

Flexibility in Product Design – Learning from International Markets

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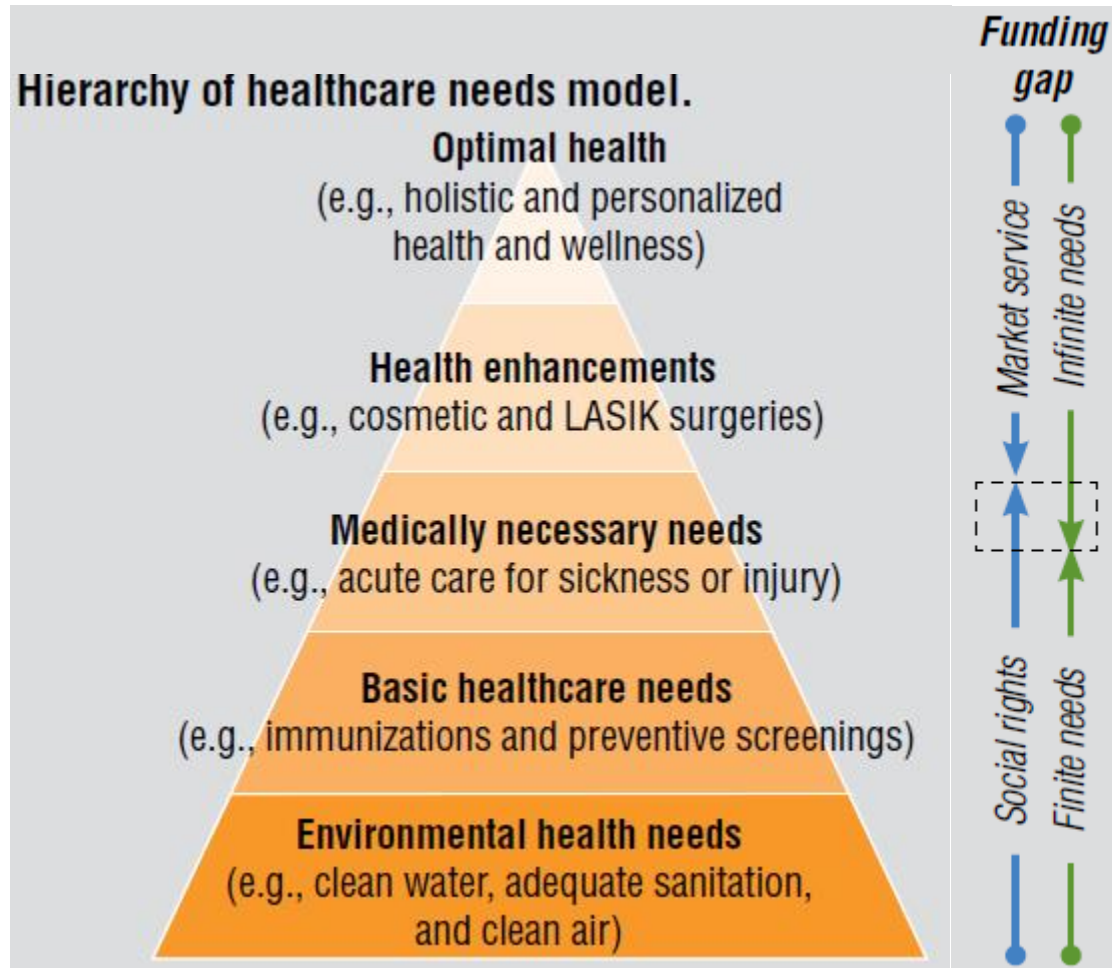
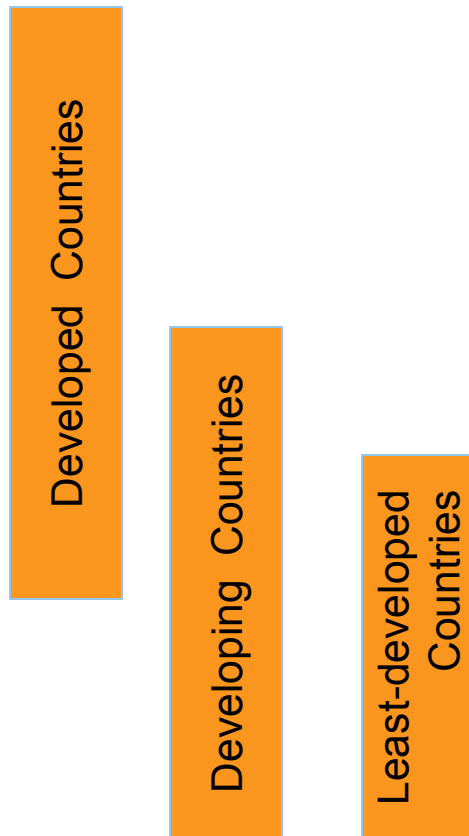


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Healthcare Needs by State of Economy



*Source: IBM Institute of Business Value – Healthcare 2015: Win-win or lose-lose?

