

INSIGHTS & TRENDS

HEALTH TRENDS:

Accessible and affordable healthcare



FOREWORD

Rob Flannagan, Independent Chair
& Richard Klipin, CEO



Kia ora, and welcome to this Insights and Trends report from the Financial Services Council, this time focusing in on the New Zealand health system in the month we celebrate the 75th World Health Day.

The theme for World Health Day 2024 is **'My health, my right'** and was chosen by the World Health Organisation to 'champion the right of everyone, everywhere to have access to health services, education, and information, as well as safe drinking water, clean air, good nutrition, quality housing, decent working and environmental conditions, and freedom from discrimination'¹.

This resonates with the FSC Blueprint for Growth, which recognises that New Zealanders worry about healthcare accessibility and affordability. The Blueprint for Growth also shares our aspiration to increase collaboration between the private and public sectors, and using private sector skills to reduce the burden on the public system².

This report aims to highlight areas of consumer research and industry data that the FSC collects on behalf of the industry, alongside global benchmarks, including:

- There is a looming social healthcare crisis, globally as well as nationally, as our ageing populations live longer, but not healthier.
- Following global trends, the number of Kiwis with health insurance has increased in New Zealand by 1.2%, to 1.45 million in 2023.
- The increased popularity of health insurance means that 37% of Kiwis reported having health insurance, up from 32% in 2022.
- The most concerning health issue reported in 2023, especially for the younger generations, is mental health.

We believe that a well balanced and integrated health system is key to achieving great patient outcomes and to work for the benefit of all New Zealanders. We hope this report starts to shine a light on the macro issues faced by our health sector.

¹ <https://www.who.int/campaigns/world-health-day>

² FSC Blueprint for Growth, 2023 <https://blog.fsc.org.nz/media-release-16-august-2023>



INTRODUCTION

With global health systems facing increasing strain as populations live longer, this report looks at trends from the FSC industry data alongside more recent research undertaken following the FSC's merger with the Health Funds Association of New Zealand in 2020.

Globally, the McKinsey Health Institute (MHI) believes that over the next decade, humanity could enjoy an additional 45 billion years of improved quality of life. On average, this means about six extra years per person, with certain countries and populations likely experiencing even greater gains³.

The MHI report highlights that, on average, people spend about 50 percent of their lives in less than good health including 12 percent in poor health. The best available data suggests that this ration has not changed much in the past 50 years.

This has given rise to a more modern understanding of health, which involves a shift from considering just lifespan to considering health span. Health span concentrates on improving moderate and poor health as we age so we can live healthier lives for longer, rather than simply living longer.

Looking domestically, the number of New Zealanders over 65 is expected to double by 2050, putting significant pressure on the health sector. The private sector can provide quicker access to services, and there is demand for employer-based schemes to support productivity and manage health risks, whether it is through injury or sickness. It's important to New Zealanders to 'age well', and access to health prevention services have never been more important⁴.

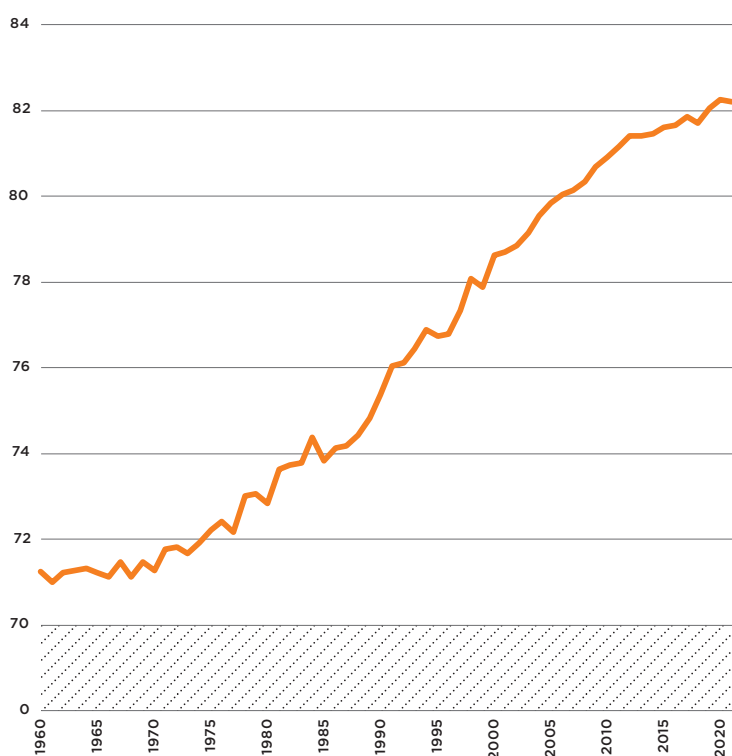
³ <https://www.mckinsey.com/mhi/our-insights/adding-years-to-life-and-life-to-years>

