



2 May 2013

Inquiry into the Service Sector
New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

Email to: info@productivity.govt.nz

Dear Sir/Madam

Re: Boosting Productivity in the Service Sector Issues Paper

1. Background

I am writing to you regarding the New Zealand Productivity Commission's (NZPC) recently released issues paper entitled Boosting Productivity in the Services Sector.

Though, as outlined in your paper, health care is predominately provided by the public sector, there are a number of products and services provided by health insurer Southern Cross Health Society ("Southern Cross") that help to maintain and increase productivity of businesses within New Zealand. We would like to share what is undertaken by Southern Cross to aid in the Commission's collection of ideas, opinions and information in relation to productivity.

This submission is being made on behalf of Southern Cross as outlined below:

Southern Cross Health Society
Private Bag 99934
Newmarket
Auckland

Contact: aimee.bourke@southerncross.co.nz
09 925 6412 or 021 410 411

2. Health Insurance

Southern Cross is New Zealand's largest health insurer with 61% market share (820,000 members). Having provided health insurance to New Zealanders for 52 years Southern Cross is well-placed to offer commentary on the positive impact subsidised health insurance has on the workforce.

Around 640,000 New Zealanders are covered under employer group schemes, the majority (440,000) with Southern Cross. Approximately two-thirds of these are in employment, the remainder are dependents.

Despite the disincentive of Fringe Benefit Tax (FBT) placed on New Zealand businesses, many employers choose to subsidise health insurance for their employees. They do this not just because it makes them a more attractive employer but also because there are clear, documented benefits to them from having a healthier workforce, who are able to access prompt medical and surgical treatment when they require it and be back to work sooner.

Research from a 2011 TNS survey of nearly 2000 New Zealanders in full-time employment showed that providing subsidised health insurance in the workplace can improve:

- employee satisfaction
- retention rates
- and business productivity through reduced absenteeism (due to medical reasons). Employees with health insurance took an average 2.2 fewer days off work than those without health insurance.^[1]

In looking at increasing productivity, research on the effect on output of a day off work found an average \$112 was lost for every employee absent for a day. This doesn't include other costs resulting from absenteeism such as temporary staff hire, delays on projects, productivity loss or client inconvenience.

For the whole economy, the savings from workplace health insurance in terms of loss of output avoided is estimated at \$133 million a year.^[2]

There is also a wider social benefit, from the reduction in pressure on the public health system for elective services covered under health insurance. Each year around half of all elective surgeries in New Zealand are funded privately, the vast majority through health insurance. Increasing the proportion of valuable employees with subsidised insurance in the future will continue to help to assist public hospital waiting lists and increase the availability of public funds for use in other healthcare services.

The biggest impediment to increasing the number of employers offering subsidised health insurance is the burden of FBT and this is something that Southern Cross has long advocated for on behalf of employers and employees.

Fringe benefit tax is a significant disincentive to employer-subsidised health insurance. The introduction of FBT in the late 1980's saw the number of insured employees dramatically reduce by hundreds of thousands. These were tax-paying New Zealanders who fell back on the public system.

Removal of FBT on subsidised health insurance would align it with the tax treatment of accident insurance under the ACC.

Fringe Benefit Tax on health insurance sends the wrong message to employers who wish to play a responsible role in their employees' health arrangements.

3. Health and Wellness

Southern Cross also provides corporate wellness programmes. We recognise that personal and health issues of employees can have a big impact on a business's productivity. Though some do, more employers need to recognise the importance of supporting their employees' wellbeing.

In the average workplace, employees work around 1800 hours per year. Having employees fit and well, and fully engaged for all or more of those hours is a good place to start getting more out of business.

^[1] TNS, "Understanding the employer benefits of health insurance", October 2011

^[2] Health Funds Association of New Zealand, "Workplace-Based Health Insurance: How Employers, Employees and Government can Benefit from Fostering Greater Take-up", August 2010

Research shows that health and wellness initiatives can very quickly start paying productivity dividends. For example, a 2008 study by Synergy Health showed that implementing influenza vaccinations resulted in a saving of \$60 per person vaccinated by reducing the level of sickness absence (based on employees on an average \$55,000 salary).

With examples like this in mind, Southern Cross works with employers to design tailored wellness programmes to support specific business objectives.

The types of programmes offered include:

- **Health checks** - alerting employees to lifestyle factors that might negatively impact on their health and provide health intervention recommendations for targeted individuals
- **Flu vaccinations** - to minimise the potential for disruption with absenteeism
- **Exercise, nutrition and weight management** - to address declining health, the onset of lifestyle diseases and increase energy levels in the workplace.
- **Seminars and workshops** - the topics range from stress, work/life balance and smoking cessation to an ageing workforce, shift-work and health education.

Over the last two of years, resiliency training has become one of the most requested workshops offered by Southern Cross. Sessions were provided to thousands last year (including over 400 employees attending free sessions in Christchurch) and encompassed emotional resilience, sleeping and physical wellbeing.

In ending, I would like to note that in the 'Boosting productivity in the services sector' paper, the Commission recognises that the ultimate purpose of increasing productivity is to improve wellbeing. It's an important acknowledgement that prosperity is not just about dollars and cents.

Enhancing productivity is good for the bottom line. But if we're getting more from, and asking more of, our people, health benefits are also a way that businesses can give something back.

Recommendation: That the NZPC take into account the positive effects health insurance and health and wellness initiatives have on New Zealand businesses and their employee productivity, highlighting this in future discussions and recommendations regarding business productivity.

Thank you for the opportunity to comment, and we look forward to further discussions and the release of the interim reports.

Kind regards,



Peter Tynan
Chief Executive
SOUTHERN CROSS HEALTH SOCIETY