Healthcare Needs by Stage of Life

■ Type of Insurance Cover

- Income insurance
- Medical insurance

■ Length of Obligation

- Short term
- Long term

■ Type of Payments

- A one-off payment (lump sum)
- A regular series of payments (annuity payments)
- Reimbursements for medical services

■ Type of Cause

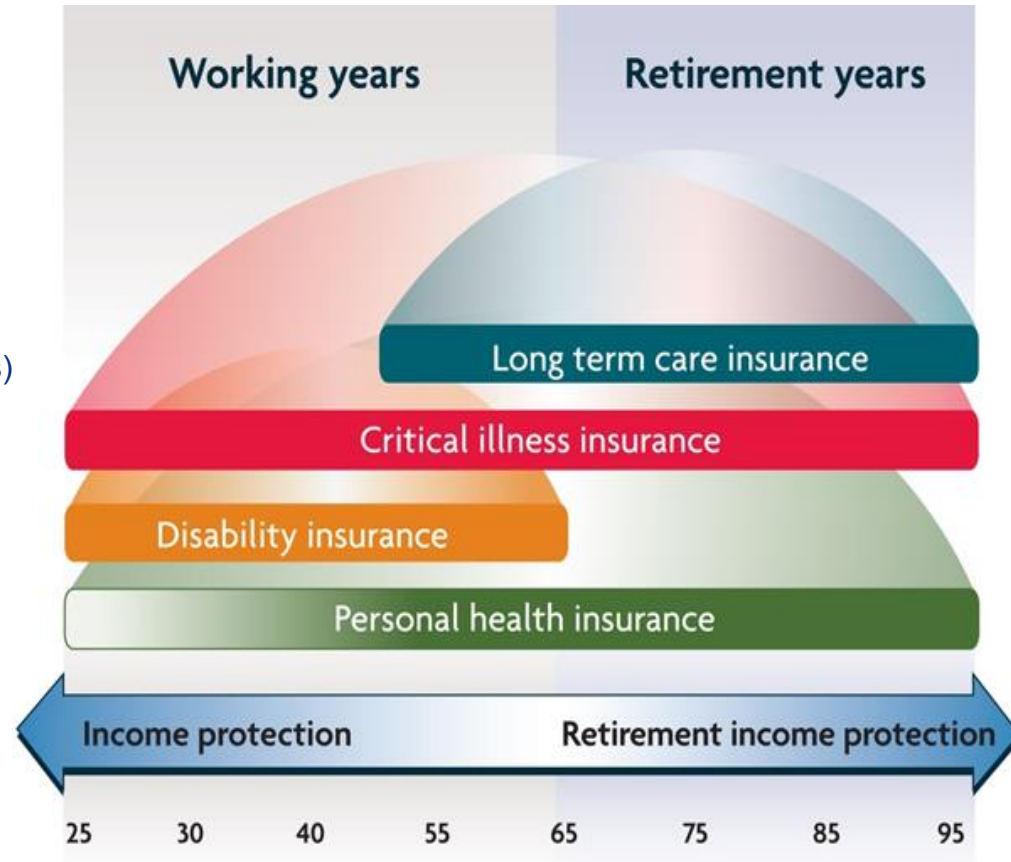
- Sickness / illness
- Accident

■ Type of Expenses

- In-patient / facility
- Outpatient / clinics
- Medical goods
- Transport
- Others

■ Type of Insurance Contract

- Group health insurance (Social groups or employer group insurance)
- Personal health insurance



Some Facts – Global Healthcare

- UK: Historic commitment to universal and national health care
- Australia: Among highest life expectancies in the world and considered to have best health outcomes compared to expenditure
- Germany: Benchmark country in terms of delivery of safe care, though have higher expenditures
- France: Rated as having the best healthcare system in the world by WHO in 2000 (the last year WHO ranked health systems)
- US: Best equipped health facilities in the world with highly specialized services, though highest overall healthcare costs and lack of commitment to universal health coverage

Similar challenges posing strain on healthcare systems of developed and industrialized countries:

- Shift in population demographics and social characteristics (need for LTC)
- Balance between containing costs while maintaining access and quality (high deductible plans and provider management through bundle payments for episodes of care)
- Fragmented healthcare delivery models and bias towards acute vs. chronic illness service delivery (integration of stakeholders for managed care, e.g., ACOs, etc., and chronic disease management through wellness products)

Types of Private Health Insurance (PHI)

Primary PHI

- Provides coverage in the absence of government / social coverage or to individuals not eligible for coverage under government / social programs
- Individuals are eligible for government / social coverage but have chosen to opt out of such coverage (substitute)

Duplicate PHI

- Offers coverage for health services already included under government / social health insurance to provide access to different providers or different levels of service (faster access)
- Does not exempt individuals from contributing to government / social health coverage programs

Complementary PHI

- Complements coverage of government / social insured services by covering all or part of the residual costs not otherwise reimbursed (e.g., cost sharing, co-payments, etc.)

