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MEDIA RELEASE – FOR IMMEDIATE USE

Health insurance market is weathering the storm

The health insurance market appears to be weathering the global economic storm well, according to figures released today by the Health Funds Association of New Zealand (HFANZ).

In the latest quarter, ending March 31, the number of people with health insurance dropped by 3300 lives, down just 0.2 percent on the previous quarter, but still stands at close to 1.4 million.

HFANZ executive director Roger Styles said New Zealanders may be more determined than ever to hold on to health insurance in the current economic environment.

“The essential message seems to be that access to health services is not an expendable luxury. In uncertain times, people want to know they have options if an adverse health event affects them or a member of their family.”

The small decline in the March quarter partially offset steady growth in the health insurance market in the nine months to December 31 last year. Over the past 12 months, the number of New Zealanders with health insurance grew by 5700 lives.

Mr Styles said the job market was likely to be the most significant factor in the March quarter result.

“If the job market is contracting and there is less movement of people between employers, this may affect the regular flow of new lives covered through employer group schemes.”

The drop in coverage – the first since March 2007 – is mainly in the 25–40 year age group, and could be a direct result of the fall in employment levels over 2008, Mr Styles said.

“Any significant changes to employment levels will likely have a flow-on impact on the number of New Zealanders with health cover. That in turn could see pressure mount on the public health system,” Mr Styles said.

“The growth in health insurance cover over recent years has helped relieve significant pressure from the public system. Claims paid in the last year totalled \$712 million – up nearly 50 percent on the March 2004 year – with the bulk of this relating to elective surgery. The private sector now funds around 60 percent of all elective surgery in New Zealand.

“A drop in health cover and increased pressure on the public system may be unforeseen consequences of the deteriorating job market. There are options to help address this before it becomes a problem, including revisiting the tax treatment of employer contributions to workplace-based health plans,” Mr Styles said.

ENDS. (Three-page statistical summary attached.)

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Health Insurance Statistics March 2009

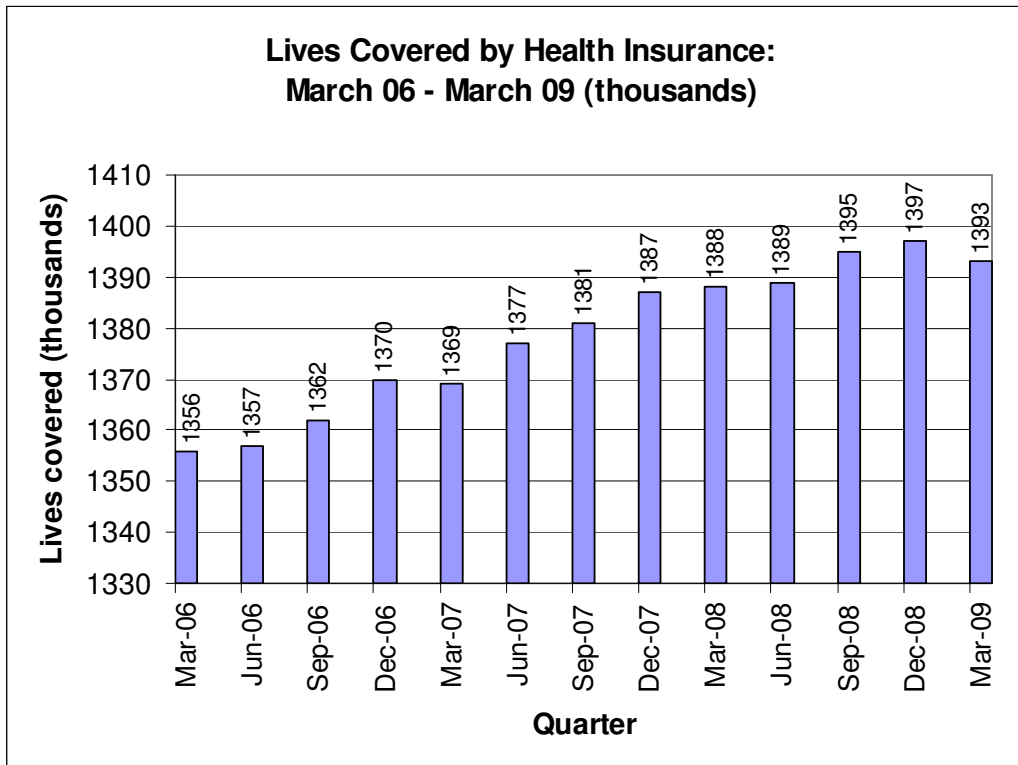


This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended March 31, 2009.

➤ Lives covered fall 0.2 percent in March Quarter

The number of lives covered fell by 3300 (0.2 percent) in the March 2009 quarter, the first fall since the March 2007 quarter when lives covered fell 0.1 percent. The March quarter is usually flat compared to other quarters and a slight easing in numbers is not uncommon. However, the fall of 3300 is larger than those observed in the last five years. In the full year ended March 31, 2009, health insurers reported a net increase in the number of lives covered of 5700 (0.4 percent) taking the total lives covered to 1.393 million.

