

Time to reconsider health insurance rebate for over-65s

The Health Funds Association of New Zealand (HFANZ) wants the Government to revisit its proposal for a health insurance rebate for those aged over 65, in the wake of a better economic outlook.

HFANZ executive director Roger Styles said the economy was widely perceived to have “dodged a bullet” and most indicators had not got anywhere near the worst case projections.

“However, there continues to be cost pressure across the health sector and this is really testing the affordability of health insurance for those over 65,” he said.

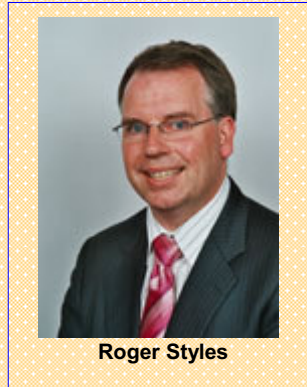
“The industry has responded over recent years with a range of policies and excess choices. Many people over 65 have ‘traded down’ to a more basic surgical cover in order to be able to continue health insurance coverage.”

Mr Styles said there were real benefits to the public sector from having a balanced health system, not least that more than \$500 million of elective surgery was insurance-funded each year – more than a third of this for the over-65 age group.

“While nearly half of 55- to 59-year-olds have health insurance, this drops to just 25 percent of those over 65. With the population ageing, the Government has the opportunity to act now to ensure insurance plays a key role in funding health care for the over-65s in the future,” Mr Styles said.

He estimated a targeted rebate would have an initial fiscal cost of \$50 million a year, but said it would represent good value in terms of additional elective surgery funded over the medium term.

[Who might benefit from a rebate? See Page 2](#)



Roger Styles

Health Funds Assn members all meet full solvency standard

All 10 health insurers who are members of HFANZ meet its voluntary solvency standard. Executive director Roger Styles said it was pleasing to note that all member insurers now met the full standard, with reported solvency coverage ranging from 104 percent to 452 percent.

The Solvency Standard, adopted voluntarily by insurers in 2007, contained transitional provisions and required full compliance with the standard by 2012. From 2011, health insurers will move to the new Reserve Bank Solvency Standard which is currently under development.

Mr Styles said there had been much interest in how health insurers had fared over recent times, considering the impact of high growth in health claims together with the ups and downs seen across investment assets.

“The results show the industry has coped very well, despite minor deteriorations in the value of some investments, partly because the growth in claims costs is ultimately reflected in premium rates. We can expect to see the impact of this working through this year, with a number of health insurers already indicating likely premium rises in excess of 10 percent.”

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How a health insurance rebate for the over 65s might work

HFANZ has advocated a 30 percent tax rebate for health insurance for persons aged 65 years and over.

There are about 560,000 New Zealanders aged 65 plus, only about 138,000 of whom already having health insurance. A further 220,000 people in New Zealand are aged 60 to 65.

HFANZ believes a health insurance rebate for older New Zealanders would greatly assist access to health treatment, particularly elective surgery.

Executive director Roger Styles said rebates were commonly used internationally in balanced health systems and would help older New Zealanders who faced rising premiums as the cost of their healthcare claims increased.

“It does not seem fair that many older persons feel they have to let go of their health insurance just when they need it most. A rebate would be a big help in lifting access to elective surgery in New Zealand.”

Statistics show health insurance coverage reaches a peak of 50 percent at age 55, but only 24 percent of those aged over 65 retain health insurance. Mr Styles said a rebate would target assistance where it had the most impact, and would free up public sector resources significantly, as higher numbers having insurance-funded surgery would help free up public theatres so more elective surgery could be carried out.

The main argument used against a 30 percent rebate for all with private health insurance has been based on a Treasury estimated revenue loss of \$200 million, estimated public health savings of \$95 million, and resulting net cost of around \$100 million to Government.

However, Mr Styles said this debate totally missed the most important point.

He said whether the rebate was adopted should be determined not by whether it was cost neutral, but by whether it was a cost effective option when viewed alongside other alternatives, such as recent public sector elective surgery initiatives.

A 30 percent rebate for those over 65 was estimated at most to have an initial net fiscal cost of around \$50 million, with the potential to lift private coverage (and therefore access to elective surgery) by around 30 percent, or up to 40,000 elderly, over the next five to seven years.

It was expected that over this time rebates would help around 180,000 people aged 65 and over retain their health insurance, up to 40,000 more people than at present. It was also expected to see an additional 25,000 to 35,000 insurance-funded elective surgical discharges each year.

While the expected cost of the rebate was about \$50 million a year initially, over time Mr Styles said this was expected to be substantially offset by savings in public elective surgery demand, or lead to much shorter waiting lists and lower thresholds for accessing public elective surgery.

HFANZ estimates the saving to the public sector from health insurance at over \$500 million a year.

In Australia, health insurance rebates have played a significant part in helping older people retain their health insurance. Coverage has steadily increased since their introduction, reversing a steady decline prior to rebates being introduced at the end of 1998. Such was the success that the government boosted the rebate for those over 65, leading to a further increase in coverage rates.

Key facts:

- Total New Zealanders with health insurance = 1.4 million, or 33 percent of the population
- Total New Zealanders aged 65 and over with health insurance = 138,000 or 25 percent
- Claims paid in year ending December 2009 = \$764 million, mainly for elective surgery.
- Total claims paid to persons aged 65+ in Dec 2009 = \$231 million.
- Saving to public sector from health insurance estimated at \$0.5 billion per annum.
- A 30 percent rebate would mean that someone paying an annual premium of \$1500 would have that reduced to \$1050.
- 75% of lives covered are by not-for-profit insurers.



