

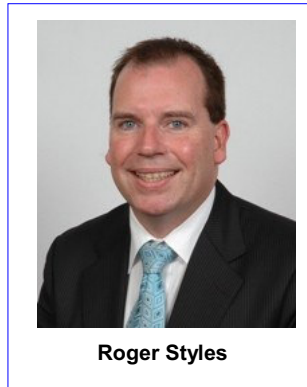


Budget's health restraint welcome, but more needed

The Government has done well to keep the lid on health spending in last month's Budget, the Health Funds Association (HFANZ) says. The 2011 Budget appropriated \$13.953 billion to Vote Health - \$379 million more than the 2010 appropriation of \$13.574 billion.

The percentage increase was probably the lowest in a decade, largely as a result of the fiscal pressures facing the Government.

HFANZ chief executive Roger Styles said it was good to see the Government moving to address the spiralling public health budget, with some additional initiatives possible by reallocating savings.



Roger Styles

"The increase in public health spending since 2002 has been unsustainable, rising at twice the rate of private health spending and driving much of the health inflation we've experienced," he said.

"Excluding this year, the last decade's average increase in core Crown spending on health was 7.8 percent - more than triple the average annual CPI inflation."

He said that while health insurance premiums and claims costs had also increased, the increase in premium was significantly less than the growth seen in public spending.

"Clearly the inflationary impact we've seen across the health sector has been primarily driven by the unsustainable increase in public health spending. This is why it is good to see moves to address this cycle, seek efficiencies and reallocate spending," he said.

However, Mr Styles cautioned that such efficiencies – present and planned – would not be enough on their own, and that the only sustainable longer term outcome would see people picking up a greater share of the costs of their healthcare.

"As a percentage of GDP, New Zealand is already the fifth biggest public spender on health in the OECD, behind Denmark, France, Austria and Germany, according to 2008 data.

"That means we have less wriggle room than most countries from a public finance perspective. That also means it is inevitable that New Zealand will have to look to increasing the level of private health spending," he said.

Nowhere was that more apparent than in rising demand for elective surgery. Mr Styles said that while recent improvements were positive, in reality these were mainly catch-up for a decade of underperformance.

"On top of this, demand for elective surgery will increase significantly over the next 20 years, as the number of New Zealanders over the age of 65 grows to over one million.

"The notion that the public purse will be able to fund present levels of service in ten or twenty years' time is fanciful. The message is clear that people are going to have to pay more for their own health costs in the future," Mr Styles said.

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Cover Stories

Health Insurance News



Health insurers release new industry code

Health Funds Association (HFANZ) has developed an industry code to help inform customers that its health insurer members will act in good faith and in a responsible manner when dealing with them.

Chief executive Roger Styles said the code was in addition to a customer's statutory rights and the terms and conditions of their policies, and would be reviewed and updated by HFANZ from time to time. It was developed in response to changes in the regulatory environment and replaces and supersedes the Code of Practice for Health Insurance Underwriters.

Under the code, health insurers will:

- Meet the following commitments and standards set out in this code.
- Not advise, sell, advertise or use promotional literature in a manner that is misleading, deceptive or confusing.
- Only provide their customers with accurate information about products and services, their terms and conditions and exclusions that may apply to those products and services.
- Provide (in a suitable form) invoices for premiums and certificates of insurance or policy documents to their customers and ensure customers are informed about changes to their premiums or terms and conditions.
- At all times act prudently and honestly in their dealings with their customers.
- Have claims processes and ensure they provide adequate details to their customers of that process.
- Have a fair complaints' procedure and provide details to their customers of that procedure and advise them of the approved dispute resolution scheme they belong to.
- Deal promptly with things that go wrong and act empathetically when considering their customer's complaint.
- Respect their customers' personal information, including health information, and only use it in accordance with the law and the policy's terms and conditions.
- Ensure their staff are well trained so they can put this code into practice and maintain suitable programmes to ensure compliance with this code.

For further information on health insurance, the statutory dispute resolution schemes, HFANZ members and the code please talk to your health insurer or visit www.healthfunds.org.nz

New chairman for Health Funds Association

Union Medical Benefits Society Ltd (UniMed) chief executive Dermot Martin (pictured, right) was elected chairman of the Health Funds Association following its annual meeting in Wellington last month.

Mr Martin, of Christchurch, was previously president of the association from 2000 to 2007, and had been acting chairman following Tower Health and Life chief executive Steve Boomert's departure in December last year.

The new board for the 2011/12 year comprises: Mr Martin (chairman); Chris Pentecost (deputy chairman), of the Police Health Plan; Paul Regtien from Southern Cross Healthcare; Grant Evitt, of AIA NZ; and Damian Lawrence, of Sovereign Assurance.