⁴ FSC Blueprint for Growth, 2023 <https://blog.fsc.org.nz/media-release-16-august-2023>

LIFE EXPECTANCY

As highlighted in the introduction, life expectancy is increasing, and data from the World Bank⁵ show that the average world life expectancy in 1960 was 51 years old, increasing to 71 in 2021 (a small drop from its peak of 73 in 2019). During the same period in New Zealand, life expectancy increased by 11 years from 71 in 1960 to 82 in 2021.

Figure 1: Life expectancy at birth, total (years) - New Zealand (1960-2021)⁵



Women are more likely to have a higher life expectancy than men. According to data from StatsNZ, New Zealand women are likely to live around 3.5 years longer than men⁶.

This increase in lifespan will put a strain on public services, as more Kiwis enter retirement and become increasingly dependent on health services due to the trend of moderate or poor health in older age and extended lifespans.

⁵ <https://data.worldbank.org/indicator/SP.DYN.LE00.IN>

⁶ <https://www.stats.govt.nz/topics/life-expectancy>

⁷ <https://www.who.int/news-room/fact-sheets/detail/ageing-and-health>

AGEING AND HEALTH: POLICY CHANGE

The World Health Organisation (WHO)⁷ highlights that the pace of population aging is much faster than in the past, and as such all countries face a major challenge to ensure that their 'health and social systems are ready to make the most of this demographic shift'.

Older people have a significant part to play in society, and health is an important factor that ageing people depend on.

Health can be affected by people's physical and social environments as well as their personal characteristics such as sex, ethnicity, and socioeconomic status, meaning there is no 'typical' older person.

WHO define the most common health conditions in older age as 'non-communicable diseases, and the biggest killers of older people are heart disease, stroke and chronic lung disease. The greatest causes of disability are sensory impairments, back and neck pain, chronic obstructive pulmonary disease (particularly in low and lower middle income countries), depressive disorders, falls, diabetes, dementia and osteoarthritis.'

They suggest that older people are 'often assumed to be frail or dependent and a burden on society' and recommend that health systems need to take stock of changes like globalisation, technology, and migration.

Therefore, comprehensive social policy setting changes across government are needed to enable a healthier aging population so they can continue to play an active part in society.

THE HEALTH SYSTEM IN AOTEAROA

New Zealand is a developed country with a public health system. Compared to the rest of the OECD, the country is tracking well when it comes to indicators such as smoking levels or life expectancy at birth.

86% of New Zealanders report they are in good health, much higher than the OECD average of 68% and one of the highest scores across the OECD⁸.

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 life⁹.

THE PRIVATE HEALTH SECTOR

Private health insurance supports the public system and makes an enormous contribution towards the health and wellbeing of New Zealanders, funding around half of all elective surgery. Most health insurers offer a range of plans from minor medical to comprehensive insurance.

Figure 2: There are three main types of health insurance in New Zealand¹⁰

| | |
|----------------------|---|
| COMPREHENSIVE | Comprehensive health insurance products provide cover for both major surgery and day-to-day medical expenses. |
| MAJOR MEDICAL | Major medical policies typically provide cover for elective surgery, major treatments and the cost of specialist visits, but do not cover day-to-day medical expenses. |
| MINOR MEDICAL | Minor medical insurance products provide cover for day-to-day medical treatments, but provide little or no cover for more significant major surgery or treatment costs. |

Major medical policies are the most popular, accounting for around 69 percent of all policies. These typically cover only health conditions which require surgical treatment and related expenses.

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 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.

