



Institute of Actuaries of India

**MUNICH  
HEALTH**

***Session 3: Concurrent Sessions on Health Care Insurance  
The Role of Reinsurers in health insurance management***

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***Waves of Reforms...Oceans of Opportunities***

***2013 AGFA & 15<sup>th</sup> Global Conference of Actuaries***

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# Topics

- Healthcare is local and complex
- The Role of Reinsurers
- A Range of Services
- Services Examples

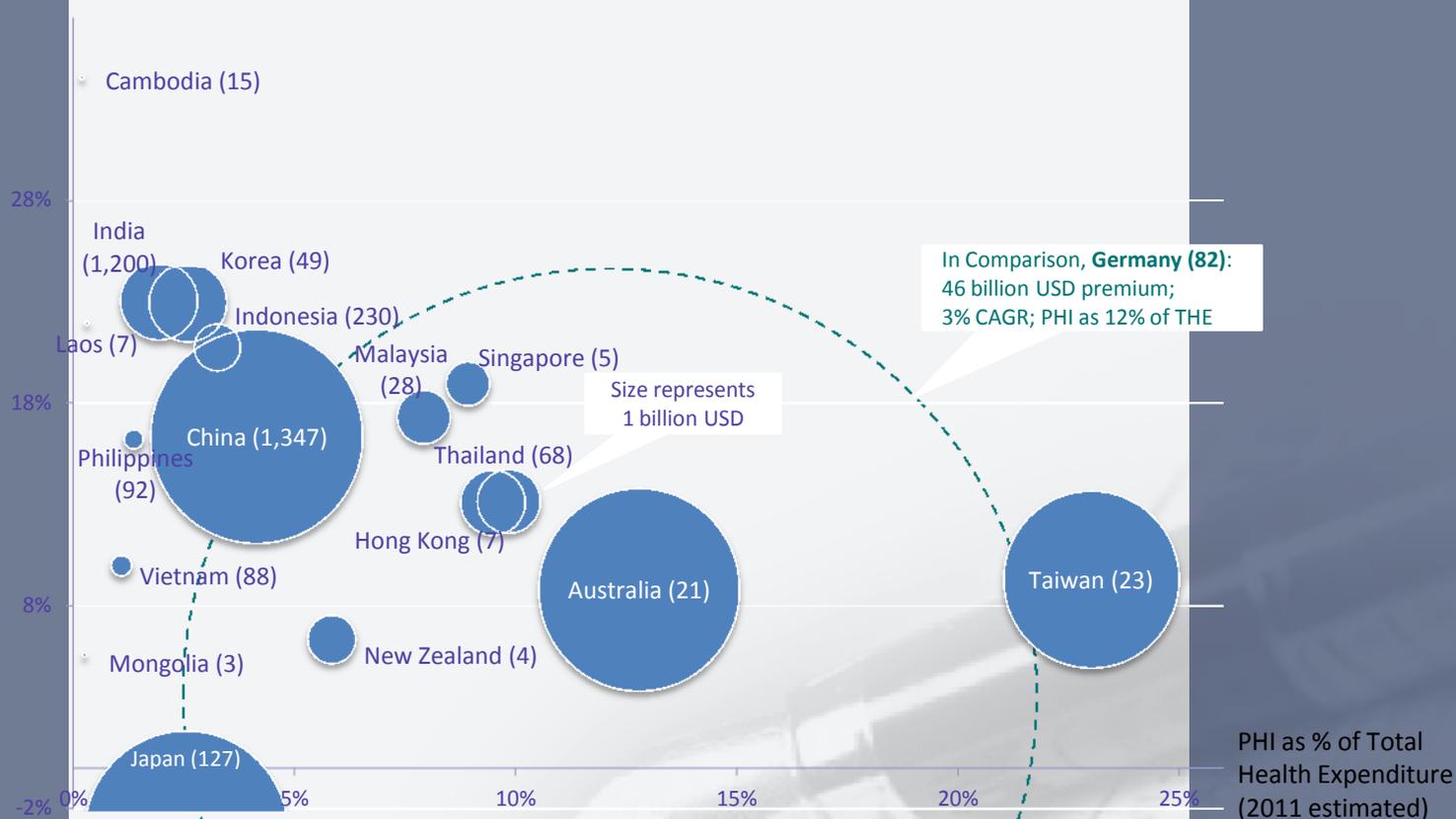


# What do regional PHI markets look like?

## Asia Pacific Regional Private Health Insurance Developments

Private Health Insurance  
CAGR 2006-2011 estimated

Premium size of Private Health Insurance 2011 (estimated) with population in bracket (million)

