



May 4, 2017

MEDIA RELEASE – FOR IMMEDIATE USE

More workplace plans see health insurance numbers up

An increase in the number of working-age New Zealanders taking out health insurance has contributed to almost 2 percent growth in the sector in the year to the end of March, the largest increase in 15 years.

Statistics released today by the Health Funds Association (HFANZ) show lives covered in the year to March 31 increased 23,800, or 1.8 percent. HFANZ chief executive Roger Styles said this was the eighth straight quarter of growth and the strongest annual growth recorded since 2001. In the March quarter, lives covered were up 8200, or 0.6 percent, which he said was unusual for the first quarter of the year.

He said the majority of growth was in the 25-40 year age group, and much of it was due to more workplaces taking out employer-subsidised group health insurance plans for their workers, he said.

“It’s great to see employers being concerned about the wellness of their staff and taking out workplace health insurance plans to look after them. When staff get sick they will be able to seek treatment more promptly in the private health system and be back to work much sooner. These employers will reap the benefits by having a much healthier workforce,” Mr Styles said.

HFANZ has been campaigning for fringe benefit tax (FBT) to be removed from workplace health insurance so more employers would be able to offer it to staff. That would align it with insurance under the ACC scheme, for which employer premiums are FBT exempt.

A Southern Cross survey in 2015 found that if FBT on employer-subsidised health insurance was removed, 56 percent of New Zealand businesses not currently providing it would look to do so. The Wellness in the Workplace Survey said the country lost 6.7 million working days

to absence in 2014, amounting to a national cost of \$1.4 billion in 2014. The most common causes of absence were illness or injury unrelated to the workplace, caring for a family member or dependant, and attending or waiting for a medical appointment.

“It’s good business to look after your staff, so we’d love to see more employers take out workplace health insurance plans,” Mr Styles said today. “Currently about a third of New Zealand businesses offer it to their staff, but if FBT was removed, as many as a further 250,000 people – employees plus immediate family members – could be covered by private health insurance. In the current economic climate, with jobs growth and a tight labour market, it just makes sense to have a healthy workforce.”

HFANZ said claims paid in the March 2017 quarter totalled \$263 million, up 8.9 percent on the March 2016 quarter. For the year to March 31, 2017, claims paid totalled \$1.15 billion, up \$99 million or 9.5 percent on the March 2016 year.

ENDS (four-page statistical summary follows)

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Quarterly statistical summary: March 2017

This statistical supplement sets out key health insurance statistics for lives covered, claims and premiums over the previous quarter and 12 month period, together with commentary on changes and underlying trends.