A significant driver of increased coverage in recent years has been the growth in population and employment. Health insurance numbers are 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 first quarter dip in 2009 may be the first sign that the recession is having some impact on the numbers insured. As employment growth was one of the factors behind health insurance growth, the reverse effect could be expected if employment levels fall off.

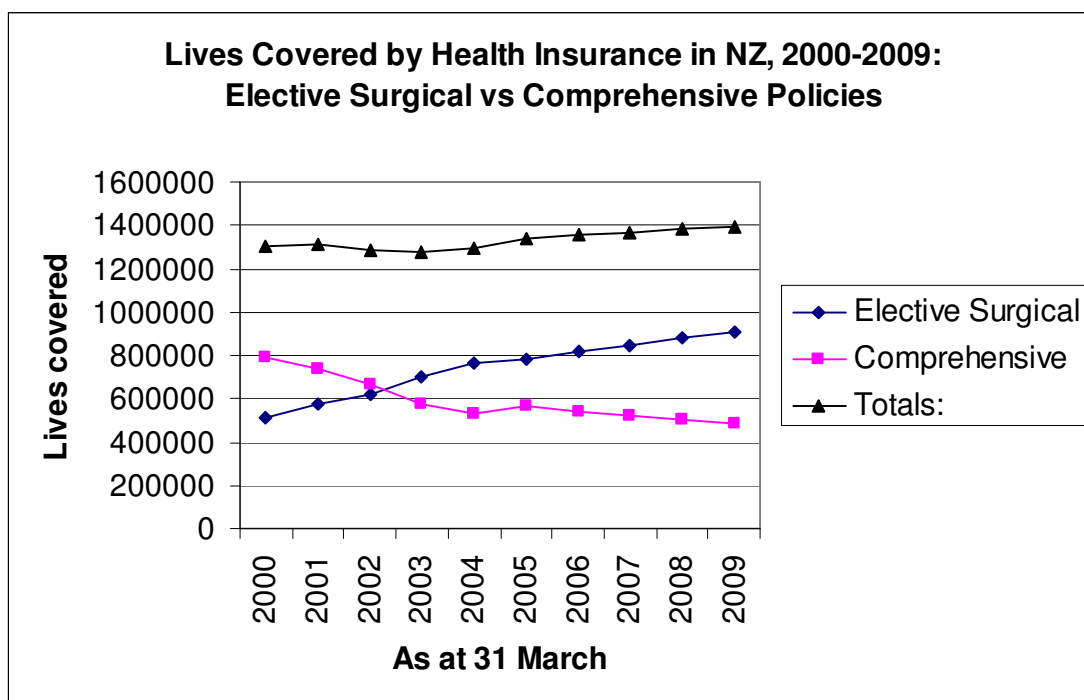


The total growth in lives covered over the three years from March 2006 to March 2009 is 37,000.

➤ **Trend to elective surgical cover**

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 5700 increase in lives covered represents an increase of 20,900 people with elective surgical and specialist cover and a reduction of 15,200 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 904,900 of the 1.393 million lives covered, or 65 percent of those covered by health insurance. Comprehensive health insurance coverage has fallen below 500,000 and now accounts for just 488,400 lives covered, or 35 percent of policies.



➤ **Lives covered by age**

A breakdown of the lives covered by age group highlights where the bulk of the reduction in lives covered has occurred over the March 2009 quarter. It is primarily in the younger working age groups, between 25 and 40. The fall off in the under-five age group is consistent with a number of these representing family health insurance policies.

- Aged under 5: down 1600 (-2.4 percent);
- Aged 25-29: down 700 (-1.1 percent).
- Aged 30-34: down 1600 (-2.0 percent);
- Aged 35-39: down 1100 (-1.0 percent).

The falls in these age groups were offset to some extent by gains for other age groups. The aging population is the primary factor driving growth in the number of lives covered aged 60 and over.

- Aged 60-64: up 1300 (+1.4 percent).
- Aged 65-69: up 900 (+1.5 percent);
- Aged 70-74: up 500 (+1.4 percent).

➤ **Claims paid up 12.9 percent**

Health insurance claims paid in the March 2009 quarter totalled \$165 million, taking claims paid in the 12 months to March 2009 to \$712 million. This is an increase of \$81.6million or 12.9 percent on the total claims paid in the 12 months to March 2008. The increase is attributable to both an increase in the number of claims and an increase in the costs of treatment.

Of note, the total claims paid in the year to March 31, 2009 for those aged 65 and over increased by 13.9 percent on 2008 levels to \$208 million, despite an increase of just 2.8 percent in lives covered in this age group for the year. Claims paid to persons aged 65 and over now comprise 29 percent of total claims cost, despite persons over 65 accounting for just 9.9 percent of lives covered.

