Health Insurance

What does the future hold?

Lifetime

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Health Background

New Zealand has seen a dramatic shift over the last 25 years regarding our population demographics. We have seen an increase in our population from 3.85 million to 5.26 million, with around 1.4 million of New Zealand's population born outside of New Zealand. This increase has been predominantly through immigration, with New Zealand seeing around 31,800 new arrivals annually.

Over the last three years, there has been an increase in the number of New Zealand citizens relocating to Australia, however, net migration has been positive since Covid-19. The migration overseas is predominantly made up of a younger demographic, which cannot be ideal for a country such as New Zealand that has an aging population in the long-term.

Covid-19 Period

During the Covid-19 pandemic, many New Zealanders could not access health services, and there is general agreement that we are still seeing a flow-on effect from those who were not seen during this time and are now seeking a health professional.

New Zealand Public Health System

The New Zealand health system has recently been transformed, with a move from regional health boards to a national organisation. At times, the media has portrayed the current state of the public health system as dire; however, the system seems to work well if you need acute care. For example, if you have a heart attack, you will be well looked after. It is elective care that poses challenges. This is not new, as New Zealand's health system has been under pressure for decades.

Reforms need to be bold and long-term to be effective. Health insurance in New Zealand is also experiencing significant changes, with unprecedented premium increases and a growing reliance on private coverage amid pressures on the public healthcare system.

Public Hospital Wait Times

Health NZ has published the 2024 expected wait times for Counties Manukau Hospital. While these figures are not based on nationwide statistics, they make sobering reading.

Wait times can reach up to 47 weeks for non-urgent musculoskeletal issues, and even urgent heart conditions may take up to six weeks before you see a specialist.

Although holding private health insurance still involves delays in some areas, these are often substantially shorter than those experienced in the public system.

Specialty	Urgent	Semi Urgent	Routine
Cardiology	6	15	18
Chronic Pain Service	8	8	8
Dermatology Adult	7		37
Dermatology Paed	8		18
Diabetes		5	5
Endocrinology	3	11	15
Gastroenterology	5	23	27
General Medicine	6		12
General Surgery	1	11	13
Gynaecology	5	20	21
Haematology		1	3
Neurology	Seen at Auckland		11
O.R.L.	7	34	35
Opthamology	Seen at Auckland	16	16
Orthopaedic Surgery	6	47	47
Paedeatric Medicine	7	22	23
Plastic Surgery	2	11	20
Renal Medicine	7		23
Respiratory Medicine	5	17	
Rheumatology	4	9	10
Urology	3	6	14

Source: Te Whatu Ora, Counties Manakau, Average waiting time (weeks) by priority as of 8 November 2024

Rising Premiums

New Zealanders have been facing dramatic increases in health insurance premiums over the past year, in 2025 some insurers are reported hikes of 22% to 27.3%, with selected corporate risk-rated schemes rising by as much as 60%.

For instance, Nib announced increases of more than 30% across its major health insurance products, citing factors such as an ageing population and rising medical costs. In addition, risk-rated adjustments are being applied to most schemes, including changes related to client age.

Increased Demand for Health Insurance

The number of New Zealanders with health insurance has risen significantly, with approximately 1.45 million people now covered – an increase of 250,000 in just one year. This surge is attributed to long wait times in the public healthcare system, prompting individuals to seek private insurance for quicker access to treatment. The Financial Services Council (FSC) has reported that nearly 40% of the population now holds some form of health insurance, highlighting a growing trend towards private coverage.

Demographic Shifts & Healthcare Pressures

New Zealand's ageing population is a critical factor influencing health insurance dynamics. As the population ages, demand for healthcare services increases, leading to higher costs and more frequent claims. The average life expectancy in New Zealand is now 82 years, yet many individuals spend a significant portion of their lives in moderate or poor health, placing additional strain on both public and private healthcare systems.

The New Zealand Government publishes an annual health report, and the latest summary demonstrates ongoing pressures on the public health system.

Health & Independence Report 2024 Summary

This document summarises key findings and insights from the Health & Independence Report 2024 and related documents from New Zealand's health sector.

Underfunding & Budget Pressures

$130m

Health New Zealand - Te Whatu Ora is facing significant financial strain, over spending $130 million each month.

6.2%

The 2024–2025 health budget recorded a nominal increase of 6.2% ($1.739 billion), with most of the funding allocated to capital spending and historical liabilities.

0.4%

The operational budget rose by only $93 million (0.4%), an amount insufficient to maintain current service levels.

Growing Demand for Acute Care

22.5%

Emergency department presentations rose 22.5% over the past decade.

51.1%

Life-threatening cases (triage levels 1–3) increased by 51.1%, indicating rising severity.

Overcapacity

Acute care demand is displacing capacity for planned care, with backlogs exacerbated by the COVID-19 pandemic.

Mental Health & Wellbeing

- The Mental Health and Wellbeing Commission published its first system performance monitoring report in June 2025.
- It identified six key system shifts needed for a better mental health and addiction system.
- The Commission is advocating for a Mental Health and Wellbeing Strategy following amendments to the Pae Ora (Healthy Futures) Act in October 2024.

Health Quality & Safety

- The Health Quality & Safety Commission is focusing on strengthening collaboration across the sector.
- Supporting organisational health and capability.
- Promoting environmental sustainability and IT security.
- Their 2024/25 performance expectations emphasise strategic leadership and sector-wide influence.