⁸ <https://blog.fsc.org.nz/world-health-day-2023>

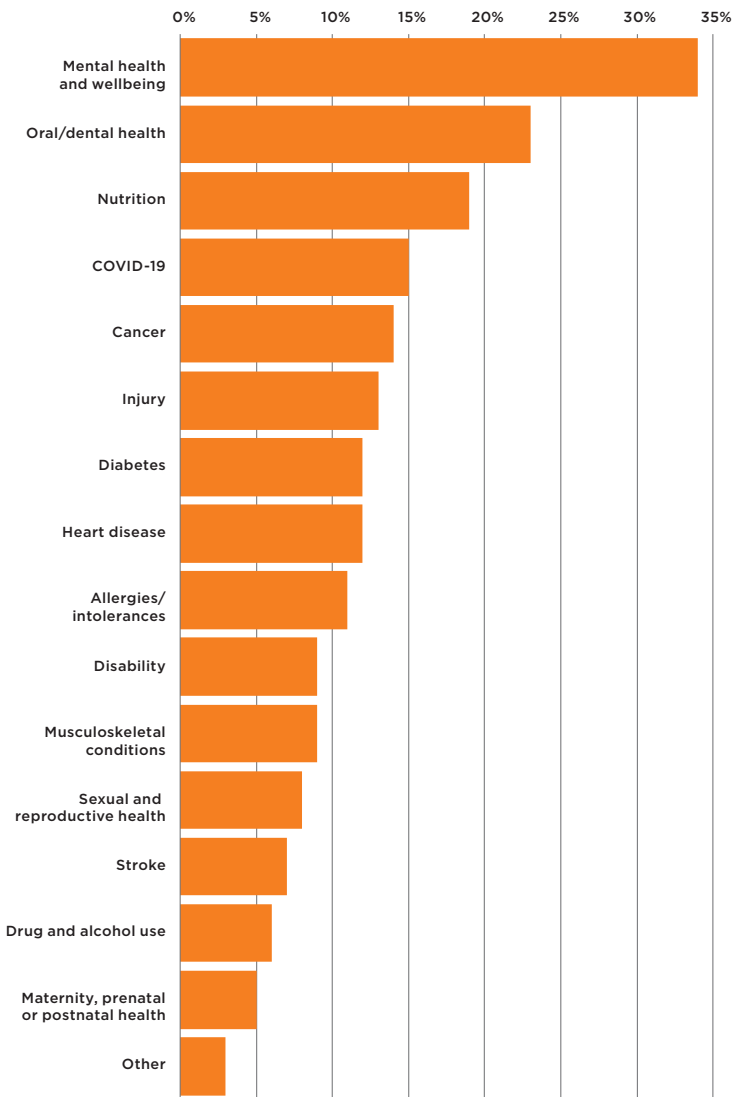
⁹ FSC Health Insurance Makes Sense <https://blog.fsc.org.nz/health-insurance-makes-sense>

¹⁰ FSC Types of Health Insurance <https://f.hubspotusercontent10.net/hubfs/7422267/FSC%20Corporate/Health%20Insurance/Types%20of%20Health%20Insurance%20-%20Financial%20Services%20Council%20-%20August%202021%20-%20v2.pdf>

HEALTH CONCERNS IN NEW ZEALAND

Mental health is the greatest health concern for many New Zealanders by far, and disproportionately affects young people with 42% of 18-28 year old respondents and 39% of 29-43 year old respondents highlighting it as their main concern. This is followed by oral health, nutrition, COVID-19 and cancer.