Supplementary PHI

- Provides coverage for additional services not at all covered by the government / social schemes

Prevailing Types of PHI – By Country

Country	Type of coverage	Voluntary / Mandatory	Individual or group policies	Life products including health elements	Long-term care insurance (LTC)
Australia	Duplicate and supplementary	Voluntary	Individual	Yes (Lump sums for medical conditions, disability, and income protection)	No
Canada	Supplementary	Voluntary	10% individual and 90% group	Yes (critical illness and disability)	Yes
France	Complementary	Voluntary	Individual and group	NA	NA
Germany	Primary, complementary, and supplementary	Voluntary and mandatory	Individual and group	Yes (e.g., permanent disability insurance)	Yes
Mexico	Duplicate	Voluntary	NA	NA	No
UK	Duplicate	Voluntary	Individual and group	Critical illness	NA
US	Primary and complementary	Voluntary	NA	No	Yes

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Germany Health System Overview

Government Health Insurance System (GKV):

- Mandatory health insurance for residents with gross salary less than 52,200 Euros / year
- Same basic rate of 15.5% of gross salary with a maximum limit 45,900 Euros / year
- Employer pays approximately 50% of the premium
- Members with higher income can opt out of GKV
- Benefits covered include in-patient care (as ward patient) at nearest hospital, out-patient care with registered doctor, and basic dental care
- No coverage for private doctors / surgeons, private rooms, alternative medical care, dental implants, vision products, or medical benefits outside of Europe
- Non-working dependents living at same address are insured at no additional costs
- Mandatory membership for long-term nursing care schemes at approximately 2.3% of gross salary, of which the employer pays 50%

Private Health Insurance System (PKV):

- Insurance premium paid for each person covered unlike GKV where non-working dependents are covered free
- Premiums are varied by imposing different levels of deductibles (from 50 Euros to 5,000 Euros per year)
- Premium is risk equivalent unlike GKV which charges fixed % of income
- Same proportion of employer subsidies apply (as GKV) for both private insurance and long-term nursing
- Provider reimbursement are based on government regulated FFS and cannot exceed 3.5 times the FFS
- Guaranteed life-long coverage
- Level premium – the premium rates must not increase because of increasing age but depend on age at entry
- Premiums can be increased due to overall health expense inflation

Comparison of PKV and GKV (1/2)

Private (“PKV”)	Statutory (“GKV”)
premiums*	
<ul style="list-style-type: none"> ▪ risk-equivalent ▪ incl. saving components for ageing reserve 	<ul style="list-style-type: none"> ▪ percentage (currently 15.5 %) of income (up to a limit, currently 45,900 € per year) ▪ non-working partners and children are covered without extra fee ▪ covers just the medical expenses of the current period (no ageing reserve)
coverage	
<ul style="list-style-type: none"> ▪ varies from basic up to luxury level 	<ul style="list-style-type: none"> ▪ basic coverage only, potential supplementary insurance in cooperation with private players
service reduction	
<ul style="list-style-type: none"> ▪ no service reduction 	<ul style="list-style-type: none"> ▪ service reduction due to cost saving
regulation	
<ul style="list-style-type: none"> ▪ no price or volume controls for drugs 	<ul style="list-style-type: none"> ▪ various instruments to control prescription volume and prices for drugs ▪ cost-benefit evaluation for new drugs

* For both statutory and private insurance, employers bear about 50% of the contributions.

Comparison of PKV and GKV (2/2)

Essential characteristics of the statutory (GKV) and the private insurance system (PKV):

GKV – Solidarity Principle

- mandatory insurance
- income dependent premium
- statutory benefits
- premium for entire family

The total of all claims of all insured persons must match the total amount of premiums in a given year. The coverage is the same for all insured persons.

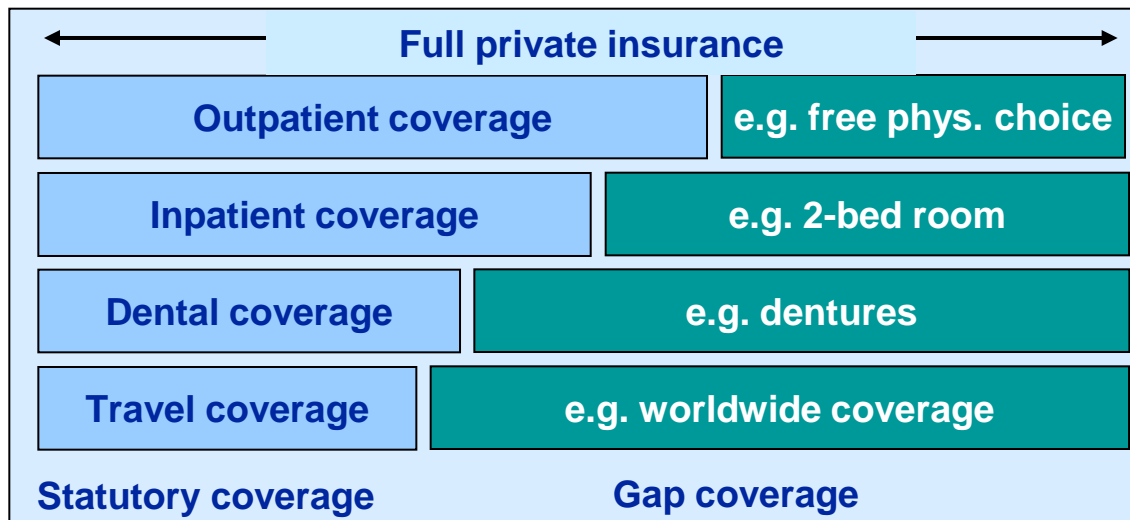
PKV– Equivalence Principle

- voluntary insurance
- risk adjusted premium
- contractual benefits
- individual premium

For every individual insured person the total of all claims must match the total of all premiums over the entire period insured (normally life-long). The coverage is agreed individually.

