

Taking the pulse of New Zealand's health insurance industry

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NZSA Conference 2012

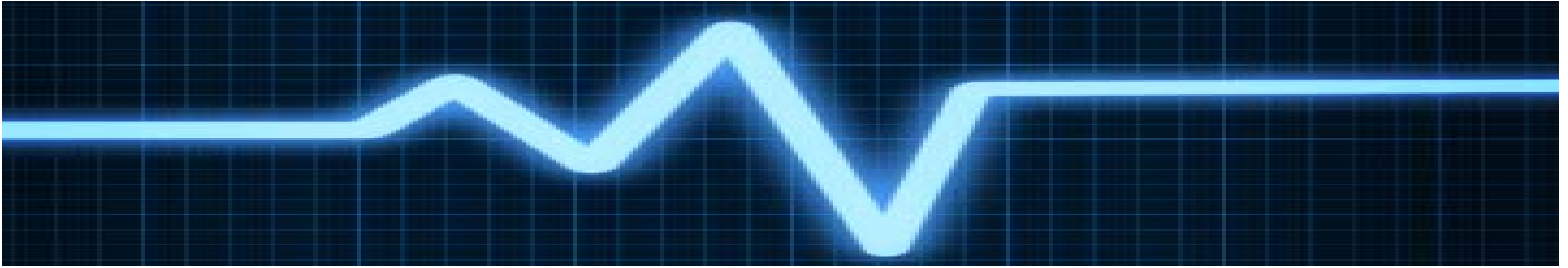
Agenda

- **NZ health insurance**
- **Key issues facing health insurers**
- **Selection of insurer responses**
- **Discussion**

Disclaimer

Thank you to Southern Cross for making data available for analysis.

Any opinions, errors or omission are our own.



NZ health insurance

NZ health system

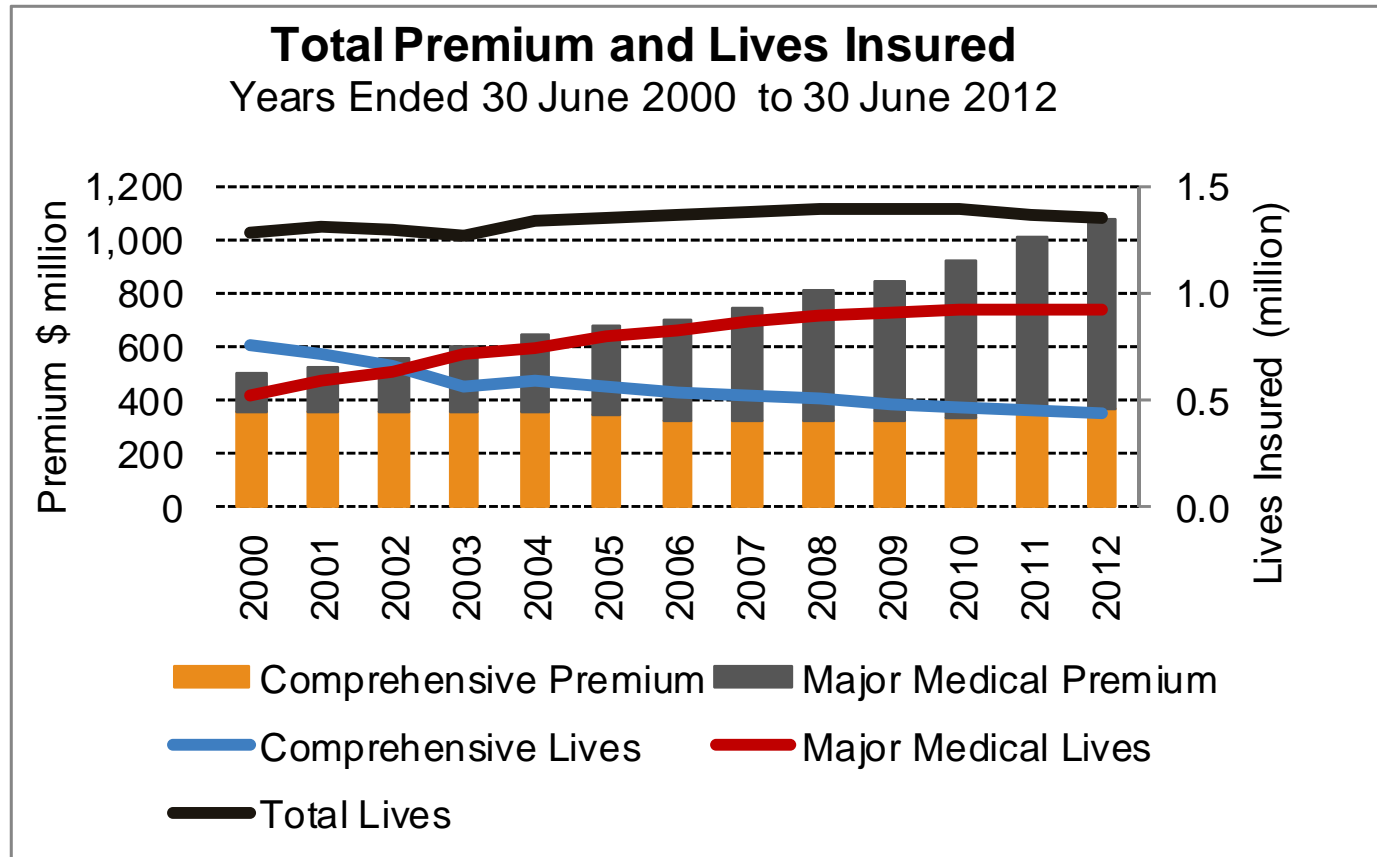
Essential health service sectors	What do they provide?	Who pays for these services?
Public	Emergency care, most cancer care, specialist care and elective surgery in public hospitals; GP visits and prescriptions are subsidised to make them more affordable.	Tax payers
ACC	Treatment and rehabilitation costs arising from accidents (whether at work, at home, on the sports field or as a result of a car accident).	ACC levy payers (e.g. employers, employees, vehicle licensees etc)
Private	Elective surgery and cancer care in private facilities and private specialist care; the un-subsidised portion of GP visits and prescriptions.	Private individuals, out of their own pockets or via health insurance

