



Southern Cross  
Health Society

# Southern Cross Medical Care Society

## 2016 Annual Report – Summary

This Summary, together with the full Financial Statements, constitutes the Annual Report for the purposes of the Rules of the Society. For a copy of the full Financial Statements please visit [southerncross.co.nz/annualreport](http://southerncross.co.nz/annualreport)

# Report from the Chairman and CEO

---

The 2016 financial year has been one of solid progress for Southern Cross Health Society.

Membership growth means over 820,400 Kiwis are members of the Society – and we have maintained our market share of 61%.

Last year, we paid \$749 million in health insurance claims. This means that for every dollar our members paid to us in premiums, we paid 86 cents in claims. The average for the rest of the health insurance industry was 71 cents. Claims data from other New Zealand health insurers shows that we pay approximately 71% of the country's health insurance claims – meaning Southern Cross members are receiving excellent value for money.

The Society made a surplus of \$35 million, which helps us maintain our solvency ratio. Members can have confidence that we have enough money to pay future claims, even in adverse circumstances. The Society also maintained its A+ financial strength rating.

We continue to invest in digital technology to make it easier for members to interact with us when and where they choose. This investment is a necessary transformation cost and will help the Society become a predominantly digital business.

Our key concern remains the rising cost of medical treatment and the impact that has on members' premiums. Our vehicle to mitigate rising costs, the Affiliated Provider programme (in which surgeons, specialists and facilities contract to provide Southern Cross members with certain procedures at agreed prices) continues to grow.

We now have the support of over 1,300 healthcare providers across 20 specialties. By joining the programme, these providers support a sustainable private healthcare sector that remains accessible and affordable for New Zealanders. It also means they receive payment for their services faster than the traditional claiming and payment processes, because they seek prior approval and claim on the member's behalf – meaning a better member experience. The programme now accounts for over 50% of all claims costs. We will continue to grow and expand the programme.

Our thanks go to the Society team for their hard work and commitment this past year. Thanks also go to you, our members, for your continued support.

Best of health.

Greg Gent  
Chairman of the Board



Peter Tynan  
CEO



---

## A NOTE FROM THE CHAIRMAN:

At the end of 2016, Peter Tynan will step down as CEO after 12 years with the Society. His leadership and contributions have left the organisation in a very healthy position and ready for the next chapter in our evolution. On behalf of the Board, I would like to thank Peter for the immense contribution he has made to the Society and wish him well for his future plans.

I would also like to thank Dr Doug Baird who is retiring from the Board after nine years of service. We have appreciated the clinical perspective he has been able to bring to the issues before the Board.

2016 at a glance

**820,469**  
members

**Up 1.1%**

A net increase  
of over 9,000  
members



For every dollar  
you paid to us  
in premiums we  
paid out 86 cents  
in claims



**\$749 million**  
in claims paid

Investments of **\$523 million**  
generated **\$17.5 million**  
investment income



Surplus of **\$35 million**

**61%**   
of health insurance market

We pay **71%** of the  
country's health  
insurance claims



Premium income of **\$871 million**

Reserves of **\$435 million**, equivalent  
to around **7 months of claims**



**A+** Standard and Poor's A+  
financial strength rating

# Value for members

**3.1 million** claims paid totalling **\$749 million**, including:

206,000  
surgical procedures

428,000  
specialist consultations

650,000  
prescriptions

726,000  
GP visits



## Most common procedures by amount paid:

Hip replacement	\$39,681,629
Knee replacement	\$38,764,929
Skin surgery	\$36,333,116
Colonoscopy	\$33,379,535
Cataracts	\$27,151,709



## We're improving our digital services to make it easier for you to deal with us when and where you choose.

**1,612 Easy-claim providers** (up 25% from last year) facilitated over 226,600 point of purchase transactions, eliminating the need for members to make a claim for health services such as GPs, physiotherapists and pharmacies.

**Policy and benefit reviews** made it easier for you to understand our plans and access a wider range of treatments with:

- The introduction of a simpler, easy-to-understand product range of seven plans, including a new entry-level plan – Wellbeing Starter.
- Removal of the \$100,000 surgical treatment limit on selected plans, giving you peace of mind and making it easier to compare our plans and benefits with other health insurers.
- We were the first NZ health insurer to introduce a prophylactic benefit\* – a lifetime allowance ranging from \$30,000 to \$50,000, depending on the plan.