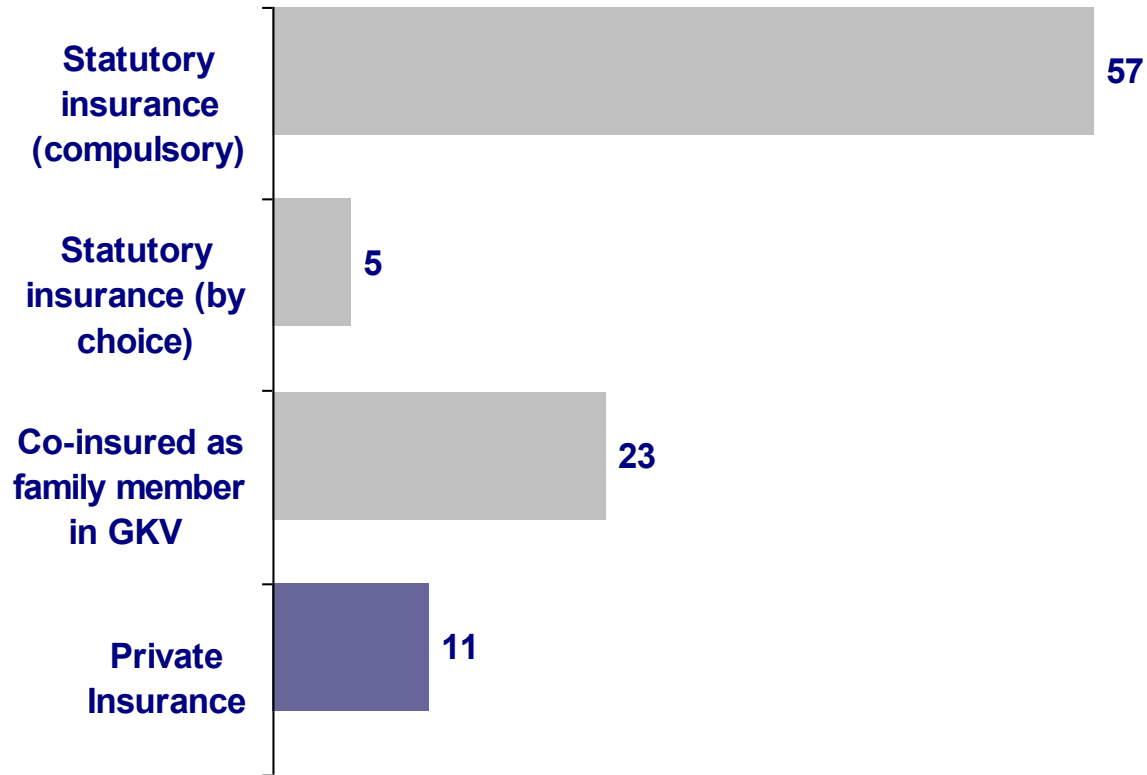
How PKV Supplements GKV

- Private health insurance offer a wide, modular selection of gap coverage policies