NZ health insurance market

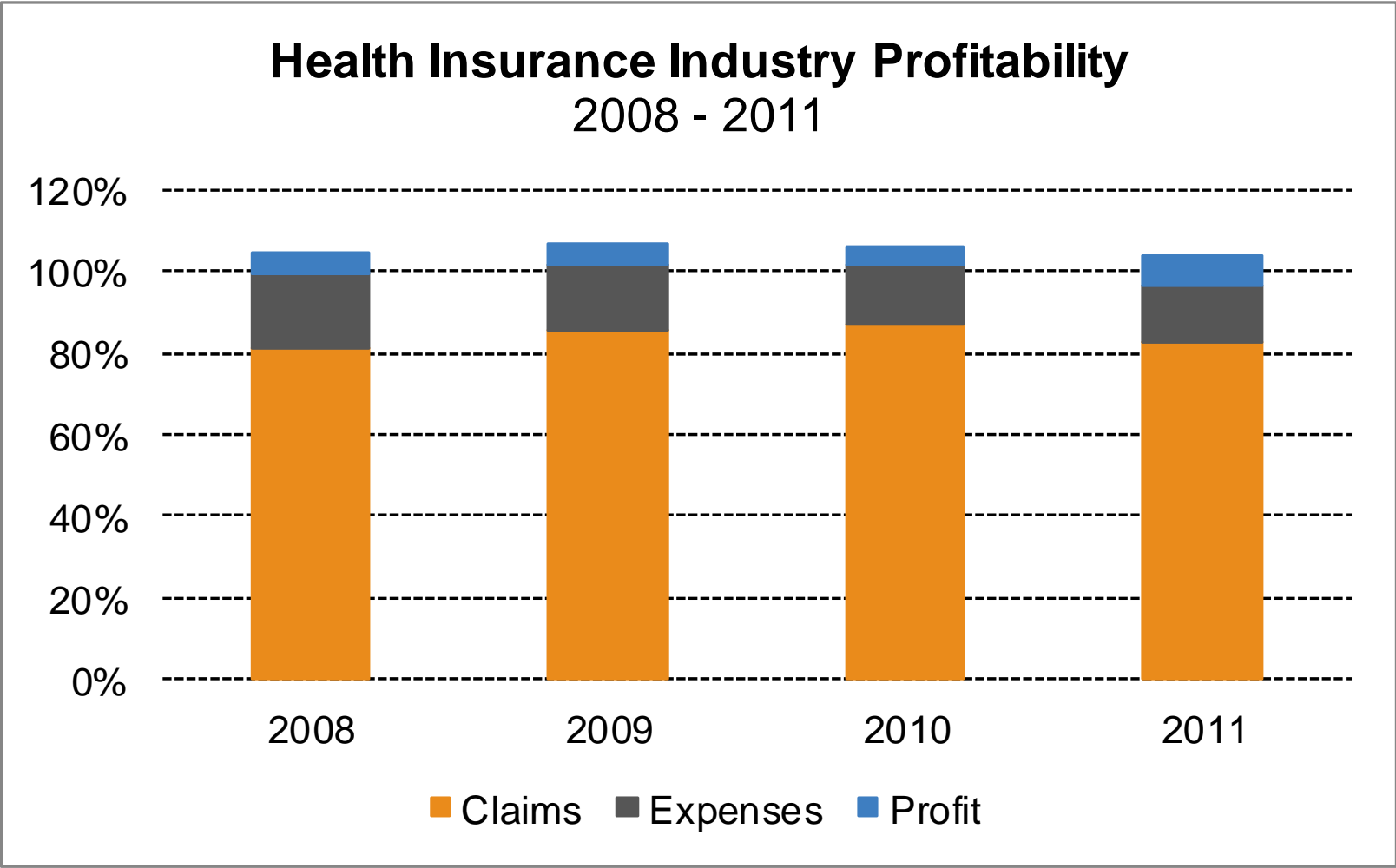
- largely a free market
- no specific health insurance regulation or restrictions
- no incentives for individuals or employers purchasing health insurance
- ability to design and price insurance products
- Exceptions to design and pricing of health insurance products
 - The Human Rights Act
 - Certain medical services can only be provided by the public health system, including acute accident and emergency treatment and maternity care.
- Health insurer liable for reimbursement of the medical treatment costs not health of the insured

