



November 5, 2009

MEDIA RELEASE – FOR IMMEDIATE USE

Insurers target rising health costs

Rising health costs are the key challenge facing the health insurance sector, the Health Funds Association notes in releasing the industry's quarterly statistics today.

Executive director Roger Styles said claims costs had grown at double the rate of premiums over the last two years, and that would not be sustainable going forward.

Statistics released today showed the recent flattening of growth in the number of New Zealanders with health insurance was continuing, with a slight dip of 0.1 percent in the September quarter.

Premium income for the year to the end of September was up 5.0 percent to \$859 million, while claims paid for the year jumped 9.9 percent to \$743 million.

Mr Styles said there were a number of factors behind recent cost pressures, but the two main ones were that more people were claiming on their health insurance and the average value of each claim was also increasing.

“The last year has also seen additional services available, such as private radiotherapy in Auckland, which has not previously been an option for those with health insurance,” he said.

“There is also some cost-shifting continuing from the public sector, with ACC increasing the number of claims for surgery that it knocks back. From this month, ACC will require

co-payments from patients for physiotherapy, which will also have an impact on insurers who cover top-ups for ACC in their policies,” Mr Styles said.

“The recent growth in claims shows people are getting value from their health insurance, while at the same time helping to relieve pressure from the public system.”

Mr Styles said recent Government announcements to pursue the key efficiency recommendations from the Ministerial Review Group were welcome news as they would help to address health sector inflation.

“But there is scope for New Zealand to benefit from ensuring a balanced health system into the future, and I believe specific policies to help ensure this need to be considered now,” he said.

HFANZ has previously called for the introduction of a rebate on health insurance premiums for those aged 65 and over, to help boost health insurance retention rates in retirement.

The number of people covered by workplace-based health insurance plans would also be boosted by the removal of fringe benefit tax on employer contributions to health insurance, Mr Styles said.

“There is an anomaly in that there is no FBT on accident insurance but it is applied to health insurance. This is a serious disincentive which needs to be revisited,” he said.

(MORE)

Health Insurance Statistics September 2009

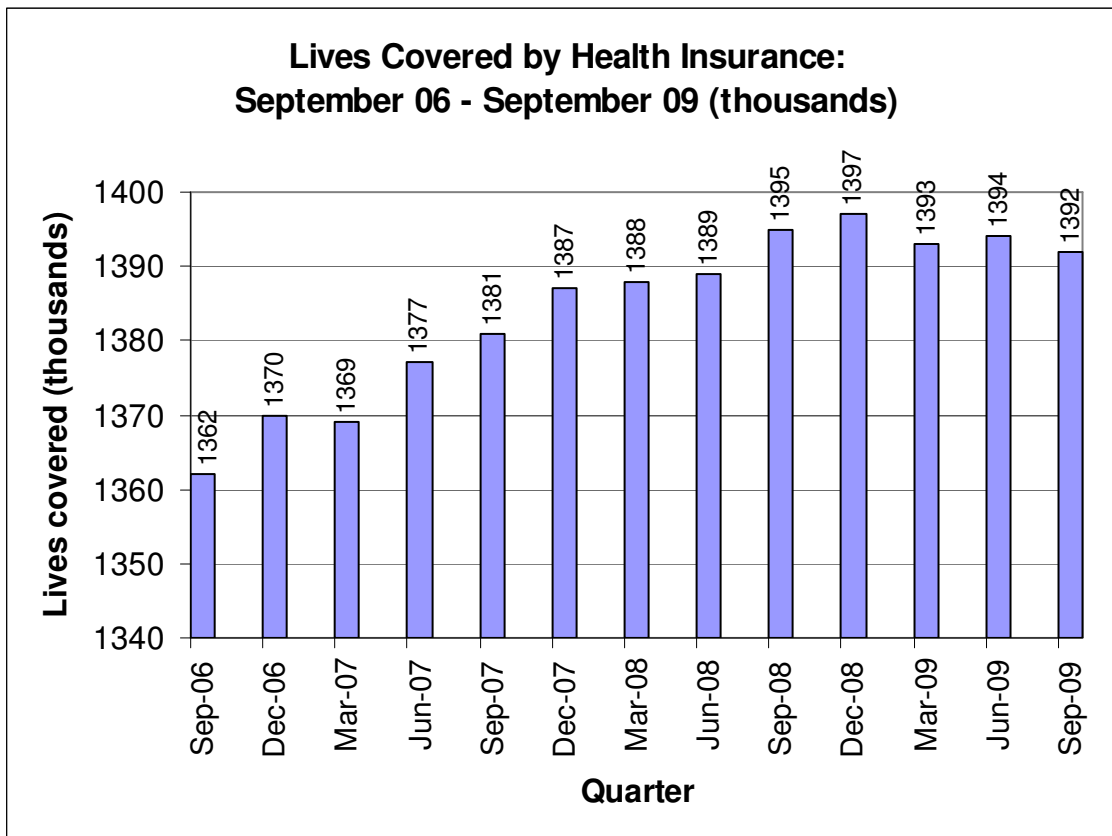


This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended September 30, 2009.

➤ Lives covered down 0.1 percent in September quarter

The number of lives covered fell by 1700 (0.1 percent) in the September 2009 quarter, following a drop of 0.2 percent in the March 2009 quarter and a small gain of less than 0.1 percent in the June quarter. In the full year ended September 30, 2009, health insurers reported a net decrease in the number of lives covered of 2600 (-0.2 percent) taking the total lives covered to 1.392 million.