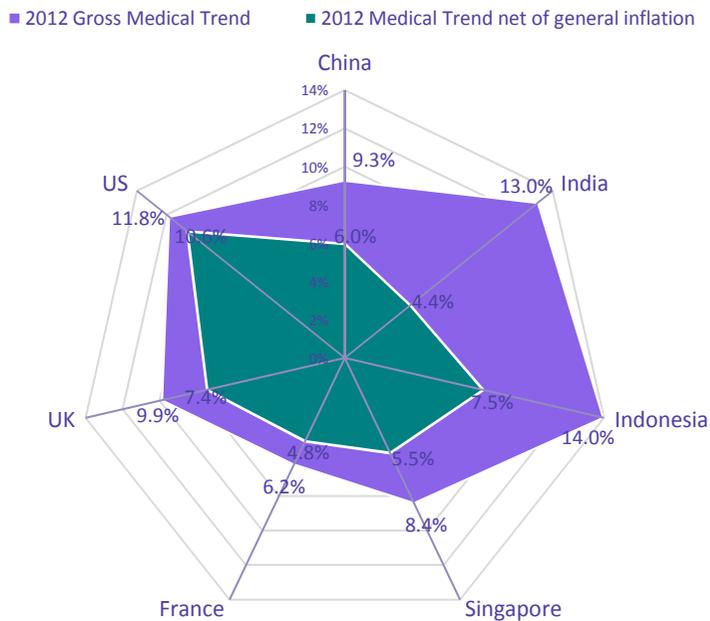


Source: Munich Health Research

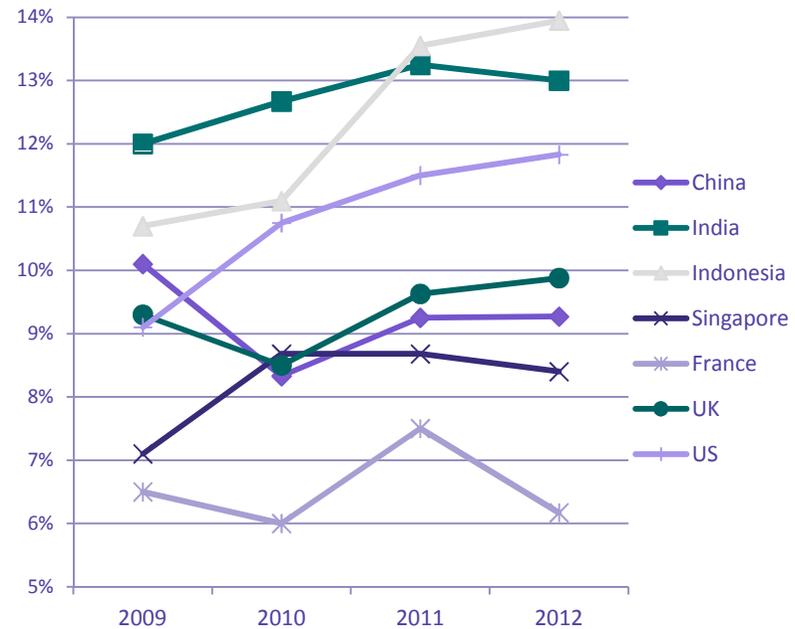
# Medical Trend measured by Insurers in the region

Gross Medical Trend\* is a survey based index developed by Tower Watson to illustrate the percentage increase in medical cost (trend) for selected insurers' portfolio\*\* in each of their representative countries.

Medical Trend Estimates 2012



Gross Medical Trend Development 2009-2012



\* This index reflects the increases in both price inflation and utilization, and is only one component (medical insurance) when measuring medical inflation  
 \*\*The survey was conducted for the past four years among 170 leading health insurers that provide medical insurance solutions to employers in 37 countries throughout Asia, Africa, Europe and the Americas.