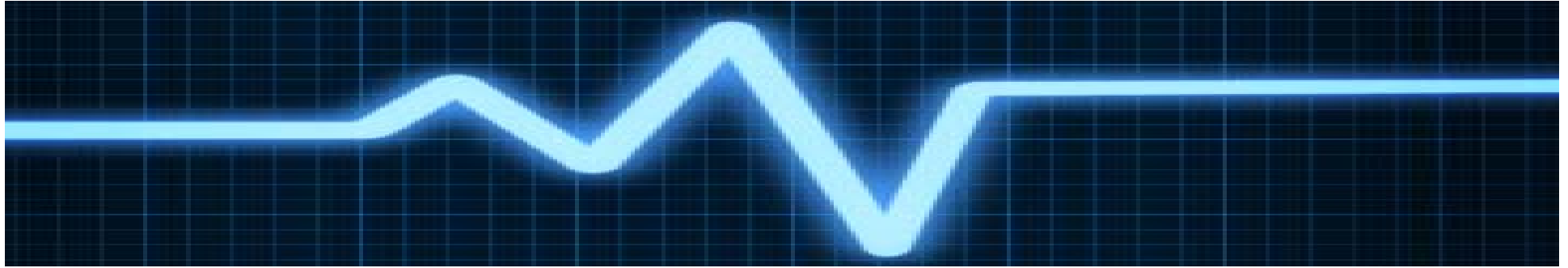
Health insurance typically covers elective surgery, specialist consultations and tests, day-to-day doctors' or pharmacy costs.

NZ health insurance market



NZ health insurance market





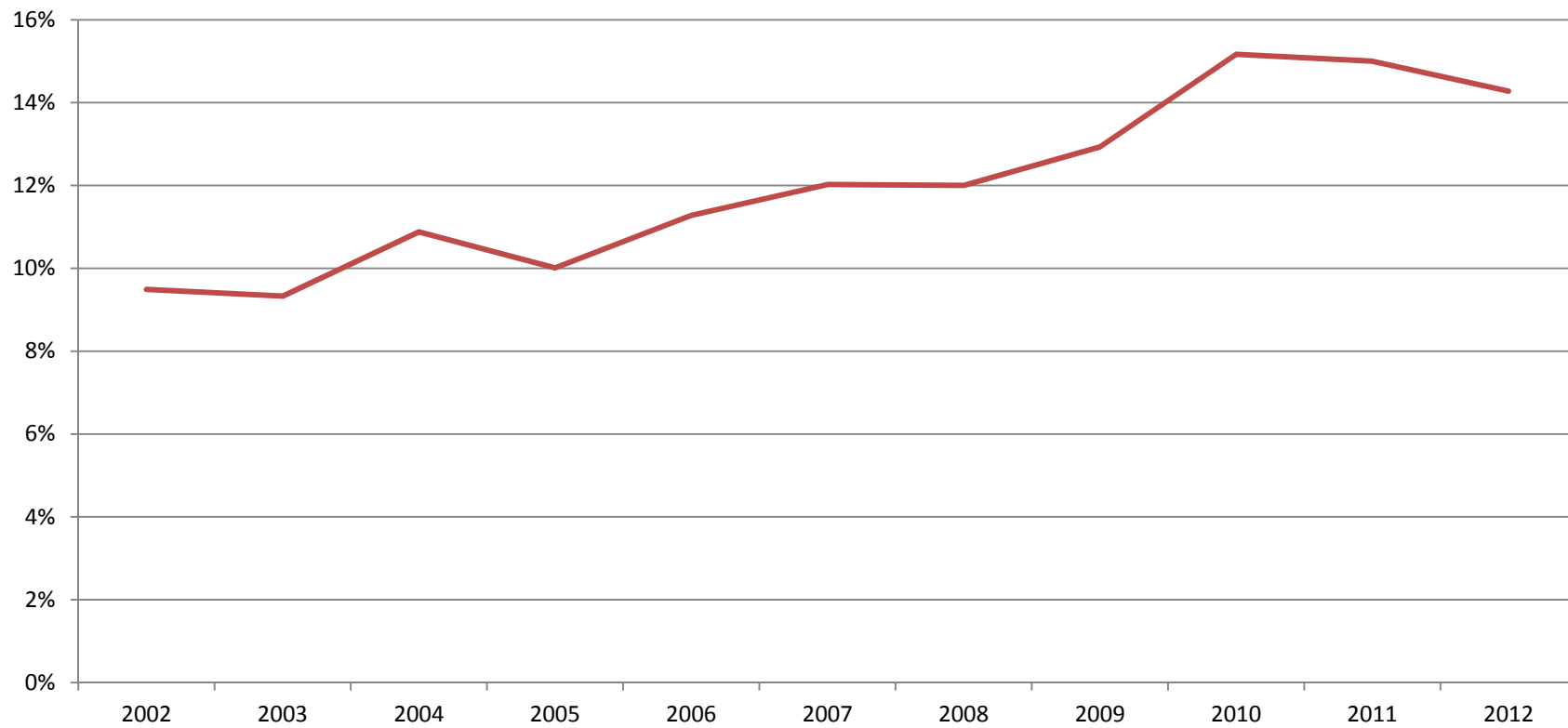
Key issues facing health insurers

Key issues

- Claim cost escalation and resulting issues of premium affordability.
- Retaining better (priced) risks, as high levels of premium increase result in selective lapsation.
- Low interest rates.
- Volume of new sales.
- Information imbalance between insurer and insured.
- Increasing pressure on public sector health budget.
- Ageing population and increasing life expectancy.
- Technology improvements.
- Changing health infra-structure.

