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MEDIA RELEASE – FOR IMMEDIATE USE

Hospital strikes, uncertainty contribute to private sector growth

The number of New Zealanders covered by health insurance rose by 18,800 to a record 1.388 million in the year to the end of March, according to statistics released today by the Health Funds Association of New Zealand (HFANZ).

The increase of 1.4 percent on the year to March 31, 2007 equated to about 50 people a day taking out health insurance policies, HFANZ executive director Roger Styles said.

He said he believed disruption and uncertainty in the public sector was likely to have contributed to the recent upsurge in health insurance.

“Strikes by doctors have forced surgery cancellations. Last year saw thousands dumped from waiting lists. People increasingly realise they cannot count on the public sector to provide surgery in a timely fashion,” he said.

“The private sector already funds 60 percent of elective surgery, with this share likely to continue to grow as the public sector cannot keep up with current demand, let alone projected growth in demand for elective surgery.”

Data had shown the number of elective operations performed in public hospitals over the last seven years had remained largely static, and Mr Styles said the strikes were likely to mean that number remained so while the private sector gained steadily.

Mr Styles pointed out that elective surgery did not mean unnecessary surgery.

“Elective surgery is anything that can wait over seven days – it can still be for serious conditions such as cancer and heart disease,” he said.

“The ongoing disruption in the system contrasts with the certainty and timeliness of private elective surgery, which is no doubt a major factor in the strong growth of the health insurance sector,” Mr Styles said.

Health insurance claims paid in the March quarter amounted to \$149 million, taking the total for the year to March 31, 2008 to \$631 million, an increase of \$48 million or 8.3 percent on the previous 12 months. Mr Styles said the increase was attributable to growth in the numbers of people insured, an increase in the number of claims an insured individual is making, and the increasing costs of treatment.

“Because most of these claims relate to elective surgical procedures, there is a significant benefit to the public sector in terms of reduced demand for elective procedures and freeing up of public health resources,” Mr Styles said.

Significant growth was noted in the number of people aged under four, between 20 and 29, and 60-69 taking out health insurance policies, which Mr Styles said was down to an ageing population retaining their insurance, plus higher recent birth rates.

ENDS. (Three-page statistical summary attached.)

For further information contact:

Executive director Roger Styles ph 04 499 0834 or 027 480 0072

Media advisor Andrea McKay ph 027 555 7783.

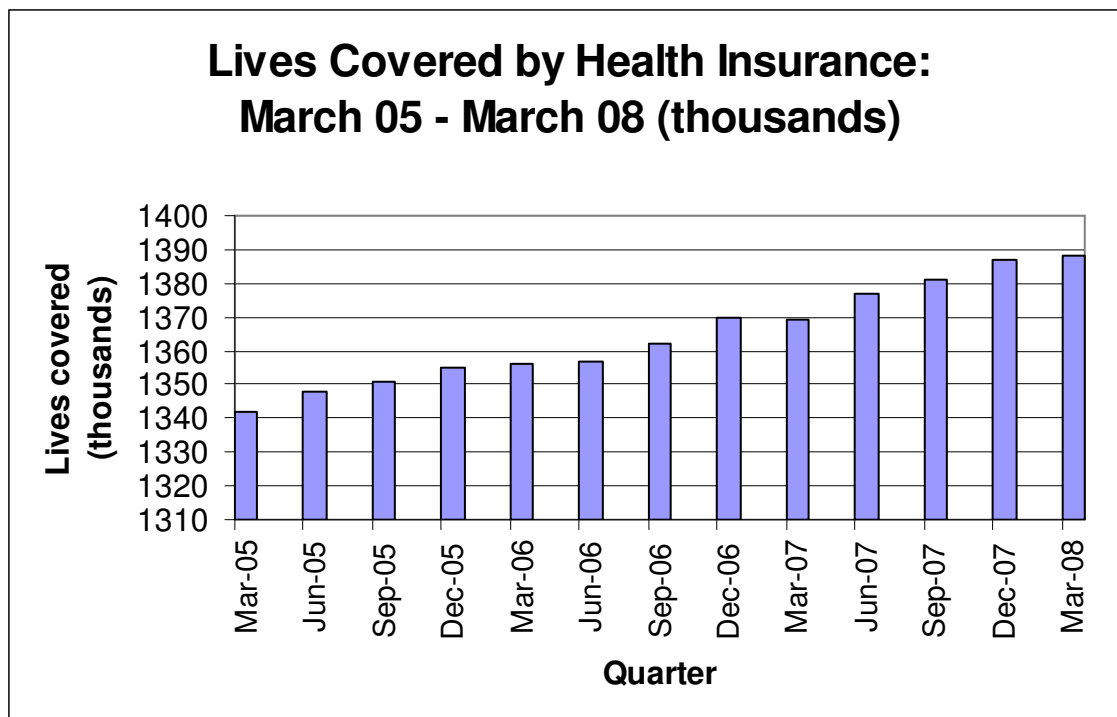
Health Insurance Statistics March 2008

Released May 2008

This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended March 31, 2008.

