

The 2016 financial year was a sound one for Southern Cross.

We processed 3.1 million claims, which included 428,000 specialist consultations, 650,000 prescriptions, and 726,000 GP visits. For the first time ever, the number of elective surgical procedures we funded hit 200,000, which shows that more New Zealanders are choosing to rely on the private health system.

Put another way, every day the Society pays out an average 8,500 claims worth over \$2 million to ensure members receive important healthcare.

We don't seek to control the volume of claims - that would defeat the point of having health insurance - but we continue to be concerned about the rising cost of claims. We understand that like any industry, there are justifiable cost increases that affect the prices providers charge, but we will not accept unreasonable prices. Members have asked us to address this given the impact it has on increasing premiums.

Central to achieving fair prices for healthcare services is the Society's Affiliated Provider programme, which has been running since 1997.

Benefits include:

- the member knowing up-front how much, if anything, they have to pay
- the Provider organising approval and processing the claim and
- the member no longer having to pay for the service and then wait to be reimbursed.

For Affiliated Providers, payment can be claimed as soon as the service is provided. An Affiliated Provider is generally paid by Southern Cross within 24 hours - as opposed to waiting for members to submit the claim for payment, which takes on average 30 days, sometimes longer.

The expansion of this programme over the past few years has been driven by an increase in the number of procedures we specify as "Affiliated Provider-only". This means Southern Cross members, on the majority of plans, are only reimbursed for these procedures if they are carried out by an Affiliated Provider.

Typically, the procedures we have chosen as Affiliated Provider-only are those which have high variability in pricing. For example, we see some specialist charges for elective surgery at more than double the industry average and at the extreme, charging more than \$9,000 per hour for standard treatments.

As Greg said, this year we have also started a 10 year process to change the common rating age for older members – moving this gradually from 65 to 75.

Common rating at 65 was intended to give more certainty for those at retirement age regarding future health insurance premiums. However, when members reached this age their premium increased significantly and a lot found this wasn't easy to manage.

By moving the common rating age to 75 we will smooth out this jump over time.

If you're already over 65 these changes won't affect you. You'll benefit from this rate continuing to be based on the claims experience of all members who are over 65 in the future.

And if you're under 65 you'll continue to be age rated, where you share the claims experience of all members your age, until you begin common rating at 75.

Another area where we are adding value for members, and one that sets us apart from our competitors, is the Southern Cross ACC review service.

This small team ensure members' claims for elective surgery are funded by the right organisation.

In the last financial year the Society helped 340 members with their ACC review, resulting in cost recovery of \$4.9 million.

We support our members in reviews not only to ensure treatment costs are met by the right insurer, but also because members may have other entitlements under ACC, such as earnings compensation, rehabilitation and home help.

Another area where we can contain costs and meet the needs of our members is in the digital space. We've made several changes to make more interactions digital, such as making My Southern Cross registration a core part of new sign-ups, defaulting members to receive communications online, not by post and making more of our communications available online.

Our online service, My Southern Cross, now has over 150,000 registered users, who are able to change their details, apply for prior approval, claim and track the progress of their claim when and where they choose.

The Easy Claim service, where members can claim for eligible healthcare services without completing a claim form, also continues to expand. 1,600 healthcare providers, including GPs, pharmacies, dentists, physiotherapists and audiology and optical providers, facilitated over 226,600 point of purchase transactions in the last financial year.

The combination of these services, along with the growth of the AP programme, means over 80% of all claims are now processed electronically.

While we remain very aware of the overheads associated with running our business, the development, implementation and running of these growing online and electronic platforms is a necessary transformation cost and will help the Society become a predominantly digital business.

In closing I'd like to thank you all for your continued support. My thanks also to Southern Cross staff, who work hard to provide you with the value and service you expect of us.

Before receiving the Annual Report and Financial Statements for the year, Head of Finance – Stefan Azzopardi, will give you a brief update on some of the key numbers and how the Society's investments have performed over the past year.

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