Claim cost escalation

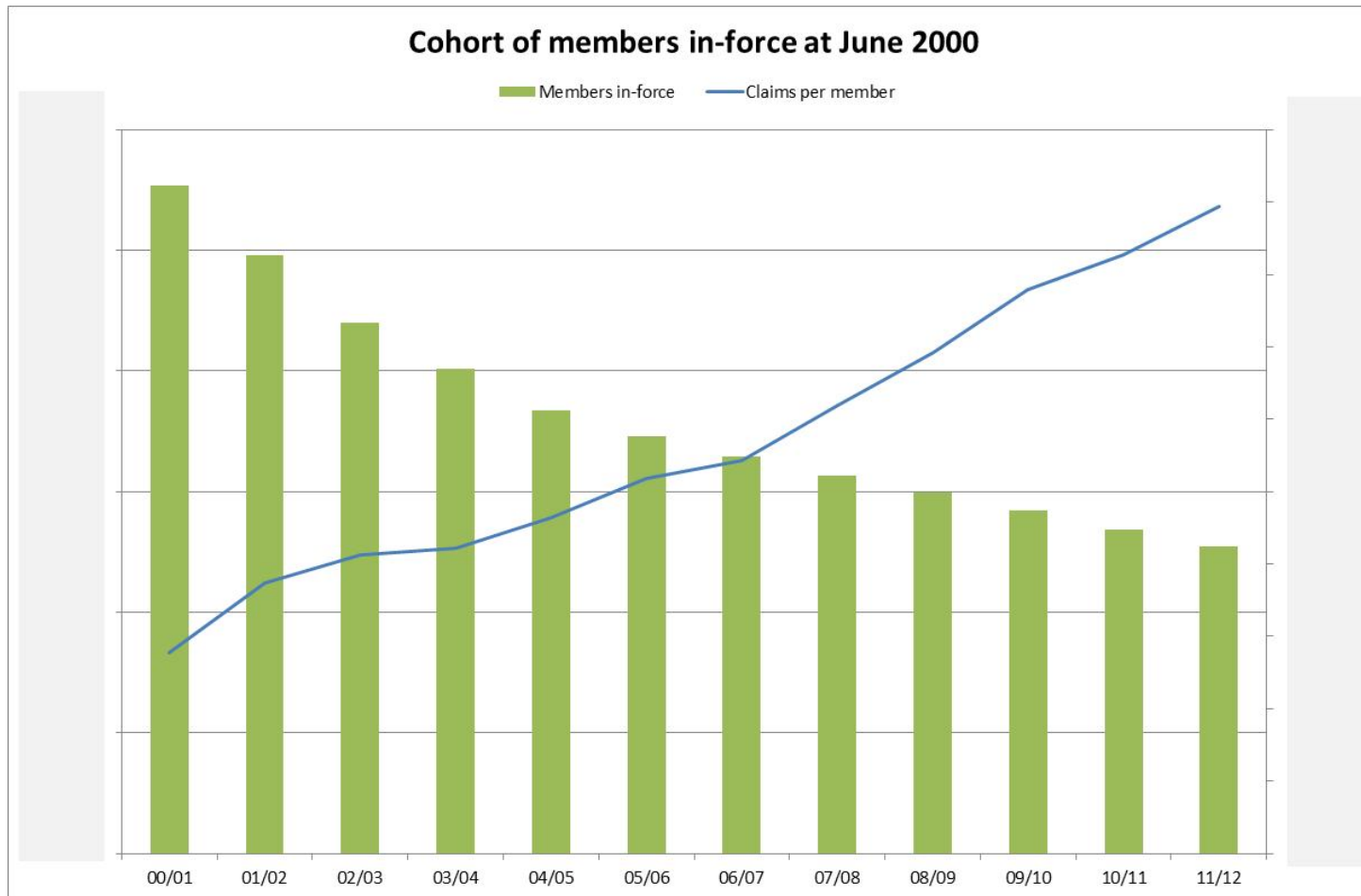
Cost of a hospital & specialist policy for a 65+ as a proportion of average weekly income