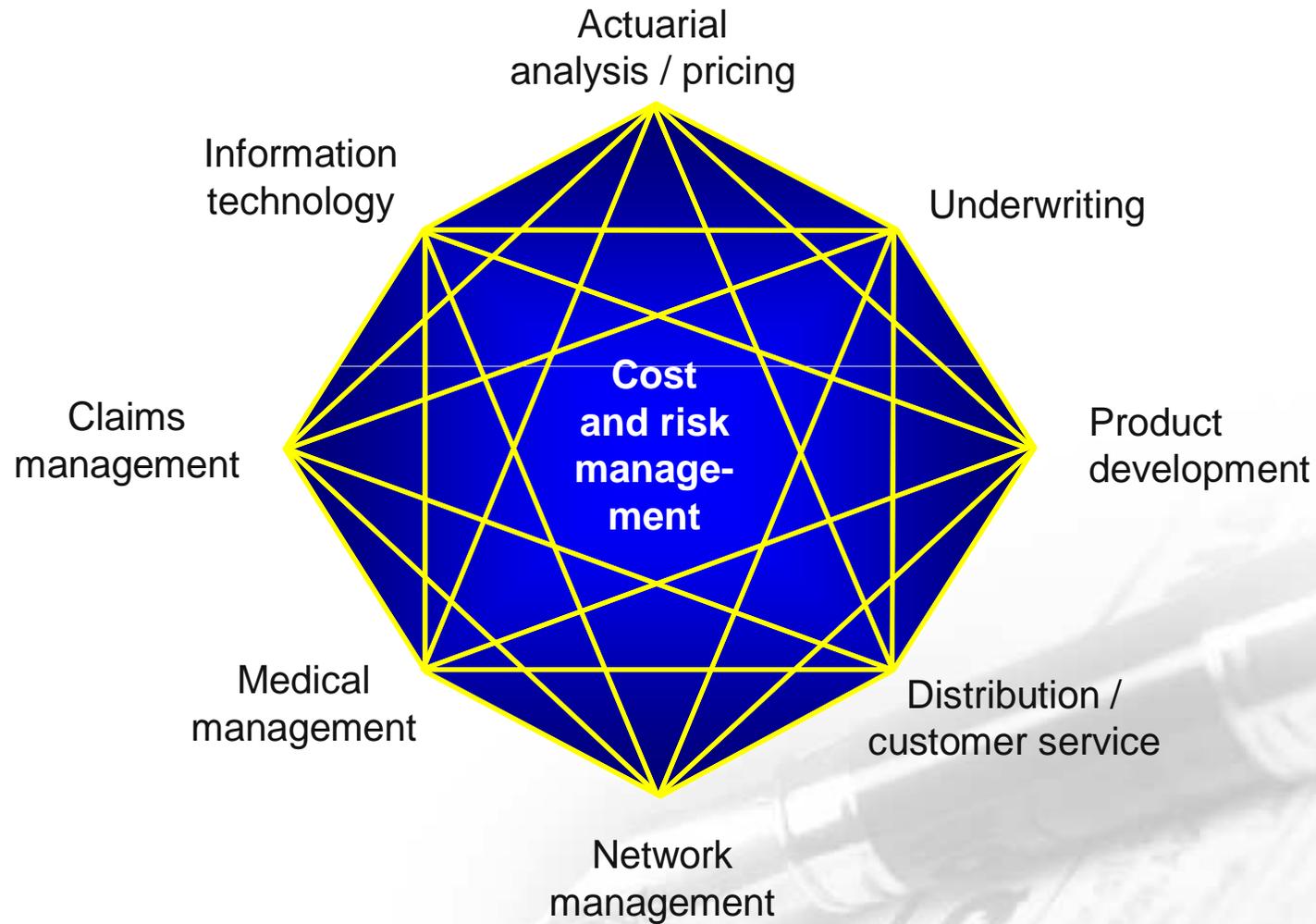
# APAC Health Insurance Potential

## Key Markets' Healthcare Environments

	India	China	Hong Kong	Indonesia	Malaysia	Thailand	Australia	Singapore	Sri Lanka
<b>Aging Population</b>	Emerging	Yes	Yes	No	No	Emerging	Yes	Emerging	Emerging
<b>Dominant Distributor of PHI</b>	Life / Non-life / Health	Life / Non-life	Life / Non-life	Life	Life	Life	Health	Life	Life / Non-life
<b>Tax Incentives for PHI</b>	Yes	Group only	Group only	No	Yes	No	Yes	Yes	Group only
<b>Restrictions on Premium Rates</b>	notify	No	No	No	No	No	Yes	notify	notify
<b>Minimum Benefits Schedule</b>	No	No	No	No	No	No	Yes	Yes	No
<b>Guaranteed Renewal</b>	Some	Some	Some	No	No	No	Yes	Yes	Some
<b>Portability of PHI policy</b>	Yes	No	No	No	No	No	Yes	Yes	No
<b>Medical Underwriting allowed</b>	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
<b>Reimbursement product as % of total PHI portfolio (in terms of premium, excl. CI)</b>	70%	20%	40%	75%	65%	60%	90%	45%	70%
<b>PHI as funder of private providers</b>	insignificant	insignificant	significant	insignificant	insignificant	insignificant	significant	significant	insignificant
<b>Provider contracting</b>	early stage	early stage	common	not common	common	not common	regulated	No	early stage
<b>Government capitation funding</b>	No	No	No	No	No	No	Yes	Yes	No
<b>Health Statistic Availability</b>	Limited	Limited	Limited	No	No	No	Yes	Limited	Limited

