



Southern Cross
Health Society

Southern Cross Medical Care Society

2017 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

Report from the Chairman

The 2017 financial year has been a positive one for Southern Cross Health Society, with a number of highlights.



Among them, the significant growth in our membership, which has increased to 853,160 members. As a member-driven Society, it's pleasing to have more than 32,000 additional Kiwis now entrusting us with their health insurance needs.

A big part of us earning and retaining that trust is the value for money we offer. Last year we paid more than \$830 million in health insurance claims – that's more than \$2 million paid every day, which also accounted for more than 73 per cent of the country's health insurance claims overall. And for every dollar our members paid to us in premiums, we paid out 90 cents in claims.

We also achieved a surplus of \$6.2 million and have \$441 million in reserves, which should give members confidence in the Society's performance and our ability to pay future claims, even in adverse circumstances. And we've retained our A+ financial strength rating.

As always, our primary concern remains the rising cost of medical treatment and its impact on members' premiums, as well as the complexity created by an ever-increasing range of available procedures. So it's pleasing that our Affiliated Provider Programme has again grown. Under the programme, surgeons, specialists and facilities contract with Southern Cross to provide members with certain procedures at agreed prices. We now have the support of more than 1,850 Affiliated Providers across 20 specialties nationwide. The programme helps keep rising costs in check and makes claiming and payment faster and easier for our members.

Other highlights included the appointment of new CEO, Nick Astwick, in February. Formerly Kiwibank's Chief Operating Officer, Nick brings more than 20 years' experience in the financial services industry in various leadership roles across retail and investment banking. Building on the strong foundations left by his predecessor Peter Tynan, Nick is applying his skills and energy to good effect and we look forward to his continued positive impact on the Society.

And in April, we launched Cancer Assist. Nearly a thousand members have now added this product to their health insurance for greater financial certainty and peace of mind in the event of a cancer diagnosis.

On behalf of the Board, I wish to thank the Society's staff for their hard work and dedication, and you – our members – for your ongoing support.

A handwritten signature in blue ink, appearing to read 'GG', written over a light blue grid background.

Greg Gent
Chairman of the Board

2017 at a glance

853,160
members

Up by 4%
32,691



For every dollar you
paid us in premiums,
we paid out **90 cents**
in claims



\$830 million
in claims paid

Investments of \$516 million
generated **\$22.3 million**
of investment income

Surplus of **\$6.2 million**



62% 
OF HEALTH INSURANCE MARKET

We pay **73%** of the
country's health
insurance claims



Premium income of **\$923 million**

Reserves of **\$441 million**, equivalent
to around **6 months of claims**



Standard and Poor's A+
financial strength rating



From the CEO

Southern Cross Health Society has a proud history of supporting Kiwis' health, so I feel privileged to have joined the organisation as CEO.



Our vision is to help create a healthier society. Looking ahead, we'll continue our focus on delivering sustainable, excellent value health insurance that helps members get better, faster.

But as well as insure members' health, we'll be doing more to assure them of their health; developing ways to help people maintain and protect their most precious asset.

As noted by our Board Chair, our AP Programme has been effective in saving around \$35 million dollars this year, and more than \$65 million cumulatively since FY13, and we are committed to delivering more savings for our members.

With the most significant driver of premium growth now being more of our members using more of our benefits, rather than the cost of procedures going up, we'll be constantly evaluating what we do – to ensure choice and affordability for members, and the sustainability of the Society.

The future must be about simplifying what we do and how we do it to better manage our costs.

Our investment in digital technology has reduced paper use and made things faster and easier, allowing members to manage their health insurance when and where they choose.

Close to 200,000 members now use My Southern Cross online and there is steady growth in the number of members using the mobile app. Eighty-one per cent of the claims we receive are now submitted electronically which, importantly, also contributes to cost savings.

We'll be continuing to build and deliver digital experiences to give members greater control and be as responsive to member needs and cost-effective as possible.

The digital story is indicative of what lies ahead – blending the best of our history with new technology, products and ideas that empower Kiwis to live their healthiest lives.

I look forward to working in the best interests of our members and to being part of the Society's continuing evolution.

A handwritten signature in dark ink, appearing to read 'Nick Astwick'. The signature is fluid and cursive, with some overlapping strokes.

Nick Astwick
CEO

Value for members

3.2 million claims paid totalling more than **\$830 million** including:

651,112
PRESCRIPTIONS

240,748
SURGICAL PROCEDURES

751,667
GP VISITS

424,746
SPECIALIST CONSULTATIONS

MOST COMMON PROCEDURES BY AMOUNT PAID (GST Inclusive):

Knee replacement _____ \$44,616,213

Hip replacement _____ \$40,100,105

Skin surgery _____ \$39,820,541

Colonoscopy _____ \$34,934,703

Cataracts _____ \$27,386,416

THE MAIN CAUSE OF PREMIUM INCREASES IS CLAIMS COST ESCALATION.

The top three contributors to this escalation in 2016/17 were:

More members claiming more benefits
(accounts for 50%*)

Procedure price inflation
(accounts for 40%*)

Newly added benefits
(accounts for 10%*)



Our digital services are making it faster and easier for members to manage their health insurance



More than
80%
of claims are now submitted electronically.