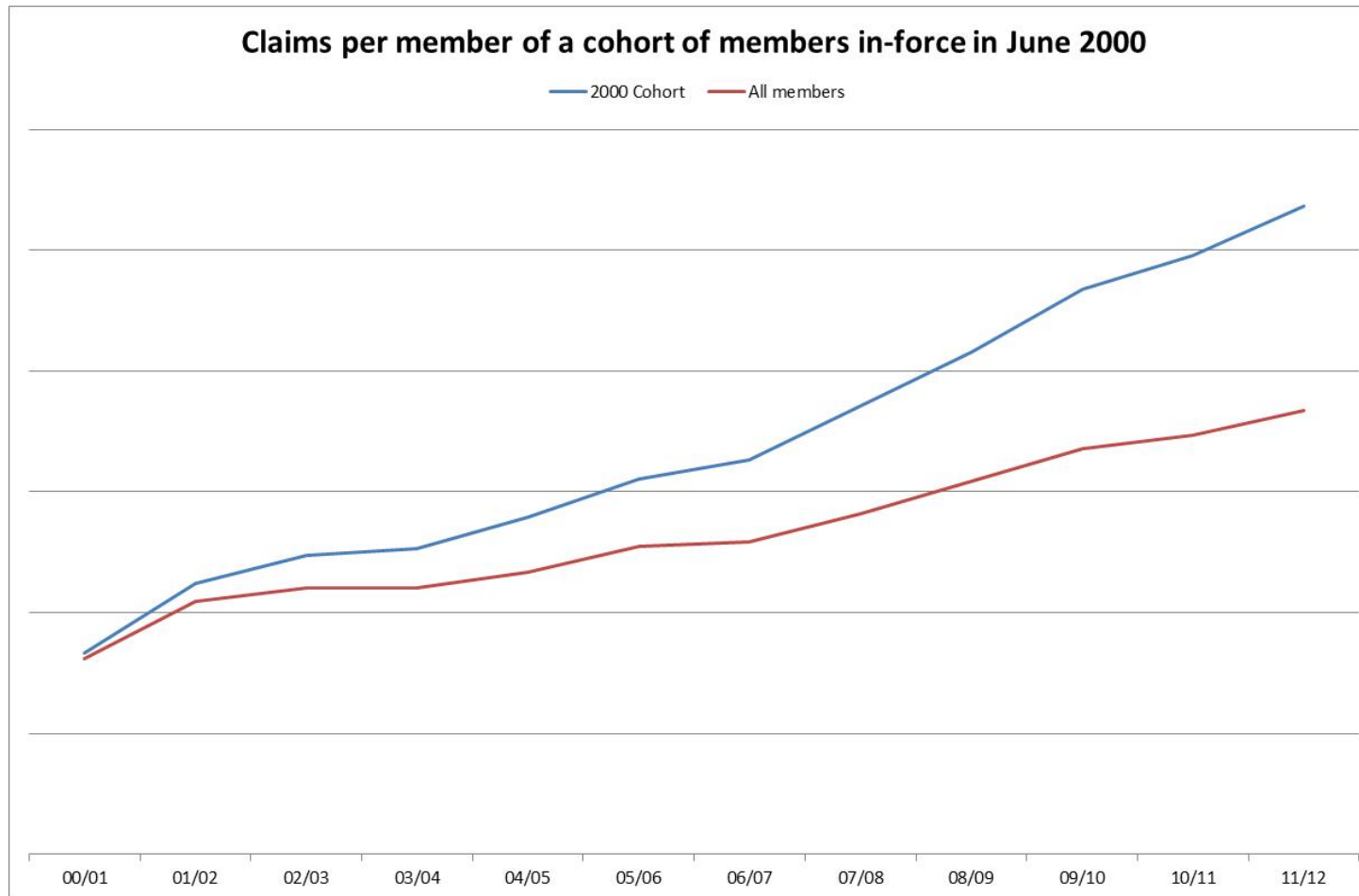
Claim cost escalation



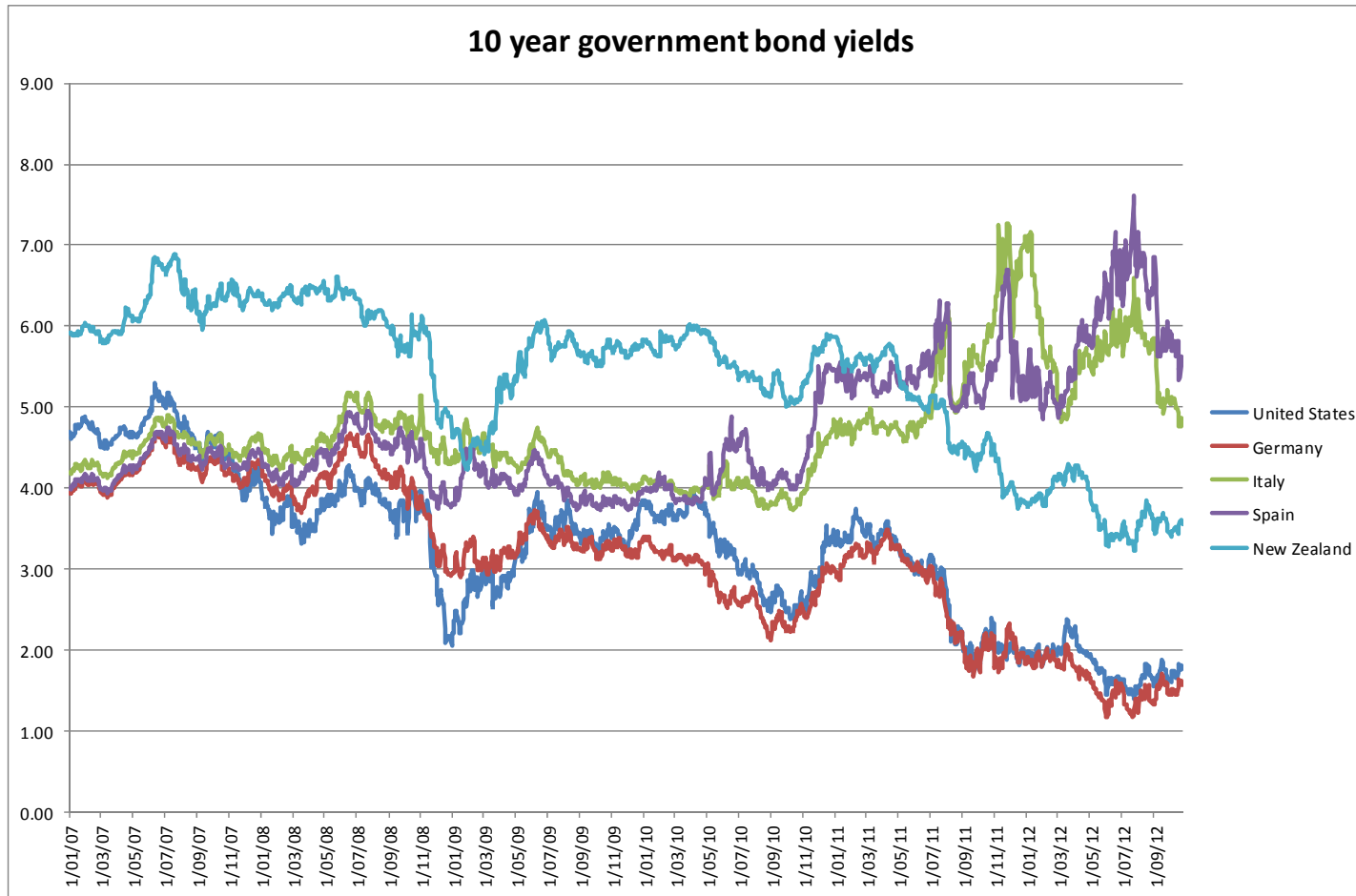
Retaining better (priced) risks



Retaining better (priced) risks



Low interest rates



Volume of new sales

The impact of a reduction in sales volumes:

- More difficult to recoup fixed acquisition costs, thereby impacting profitability.
- The duration in-force of a health insurance portfolio will increase.

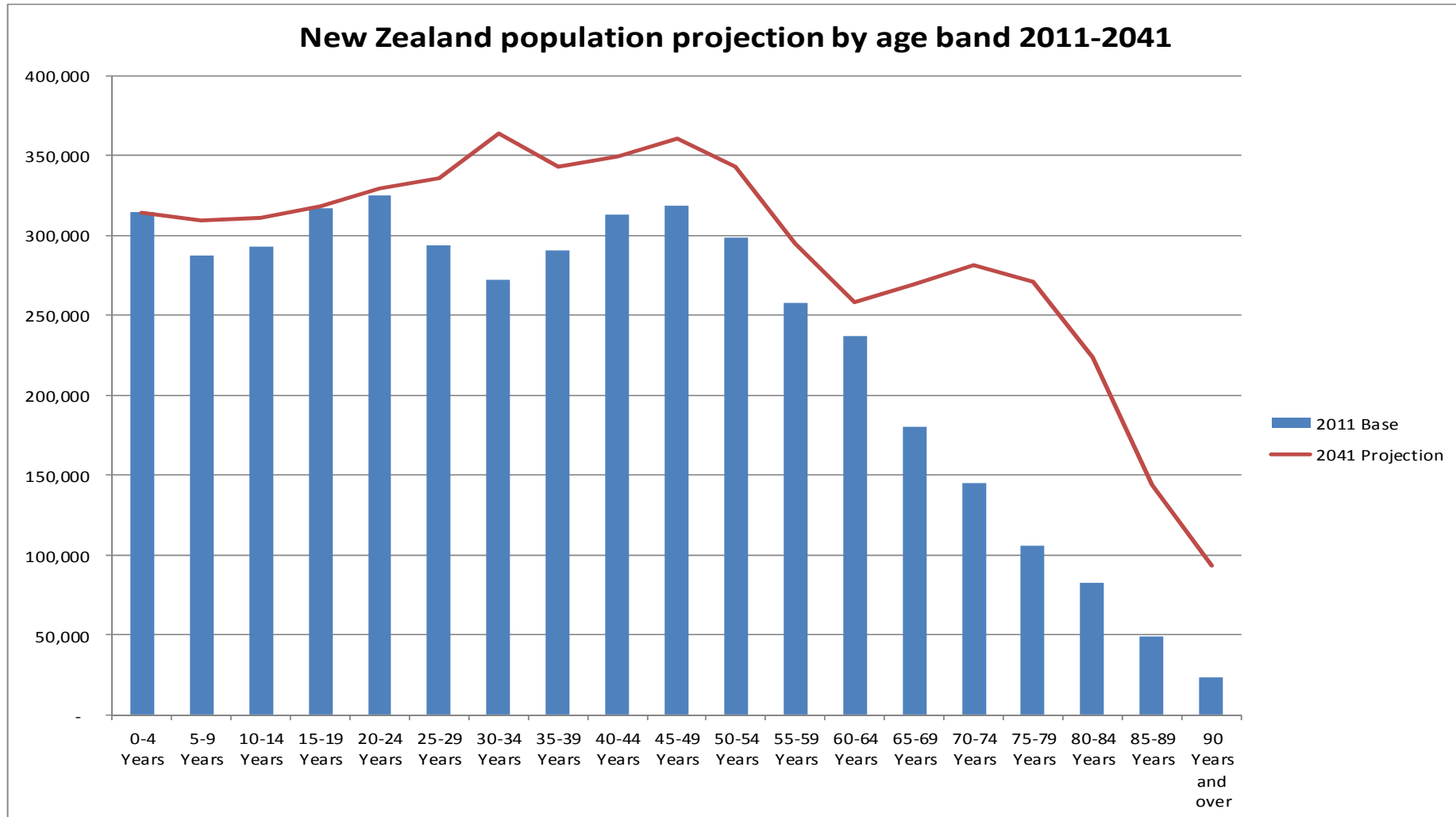
Information imbalance between insurer and insured

- Significant reduction in costs of genetic testing
- Expect increased prevalence
- If genetic testing is carried out, an insurer will want to minimise their risk by taking the information from the test into account.
- Potential increase the risk of non-disclosure and information imbalance
- A principle of insurance is that risks are pooled

Increasing pressure on public sector health budget

- Health insurance approximately 5% of total health expenditure
- Small change in public health spend can have a big impact of claims costs of health insurer