The last year has seen a degree of volatility in overall numbers with health insurance, with a series of minor gains and declines resulting in a largely flat period. The flatter period over the last year contrasts with a period of increased coverage over the preceding years due to growth in population and employment.



The total growth in lives covered over the three years from September 2006 to September 2009 is 30,000 or 2.2 percent.

➤ **Trend to elective surgical cover**

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. Elective surgical and specialist cover now accounts for 914,300 of the 1.392 million lives covered, or 65.7 percent of those covered by health insurance. Comprehensive health insurance now accounts for just 478,100 lives covered, or 34.3 percent of policies.

➤ **Lives covered by age**

The following table contrasts lives covered by five year age bands for September 2009 and September 2008. There is a notable increase of just over 4000 lives covered in the 60-69 age group, largely attributable to the effects of the ageing population.

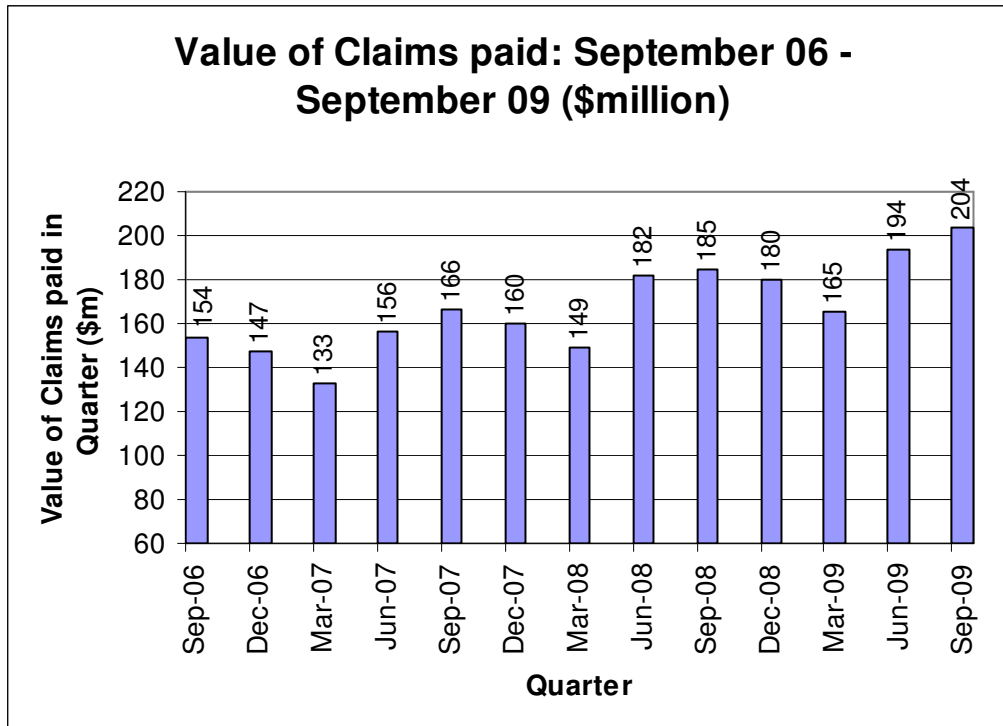
age	Sep 2008	Sep 2009	Diff	percent
0-4	65,783	66,566	783	1.2%
5-9	82,336	82,267	-69	-0.1%
10-14	92,843	90,807	-2,036	-2.2%
15-19	100,294	98,829	-1,465	-1.5%
20-24	73,871	75,015	1,144	1.5%
25-29	66,585	67,316	731	1.1%
30-34	82,945	81,525	-1,420	-1.7%
35-39	111,524	109,451	-2,073	-1.9%
40-44	120,575	119,030	-1,545	-1.3%
45-49	131,463	129,846	-1,617	-1.2%
50-54	122,380	122,706	326	0.3%
55-59	114,652	113,545	-1,107	-1.0%
60-64	95,023	97,836	2,813	3.0%
65-69	56,827	58,335	1,508	2.7%
70-74	31,863	32,949	1,086	3.4%
75-79	22,054	21,895	-159	-0.7%
80-84	15,313	15,384	71	0.5%
85-89	6,530	6,958	428	6.6%
90-94	1,735	1,702	-33	-1.9%
95-99	264	301	37	14.0%
100+	18	23	5	27.8%
Totals	1,394,909	1,392,310	-2,599	-0.2%

➤ **Premiums paid up 5 percent**

Health insurance earned premiums in the September 2009 year totalled \$859 million, an increase of \$41 million or 5 percent on the premium income for the September 2008 year.

➤ **Claims paid up 9.9 percent**

Health insurance claims paid in the September 2009 quarter totalled \$204 million, taking claims paid in the 12 months to September 2009 to \$743 million. This is an increase of \$67 million or 9.9 percent on the total claims paid in the 12 months to September 2008. The increase is attributable to both an increase in the number of claims and an increase in the costs of treatment. During the last year, other contributing factors have been an increase in private treatments available, particularly in the cancer treatment area, and an increase in the number of ACC claims for surgery rejected.



ENDS

For further information contact:

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

Media advisor Andrea McKay ph 027 555 7783.