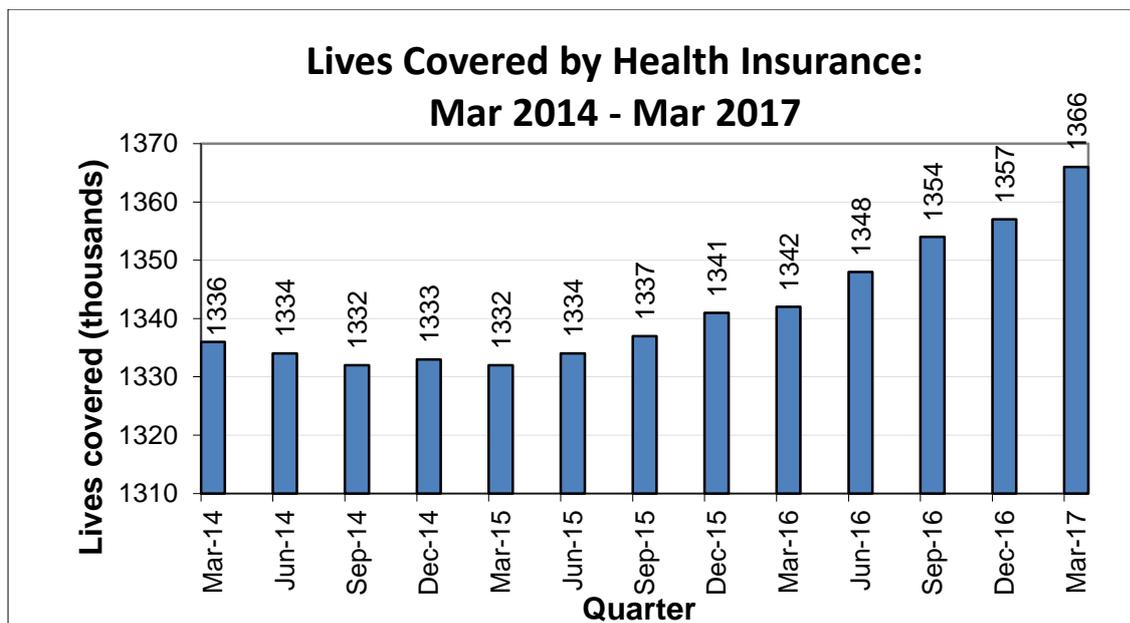
Headline changes

- △ Lives covered up 8200 (0.6 percent) for the quarter; up 23,800 or 1.8 percent for the year;
- △ Premium income of \$351 million for the quarter, up \$2 million on December quarter; annual premium \$1.379 billion, up \$82 million (6.3 percent) on March 2016 year;
- △ Claims paid for quarter of \$263 million, up 8.9 percent on previous March 2016 quarter; annual claims paid for March year of \$1150 million up 9.5 percent on March 2016 year claims.

Lives covered

There was an increase of 8200 lives covered over the March 2017 quarter. Total lives covered as at 31 March 2017 stood at 1.366 million. On an annual basis, lives covered have increased by 23,800 or 1.8 percent for the year ending March 2017. This is the eighth straight quarter of growth in lives covered, and marks the strongest annual growth in lives covered recorded since 2001.

Much of this growth appears to have come from an increase in the numbers of people with employer-subsidised health insurance as part of an increased focus on wellness in the workplace.

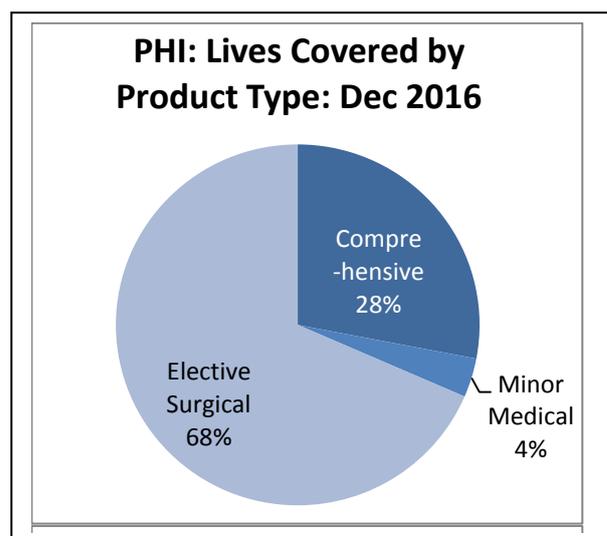


Lives covered by product type

Historically, statistics published by HFANZ have reported two categories of health insurance – elective surgical and comprehensive. In 2016, HFANZ began separating out a third category which is labelled ‘minor medical’. These policies are more limited in terms of the level of cover, and less expensive. While such policies typically provide for reimbursements of day to day expenses, such as GP visits, physio and the like, they will usually have restricted or no cover for major surgery.