NHI – National Health Insurance  
Source: MH market research

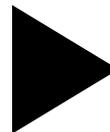
# *The Recipe: Active management of the Health Insurance Value Chain*



# Addressing the potentials Macro Trends and Challenges

## Trends and Challenges

- Increase in average income
- Aging population / population structure change (inverted pyramid): sustainability pressure challenging public spending.
- Dynamic health care supply and demand, surging needs for preventive programs
- Medical progress (including new technologies) and higher medical inflation
- Growing needs from healthcare provider (incl. management and billing support)
- Increasing pandemic risk across the region
- Dynamic regulatory frameworks
- Increasing competitive forces



## Questions to answer

- How to manage the increasing volume and complexity of healthcare demand?
- How will high quality and scientifically state-of-the-art medical care remain affordable?
- What are the important issues for health insurers and society as a whole?
- How will regulation shape the market space for PHI ?
- What is a sustainable basis for differentiation ?

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# Roles in the Health Risk Value Chain

## MH business models



TPA / Assistance

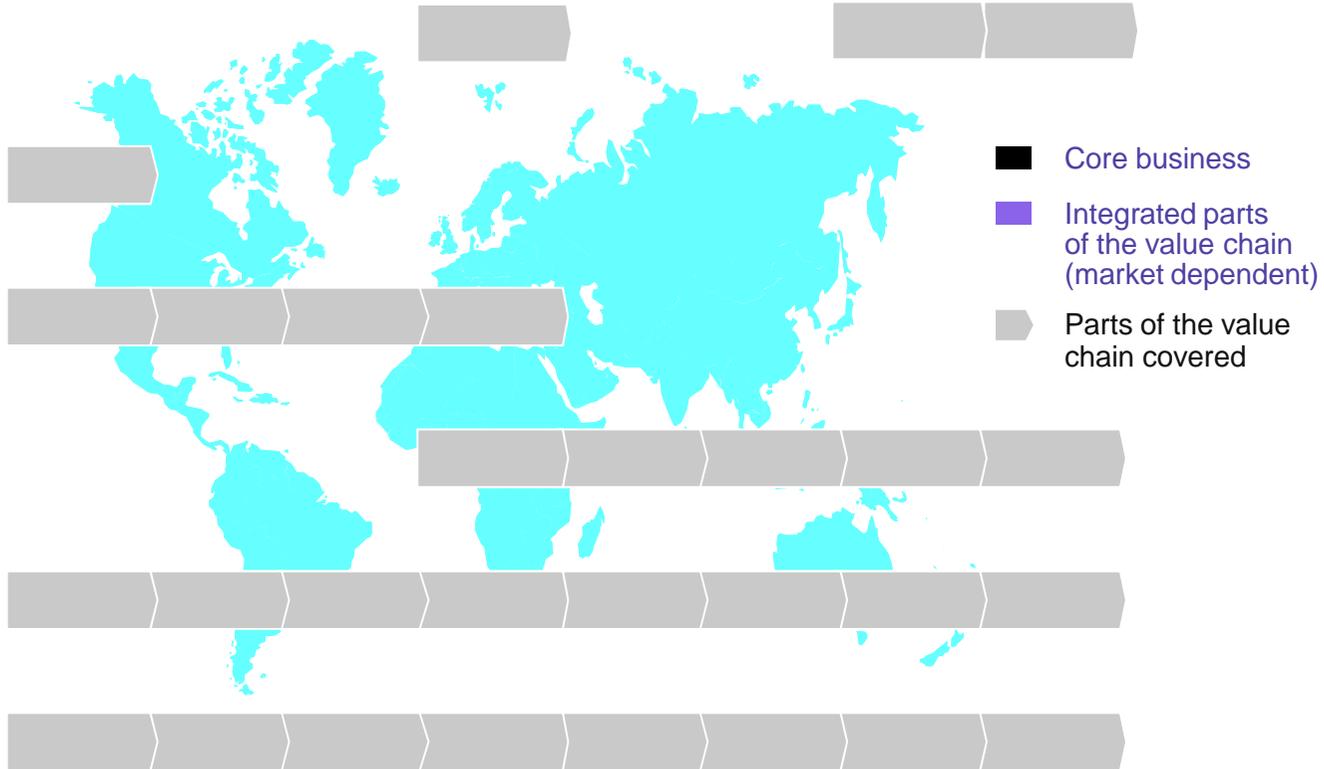
Classic capacity reinsurance

Classic primary insurance

Administration plus Managed Care Services

Integrated reinsurance ("including TPA")