Ageing population and increasing life expectancy

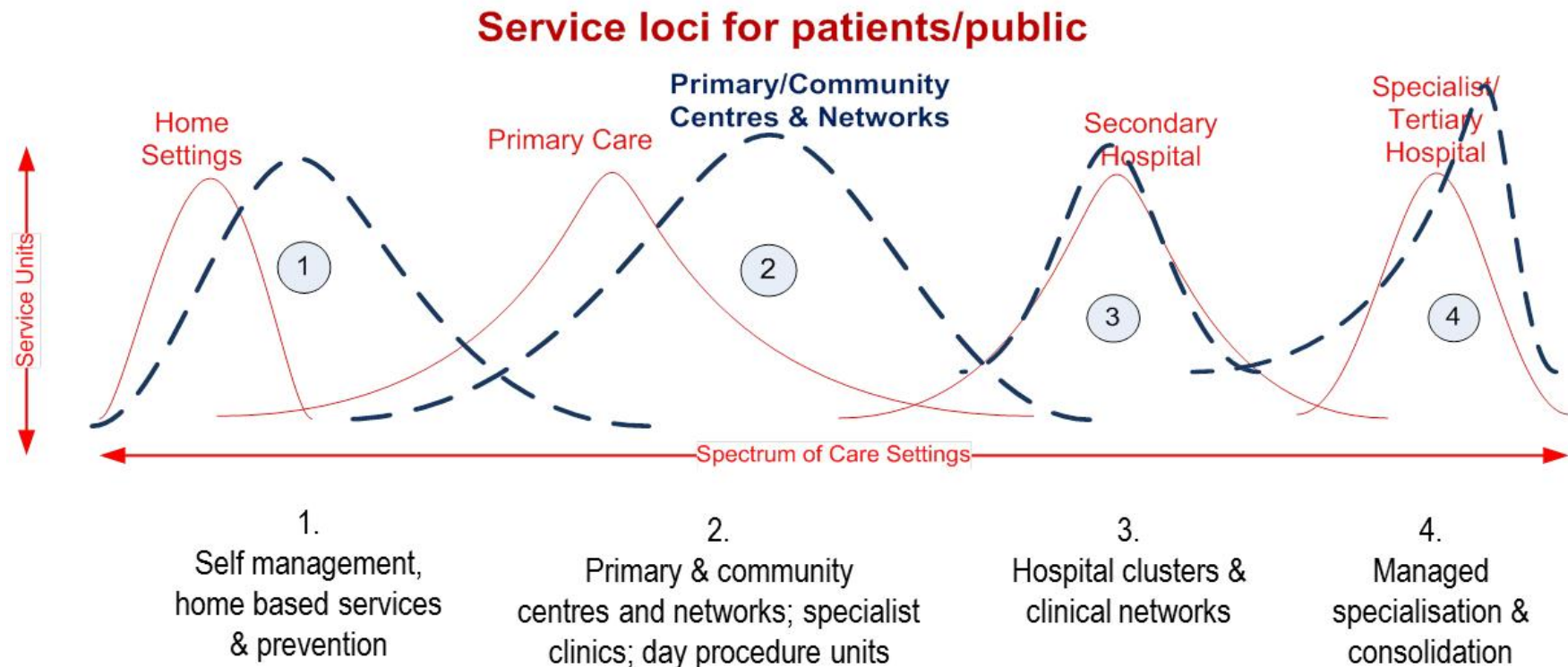


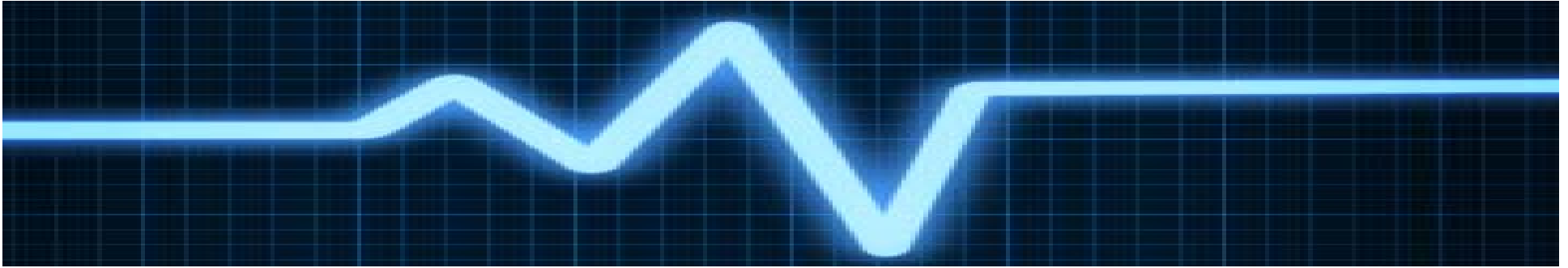
Technology improvements

- Price and utilisation
- Examples TAVI, PET/CT
- Robotics

Changing health infra-structure

- Shift out of traditional hospitals
- E.g. day-case surgery





Insurer responses

Insurer responses

Premium
Increases

Consumer
Driven

Partial self-
insurance

Downgrade
paths

Insurer
Directed

Contracting

Narrow network
plans

Open referrals

“Wellness”