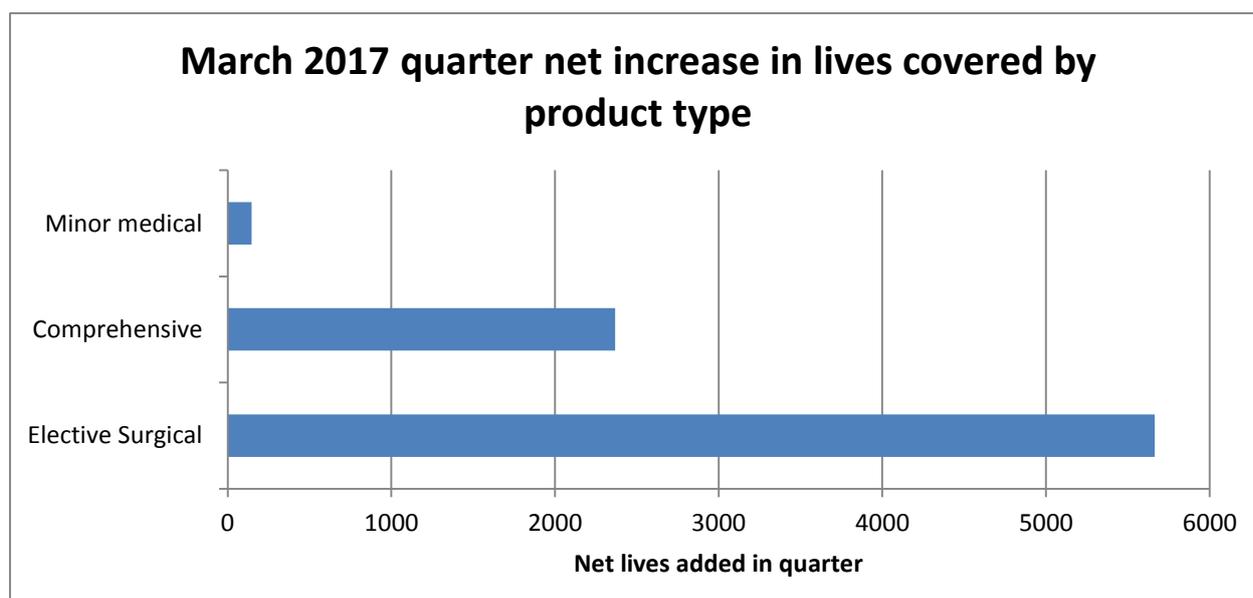
Most insurers in New Zealand offer a product which meets the definition of minor medical. Minor medical policies account for around 48,000 lives covered – or just 3.5 percent of the total lives covered.

Until the change, minor medical policies had generally been counted in the comprehensive category. The proportions of each product type are shown in the adjacent chart.



Changes by product type

Most of the increase in lives covered for the quarter has been for elective surgical policies (or major medical) with the remainder being growth in comprehensive policies. Minor medical policies accounted for a negligible portion on the growth in lives covered for the quarter.



Changes in lives covered by age-group

The table below gives a breakdown of the changes in lives covered over the past year by age group.

Table: Change in lives covered by Age: March 2017 year

Age	Mar 2016	Mar 2017	Change	Percent
0-4	60,074	61,008	934	1.6%
5-9	83,427	83,746	319	0.4%
10-14	82,918	84,667	1749	2.1%
15-19	84,401	84,738	337	0.4%
20-24	76,789	77,320	531	0.7%
25-29	73,604	78,066	4462	6.1%
30-34	85,781	89,622	3841	4.5%
35-39	93,911	97,268	3357	3.6%
40-44	110,139	109,257	-882	-0.8%
45-49	117,109	119,334	2225	1.9%
50-54	118,925	118,417	-508	-0.4%
55-59	109,765	112,150	2385	2.2%
60-64	90,921	91,712	791	0.9%
65-69	67,468	67,729	261	0.4%
70-74	39,045	40,758	1713	4.4%
75-79	23,691	25,526	1835	7.7%
80-84	13,235	13,418	183	1.4%
85-89	7557	7660	103	1.4%
90+	2926	3140	214	7.3%
Totals	1,341,686	1,365,536	23,850	1.8%

Of note is the significant increase of around 11,000 lives covered in the 25-39 age group – up by over four percent for the year. The stronger growth in the working age population with health insurance comes amid renewed interest from employers in group health plans, and the benefits which flow from a greater focus on wellness in the workplace.