➤ Lives covered up 1.4% in year

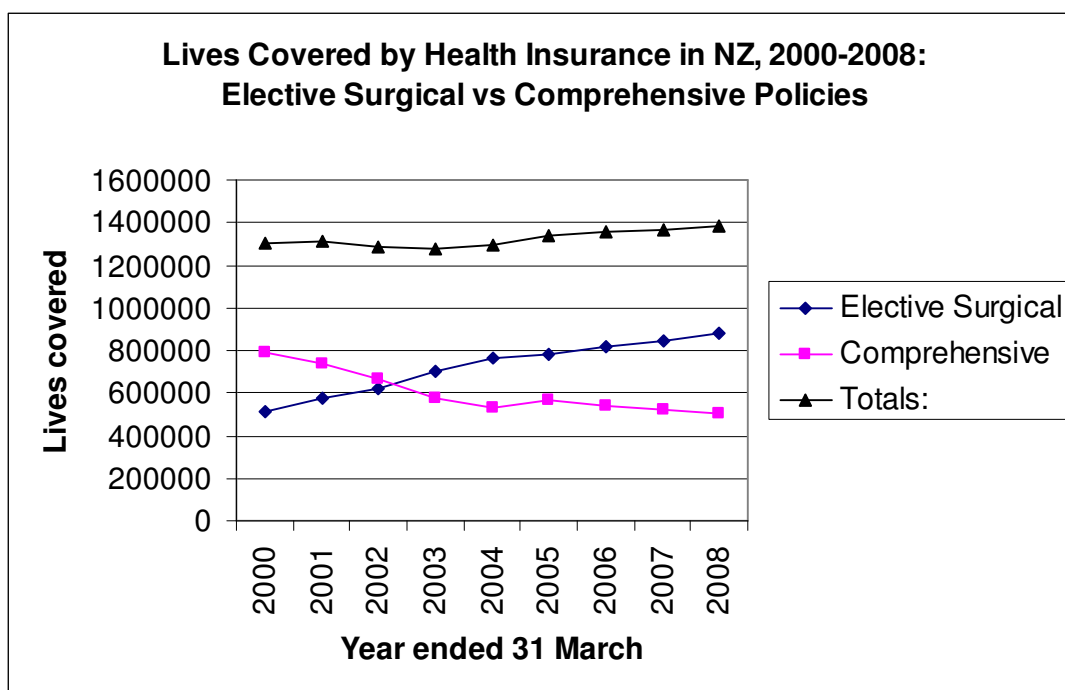
The number of lives covered continues to increase. In the 12 months ending March 31, 2008, health insurers reported a net increase in the number of lives covered of 18,800 (1.4%) taking the total lives covered to 1.388 million. The March quarter, which is traditionally negative, showed positive growth in 2008, up by 600.



➤ Trend to elective surgical and specialist cover

The trend away from comprehensive policies and towards major medical insurance continues. The net 18,800 increase in lives covered represents an increase of 34,700 people with elective surgical and specialist cover and a reduction of 15,900 having comprehensive insurance.

Elective surgical and specialist cover now accounts for 884,000 of the 1.388 million lives covered, or 63.7% of those covered by health insurance. Comprehensive health insurance accounts for just 503,600 lives covered, or 36.3% of policies.



➤ **Lives covered by age**

A breakdown of the lives covered by age group shows growth is spread across a range of age groups.

Age band	Lives covered			Percent
	Mar 2007	Mar 2008	Diff	
0-4	60,900	63,739	2,839	4.7%
5-9	82,078	82,103	25	0.0%
10-14	93,952	93,029	-923	-1.0%
15-19	98,863	99,914	1,051	1.1%
20-24	68,908	72,708	3,800	5.5%
25-29	63,130	65,485	2,355	3.7%
30-34	85,318	83,540	-1,778	-2.1%
35-39	110,405	111,251	846	0.8%
40-44	122,183	120,810	-1,373	-1.1%
45-49	128,549	130,588	2,039	1.6%
50-54	121,215	122,063	848	0.7%
55-59	117,038	115,582	-1,456	-1.2%
60-64	86,533	92,880	6,347	7.3%
65-69	54,354	56,547	2,193	4.0%
70-74	30,395	31,378	983	3.2%
75-79	22,099	22,198	99	0.4%
80-84	14,956	15,349	393	2.6%
85-89	5,977	6,388	411	6.9%
90+	1,851	1,958	107	5.8%
Unknown	45	32	-13	-28.9%
Totals	1,368,749	1,387,542	18,793	1.4%

There is significant growth in the following age groups:

- Aged 0-4: up 2800 (+4.7%)
- Aged 20-24: up 3800 (+5.5%)
- Aged 25-29: up 2300 (+3.7%)
- Aged 60-64: up 6300 (+7.3%)
- Aged 65-69: up 2200 (+4.0%)

There are a range of factors influencing this, including demographic changes. With an ageing population, there is an expected increase as more people with insurance are moving into these older age groups. Higher birth rates are the major factor behind the increase in the 0-4 age group.

In addition, people are increasingly accepting the fact that the public system can not deliver many elective procedures to either the quantity or the timeliness that people expect from the health system.

➤ **Claims paid up 8.3%**

Health insurance claims paid in the March quarter totalled \$149 million, taking claims paid in the 12 months to March 31, 2008 to \$631 million. This is an increase of \$48 million or 8.3% on the total claims paid in the 12 months to March 31, 2007. In addition to growth in the number of insured persons, the increase is attributable to both an increase in the number of claims and an increase in the costs of treatment.

Because most of these claims relate to elective surgical procedures, there is a significant benefit to the public sector in terms of reduced demand for elective procedures and freeing up of public health resources.

