

# Medical inflation and how it contributes to health insurance premium increases



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

This article focuses on how medical inflation leads to increased premiums and how these changes 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 rise as we get older.

## What is medical inflation?

Medical inflation comes from the increasing cost of medical procedures over time. It includes the increased use and costs of scanning and medications associated with treatment, as well as the overall increase in the number of claims made at any particular age. These factors are driven by increasing expectations of wellness and full capability. We’ve explained each of these below and why they occur.



### New procedures and medications

Medical advances have led to better, but sometimes 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 comes at an increased cost. New medications, such as new forms of chemotherapy, are also being regularly introduced as they can be more effective and have fewer side effects than older medications. With further advances in medical technology, the cost of some treatments and procedures can increase. As new treatments become mainstream, and medications are produced in larger quantities, the associated costs may drop.



### More diagnostics, more scans

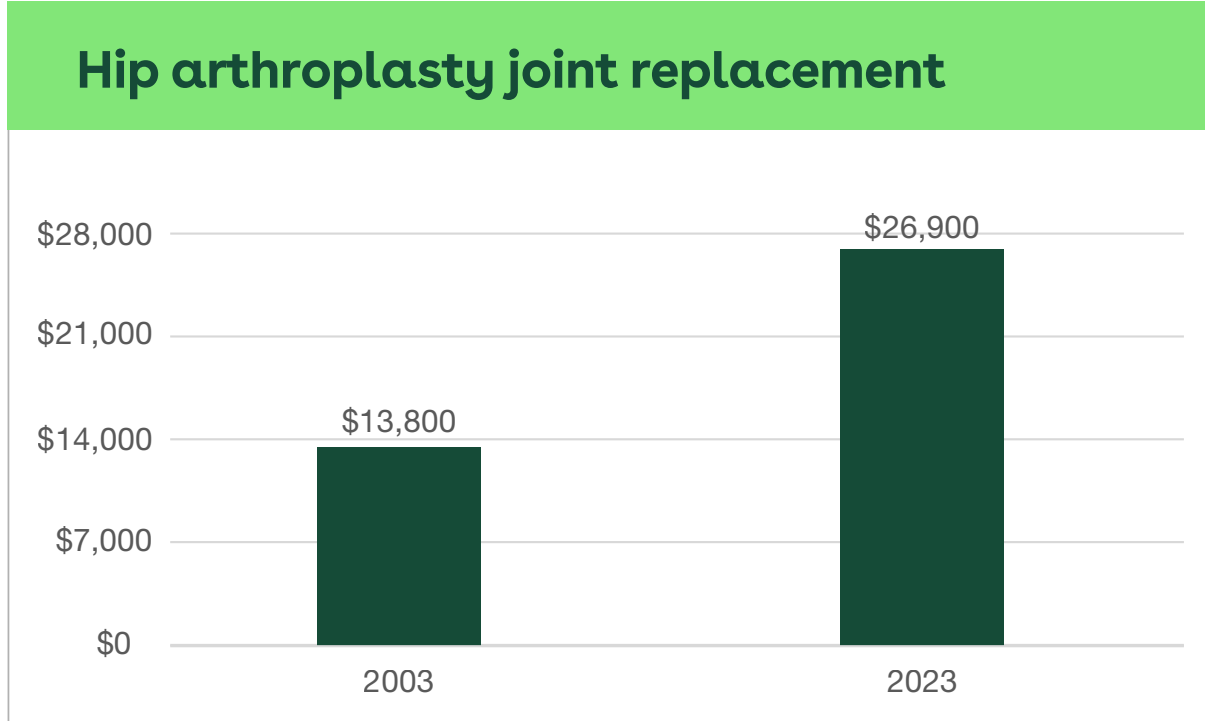
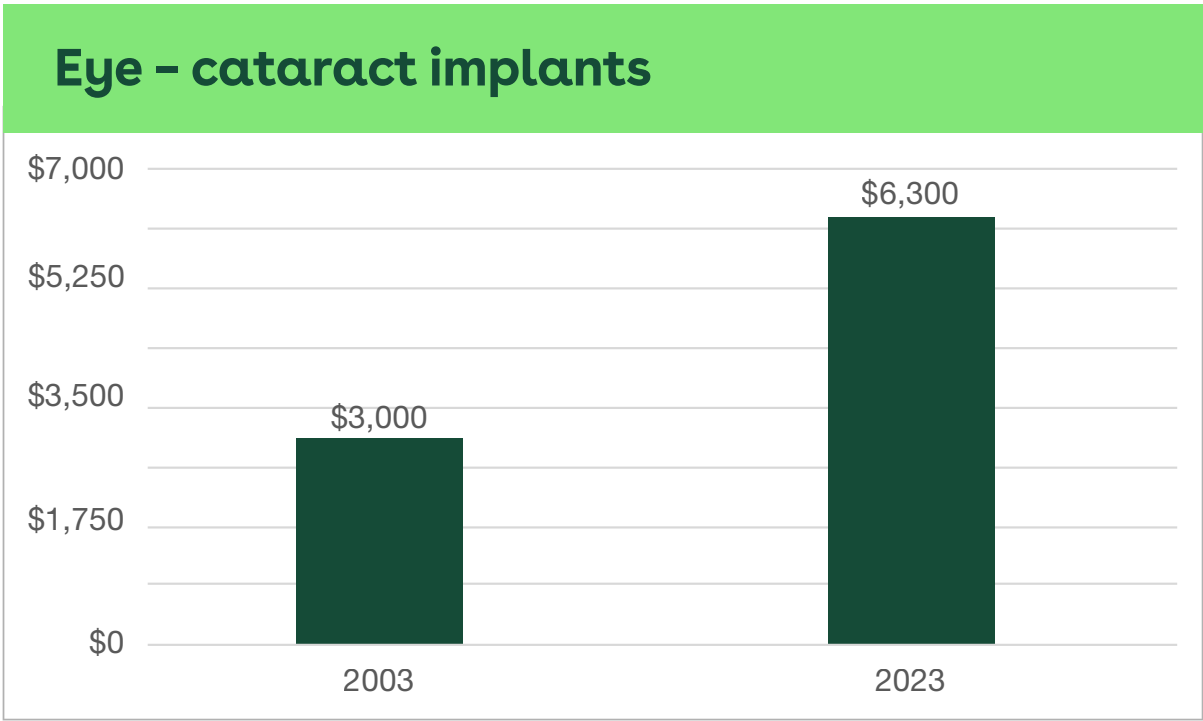
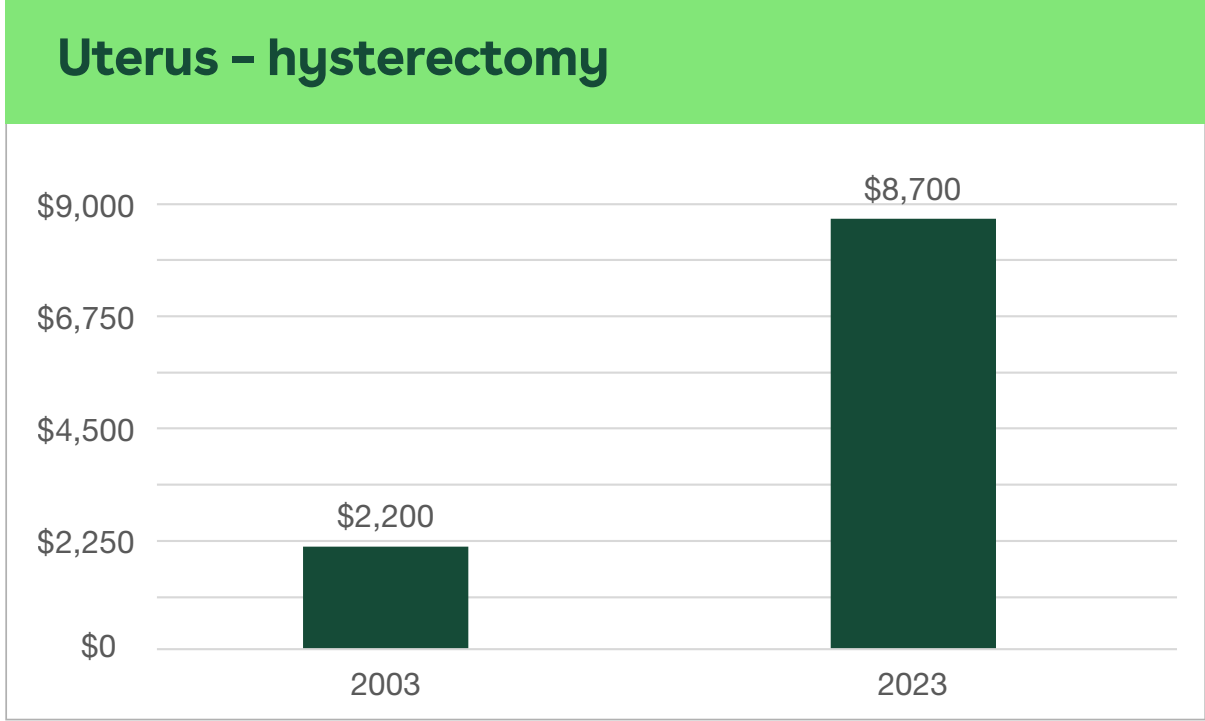
Increasingly, health service providers are requesting additional diagnostics that can be more sophisticated and expensive. This can help them pinpoint the causes of ill health so they can treat appropriately. However, these additional scans and imaging add to the cost of the overall treatment. For example, in the past large joint surgery used to usually include two diagnostic procedures before and after surgery. In most cases, it is now three. Doctors now use scans to determine the efficacy of some cancer drugs during a course of treatment, at additional cost. And surgery may now be recommended earlier, increasing costs and the number of surgical claims.



### 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 their ill health can and will be treated. People are more aware of health conditions, symptoms, and the treatments available, thanks to the internet and social media.

The charts below show just a few examples of cost increases for 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.



Charts: Last updated August 2024

## Getting value for money

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

One factor affecting premiums is the operating costs associated with providing health insurance. These relate to administering policies, managing claims and other costs not directly related to claims or treatments. nib works hard to contain these costs and ensure value for money for clients. The nib First Choice Network is an example of how nib works to reduce claims processing costs, while also constraining excessive claims costs.

