

MEDICAL CLAIM INFLATION AND HOW IT CONTRIBUTES TO HEALTH INSURANCE PREMIUM INCREASES

Many clients want to know why their health insurance premiums increase each year. Two key reasons for these increases are medical inflation and age-related increases in claim costs.

This article focusses on medical inflation, how it leads to increased premiums and how these increases reflect the increasing protection we get from our health insurance cover. The article “How age affects the value and cost of health insurance” explains why premiums increase as we get older.

What is medical inflation?

Many clients don't really understand the meaning of 'medical inflation' or how it differs from age-related premium increases. Medical inflation is made up of the increasing cost over time of each procedure. It includes the increased use and costs of scanning and medications associated with treatment. Medical inflation also includes the overall increases in the number of claims at any particular age. These are driven by increasing expectations of wellness and full capability. We've explained each of these below and why they are occurring.

New procedures, prosthetics and medications

Medical advances have led to better, more expensive treatments. For example, robotic surgery is now replacing some manual procedures because patients recover more quickly. Keyhole surgery has lower risk than open surgery and results in less scarring and faster recovery, but at increased cost.

Improved prostheses also add to medical inflation. The life spans of prosthetics are increasing and are therefore less likely to wear out and require replacement. For clients, this reduces the need for repeated surgery, particularly at ages when recovery is slower and there is more risk of complications.

New medications, such as new forms of chemotherapy, are also being regularly introduced and can be more effective and with fewer side effects than older medications.

As new treatments become mainstream, and medications or prosthetics are produced in larger quantities, the associated costs may drop. However, this isn't always the case, as even more advanced treatments and procedures replace what was previously considered to be new and innovative.

More diagnostics, more scans

Increasingly, health service providers request more diagnostics and sometimes more sophisticated and expensive diagnostics in order to pinpoint the causes of ill health and to treat appropriately. The additional scans and imaging adds to the cost of the overall treatment. For example, in the past large joint surgery usually included two diagnostic procedures before and after surgery, now most cases have three. Doctors are now using scans to determine the efficacy of cancer drugs during a course of treatment, at additional cost. And surgery may now be recommended earlier, increasing the number of surgical claims and costs.

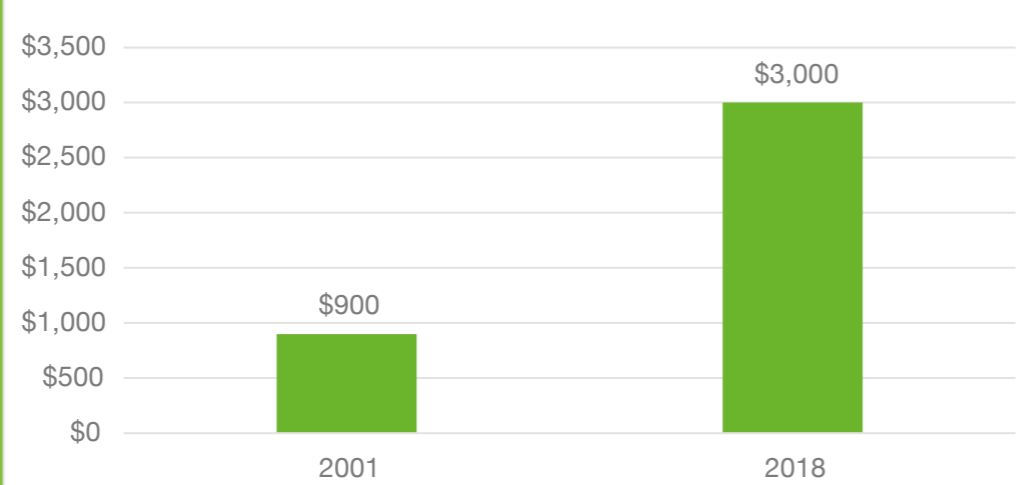
Changing attitudes

Changes in attitudes also contribute to the increased number and cost of claims. While in the past people might have tolerated some discomfort or partial loss of capability, today most people expect that ill health can and will be treated. Through the internet and social media, people are more aware of health conditions, symptoms, and the treatments available. These changing attitudes increase the number of claims and the total cost of treatments.

The charts below show just a few examples of increases in the costs of a few of the more common treatments your clients might require, and how the associated costs have increased over time. They illustrate the combined impact of new procedures, prosthetics and medications and the increased use of diagnostics and scans.



EAR - INSERTING GROMMETS



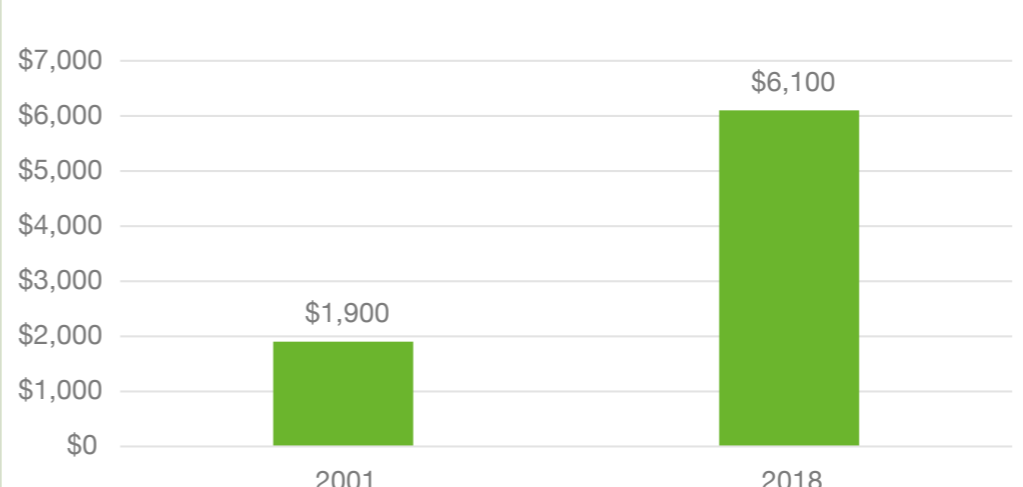
HIP ARTHROPLASTY JOINT REPLACEMENT



EYE - CATARACT IMPLANTS



UTERUS - HYSTERECTOMY



Getting value for money

Another factor that affects premiums is the operating costs associated with providing health insurance. These operating costs relate to administering policies, managing claims and other costs not directly related to claims or treatments. nib is working hard to contain these costs and ensure value for money for clients. The nib First Choice network is one example. It will help reduce claims processing costs, while also constraining excessive claims costs.

nib strives to ensure that clients can access the latest and best treatments. nib also works hard to contain the cost of administering policies and managing claims to ensure your clients can continue to afford their health insurance cover, without compromising the benefits that they value.