HEALTH INSURANCE MAKES SENSE

Over 1.42 million New Zealanders have health insurance. Why? Because, like any other insurance, it provides peace of mind in times of difficulty.

It's hard to predict what health problems may affect you in the future and what impact this could have on your family, lifestyle or earning ability.

Not all treatments or costs are covered by the public health system, and you often have no control over the timing of the care you receive. It's common for people to endure a long and uncomfortable wait until a condition deteriorates enough for them to be treated in the public system.

Having health insurance means that you have access to treatment without facing a lengthy wait. You'll also have the assurance that you can recover all or most of the costs. Health insurance takes away the uncertainty of your future healthcare.

PUBLIC AND PRIVATE HEALTHCARE

The New Zealand public system does a good job in providing access to treatment for serious illness and emergencies. However, for non-urgent health conditions there are often delays in accessing treatment. Common non-urgent treatments include hip and knee replacements, cardiac procedures, colonoscopies and cataract removals. However, going without treatment for these conditions can have a huge impact on a person's quality of life.

Furthermore, these treatment delays are likely to get worse in the coming years, as demand for medical treatment is rising faster than the country's ability to fund it through taxes. This means New Zealanders will either have to pay for their own non-urgent healthcare costs or wait longer for treatment in the public system.

Health insurance offers people the peace of mind that treatment can be obtained in a timely manner and that all or most of their future treatment costs will be covered.

The private health sector makes an enormous contribution towards the health and wellbeing of New Zealanders, funding around half of all elective surgery. In 2020, health insurers funded almost $1.38 billion in healthcare treatment costs.

Financial Services Council.
Growing and protecting the wealth of New Zealanders

COMPREHENSIVE OR ELECTIVE SURGICAL COVER

Elective surgical and specialist care policies are the most popular, accounting for around 70 percent of all policies.

These typically cover only health conditions which require surgical treatment and related expenses, which means you still pay for day to day costs like doctor's visits and prescription charges.

It's common for insurers to offer a range of plan levels – from extensive cover through to basic core policies covering surgical treatment only. And often insurers offer plans with add-ons for services such as diagnostic, optical or dental cover. In addition to the plan type, most insurers will provide a range of excess options, with higher excesses linked to lower premiums. This means you can tailor the level of cover you need to your particular circumstances.

RISK RATING, AGE AND PREMIUMS

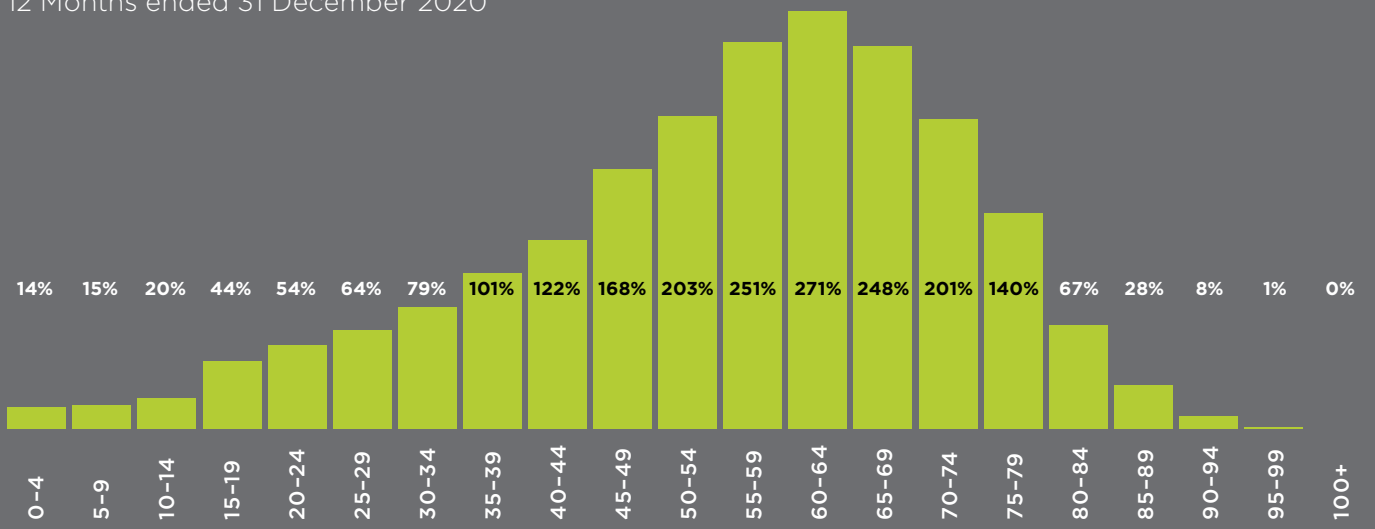
In New Zealand, health insurance is generally risk-rated. This means premiums charged are based on the likelihood of claims for policyholders of the same age. Because the amount and value of claims generally increases with age, so do premiums.

