

## Insurers target rising health costs

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

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 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.

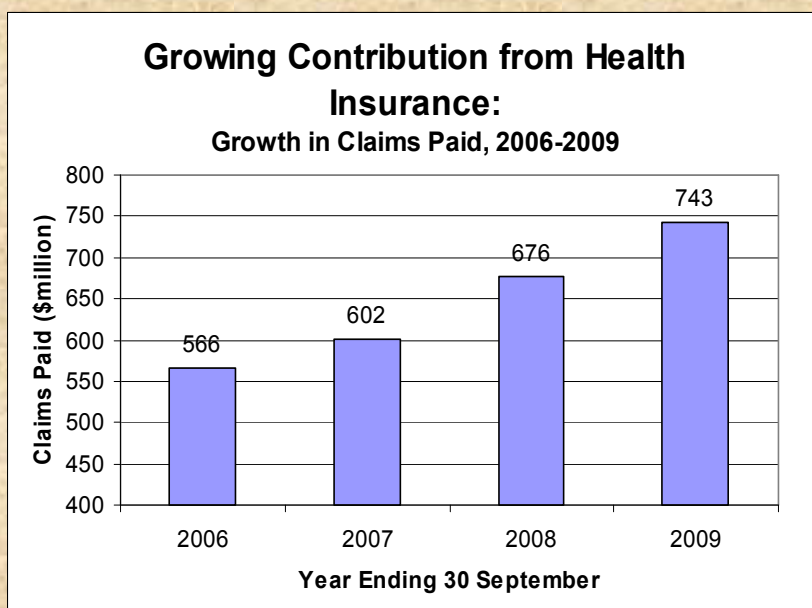
Mr Styles said there were a number of factors behind recent cost pressures, but the two main ones were that more people were claiming on their health insurance and the average value of each claim was also increasing.

"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.



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## Insurers welcome certainty from Privacy Commissioner's ruling

Health insurers have welcomed a report by Privacy Commissioner Marie Shroff on the use of medical records, saying it is in line with current practice.

Mrs Shroff has ruled that insurers rarely need to demand full medical records from doctors, following an 18-month inquiry.

It was sparked by a complaint from the Medical Association about insurers demanding access to patients' confidential medical records for all types of insurance, including income protection and life cover. Doctors said they were reluctant to take full notes in case patients' claims were later jeopardised.

"People need to be completely upfront and honest when insurers ask about their medical history", she said.

"But their full medical notes contain a great deal of information about them and possibly about their family too. Not all of that is necessarily relevant to making insurance decisions."

Mrs Shroff said that occasionally an insurer would have to get all the information on a person's medical file going back several years.



"However, this should be rare."

She recommended that insurers tell their customers more clearly if they're going to collect medical information about them.

Health Funds Association executive director Roger Styles said the Privacy Commissioner's recommendations were in line with what the industry was doing currently.

He said it would "not be cost-effective" to do a full investigation on every new client, so insurers relied on people's honesty.

People who failed to disclose health problems pertinent to their policies could have claims refused, he said.

"If in doubt about whether it's relevant, it's better to answer fully," Mr Styles said.

Mrs Shroff said she had been working with representatives from the insurance industry and the medical profession to produce guidelines for the public and they hoped to finalise these soon.

( Photo courtesy of <http://www.privacy.org.nz> )

## New insurance calculator on Retirement Commission website



Sorted.org.nz, the Retirement Commission's website, has added a new insurance section, including health insurance, with a calculator to make it easier for people to work out their best insurance options and how much it might cost.

Exact figures are not required. The results of the calculator are indicative only and should be supported by professional advice.

Sorted is a free independent money guide to help New Zealanders manage their personal finances throughout life.

The calculator is at: <http://www.sorted.org.nz/calculators/insurance/>

## Private health funding stimulus needed

New Zealand lags behind the OECD in private health funding, and we need policy reform to address this, Roger Styles told a health funding conference in Wellington recently.

The HFANZ executive director told the Funding in the Health Sector Conference that care needed to be taken to preserve a balanced health system in New Zealand – a system that makes the best use of public and private sectors. His call echoed the OECD's recommendation last year for New Zealand to do more to encourage health insurance.



Roger Styles

"We are currently 5 percent behind the OECD average and 10 percent behind Australia in terms of the private sector's contribution to total health costs," Mr Styles said.

"Policymakers need to be looking at what works well internationally and adapt that for New Zealand."