194,196 members
(UP BY MORE THAN 50%)
registered to use the My Southern Cross online service.

2,171 Easy-claim providers
(up by more than 35% on last year)
facilitated 309,343 point of purchase transactions, eliminating the need for members to claim back for health services like GPs, physiotherapy and pharmacies.



855,775
log-ins to
My Southern Cross
- up by 87%
on last year

Online tool Healthcare finder has been refreshed to make it easier to find a healthcare professional that suits your needs. And the tool is now available on the My Southern Cross app.

Summary of financial position

Premium income:

FY16 \$871 million

FY17 \$923 million

Claims:

FY16 \$749 million

FY17 \$830 million

OVERHEADS*

Depreciation and amortisation:

FY16 \$9.0 million

FY17 \$10.4 million

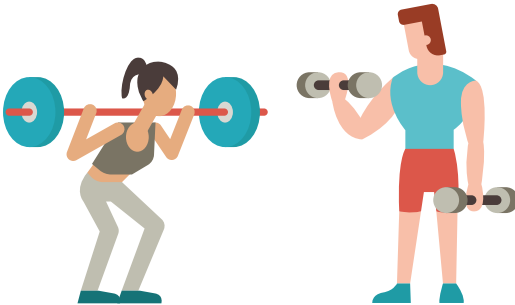
Technology:

FY16 \$16.0 million

FY17 \$16.6 million



Our ongoing technology investments in new digital communications and claims channels are helping us better serve members, making things faster, easier, more convenient and cost-effective.



Investments

FY16 \$523 million

FY17 \$516 million

Investment income

FY16 \$17.5 million

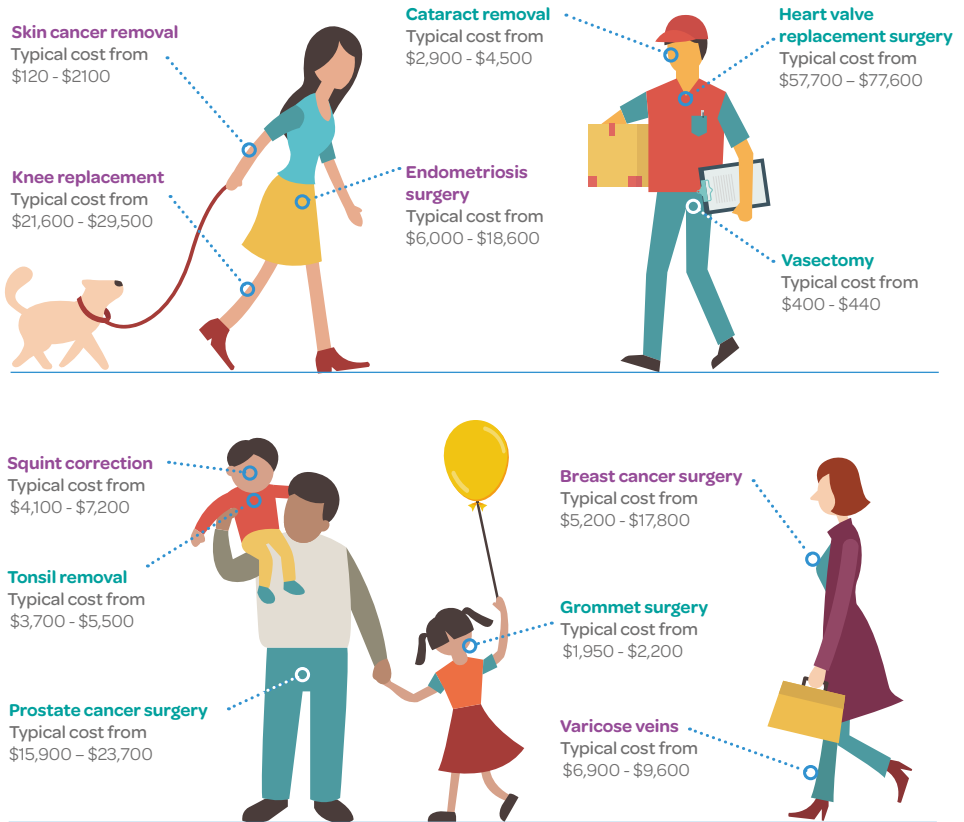
FY17 \$22.3 million

We have adopted a new investment strategy that targets higher returns in the long run, at acceptable levels of short-term risk. We have appointed a specialist fund manager to manage new investments in globally diversified bonds, shares, infrastructure and property. The new strategy has so far added 1.3% to our overall return after costs.

*For a full summary of all Overheads, please refer to the Financial Statements.

How much does it cost?

Below are some common procedures and the typical costs of treating them*



This graphic is designed to give you a general idea of some of the benefits offered across our various policies. Not all benefits are available on all policies. For full details of the benefits and maximums for each policy and any eligibility criteria, exclusions, limitations or other conditions that may apply, please refer to the relevant policy document.

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 Southern Cross Health Society claims data.

Not already registered on My Southern Cross? It's easy!

Just register with your membership number at mysoutherncross.co.nz. Or download the free mobile app from the Apple App or Google Play stores. Then you'll be ready to manage your policy online, whenever and wherever you are!