Premiums can also rise due to additional costs from medical inflation (i.e. the increasing cost of providing medical care), new technology, or procedures covered. There may also be more claims when access to publicly funded healthcare is restricted or slow - this increases overall claims costs.

There are some exceptions to age rating such as employer-funded health schemes. In addition, some insurers apply a common or community rating to all policyholders above a certain age, such as 65 or 70.

AVERAGE CLAIM FOR AGE GROUP AS PERCENTAGE OF TOTAL AVERAGE CLAIM

12 Months ended 31 December 2020



EXCLUSIONS

All policies exclude things, meaning you are not insured for them. These exclusions will be described in your policy document. Common examples of exclusions are cosmetic surgery and fertility treatments. Pre-existing conditions are also usually excluded from cover – further detail is set out below.

THE INSURANCE CONTRACT

When you apply for health insurance, you will be asked to provide information on your health and lifestyle. This information is used to assess the likelihood or risk of you requiring medical care and making an insurance claim. The financial stability of health insurers and their ability to pay claims largely depends on their skill in assessing, classifying, and pricing risks in a way that is attractive to customers.

IMPORTANCE OF DISCLOSURE

Insurance policies are contracts of utmost good faith. The insurer relies on the information given by the person to be insured (the applicant) in assessing the risk, and the applicant is bound by a legal duty to accurately and completely disclose all material facts relevant to the application for insurance. Disclosure of all relevant health information is very important, as failure to disclose a material fact may lead to the insurance contract being cancelled or a relevant claim being declined.

PRE-EXISTING CONDITIONS

Pre-existing conditions are health conditions that exist prior to, or at the time you apply for insurance. Insurers deal with these by either excluding your pre-existing condition from being insured, waiving the exclusion as part of the policy coverage or charging a higher premium to cover it. Some will initially exclude your pre-existing condition but then cover it after your policy has been running a number of years provided there have been no claims made in relation to that condition.

It is very important to inform your insurer of any existing and past medical conditions. Failure to do so may lead to a future claim being declined and your insurance being cancelled. Some people ask their GP for their medical notes to help answer accurately.

THE EARLIER THE BETTER

For these reasons, it's important to take out the right health insurance policy early, before you develop a medical condition that may be excluded from your cover.

Another thing to remember is that if you decide to change your health insurance policy to a new insurance provider, your new policy may not cover you for any health problems you have at the time you change across.

ELECTIVE SURGERY

Elective services are non-urgent or non-emergency treatments (including diagnostic services) where the condition is not life-threatening and does not require immediate surgery. This can mean delays in accessing these services in public hospitals.

Because elective surgery can be vital to improving a person's health and quality of life, many opt for private treatment rather than waiting or going without. Insurance means people can access elective services when needed without the concern of funding the full treatment cost.

HEALTH INSURANCE TOP TIPS

- Ask your employer if there is a group health insurance plan available to cover staff and their families. Often these will be partially or fully subsidised.
- Remember to provide accurate and complete information when taking out or renewing your health insurance policy.
- Remember to budget for increasing premiums over time as health costs and claims costs rise – and allow for this when planning retirement income needs.
- Most insurers offer a prior-approval service to give peace of mind that a treatment's cost will be covered by your policy.
- It's a good idea to periodically review your plan with your insurer to make sure you are on the plan that best suits your needs.

REGULATION

Health insurers must comply with a range of regulations designed to help ensure consumers are appropriately protected and informed. The Reserve Bank of New Zealand oversees prudential regulation and solvency standards. Insurers must also comply with legislation governing financial advice, and be members of an approved dispute resolution service.

MORE INFORMATION

For more information, talk to your insurer. If you have any questions about how your premium is set or your risk assessed, your health insurer will be happy to discuss these issues with you.

INDICATIVE COSTS OF SURGERY*

January 2021 (incl GST)

Cardiac bypass (heart surgery)	$54,000 - $64,400
Heart valve replacement surgery	$63,100 - $80,800
Angiogram (diagnostic test)	$5,200 - $6,600
Laparoscopic & open hysterectomy (surgery)	$15,400 - $31,300
Endometriosis surgery	$8,800 - $27,700
Prostate cancer surgery	$18,600 - $25,800
Skin cancer removal	$200 - $2,400
Colonoscopy (with or without associated procedure)	$1,500 - $3,200
Breast cancer surgery	$6,600 - $19,500
Radiation therapy (one course of treatment)	$10,400 - $28,100
Gastroscopy (with / without biopsy / polypectomy)	$1,300 - $2,100
Laparoscopic cholecystectomy (gall bladder surgery)	$9,600 - $64,400
Total hip replacement (surgery)	$23,100 - $27,700
Total knee replacement (surgery)	$24,000 - $29,700
Cataract removal (eye surgery)	$2,900 - $5,800
Endoscopic sinus surgery	$10,400 - $23,200
Wisdom teeth removal	$1,200 - $5,400
MRI Scan	$800 - $1,500
CT Scan	$112 - $1,110

*Procedure costs will vary depending on the location, the medical practitioner/s, any medical complications, and the medical procedure and technology used.