He said health insurance currently accounted for 4.7 percent of total health spending, down from 6.8 percent a decade ago. He warned that the private contribution to healthcare could not be taken for granted.

"A falling private contribution puts added pressure on the public system, driving costs up and forcing rationing decisions," he said.

"One of the best ways of ensuring a balanced health system is through encouraging higher levels of voluntary health insurance cover."

Mr Styles said policy measures needn't be expensive and could be targeted. He pointed to two potential measures which would help lift insurance cover and relieve pressure on the public system.

"A rebate for those aged 65 and over would go a long way to addressing affordability concerns among older New Zealanders and encouraging retention of health insurance in retirement."

The removal of fringe benefit tax on employers who chose to subsidise group health cover for their staff would also see an increase in New Zealanders covered by workplace-based health plans, Mr Styles said.

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## ACC CUTS HIT INSURERS, WAITING LISTS

Health insurers are expecting to pick up the tab as ACC tightens up its funding criteria, according to Health Funds Association executive director Roger Styles.

ACC has announced that from November 16 physiotherapists' patients will be charged per visit as it reduces the amount of money it pays towards treating accident victims by a third.

Physiotherapy visits had been free since 2004. ACC said it needed to contain the rising costs of delivering clinical services, but the move has been criticised by the New Zealand Society of Physiotherapists which said low-income patients might be left permanently disabled if they could not pay the part-charge.

Mr Styles said more ACC cuts would foist more work out to private insurers, stretching them further.

"We believe it has certainly been a contributor to increased claims costs in our statistics," he said.

He said the changes underlined the importance of having health insurance.

"Many people have wrongfully thought they could rely on ACC, and now they are finding that isn't the case," Mr Styles said.

One public hospital believes ACC's review of services and costs is having a costly downstream effect on the country's waiting lists.

The Taranaki District Health Board said in a recent report that it was seeing a large number of declined operations moving through onto the public health waiting list as a result of ACC's closer scrutiny of all claims.

ACC said nationwide it declined 8560 claims for surgery in the last financial year compared with 4957 in 2007-08. However, clinical services director Kevin Morris said ACC was in fact carrying out more operations than ever before. In the past year there were 6462, or 13 percent, more requests for elective surgery than the year before.

Orthopedic Association chief executive Kim Miles said more pressure was being put on hospital waiting lists which were already over-burdened with an ageing population.

Taranaki DHB ACC business liaison manager Jenette Hucker said ACC had confirmed significant changes were planned to the elective surgery contract in July 2010.

Among a raft of changes aimed at reducing its deficit ACC has undertaken a stocktake to find ways to save money and Mr Styles said further cutbacks were likely.

(Source: Taranaki Daily News, NZPA)

## International News in Brief:

### US health reform long overdue — HFANZ

This month's passing of the first stage of the Health Care Bill in the United States has been welcomed by Health Funds Association executive director Roger Styles, who believes health reform in the US is long overdue.

He said a key part of the reforms being introduced by President Barack Obama will be tax concessions for low income earners to help with affordability and assistance to employers who offer staff subsidised health insurance packages.

Unlike New Zealand and most other countries, the US doesn't have a universal health system and Mr Styles said it had too much reliance on the private sector. But he said New Zealand had an over-reliance on the public sector and pressure would mount as fiscal costs went up.

### Aussie senate scraps healthcare bill

The Australian Senate has scrapped the Rudd Government's plans to means-test the country's current 30 percent health insurance rebate.

The legislation was voted down 37 votes to 25 by opposition lawmakers in the upper house in September, but Federal Health Minister Nicola Roxon told the Australian Health Insurance Association's annual conference this week the government was still determined to push the health care bill through parliament.

In its May budget, the Labor government outlined measures to tighten the eligibility criteria for private health insurance rebates, which it said would result in savings of \$A2 billion over four years.

Had the legislation passed in the upper house, it would have meant that from July 1, 2010, no private health insurance rebate would have been paid to those with incomes of over \$A120,000 a year. Rebates for those earning between \$A90,001 and \$A120,000 would have ranged between 15 percent and 20 percent depending on age, and between 20 percent and 30 percent for those earning between \$A75,000 and \$A90,000.

In comparison, those from all three income groups are currently entitled to a flat 30 percent rebate.

The proposal has been opposed from the outset by the main opposition conservative Liberal-National coalition, and by private health insurers and private hospital operators who worried the government was removing key incentives for using the private health care system.

(Source: Dow Jones; ABC)