Market Distribution of GKV vs. PKV

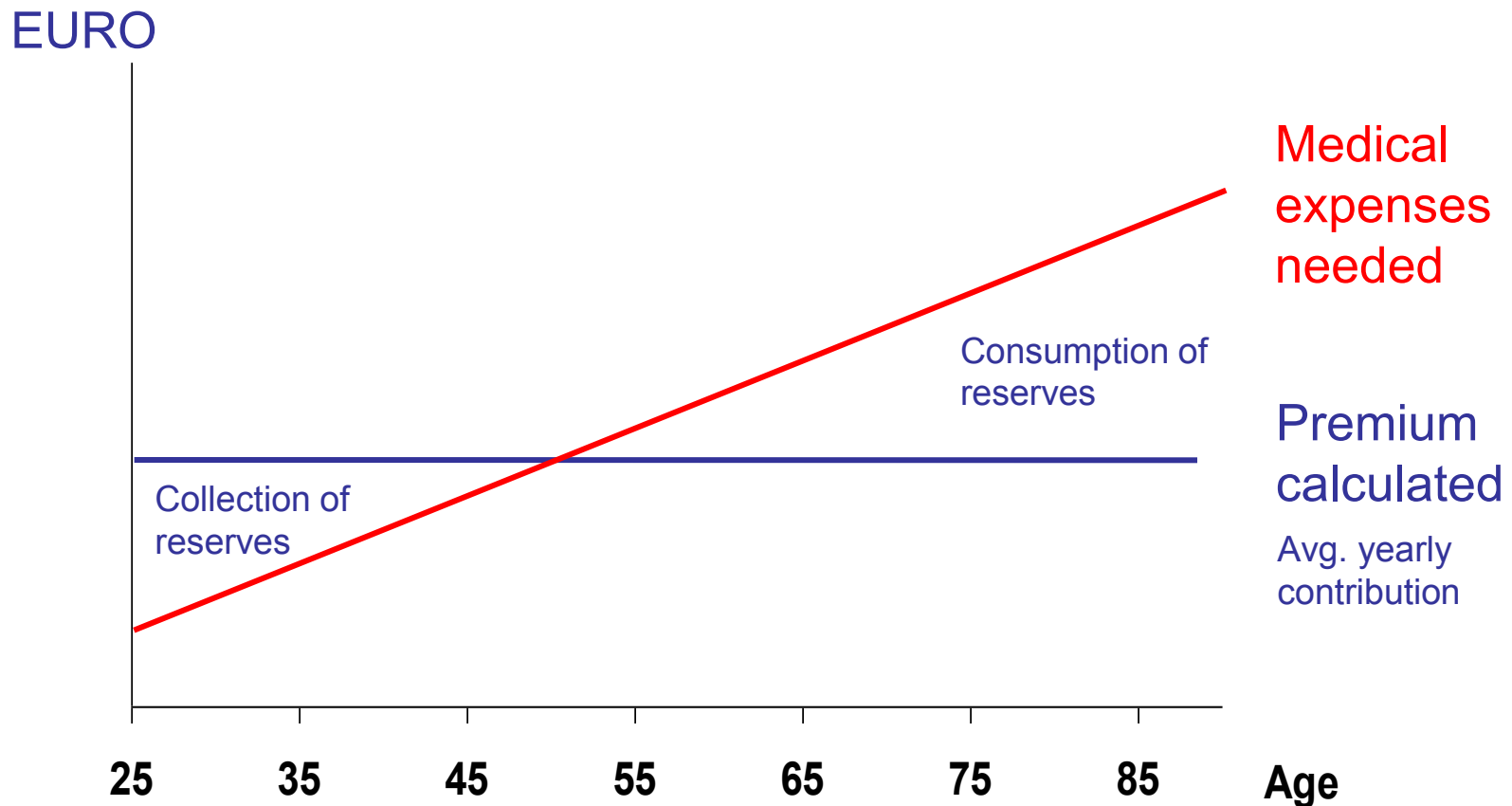
Type of health insurance 2009 in %



Source: www.gbe-bund.de; PKV Verband

Level Premium Rate in PKV

Premium calculation in Private health insurance



Germany Product Examples (1/2)

Sick Pay Insurance: In the event of sickness,

- Employer pays 6 weeks' full salary
- Post 6 weeks, GKV pays a % of income up to approximately 2,678 Euros / month as statutory sick pay for a maximum of 78 weeks, which post tax deductions leaves the member with 2,128 Euros / month
- Members with incomes higher than 2,128 Euros / month can buy supplemental private sick pay insurance, which is available at very reasonable rates
- Permanent disability is not covered in sick pay insurance and separate disability or critical illness products can be purchased for that

Travel Insurance and Evacuation Benefits:

- GKV provides limited cover for medical care while traveling to another EU country. Members need to pay cash and are reimbursed at a rate that the German system would have paid
- GKV does not cover medical evacuations
- Members can buy full coverage of medical care while traveling to EU or non-EU countries through private travel insurance products
- Private travel insurance products are available as single trip products and annual policies
- Coverage of medical evacuation in private policies varies from product to product

Germany Product Examples (2/2)

Dental Care:

- Dental care in Germany is expensive and GKV members need to get a cost estimate and present it to the insurer prior to treatment
- GKV members are reimbursed at fixed price system and can expect to pay 30% to 80% out-of-pocket in the absence of private supplemental dental insurance
- The fixed price system of reimbursement in GKV uses absolute minimum standards, thus making supplemental private dental insurance an important product

Pharmacies:

- GKV reimburses prescription generic drugs through the state network of pharmacies
- GKV imposes copayments on pharmacy coverage, the scale of which depends on cost of the medication
- GKV does not cover brand drugs
- PKV covers prescription brand drugs; members pay cash and get submit bills to insurer for reimbursement
- Neither GKV or PKV provide coverage for over-the-counter drugs

Long-term Care:

- Benefits cover 21 ADL dependencies, subdivided into 4 groups
- Severity of need is measured in 3 levels; level 1 – considerable, level 2 – severe, and level 3 – extreme
- Eligibility for cover requires at least 6 months limitation for ADLs, requiring 90 minutes of care level 1 per day
- PKV must provide for minimum of GKV cover for LTC