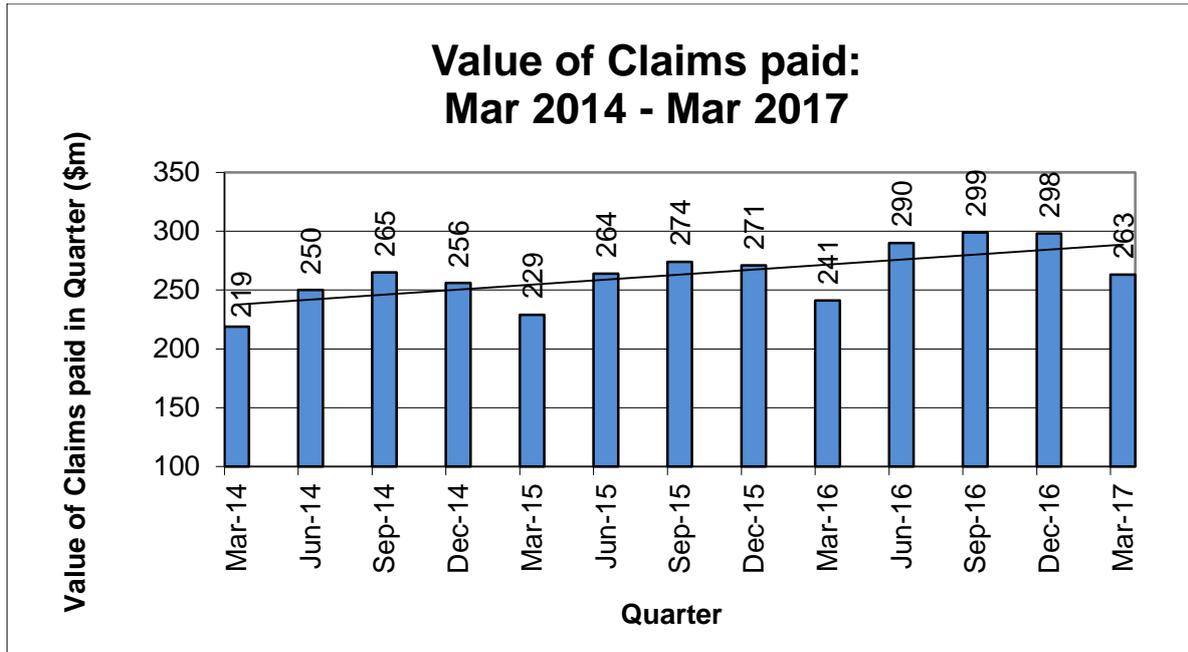
The lives covered in the over 65 age group has grown again, after a slight drop seen earlier in 2016. The annual growth in lives covered in the 65+ age group of around 4000 takes the total number of 65+ persons with health insurance to 158,000.

Premium income

Premium income for the March 2017 quarter totalled \$351 million – up by \$2 million on the December quarter. Annual premium for the year ended 31 March 2017 was \$1.379 billion, up 6.3 percent or \$82 million on premium income for the March 2016 year.

Claims paid

Claims paid for the March 2017 quarter totalled \$263 million, up 8.9 percent on the previous March 2016 quarter. Total claims paid for the 12 months ending 31 March 2017 were \$1150 million, up 9.5 percent – or \$99 million – on March 2016 year claims.



The annual claims growth for the March 2017 year was a record \$99 million increase over the March 2016 year. A major contributing factor was increased volume of surgery, with an increase in the claim incidence rates for those with elective surgical policies driving additional surgical volumes over the year. The additional numbers of lives covered, along with the general ageing of the insured population, have also been contributing factors.

Doubling in a Decade

The past decade has seen the health insurance contribution to total healthcare funding double from \$583 million annually to 1.150 billion annually. This increase highlights the important and valuable contribution that health insurance makes to overall healthcare funding in New Zealand.