Integrated primary insurance



# *Acting as more than a source of Capacity*

## Improving Health Insurance Results

Provision of reinsurance capacity

Source of capital management solutions

Enhancing product and service design as well as innovation for our clients to increase their sales, profitability, customer satisfaction and retention

Improving risk management and risk transfer – loss ratio optimization

Process reengineering and managing costs down – expense ratio optimization

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# Potential services along the health risk value chain

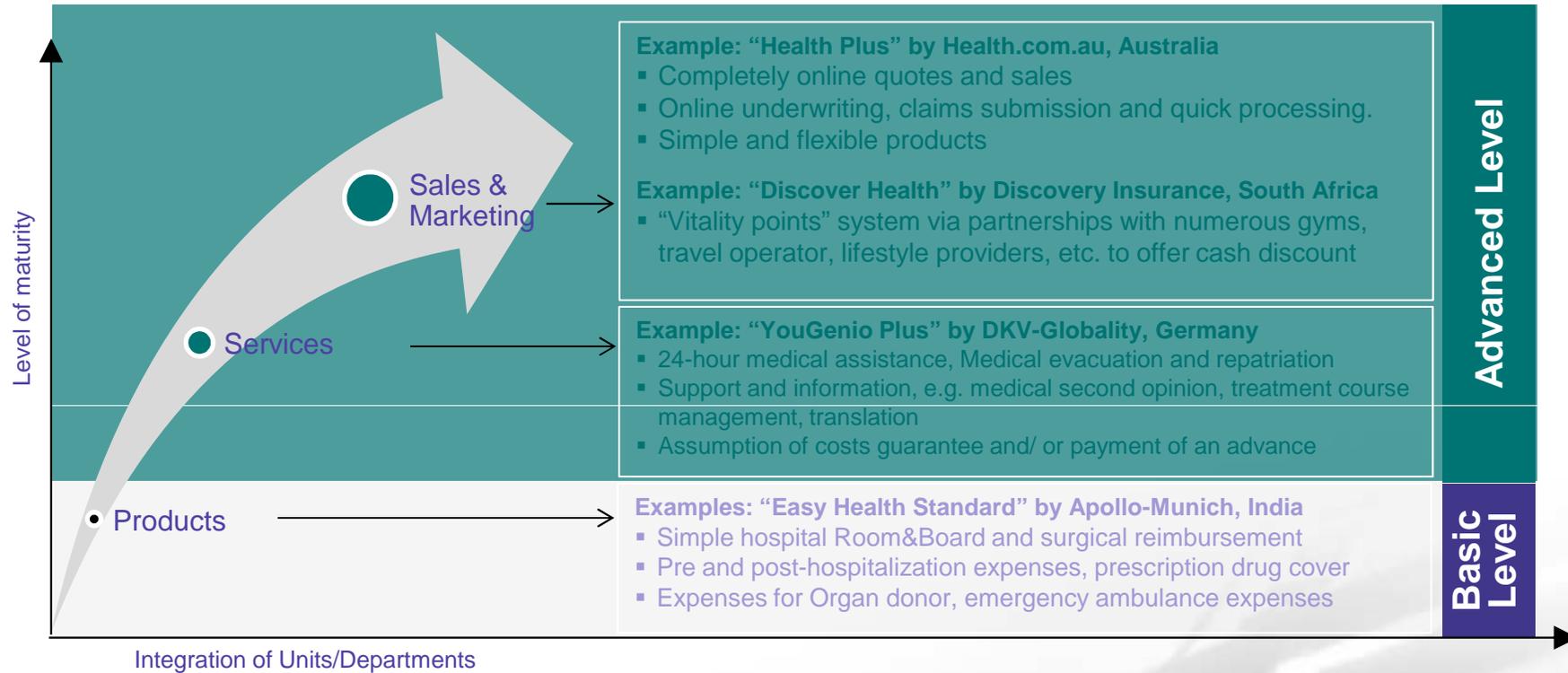
	Actuarial	Product Development	Marketing / Sales	Underwriting/ Risk Assessment	Claims- / Network-management	Medical Management	IT Services
Assessment	Basic actuarial approach / def.	Market and customer assessment	Market and customer assessment	Initial high level assessment	1st client approach Claims / Network	Initial medical review	Review of processes and IT
The initial assessments service to identify the areas, where our services can create the most client value							
Best Practice Services	First Actuarial Diagnosis	Integrated and market-oriented product development & sales approach		Underwriting analysis	Review of claims processes, provider profiling	Feasibility check	Health systems
	Re-pricing, premium adjustments	Innovation transfer	Development of best-practice sales approach	Underwriting workshops and trainings	Medical network management	Prevention programs	Business Intelligence solutions
	Pricing new simple products	Generic product development process	Implementation of new sales concepts	Medical underwriting guidelines	Evaluation / steering high cost claims	Disease management	IT Consulting
	Monitoring system, KPI	Sustainable product design	Monitoring/ review of sales strategy	Edit engines for claims management including data analysis			
	Group monitoring & renewal pricing						
	Business Intelligence System						