Typical PKV Benefits



Outpatient

Optical aids

Preventive eye
check-ups

Non-medical
practitioners

Preventive
medical check-
ups

Dental

Dental prosthesis
%

Dental prosthesis
SHI+

Dental
prophylaxis

Fluoridation /
plaque removal

Prophylaxis
bonus

In-patient

Inpatient deluxe

Outpatient 2

Abroad

Foreign Travel

Travel vaccines

Sickness benefit

Daily sickness
allowance

Germany's Strategy for Health Reforms

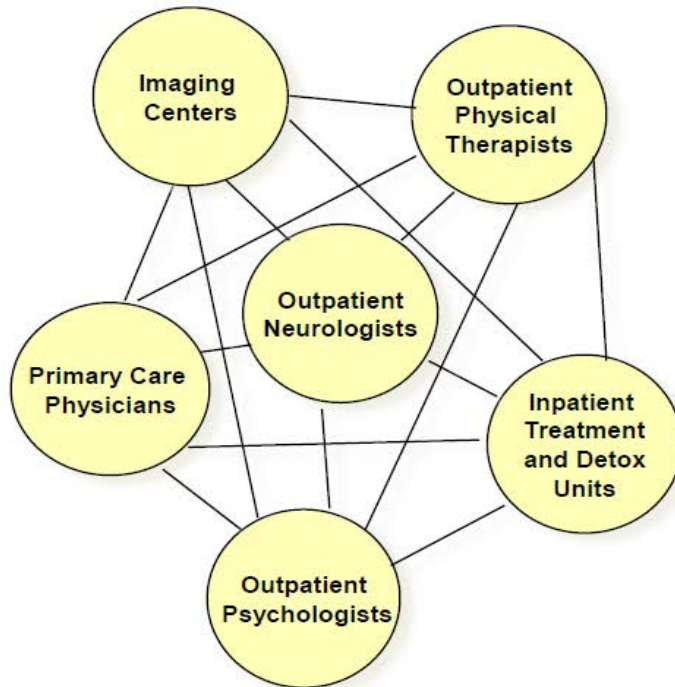
Creating a value-based healthcare delivery system – the strategic agenda:

- Organize care into Integrated Practice Units (IPUs) around patient medical conditions
- Measure outcomes and cost for every patient
- Reimburse through bundled prices for care cycles (episode of care)
- Integrate care delivery across separate facilities
- Expand areas of excellence across geography
- Create an enabling information technology platform

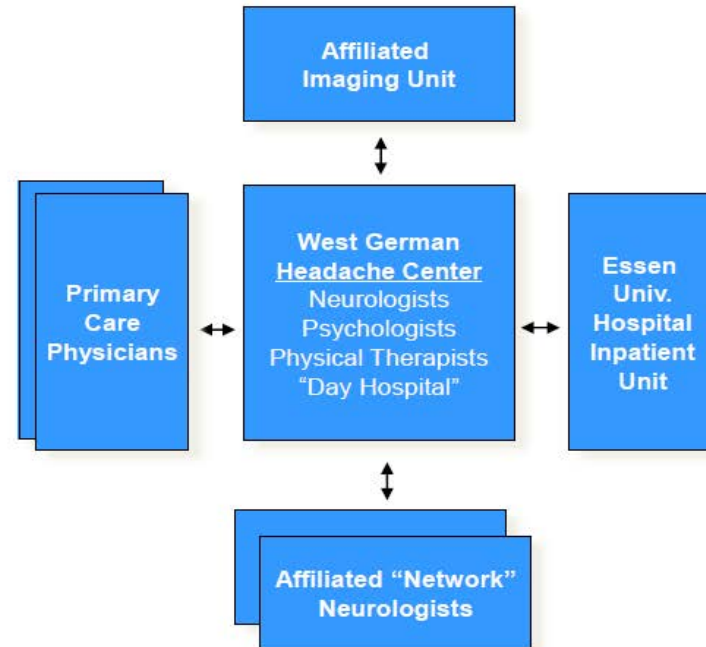
Example of IPU for Migraine Care

Organizing Around Patient Medical Conditions Migraine Care in Germany

Existing Model:
Organize by Specialty and Discrete Services



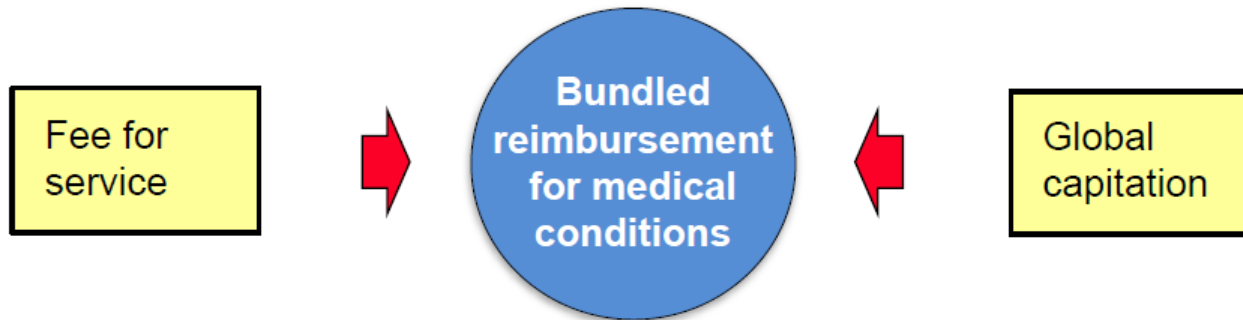
New Model:
Organize into Integrated Practice Units (IPUs)