Record claims show health insurance value

Health insurance claims topped three-quarters of a billion dollars for the first time last year, according to the latest industry figures released by the Health Funds Association (HFANZ).

Executive director Roger Styles said the \$764 million in claims paid in the year to the end of December 2009 highlighted the significant contribution the private sector was making in funding healthcare in New Zealand.

He said there had been some concern in the industry over the higher than usual claims cost growth in recent years. The December 2009 quarter's annualised 9.8 percent claims growth was down from the peak of 13.2 percent reached in December 2008.

"Health insurers obviously want to contain health inflation wherever possible, as increased treatment costs ultimately mean higher premiums," Mr Styles said.

But he said a significant amount of that additional cost represented access to services which were not previously available, or to which the public sector had limited people's access.

He cited the recent opening of a private Auckland radiotherapy clinic, which offered private patients an alternative to waiting for cancer treatment in the public sector, as being a good example of health insurance delivering extra benefits.

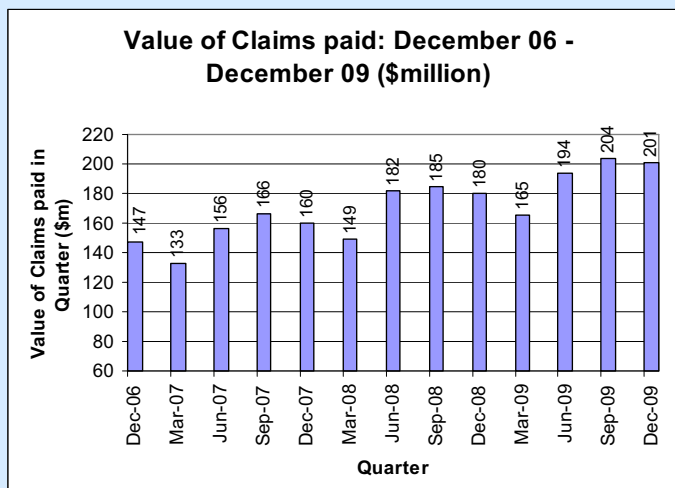
"Of course this adds a little to the cost, but it represents value that policyholders are getting from their insurance," Mr Styles said.

"Another example is the trend for insurers to increasingly cover things which the public sector excludes or limits funding for. ACC has recently moved to limit physiotherapy funding and has increased the number of people it excludes from funded elective surgery."

Mr Styles said he expected the rate of health cost growth to slow further this year, and supported Government initiatives to rein in cost growth in the health sector, including a focus on wage setting.

Lives covered remained static in the December quarter at 1.392 million, which was down 4300 on the previous December.

Premium income for the December year was up 5.7 percent on the previous year to \$875 million.



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Cover Stories

Health Insurance News



ACC CRACKDOWN HIKES UP PREMIUMS

ACC's crackdown on costs has been a significant factor behind planned increases in health insurance premiums of around 12 percent announced this month by some insurers.

Sovereign said premium adjustments reflected the increasing cost of claims, the rising cost of health care and a reduction in claims being paid by ACC.

ACC was closely scrutinising claims to reduce the number it paid for, and Sovereign told insurance brokers that was driving up the number of claims it was having to pay.

ACC spokesperson Laurie Edwards said the state-run accident insurer was only ending a form of private-sector subsidy that should never have happened.

Southern Cross Healthcare Group chief executive Ian McPherson said that in recent months ACC representatives had been quoted in the media as turning down 16 percent of requests to fund elective surgery, compared with 10 percent in the previous year.

Meanwhile, ACC Minister Nick Smith has resurrected privatising ACC as an option.

Controversial changes which reduced ACC cover and entitlements were passed into law last month. The Government has also commissioned a stocktake report on the corporation by former ACC chairman David Caygill.

Opposition has been mounting to ACC's hard line with district health boards and orthopedic surgeons critical of the cost-saving measures which deny people cover.

(Sources: Sunday Star-Times, NZPA, Radio NZ)

International News in Brief:

US: Obama's health reforms adopted

The US House of Representatives this week passed the Senate's version of President Barack Obama's healthcare bill by 219 votes to 212.

President Obama signed the law on Wednesday (NZ time) described as the most sweeping US social policy legislation in decades.

The Senate version made minor changes to the original bill to add fiscal savings. Republicans, who have unanimously opposed the bill, have vowed to keep fighting it.

Key elements of the package include:

- Making health insurance compulsory
- Extending health insurance coverage to 32 million Americans who lack it
- Tax incentives for employees and employers
- Insurers must cover pre-existing conditions.

(Source: Reuters)

Australian Govt may tweak healthcare bill

Australian Finance Minister Lindsay Tanner has indicated the government may tweak plans to trim health care concessions in the May budget after they were rejected for a second time in the Senate.

Senate lawmakers this week rejected the final elements of a package, unveiled in the Australian budget last May and already defeated for a first time last September, which would have tightened the income thresholds below which Australians get a 30 percent private health insurance rebate.

News of the bill's defeat is a fillip for private health insurers and private hospital operators, who had worried the government was removing key incentives for using the private health care system.

(Source: Dow Jones)

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