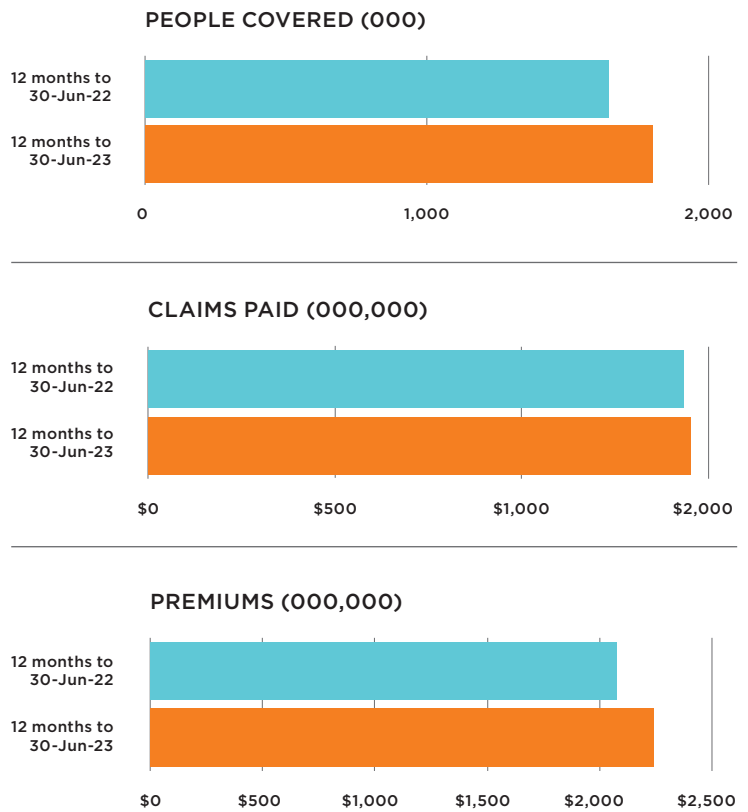
Figure 3: Top 10 health concerns in New Zealand¹¹



MORE KIWIS ARE TURNING TO HEALTH INSURANCE

According to FSC research, there has been an increase in Kiwis taking health cover in New Zealand, with 37% of respondents saying they had health insurance in 2023, up from 32% in 2022. It is the second most common type of insurance after life insurance and ahead of Critical Illness Cover.

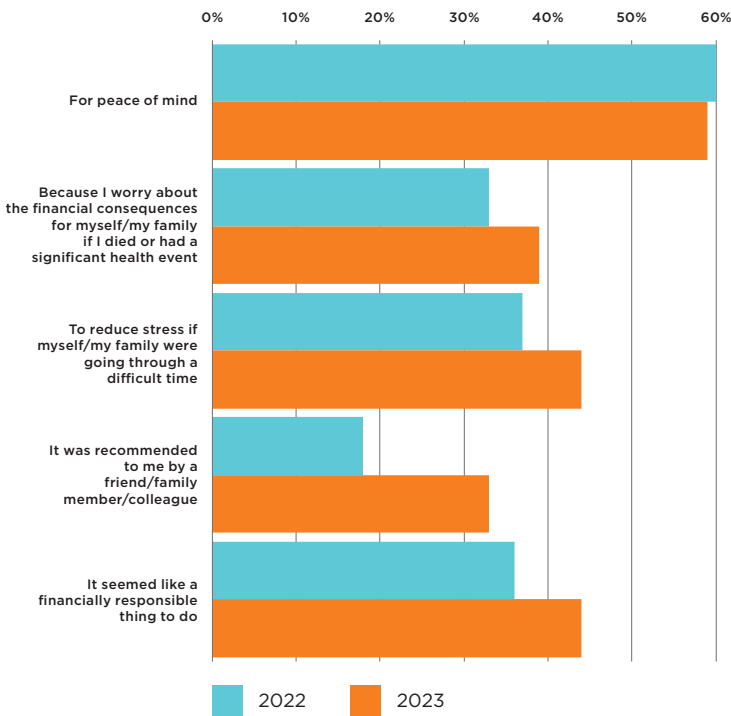
FSC health sector data shows an increase between 2022 and 2023.



The top reasons for taking out health/medical insurance cover is for peace of mind, with around 60% of respondents citing this as their top reason.

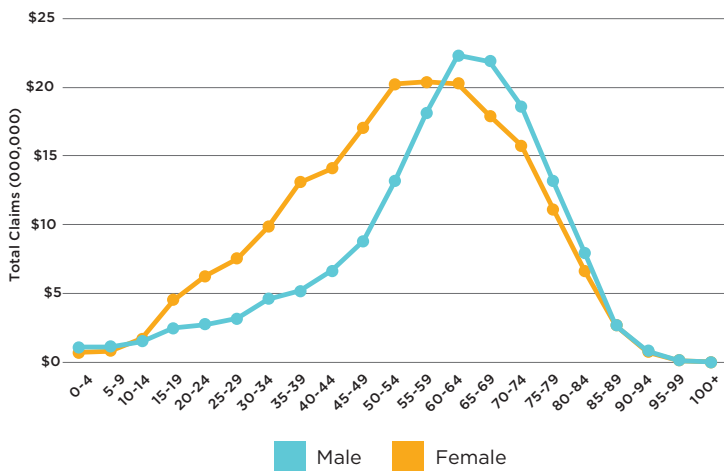
11 FSC Money & You - The Perception Gap, 2023