Move Towards Episodic Care (1/2)

Example of bundled price from Sweden

Move to Bundled Prices for Care Cycles



Bundled Price

- A single price covering the **full care cycle for an acute medical condition**
- Time-based reimbursement for overall care of a **chronic condition**
- Time-based reimbursement for **primary/preventive care** for a **defined patient segment**

Move Towards Episodic Care (2/2)

Example of bundled price from Sweden

Bundled Payment in Practice **Hip and Knee Replacement in Stockholm, Sweden**

- **Components** of the bundle

- | | |
|---------------------------------|---|
| - Pre-op evaluation | - All physician and staff fees and costs |
| - Lab tests | - 1 follow-up visit within 3 months |
| - Radiology | - Any additional surgery to the joint within 2 years |
| - Surgery & related admissions | - If post-op infection requiring antibiotics occurs, guarantee extends to 5 years |
| - Prosthesis | |
| - Drugs | |
| - Inpatient rehab, up to 6 days | |

- Currently applies to all **relatively healthy patients** (i.e. ASA scores of 1 or 2)
- The same **referral process** from PCPs is utilized as the traditional system
- **Mandatory reporting** by providers to the joint registry plus supplementary reporting
- Applies to **all** qualifying patients. Provider participation is **voluntary**, but all providers are continuing to offer total joint replacements



- The Stockholm bundled price for a knee or hip replacement is about **US \$8,000**

Some Other Initiatives...

Disease Management Programs (DMP):

- Initiative to control costs for chronic conditions; currently DMPs for 6 major conditions, each with recommendations that specify treatment according to evidence based guidelines, quality assurance measures, procedures for patient enrollment and participation, provider training, and documentation and evaluation of outcomes
- Participation in DMP is voluntary and exemption from out-patient fees and copay encourages patient enrollment
- Providers incentivized to participate via lump sum payments

Consumer engagement using Smart card technology:

- Innovative IT strategy for managing health records for ease of access and informed decision making
- Patients carry their personal health records electronically and share it with health providers with a simple swipe of smart card
- Use of private PIN to ensure data privacy
- Additional voluntary features like e-prescription

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UK Health System Overview

Government Health Insurance System (NHS):

- National Health Service provides primary and secondary healthcare services to all UK residents, free at the point of use
- Financed largely through general revenues, with capital and current budget filtering from the national level down to regional and then district level
- Every member has a registered general practitioner (GP), who acts as a gatekeeper
- GPs are paid on a capitation basis and hospital physicians largely on a salaried basis
- Referrals by GPs is mandatory for consultation with specialists
- Good access to primary and emergency care but long waiting lists for specialty care
- Benefits include preventative services, inpatient and outpatient hospital care, physician services, inpatient and outpatient drugs, dental care, mental health care, learning disabilities and rehabilitation
- Minimal cost sharing applies: copay £6.85 per prescription although 88% prescriptions are exempt from charges, copay of up to £200 per year for dental services

Private Health Insurance System:

- Benefits are duplicate or supplementary and are purchased for faster access to treatment, more comfortable care environment, wider choice of specialists, treatment facilities, and timing of treatment (availed by 10% population)
- Benefits do not cover pre-existing medical conditions, chronic conditions, GP services, medically assisted pregnancy, etc.
- Full medical underwriting and moratorium underwriting are most common
- Typical range of products vary from comprehensive (most expensive), standard, and budget (least expensive) products
- Comprehensive products include benefits like psychiatric treatment, medical evacuation, complications of pregnancy, dental, optical, etc.
- Budget policies restrict coverage for benefits provided by NHS where waiting times are less than 6 weeks
- PMI market share has been relatively stable at about 11% of the total market for many years



UK Health System
Overview



Comparison of PMI and NHS

Private

NHS

premiums*

- risk-equivalent

- funded through general taxation by government and no direct premium charged for healthcare coverage

coverage

- varies from basic up to luxury level
- generally modular top-up type products

- quite extensive coverage, though limited by long waiting period for certain services
- good access to primary care, not specialty care

service reduction

- Chronic conditions, GP services generally not covered

- typically no reductions for medical services, though some services may have long waiting

regulation

- price and / or coverage is typically not regulated

- capitation / salary for GPs help in cost control
- cost sharing for supplementary benefits like dental and prescriptions

UK Product Examples (1/2)

60+ Cash Cover (Budget Healthcare Product for cross selling or top-up):

- Target market: UK residents over 60
- Cash benefit covering fractures and breaks as a result of accidents, falls, personal assault
- £25,000 cash benefit for spinal cord injury with total permanent loss of limb function
- £5,000 cash benefits with an indemnity option for private treatment of hip fractures
- £5,000 cash benefits for skull fractures
- £1,000 cash benefits for fracture of thigh, lower leg, upper arm or forearm
- £500 cash benefits for other fractures or dislocations

Cash-back (entry level budget product):

- Target market: Individuals, voluntary and company paid groups
- Cash amounts to assist with day-to-day medical expenses
- 3 levels of cover
- 50% and 100% reimbursement levels
- Benefits include dental treatment, dental accident, optical, physiotherapy, specialist consultation, hearing aids, etc.

