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Media release

## 150,000 SOUTH ISLAND MEMBERS NOW ABLE TO CHOOSE PRIVATE RADIATION THERAPY

Southern Cross health insurance now provides members with the choice to access private radiotherapy treatment in the South Island, after the organisation negotiated an 'Affiliated Provider' agreement with the new St Georges Cancer Care Centre in Christchurch.

Previously, members could only access private radiation therapy treatment at Auckland Radiation Oncology (ARO). Established in October 2008, ARO was the only private provider in New Zealand. However, St Georges began treatment for private patients on 29 March 2010.

Southern Cross Healthcare Group CEO Dr Ian McPherson says, "the Christchurch facility is something South Island members are likely to welcome. Though the public system is extremely good when it comes to cancer care, I am pleased to say that we fund this type of treatment in the private sector so our members have a choice. That is what health insurance is about."

But Dr McPherson warns this good news comes with a caveat.

"Every time a treatment is introduced into and funded by the private system it is a new cost all of our 840,000 members have to bear.

"Radiotherapy is expensive, it costs between \$15,000 – \$30,000 per patient depending on the treatment type. This is why it's only something we cover under an 'Affiliated Provider' contract. Such contracts ensure that Southern Cross, on behalf of all its members, funds quality treatment at the best possible price."

Southern Cross is paying out record levels of claims to its members – for every premium dollar earned in the six months to 31 December 2009, 99 cents was paid out in claims.

Dr McPherson says, "this is a staggering figure. As a not-for-profit organisation we do our best to absorb some creep in health care costs but, with claims cost growth over 10

per cent for the 12 month period to 31 December 2009, we won't be able to continue to do this long-term. We certainly won't be able to absorb costs shifted to us from the public system.

"Containing cost inflation is critical. Our organisation will deliberately make a small financial loss again this financial year. This is simply not sustainable year on year."

He says Southern Cross would be unlikely to seek further Affiliated Provider agreements should any new private radiation centres open.

"It's hard to justify a business case to do this given our small population and that the public system is where most of the cancer care expertise is based. In a country our size, it's best for us to focus our attention on supporting a small number of centres of excellence."

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#### **About Southern Cross**

The Southern Cross Medical Care Society is a not for profit Friendly Society with over 840,000 members, and is New Zealand's leading health insurer.

The Society forms part of the Southern Cross Healthcare Group, which also encompasses the legally-separate Southern Cross Health Trust that owns the Southern Cross Hospitals and Southern Cross Travel Insurance businesses.

#### **Financial rating:**

For the eighth consecutive year, the Southern Cross Medical Care Society retained its A+ credit rating from Standard & Poor's – confirming the financial strength of the Society.

#### **For further information, please contact:**

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