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# Product evolution



## Diversification depends mainly on the level of market maturity:

- while product concepts itself can be the key to innovation and growth in lower-developed markets,
- a mixture of products and service components is needed in emerging markets.

In general it can be said, that the more developed a market is the more focus needs to be put on sales & marketing concepts as this is the most promising way to gain operational effectiveness and competitive advantage in the long run.

# Leading Group Insurer – improving profitability

## Client & Market Background

- Strong brand based on financial stability and long history.
- Leading health player with large sales force and efficient claims workflow.
- Imminent Health Reform implies both challenge and opportunity.

## Issues

- Weakness in large group market segment.
- UW approach can lead to pricing risks; Claims not pro-actively managed.
- Absence of medical analytics and utilization review.
- Lack of data analytics restricts possibility to develop more sophisticated products.

## Scope of Work



- Review functional areas Sales, UW, Claims, Actuarial, Products etc.

- Post-mortem analysis of UW results on renewal and new sales
- Introduce Group-specific KPIs and “Group Pricing Tool” based on data analysis
- Adjustment recommendations to the UW approach
- Differentiated pricing decisions - higher retention of better risks
- Improved renewal decisions based on quantitative arguments
- IBNR study to provide accurate reflection of reserve adequacy

- Detailed medical profiling against multiple criteria
- Establish reasonable and customary norms
- Structured utilization review
- Proper understanding of dynamics behind claims patterns
- Subsequent “Risk relevant” product / intervention design
- Design of provider reimbursement model

## Outcomes

- Expected: Better completion rate, faster returns and detailed information; quicker underwriting; enhance data analysis and improve underwriting decision; top and bottom line growth, enhanced market leadership in health insurance.

## Visions and Feedback

- Management by Data will occur on an extensive basis in Actuarial function.
- Provider Management Innovations will make an operational difference.

# Data Requirements development and implementation – Reimbursement products

## Policy Data Requirement

Policy number	Date of policy inception	Plan Type or Sum Assured
Name	Date of policy renewal	Written Premium, Premium payment mode
Gender	Date of birth	Exclusion, if any and/or risk loadings

## Claims Data Requirement

### Fix-benefit Product

Claim number
Plan Type or Sum Assured
Date of Admission
Date of Discharge
Date of Notification
Date of Payment
Type of illness/injury (ICD-9 classification)
Surgical procedure (CPT-4)
Surgeon's name
Claims – (type of currency, by submitted and approved)
Daily Hospital Cash due to sickness
Daily Hospital Cash due to accident
Daily Hospital ICU

### Indemnity Product

Claim number
Plan Type or Sum Assured
Date of Admission
Date of Discharge
Date of Notification
Date of Payment
Type of illness/injury (ICD-9 classification)
Surgical procedure (CPT-4)
Surgeon's name
Claims – (type of currency, by submitted and approved)
Room & Board (including ICU)
Surgery cost
Anesthesia fees
Operating theatre charges
Inpatient/Specialist consultation cost
Miscellaneous cost
Day surgery (if any)
Pre Hospitalization cost (including diagnostic fees)
Post Hospitalization cost
Medication/Drugs cost
Other charges
Total claims
Non-hospitalization claims (if applicable)
Outpatient clinical consultation fees
Prescription drugs
Diagnostic test including X-rays
Specialist consultation fees
Dental treatment
Other type of benefits



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# THANK YOU!

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