

Draft health strategy needs to address funding “elephant in the room”

The draft New Zealand Health Strategy recently issued for consultation fails to address the “elephant in the room” of the unsustainability of public health funding sources and the need to look for alternatives, HFANZ says.

The draft strategy contained five key themes, under an overall theme of “all New Zealanders live well, stay well, get well.”

The Health Funds Association has made a submission which proposes a sixth strategic goal to reduce dependence on public funding:



HFANZ CEO Roger Styles

“To plan for a sustainable and equitable increase in non-taxation funding for healthcare, so as to increase overall health funding and improve overall health outcomes.”

Chief executive Roger Styles said in the submission HFANZ was supportive of the strategic goals and outcomes proposed in the strategy, although it was concerned that the ability to achieve them would be unnecessarily constrained by the omission of a fundamental strategic goal relating to system financing.

“The draft strategy acknowledges the projected rising costs and unsustainability of the present system. However there is no acknowledgement of private funding sources, nor discussion of measures which might broaden funding streams to relieve public funding pressures over the longer term.

“While the draft strategy contains some useful goals relating to value and high performance, it is unlikely that the measures will in themselves be sufficient to address the unsustainability of the present system. Nor is it likely that they will have much impact on the projected increase in public costs from 7 percent of GDP to 11 percent of GDP over coming decades,” the submission said.

Risk of failure

“Achieving the best possible health outcomes for New Zealanders within the constraints of a limited public budget requires consideration of how the best use might be made of alternative funding streams.

“The public health sector does not exist in a vacuum. There is also a private health sector and the two have complex interrelations. Consideration of both is required for development of an overall health strategy.”

HFANZ submitted that failure to adequately acknowledge these factors meant there was a heightened risk of failure to achieve the outcomes contained in the strategy.

The draft referred heavily to the recent 2015 health funding review, whose terms of reference openly prohibited any discussion of the mix of public and private funding.

“If the resulting health strategy fails to explore options for developing alternative funding streams for healthcare, then it is effectively selling New Zealanders short by imposing an unnecessary cap on the level of future health outcomes,” HFANZ said.

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Health strategy draft needs to address funding

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Inequality warning

The submission warned that failure to develop and implement strategies for growing alternative funding sources was also likely to expose New Zealand to worsening health inequalities.

The private share of total health spending will increase in the future, irrespective of which package of options the Government of the day implemented over coming decades.

However, failure to adequately plan and provide people with both clear messages about what the future public system will deliver will effectively rob people of the opportunity to plan adequately for their own healthcare over time.

“Such a haphazard and ad hoc transition will mean those with higher incomes and wealth will be better able to cope with minimal notice of changes. Those on lower incomes, or without any accumulated savings, will be less able to cope effectively with sudden changes.”

Optimise both public and private funding

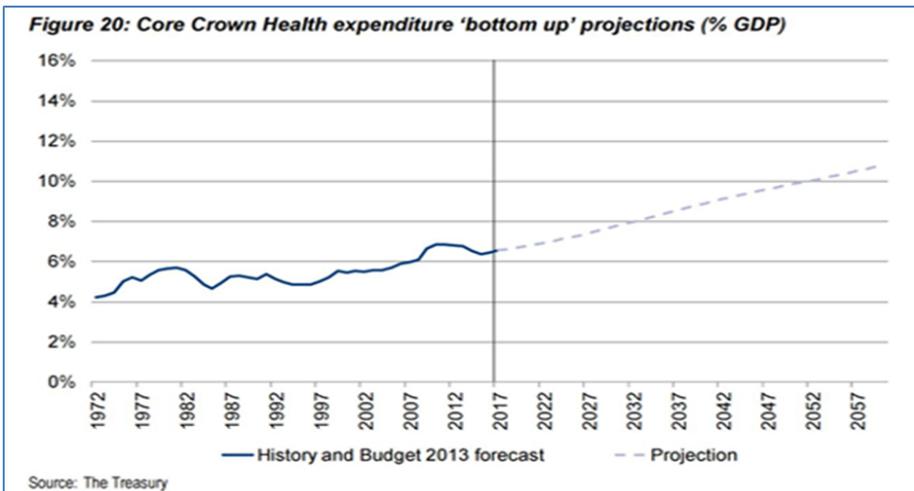
HFANZ submitted that the overall future health outcomes could best be optimised by making the best use of both taxation funding and private funding streams. Increasing resource constraints facing the public sector would likely lead to growing acceptability that those who can afford to pay more will do so.

“The strategy should aim to research and set achievable targets for the growth of the private share of health funding.

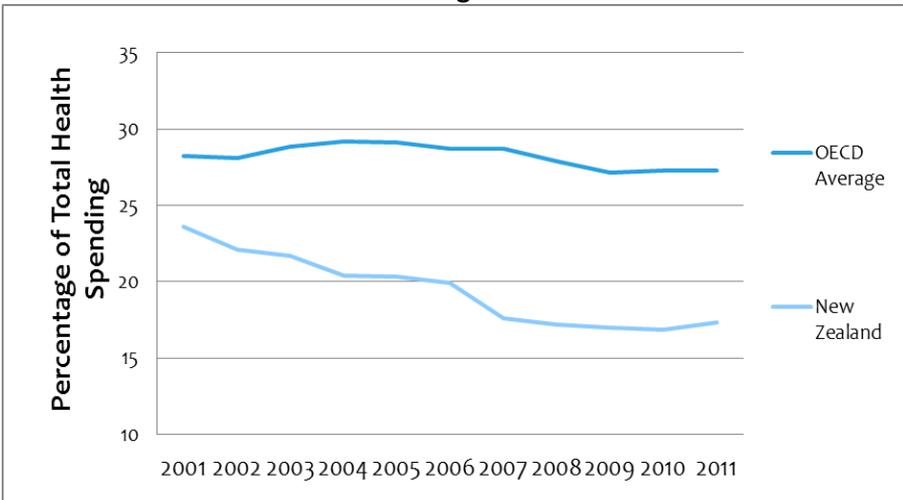
Recent research by NZIER suggests that health insurance could feasibly be funding up to three times its current level of healthcare if New Zealand could match what the best performing countries with similar health and taxation systems were achieving. In simple terms, this would equate to an additional \$2 billion in today’s dollars – significant enough to warrant further investigation.