HFANZ WELCOMES ACC SURGERY REPORT

The Health Funds Association (HFANZ) has welcomed the findings of ACC's review of elective surgery decision-making released last month.

The ACC Review of Elective Surgery Decision-Making analysed the impact of elective surgery process changes introduced since early 2008. It sought answers to questions about the changes, what impact they have had and how decision making could be improved.

ACC claims management general manager Denise Cosgrove said its recommendations would result in more effective and transparent decisions based on sound clinical evidence and technical advice.

HFANZ chief executive Roger Styles said the review identified a pragmatic path forward which addressed a number of issues relating to how ACC dealt with elective surgery.

"The commitment to improving clinical decisions, their consistency and timeliness should see a significant reduction in the number of reviews, which is good news for those seeking treatment," he said.

"The health insurance sector is optimistic that the improvements identified will help to better match the appropriate funding with elective surgery, reduce treatment delays and administrative costs, and generally improve patient outcomes."

Mr Styles complimented ACC for conducting the review professionally and engaging stakeholders along the way. He said he was looking forward to ongoing dialogue on some of the areas identified for further investigation.

He said the review had been somewhat overshadowed by the announcement this month by ACC Minister Nick Smith that employers would be given a choice in their work-related personal injury insurance provider.

Key actions for ACC arising out of the review were:

- Better utilisation of elective surgery resources, including streaming of claims by complexity and improving consistency;
- Improvements to clinical information requirements and guidelines;
- Improving decision-making through stronger technical/legal support and an additional review step in decision process; and
- Improvements to communications and relationships with stakeholders (GPs, surgeons, insurers) and clients.

The full review report is available online at www.acc.co.nz/news



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Cover Stories

Health Insurance News



Health cover dip prompts caution

The number of New Zealanders covered by health insurance has continued to ease, according to the latest figures from the Health Funds Association (HFANZ).

Chief executive Roger Styles said the number of lives insured dropped by 5500 (0.4 percent) in the three months to March 31 this year, taking total lives covered to 1.377 million. This was a reduction of 13,000 (0.9 percent) over the March 2011 year.

Mr Styles said there was a concern that the recession might have seen some people discontinue their health insurance as a temporary measure, thinking they could easily pick it up again later when things improved.

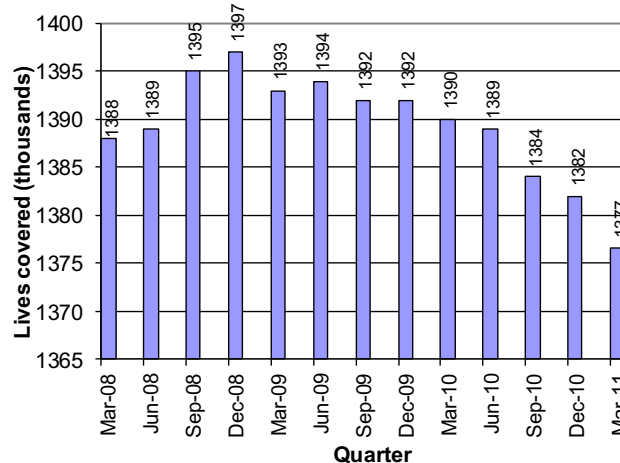
“I would encourage people to talk to their insurer before making such a decision and consider it carefully, because a gap in cover could mean pre-existing conditions are not covered down the track,” he said.

Mr Styles said trends over the next two decades were going to make health insurance more important, and people needed to be thinking about the future when considering policies.

“With an aging population and fiscal pressure building on the public health budget, people will increasingly be called on to make a greater contribution towards their health costs. Health insurance will likely play a bigger role in helping people balance risks and access the level of healthcare they desire going forward,” he said.

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**Lives Covered by Health Insurance:
Mar 2008 - Mar 2011 (thousands)**



Claims paid in the March 2011 quarter totalled \$184 million, taking claims paid in the 12 months to March 2011 to \$828 million. Mr Styles said this was an increase of \$49 million, or 6.3 percent, on the total claims paid in the twelve months to March 2010.

Premiums paid in the March 2011 quarter totalled \$254 million, compared with \$250 million for the December 2010 quarter. Premium income for the full year ended March 31, 2011 was \$984 million, an increase of \$88 million or 9.8 percent on the \$896 million in premium income for the March 2010 year.

Read our latest brochure
“Making sense of health insurance”.
You’ll find it online at
www.healthfunds.org.nz or you can
order a copy by e-mailing your
details to:
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Brochures cost 18c each plus GST
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