Workplace Health & Safety

- Poor health and safety performance cost New Zealand $5.4 billion in 2024 (1.3% of GDP).
- While injuries are decreasing, time off work per injury has doubled over the past decade.
- The report links lower workplace fatalities to higher productivity, urging businesses to take a proactive role.

The landscape of health insurance in New Zealand is evolving rapidly, characterised by soaring premiums and a marked increase in the number of insured individuals. These changes reflect broader challenges within the healthcare system, including demographic shifts and rising medical costs, which are prompting more New Zealanders to seek private health insurance as a viable option for accessing timely medical care.

Health Insurance Providers

With the dramatic change in health insurance pricing over the last few years, the insurers are taking steps to address the cost increases.

Nib has introduced a co-payment model on top of any excess selected by their clients. This has been applied to in several common medical conditions, and this results in clients paying 20% of the costs.

Southern Cross has applied no discretion on the terms and conditions of the policy, that is they are no longer applying discretion if a claim falls outside of the actual policy wording.

UniMed has acquired Accuro which has helped them increase in scale to handle changes. They are looking at also bringing in reduced benefits to some policies to assist control cost.

In the non-corporate world, both **AIA and Partners Life** have amended the new policies issued to cover fewer conditions and have removed guaranteed policy wordings for base products. They are still available as an option.

We also expect to see new policies being offered that will cover core medical issues and reduce the overall breadth of the policies offered. These will be designed to cover the expensive medical items causing clients to either self-fund or rely on the state sector for coverage.

Fringe Benefit Tax (FBT)

The provision of private health insurance through corporates attracts FBT.

There has been a long-standing push to remove FBT from the cost of offering health cover, as doing so would encourage a greater level of workplace health insurance provision.

To date, this has been met with a firm no from all political parties. However, recent indications show that there may be a desire to look at this again to encourage access to private cover, reducing strain on the public sector.

Private Hospitals

Southern Cross offers a national network of private hospitals. In total, there are around 220 private hospitals in New Zealand. Other than Southern Cross, there are no large-scale operators in the New Zealand market, but a number of previously medically owned facilities have moved to private ownership. This shift to a profit-driven model may have contributed to rising admission costs.

Around 46% of the income of private hospitals comes from the public sector, as the state uses these facilities to increase long-term capacity in the health system and to help reduce the backlog of care.

Global Market Trends

Globally, there has been upward pressure on health costs, and the health insurance market is increasingly concerned about long-term trends. While the levels of increase vary across regions, the Asia-Pacific is experiencing the greatest rise. One area of particular concern worldwide is the growing cost and frequency of cancer claims.

The factors contributing to elevated medical cost trends show that new medical technologies remain the leading global driver, cited by 74% of insurers. This is followed by the decline of public healthcare systems (52%), advancements in pharmaceuticals (49%), and fraud, waste, and abuse (38%). Rising medical costs continue to be a worldwide trend, despite differences in healthcare landscapes across regions. The challenge for employers to navigate rising costs remains constant and requires strategic program management and budget forecasting to withstand these increases.

With many factors beyond employers' control, some recommended actions include:

- Prioritising mental health
- Introducing flexibility where possible
- Considering employee cost-sharing
- Investing in education and prevention

With a partner like Lifetime, we can work together to develop the best strategies for your organisation to address the ongoing challenge of rising healthcare costs.

Summary

It is very difficult to predict what will happen to health insurance over the next few years. What is clear, however, is that continued cost increases are unsustainable.

Nevertheless, there are signs suggesting that the increases are likely to continue:

- A strained public system
- Ageing population
- Increased diversity of the New Zealand population
- Migration of younger New Zealander's leading to an increase burden on those remaining in New Zealand
- Reduced uptake of new health policies can be expected due to the cost-of-living crunch

Offsetting these trends are moves by health insurers to reduce benefits and introduce part payments across many plans.

The key takeaway is that having health insurance enables stronger health outcomes for clients. It provides access to care when needed, often with shorter wait times than the public system, and is highly valued by staff in organisations that offer cover.

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About Lifetime

At Lifetime, we help employers of all sizes create practical, high-impact employee benefits packages that go beyond perks and policies. These are programmes that actually improve lives.

Whether it is health cover, life & income protection, financial education, or KiwiSaver guidance, we work with you to achieve your objectives and design benefits that reflect your culture, suit your budget, and support your team's wellbeing today and into the future.

There's no one-size-fits-all so we build a plan that reflects your business, your people, and what you want to achieve, whether that's improving retention, supporting wellbeing, or simply doing right by your team. And it doesn't need to be complicated - whether you're reviewing your current setup or creating a new offer from scratch, our team will guide you every step of the way and we can share what's working for other businesses like yours and help you explore the best fit for your team.

What else makes Lifetime different? We focus on people not just products. Our unique Advice for Life philosophy sets us apart, moving away from product to a focus on people. We are one of New Zealand's larger employee benefits teams, with local advisers in 16 locations and experience in supporting businesses from 5 to 3,500+ staff. Which means that you and your team can also benefit from additional individual financial services, provided through our local network of advisers.

Whether you're building a benefits programme for the first time or looking to improve what you already offer we're here to help you support you and your people. We do not just offer value, we deliver with care, integrity, and alignment to what matters most for your organisation - and we offer a promise that we will act with integrity to help you organisation look after your people.

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