No/Low Claim
Reward

Consumer driven

Partial self-
insurance

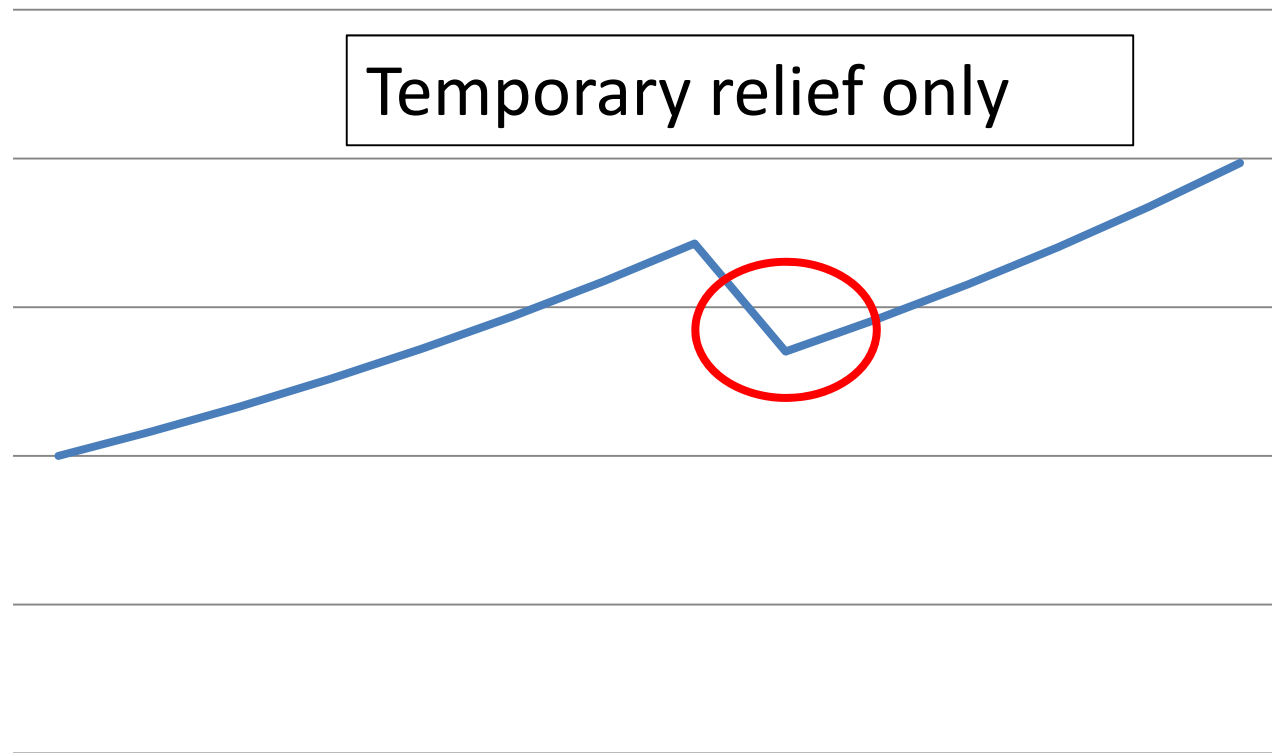
Co-payments

Excesses

Downgrade paths

Less cover with
lower premium

Quickly back to where we started



Insurer directed responses

Narrow network plans

- Panel of preferred providers for policyholders to choose from
- Higher co-payments if you move outside that panel

Contracting

- Approved providers for some services
- No cover or capped reimbursement for non-contracted providers

Open referral

- GP provides an open referral
- Policyholder selects specialist from list provided by insurer

Wellness

- Objective is to improve overall health status and hence lower claims costs
- Disease Management to health & fitness programs

No/low claim discounts

- Incentives for healthier lives to stay and reduce average claims costs
- 80% of claims cost are from 8% of members

What are NZ insurers doing?

September 2012
We include GST
Page 4

Schedule of surgical maximums

Effective from 17 September 2012

Health Fees
Compl/OutCare
Item 5

\$120
\$135
\$270
\$450
\$450
\$507
\$2000
\$450
\$600
\$750
\$1000
\$1454
\$943
\$1454
\$750
\$1143
\$943
\$800
\$1,200
\$1,200
\$117
\$750
\$500
\$742
\$1,000

163	Diagnosis - General	\$1,111	
163	Open Spine/Neurology and Spinal/Neurology and Aultery Clinician - Lateral	\$1,454	\$1,000
164	Open Spine/Neurology and Spinal/Neurology and Aultery Clinician - Bilateral	\$1,805	\$1,200
167	Spinal/Neurology	\$207	\$0
173	Diagnosis - Other - General/Neurology	\$1,307	\$200

Affiliated Providers

Use this page to find current Affiliated Providers. Affiliated Providers include surgeons, specialists and facilities who provide certain procedures at agreed prices, and who streamline the prior approval and claims processes for members. Ask to be referred to a Southern Cross Affiliated Provider whenever possible.

Search for a provider in your area:

Specialty:

Region:

Search for a specific provider - enter a clinic or doctor's name:

Provider Name or Keyword:

“Reasonable Charges” means charges for Healthcare Services determined by Southern Cross and based on Southern Cross’ ongoing review of Health Services Provider charges for a particular Healthcare Service, Southern Cross’ claims statistics and its knowledge of national and regional New Zealand health markets.

Is it working?

Bled dry trying to stay well

When budgeting for healthcare, more money is never enough



NZ Herald - 16 November 2012

“Healthy is merely the slowest rate at which one can die”

- Unknown

“Any intelligent fool can make things bigger and more complex... It takes a touch of genius - and a lot of courage to move in the opposite direction.”

- Albert Einstein