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Projected Government Health Spending as % of GDP



Private share of total health financing: OECD vs NZ 2001-2011



Draft health strategy needs to address funding

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“For any future given level of tax-funded spending on healthcare, raising the level of private spending will permit higher overall outcomes. Notwithstanding this, a planned transition which leads to a significantly higher level of private funding may also permit some reduction in fiscal cost while still achieving higher overall health outcomes than possible without a planned approach.”

The four key benefits from a planned transition are:

- greater ability to deliver on strategic health outcomes;
- higher overall level of health outcomes attained than from an unplanned transition;
- lower levels of health inequalities than for unplanned transition;
- some fiscal savings possible without compromising the above outcomes.

HFANZ said the potential costs and benefits were so significant that the draft strategy must include a goal to increase the share of private funding.

“HFANZ has a strong commitment to ensuring NZ has a sustainable health system which meets the needs of all New Zealanders into the future. HFANZ is willing to engage and assist collaboratively in the identification of possible options which might help form part of the road map of actions.”

China pilots tax-exemption for health insurance

Income-tax payers in 31 cities on the Chinese mainland will enjoy income tax exemption from 1 January next year when they buy commercial health insurance as the authorities aim to promote such medical insurance to supplement a government-run basic health insurance scheme.

Affordable Healthcare Bill’s defeat disappoints

Health insurers have expressed their regret that the New Zealand First-sponsored Affordable Healthcare Bill failed to get past its first reading in the House on December 2.

HFANZ chief executive Roger Styles said it was disappointing that the Bill had not gained the support of Parliament, as it would have been a big step in helping to shore up future health funding sources and to address New Zealand’s dangerous over-reliance on taxpayer funding.

However, he believed the Bill’s defeat actually signalled the start of debate on future health funding rather than the end of it.

“This is the first time in over two decades we have seen Parliament debate the issue of future health funding and measures to help broaden the dependence on taxpayer funding. The debate can only intensify as the issue is not going away.”

Mr Styles said that while the Bill contained specific initiatives, there were potentially many measures which could help with future health financing, and HFANZ would be looking to work with all parties to help identify practical solutions.



**HEALTH FUNDS
ASSOCIATION OF
NEW ZEALAND**

Street address

Level 5
Deloitte House
10 Brandon Street
Wellington

Postal address

PO Box 25161
Wellington 6146

Telephone 04 499 0834

Facsimile 04 499 0813

Chief Executive

Roger Styles

Roger.Styles@healthfunds.org.nz

Mobile 027 480 0072

Office Manager

Sharon Cossar

Sharon.Cossar@healthfunds.org.nz

Media Advisor

Andrea McKay

Andrea.McKay@healthfunds.org.nz

Mobile 027 555 7783

General Inquiries

admin@healthfunds.org.nz

Check out our website:

www.healthfunds.org.nz

Contact us

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www.healthfunds.org.nz

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Cover Stories

Health Insurance News

Health insurance coverage rises

The number of New Zealanders with private health insurance cover has continued to increase over the past year, along with the total value of claims paid, according to the latest HFANZ data.

Despite paying healthcare claims of over \$1 billion in the year to the end of September, the industry says it could be playing a much larger role in funding New Zealand's healthcare costs if the Government was more open to recognising its strategic value.

HFANZ chief executive Roger Styles said successive governments had largely ignored the potential contribution from private health financing, despite increasing public funding difficulties.

He said recent research by NZIER suggested that health insurance could be funding up to \$2-3 billion per annum in healthcare costs if New Zealand could match the levels of countries with similar health systems who harnessed private funding better.

"Given the current and forecast state of public health funding, it would seem obvious that some strategic thought should go into growing alternative health funding sources. Looking to develop more robust private funding of healthcare can only help relieve public funding

pressures and improve overall health outcomes," Mr Styles said.

He said he believed the Government's draft health strategy, released last week, needed to give more prominence to growing private health funding to help counter the looming public funding shortfalls.

"If we had a more strategic approach to health financing, then we'd already be looking at the type of initiatives in the Affordable Healthcare Bill – a NZ First member's bill currently before Parliament – such as getting rid of fringe benefit tax on employer-funded health insurance for their staff," he said.

HFANZ statistics for the September quarter showed an increase of 3400 lives covered, bringing the total number of New Zealanders with health insurance to 1.337 million. On an annual basis, lives covered increased by 4600, or 0.3 percent, for the year ending September 2015.

Total claims paid amounted to \$1.023 billion for the year ending September 30, 2015 – up 4.9 percent on the previous 12 months. Claims paid for the September quarter were \$274 million, up 4.1 percent.