Figure 4: What is the top reason you took out health/medical insurance cover



There are generational and gender differences in the ages of health insurance claims. Data from 2022 shows that average claim levels for those with health insurance start from newborn and steadily grow to a peak around the age of 60-64, with women claiming earlier than men on average. This shows that all age groups benefit from health insurance support.

Figure 5: Total claims paid by age April-June 2022¹²

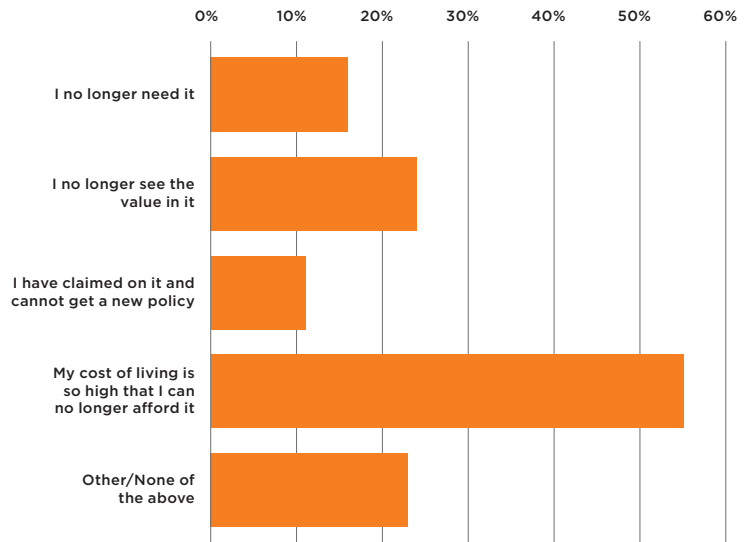


12 FSC Health Insurance Industry Spotlight <https://blog.fsc.org.nz/health-insurance-industry-spotlight-june-2022>

CANCELLATION OF HEALTH INSURANCE

The 2023 research has shown that, amongst those that have cancelled their health cover, 'My cost of living is so high that I can no longer afford it [health/medical insurance]' was the main reason (55%).

Figure 6: What is the reason you previously had "health/medical insurance", but no longer do?



*Multiple answers allowed



CONCLUSION

The FSC Blueprint for Growth has the aspiration to ensure that healthcare is accessible and affordable for all Kiwis.

Globally, trends are starting to show that there is a health protection gap, with a growth in individual out-of-pocket medical expenses filling the gap of public and private healthcare which puts pressure on individual finances in an already tough economic climate¹³.

Health insurance has an important part to play in the health eco-system and highlights the big policy issues including the increasingly aging yet less healthy population, increased costs of treatment and out of pocket expenses and the pressures on the public health system.

Across government and the healthcare industry in Aotearoa, we need to start acting now to support our aging populations to be healthier, and drive collaboration between public and private systems through sharing knowledge to create a fair and affordable healthcare system fit for all our futures ■

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The research was conducted via an online survey developed and hosted by CoreData. Data was collected in March 2020 (2,000 valid complete responses), August 2020 (1,000 valid complete responses), April 2021 (2,035 valid complete responses), January 2022 (2,000 valid complete responses) and March 2023 (2,030 valid complete responses).

This data formed the basis of the analysis and this sector report. The samples are representative of the New Zealand consumer population in terms of age, gender and income based on the latest Stats NZ data. According to Stats NZ,^{*} in March 2023 there was an estimated resident population of 5,199,100. As this survey only included respondents aged 18 years old or over, the estimated resident population of the sample is 4,053,900.

¹³ Global Federation of Insurance Associations: Health protection Gap <https://gfaiinsurance.org/publications#>

Financial Services Council NZ

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