



April 20, 2010

MEDIA RELEASE – FOR IMMEDIATE USE

## **Health insurance to fund \$1 billion in healthcare by 2012: HFANZ**

The Health Funds Association (HFANZ) predicts continued growth in claims paid will see health insurance funding a billion dollars worth of health care each year by the end of 2012.

HFANZ executive director Roger Styles made the claim today in releasing industry figures for the March 2010 quarter, saying recent and projected growth highlighted the important contribution health insurance was making to health funding in New Zealand.

Both premium income and claims costs rose for the March year, he said. Premium income was up 4.9 percent on the March 2009 year to \$879 million, while claims costs for the year were up on the March 2009 year by 9.3 percent at \$779 million.

Despite premium and claims growth, the level of health insurance coverage eased slightly in the March quarter with a drop of 2700 lives covered. Mr Styles said the drop took numbers back to where they were in June 2008.

He noted a concern with the slight drop in coverage for the 270,000 people aged 55-69, the first drop for this age group the industry had recorded since 2003.

“This age group had been growing at over 2 percent a year as the baby boomers edge closer to retirement. The future contribution of health insurance to total health spending depends a good deal on how many people in this age group retain health cover in retirement,” he said.

“Affordability has been a major concern, especially as higher claims costs have driven up premiums for older New Zealanders.

“Consequently, the response, seen by the industry, has been customers moving from comprehensive to elective surgical cover, and choosing more excess options enabling premium reductions. Further progress now depends largely on the policy environment, with mounting support for some form of targeted rebate to bolster coverage for those aged over 65,” Mr Styles said.

ENDS (Three-page statistical summary follows)

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 2010

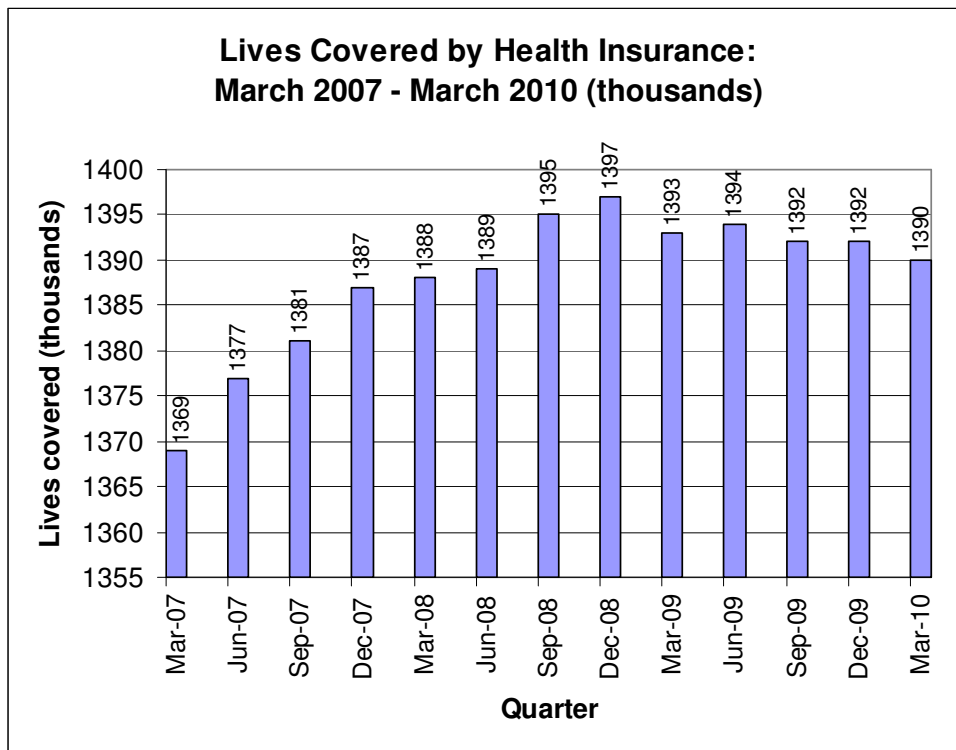


This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended March 31, 2010.

## ➤ Lives covered fall 0.2 percent in March Quarter

The number of lives covered fell by 2700 (0.2 percent) in the March 2010 quarter, taking total lives covered to 1.390 million. This is a fall of 3700 (-0.3 percent) fall compared with March 2009. The March quarter is usually flat compared to other quarters and a slight easing in numbers is not uncommon. The fall of 2700 is lower than the 3300 reduction in the March 2009 quarter.

Health insurance coverage is correlated with employment numbers, as many of those insured are members of group health insurance schemes, some of which are part-funded by employers. The easing of coverage may simply reflect the continuation of subdued employment levels.



The total growth in lives covered over the three years from March 2007 to March 2010 is 21,000.

## ➤ Trend to elective surgical cover

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 3700 decrease in lives covered over the year represents an increase of 13,600 people with elective surgical and specialist cover and a reduction of 17,300 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 918,500 of the 1.390 million lives covered, or 66.1 percent of those covered by health insurance. Comprehensive health insurance coverage now accounts for just 471,100 lives covered, or 33.9 percent of policies.

➤ **Lives covered by age**

A breakdown of the lives covered by age group highlights a number of offsetting changes which contribute to the overall change for the year. The March quarter is of interest because for the first time since 2003 there has been a reduction in the number of lives covered in the 55-69 age group. Coverage in this age group has been increasing every year, with an aging population. Last quarter it was noted that the rate of increase for the 60-69 age group had slowed considerably and was below that expected by reference to demographic changes.

There is a significant offsetting increase of 3000 recorded for the 0-5 age group – possibly in line with continued higher birth rates in recent years.

*Table: Lives Covered by Age group: March 2009 and March 2010*

Age	Mar 2009	Mar 2010	Diff	Percent
0-4	64,376	67,425	3049	4.7%
5-9	82,308	82,040	-268	-0.3%
10-14	91,624	89,852	-1772	-1.9%
15-19	99,613	97,826	-1787	-1.8%
20-24	74,905	75,339	434	0.6%
25-29	66,311	68,063	1752	2.6%
30-34	81,189	80,846	-343	-0.4%
35-39	110,029	108,429	-1600	-1.5%
40-44	119,690	118,563	-1127	-0.9%
45-49	130,819	128,671	-2148	-1.6%
50-54	122,816	122,613	-203	-0.2%
55-59	114,484	112,497	-1987	-1.7%
60-64	97,548	98,765	1217	1.2%
65-69	58,362	58,394	32	0.1%
70-74	32,812	33,837	1025	3.1%
75-79	22,032	21,712	-320	-1.5%
80-84	15,501	15,433	-68	-0.4%
85-89	6784	7026	242	3.6%
90+	2046	2256	210	10.3%

**Lives covered in the 55-69 age group**

- Total March 2009: 270,400
- Total March 2010: 269,700
- Reduction in lives covered: 700

➤ **Premiums paid up 4.9 percent**

Health insurance earned premiums in the March 2010 quarter were \$215 million, compared with \$227 million for the December quarter. Premium income for the full year ended March 31, 2010 totalled \$879 million, an increase of \$41 million or 4.9 percent on the \$838 million in premium income for the March 2009 year.

➤ **Claims paid up 9.3 percent**

Health insurance claims paid in the March 2010 quarter totalled \$180 million, taking claims paid in the 12 months to March 2010 to \$779 million. This is an increase of \$66 million or 9.3 percent on the total claims paid in the 12 months to March 2009. 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. The 9.3 percent annualised claims growth continues a downward trend since claims cost growth peaked at 13.2 percent in the December 2008 quarter.

