

The Future of Health Insurance

The cost of health insurance has risen steadily over the past few years. Over this time, we have been in a low inflationary environment so you may wonder what is behind the premium increases which have been averaging 9-11% per year. The increases are caused by “**medical inflation**” which refers to the cost of advances in treatments and procedures, and the increased availability and usage of them in NZ.



Why is Treatment Becoming More Expensive?

1. Advances in technology - new drugs and treatments are constantly becoming available. Therefore, there has never been a better chance of surviving a serious illness, such as heart disease and cancer. However, this comes at a cost.
2. We Are Living Longer - the baby boomer generation are now in or are nearing retirement. In Christchurch the proportion of people aged over 65 will more than double by 2043 and the proportion aged over 85 will more than triple. As we age, we generally require a higher level of health care. Where health insurance is in place this leads to more claims being made and a higher cost per claim. An example of this is the average cost for a hip or knee replacement is \$25,000. A single heart valve operation can cost as much as \$70,000!
3. We Are Getting Bigger - as life gets busier, when it comes to eating the convenience factor will often win. With the introduction of Uber Eats for example it is now easier than ever to have “fast food” options delivered to your door. The impact of obesity and a lack of exercise is putting added pressure on the healthcare system, both public and private.

What about the Public Health System?

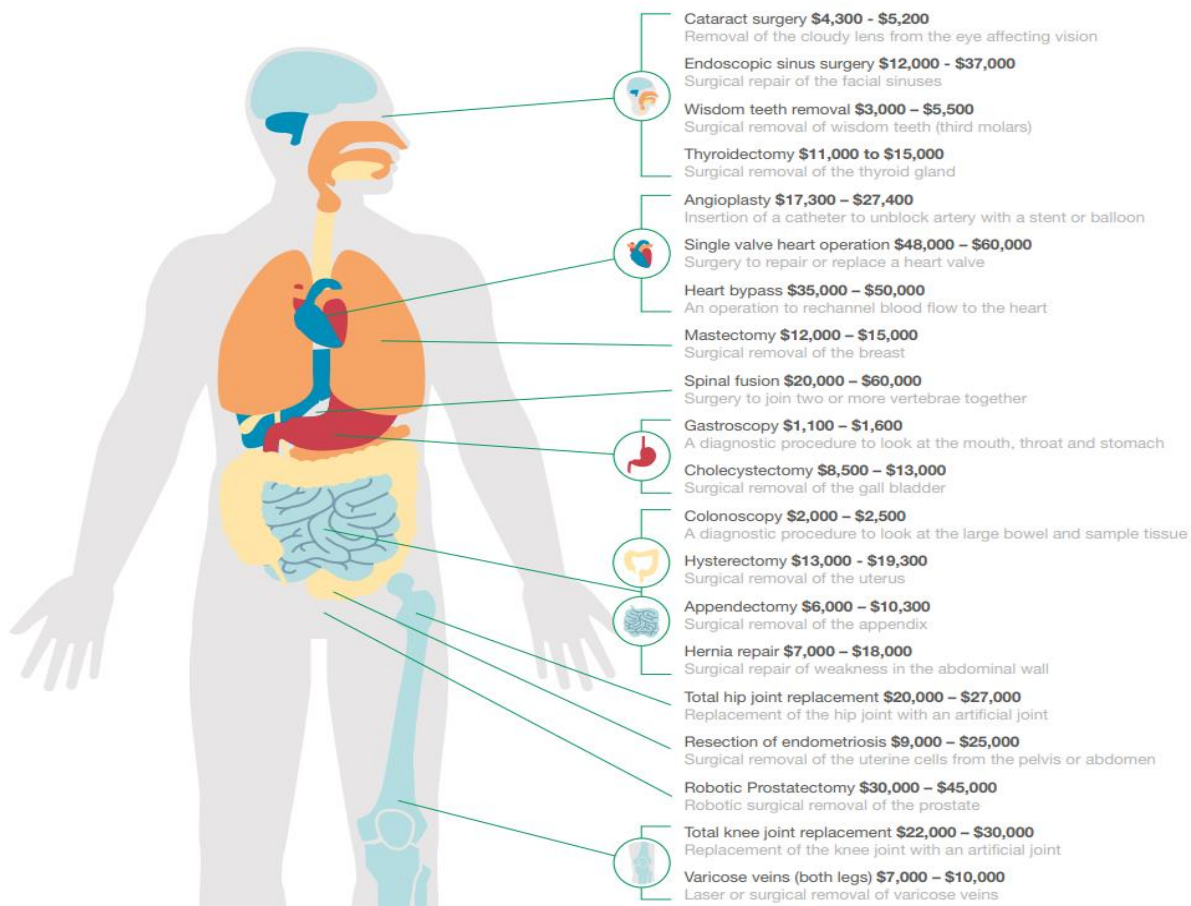
Regardless of whether you have health insurance in place or not, if you require emergency medical attention you will be treated in the public health system. However, the public health system faces the same medical inflation costs, and the funding available is limited. This results in non-urgent treatment being prioritised based on a severity-based waiting list. Is it worth taking that risk with your health?

Could You Self-Insure?

If a public system waiting list is deemed to be too long, you can choose to pay for private treatment out of your own funds. However, you may not have enough funds available, especially in the early years or if you need multiple treatments.

Even if you did have access to funds, incurring large costs may seriously affect your other financial plans. This is the value that pooling together with other individuals and having health insurance gives you

The cost of common operations can be prohibitively expensive as illustrated below.



Advantages of Health Insurance

While treatment can be accessed via the public system, it may not be available quickly, resulting in periods of financial and physical stress. The key advantages of health insurance are:

- ✓ No waiting lists. Surgery or treatment can be accessed as soon as available.
- ✓ Ability to access second opinions or choose health care provider of your choice.
- ✓ Surgery or treatment completed sooner enabling a faster return to work.
- ✓ Access to non-PHARMAC funded drugs.
- ✓ Costs are spread over time and the risk of large one-off costs is passed onto the insurance company.

Tips to manage your premiums

While medical inflation and its impact on premiums is a reality, there are ways to manage the cost of health insurance including:

- Select an appropriate excess - as the cost of health insurance increases with age, a gradual increase of the excess is an effective way to manage the cost. For example, with Nib health insurance, a \$500 policy excess will provide a 25% premium discount. This discount increases up to 60% for a \$6,000 excess.
- Self-insure for lower health costs - most health insurance policies provide a base hospital cover and allow optional benefits to be added such as the Specialists and Tests option, Dental and Optical option and GP option. By taking out a base hospital cover only you are insuring against more serious issues and opting to cover the costs of any smaller issues (which may fall under an optional area of cover) as and when required.

Time for a Review?

We have independent ratings on all insurance policies and using our experience, we can help you make an informed decision on what type and level of cover is right for you. If you would like to review your existing cover or are interested in discussing new cover, please contact Rede Advisers' insurance specialist, Guy Buchanan, on (03) 964 4208 or at guy_buchanan@rede.co.nz