECD countries, at precisely the wrong time. The twin forces of an aging population and global recession mean we have a small window of opportunity to explore policies which help move New Zealand towards a more balanced health system.

Private Share of Total Health Spending: NZ vs OECD Average, 2001-2008



Encouraging private provision

Most OECD countries recognise there are merits in people making provision for their health care and actively encourage health insurance by a range of means, with various degrees of carrot and stick. New Zealand is alone in not only being devoid of any incentive, but actively penalising those employers who fund a portion of health insurance costs for their employees.

The time is right to have another look at how we can encourage greater self-provision in health care. Ignoring the powerful global forces is not an option. We are seeing first hand that countries – who are both larger and richer than New Zealand – are increasingly being given their “prescription” for their health systems at the behest of international bodies and ratings agencies.

Isn't it better that we have the debate now and make the necessary decisions ourselves, so that together we can shape a health system that will serve all New Zealanders well into the future?

HUGE RISE LIKELY FOR AUSTRALIAN HEALTH INSURANCE PREMIUMS

The Australian Health Insurance Association (AHIA) fears health insurance premiums for 11.6 million Australians will rise by a minimum of 43 percent later this year as a result of an agreement between the Green Party and the Gillard Government.

The Greens, who will control the Senate from July, want to abolish the current 30 percent tax break for private health insurance.

The Labor Government also wants the Senate to agree to means test access to the rebate. This would mean single Australians earning more than \$75,000 and families earning more than \$150,000 would have their tax rebate for health insurance cut from 30 to 20 percent. Singles earning more than \$90,000 and families earning more than \$180,000 would have their rebate cut from 30 to 10 percent. Singles earning more than \$120,000 and families earning more than \$240,000 would get no rebate.

AHIA chief executive Michael Armitage said the abolition of the rebate would have a major effect on 11.6 million privately insured Australians, especially on the 5.6 million with incomes less than \$50,000 and the 3.4 million with incomes less than \$35,000.

"This is an issue which directly affects more than 50 percent of the Australian population and ultimately affects all Australians requiring health care," Dr Armitage said.

(Source: Reuters and AHIA.)

Florida judge strikes down Obama's healthcare law

A federal judge in Florida has declared the 2010 United States healthcare reforms unconstitutional, in a suit brought by 26 states. Judge Roger Vinson ruled that the requirement that Americans purchase health insurance or face penalties violates an individual's rights. Because mandatory individual insurance is so central to the bill, Judge Vinson struck down the entire act.

The case is likely to end up in the Supreme Court.

Judge Vinson is the fourth federal judge to rule on the constitutionality of the reform bill. Two other judges have upheld the law but one in Virginia also struck it down.

Judge Vinson's 78-page ruling stopped short of ordering the federal government to stop implementing the law.

The US Department of Justice has said it will appeal against the ruling. House Republicans, who have attacked the reforms as too costly, last month voted to repeal the healthcare law, but it is not expected to pass in the Senate.

In any case, President Barack Obama has vowed to veto a repeal should such a bill make it to his desk.

The president's landmark legislation, passed last March, would provide coverage to more than 30 million uninsured people.

The law would also expand a Medicaid programme for the poor and provide tax credits to make premiums more affordable for the middle class.

(Source: BBC)



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Cover Stories

Health Insurance News

Health insurance drops 10,000 in 2010

The number of New Zealanders covered by health insurance dropped by 10,000 during 2010, according to figures released by the Health Funds Association (HFANZ).

Executive director Roger Styles said the drop over the year continued the easing of coverage since the credit crunch in 2008.

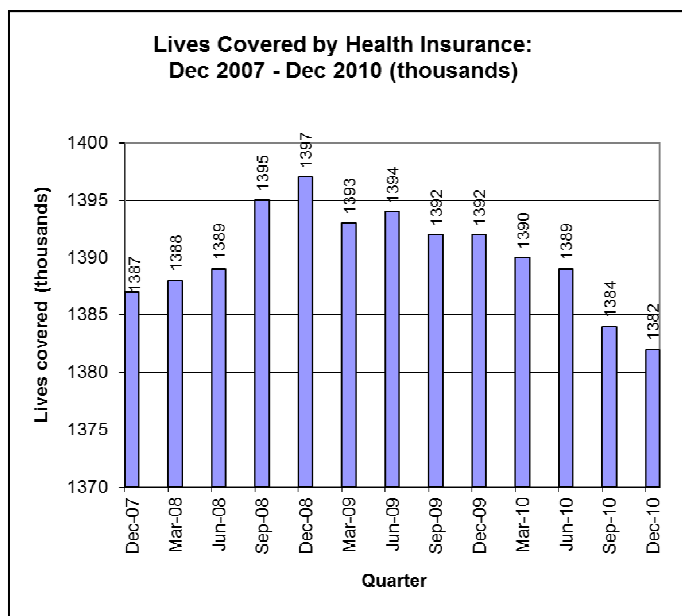
“We have seen a drop of around one percent in the number of lives covered since December 2008, which is not a large reduction in the context of the subdued economy and the level of health inflation over recent years,” he said.

Despite the dip in coverage, both claims and premiums increased over the year. Total claims paid rose by \$60 million on 2009 to \$825 million for the 2010 year. Premium income increased to \$962 million for 2010, an increase of \$87 million on 2009.

Mr Styles said there was an underlying resilience in the sector, given that people valued the benefits and peace of mind that health insurance offered.

“Health insurance predominantly funds elective surgery, with a major attraction being the choice, convenience and ability to bypass public waiting lists. The recent tightening of ACC funding for elective surgery has helped reinforce the importance of maintaining private health cover.”

Although around half of elective surgery in New Zealand is privately funded, Mr Styles said he believed there was scope to help lift the private contribution in



health.

He pointed to the latest OECD data showing New Zealand was slipping behind the OECD average private contribution to total health costs.

“This will become an important focus over the next decade as the aging population places huge funding pressure on the public health sector. If we are to maintain a balanced health system, then we need to look to policy measures which will help lift the private contribution in health,” Mr Styles said.

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