

Nick Astwick
Chief Executive Officer
AGM address, 6 December 2017

It's my absolute privilege and responsibility to serve you, our members as customers and owners, and to ensure the Society continues to be as relevant to you in the next 10-20 years as it has been for the past 56.

I knew coming into the role that Southern Cross Health Society was a strong, customer driven and trusted New Zealand brand. But what I quickly came to understand is just how committed our people are in delivering great value to you and our almost 860,000 members every day. One of the first things I wanted to do as the new CEO, was to work with the team to cement this passion and commitment into a compelling vision and a bold strategy for the future.

While we operate in the health insurance industry this is not the business we are in. At Southern Cross Health Society we believe strongly that we are in fact in the business of health assurance not health insurance. Assuring Kiwis, and becoming an indispensable partner in their health and wellbeing as well as being there for them when they need us is how we plan to fight for our relevance going forward. Assuring (not just insuring) Kiwis of their health and wellbeing is a subtle but significant shift in our strategic direction. Assurance is more holistic and focuses on prevention as well as cure, it's not just health but wellbeing too, it's being there for kiwis, it's enabling and it's our enduring promise.

We are committed to delivering to you, our members, a level of health assurance that is both affordable and of the highest quality.

To ensure we remain well connected to our providers and the decisions we make are well scrutinised and challenged, we have recently appointed Dr Stephen Child as our Chief Medical Officer. Stephen is well qualified for the role having been Chair of the New Zealand Medical Association and Director of Clinical Training and Internal Medicine Specialist at Auckland City Hospital.

As Greg stated, the 2017 financial year was another sound one for your Society.

New Zealanders are relying more and more on the private health system.

While the health insurance industry grew by 20,000 customers, your Society grew by over 30,000. And our growth had a good representation across a range of demographics.

We processed 3.2 million claims in the last financial year. On average that's 8,500 a day.

We paid more than our share of claims: paying 73% of all claims in New Zealand. This compares with our 62% share of market lives. No other health insurer in New Zealand pays out 90c to every dollar of premium received.

The escalation of claims costs is more to do with the volume of claims (50%) than price (40%). In short, more members have made more claims than ever before.

And on the subject of value for members, we have continued the 10 year process to change the common rating age for older members – moving this gradually from 65 to 75 by 2026. As a consequence of this change we have seen fewer members in this age group dropping out, which suggests we are better meeting the needs of this group.

We don't seek to control the volume of claims. That would defeat the point of having health insurance. We do, however continue to work at containing the rising cost of treatments. Like any industry, there are justifiable cost increases that affect the prices providers charge, but we will not accept unreasonable price hikes which have a significant impact on premiums.

Our Affiliated Provider programme helps keep these increases to a reasonable level. The programme has been running since 1997, but in the last year saw a significant expansion that led to a saving of around \$35 million [for our members] in that year alone, and more than \$65 million since 2013. Putting that into context: if we had not contained those prices through this programme it is likely your premiums would be 4% higher this year.

By the end of the last financial year we had over 1,850 Affiliated healthcare providers across 20 specialties nationwide. That's an impressive increase of 550 on last year.

By September/October the Affiliated Provider programme accounted for 60% of the claims value.

Be assured we are firmly committed to the Affiliated Provider programme. What we are striving for, through this programme, is better outcomes for our members, at a better price.

As we push for better value, the conversations will no doubt become harder and some providers may choose not to affiliate with us.

We will have coverage so you can access the benefits covered in your policy. We must hold true to what is good for the collective membership and we simply won't contract on terms that are undesirable to that collective membership.

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

This small team supports members' in reviews not only to ensure treatment costs are met by the right insurer, but also because members may have other entitlements such as earnings compensation, rehabilitation and home help.

In the last financial year the Society helped 325 members with their ACC review, resulting in cost recovery of \$4.7 million.

Our investment in digital technology has significantly reduced paper use and made it faster and easier to join us, make policy or contact details changes, and to process claims.

We now have nearly half of all our policyholders registered to use our My Southern Cross service online and those using our mobile app are also growing in number.

An impressive 81% of claims are now received and processed electronically. This approach also represents a healthy cost saving.

We are committed to continuing the development of an easy to use digital service: giving members greater control and optimising the accuracy and rate of response as well as keeping costs to a minimum.

Thank you all for your continued support. My thanks also to the Society staff, who work hard to provide you with the value and service you have come to know us for.

Thank you.