### My Southern Cross

128,500 members registered (up 34%) to use this online service.

### My Southern Cross app

expanded so policyholders can make non-surgical medical claims under any plan, plus all members can check benefit balances and use it as a virtual Member card.



\* Eligibility criteria and limits apply – see your policy document for details

# Summary of financial position

---

## Premium income

FY15 **\$818 million**

FY16 **\$871 million**

## Claims

FY15 **\$738 million**

FY16 **\$749 million**

---

## Overheads

### Depreciation and amortisation

FY15 \$7.7 million

FY16 \$9.0 million

### Technology

FY15 \$13.4 million

FY16 \$16 million



Spending on technology made up a significant proportion of overheads as we continue to streamline the business to move it more into the digital space.



## Investments

FY15 \$497 million

FY16 \$523 million

## Investment income

FY15 \$23 million

FY16 \$17.5 million

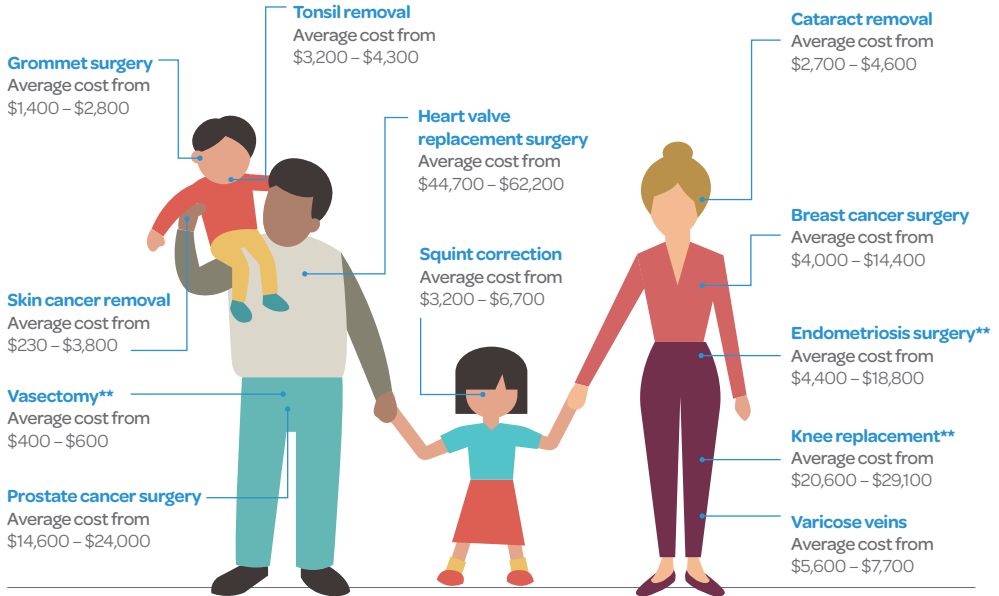
---

Our approach to investing has been focussed on short term, low yield portfolios in order to meet expected claims. In the next financial year we will be adjusting our approach, with the majority of our portfolio remaining in these low risk investments, and a portion placed in more managed investments.

---

# How much does it cost?

Below are some common medical procedures and the average cost of treatment.\*



In some cases, the listed procedures have been described in general rather than clinical terms. Procedure costs will vary depending on the location, medical practitioners, complications, and the medical procedure and technology used.

\*All costs are indicative and have been sourced from historic Southern Cross Health Society claims data, 2014 - 2015.

\*\*Not covered under the Wellbeing Starter plan.

**Jump on to My Southern Cross** – My Southern Cross is Southern Cross' secure, online platform where members can manage all aspects of their policy (including claiming) whenever and wherever it suits them. Just register with your membership number at [mysoutherncross.co.nz](https://mysoutherncross.co.nz).

The Southern Cross Medical Care Society  
Registered Office: Level 1, Ernst & Young Building,  
2 Takutai Square, Auckland 1010  
Private Bag 99934  
Newmarket, Auckland 1149



Visit our website [southerncross.co.nz/society](https://southerncross.co.nz/society)  
or call us on 0800 800 181, Monday to Friday, 8am - 6pm.

1226/SCMCS/1SXPO10/0916