Retirement Essentials (retention tool product for lapsed PMI members over 55):

- Private inpatient and day-patient treatment for specified conditions – heart conditions, eye conditions, joint replacement, and inguinal hernias
- Private outpatient costs up to and including diagnosis
- Post diagnosis outpatient treatment and consultation within 3 months
- Hospital at home
- Private ambulance transport

UK Product Examples (2/2)

Dental (budget product for cross sell opportunities:

- Core cover provides full refund for NHS dental treatment
- Premium Cover provides up to £125 per policy year for NHS or private routine dental treatment and 50% towards the cost of remedial or restorative treatments when received as a private patient up to £1,000 per policy year.
- Both provide up to £10,000 dental accident cover, £1,800 NHS cash benefit and up to £12,000 for oral cancer treatment.

Corporate Health Plans:

- Flexibility offered through different benefit variations such as different deductible levels, outpatient limits, psychiatric limits, physiotherapy rules, cash benefit levels, and cancer cover
- Groups under 200 lives can only choose from standard benefit variations
- Groups over 200 lives can have bespoke (tailor made) benefit variations
- Variation through 6-week rule where benefits only covered if NHS waiting is more than 6 weeks
- Restriction access to network hospitals with negotiated reduced rates
- Premium product variations created by including benefits cover for chronic conditions, extra physiotherapy, cancer upgrade, health screenings, travel vaccinations, unrestricted access to provider networks, etc.
- Options to opt for individual PMI without full underwriting (corporate group leaver plans)
- Product variation through different contract styles ranging from providing full insurance (100% risk), profit share, to providing administrative services like a TPA

Product Innovations

4 categories of innovation

Relationship with NHS:

- Plans providing cover only if the delay in NHS is greater than 6 weeks
- Treatment in private NHS beds
- Cash payments for having NHS treatment

Restricting Cover:

- Excluding outpatient care
- Cover for a named set of surgical procedures only
- Menu options in which the customer chooses which elements of cover they want to have
- Cancer and heart cover only plans
- Limits to hospitals / consultants choice

Lifestyle risk management:

- Discount for a healthy lifestyle
- Community care through integration of social services and health services

Changing the basis of insurance:

- High financial excess plans
- Co-insurance – insurer pays a fixed % of claim and facilitates a savings fund from which the customer can pay the remainder

Some Other Initiatives...

Unique Care:

- Initiative to integrate social and health services to support the elderly, high-risk population to maintain health and independence at home
- Objective is to reduce hospitalization and emergency department admissions for this population
- Case management approach for chronic illness management through coordination between social and health services by providing wellness programs, education for disease management, regular checkups, etc.
- Initial outcomes documented from a pilot hospital show significant reduction in number of bed days for people over 65, with projected cost reduction of up to 300,000 GBP / year

The Virtual Ward:

- Initiative to support strengthening healthcare services in communities to manage chronic illness
- Delivery of community based services to patients in their homes to avoid hospitalization
- A virtual ward is a group of patient that receive disease management care at their homes
- Staffing for each ward includes nurses, social workers, physiotherapists, pharmacists, and ward administrators
- Initial results show this to be a cost-effective approach but further study is required to establish the benefits

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Government Organizations:

- Providing services for the un-insured population (Ministry of Health and IMSS-Oportunidades)
- Insures 50% population
- Benefits include coverage for basic services like acute care, emergencies, maternity, etc.

Social Security:

- Covering workers in the formal private sector of economy, state and federal workers, the armed forces and employees of national oil company (IMSS, ISSSTE, PEMEX)
- Insures 47% population
- Benefits include healthcare expenses including medicines, unemployment insurance, disability insurance, and retirement benefits

Private sector:

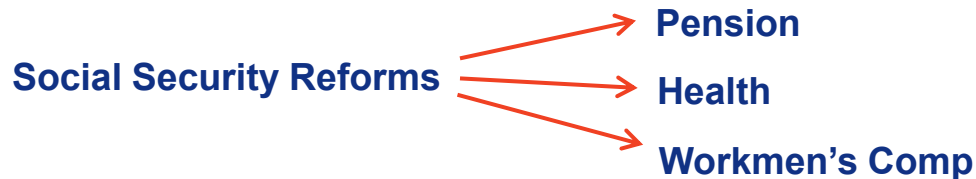
- Insures 3% population and purchased for more complete healthcare rather than to fill any gaps in the state provisions
- Demand driven by better level of services, access to latest medical technology, modern facilities, and benefit of choice
- Market consists of 67% group policies and 33% individual policies
- Basic plans covers a list of ailments and surgeries with maximum level of cover provided through a network of providers with fixed set of prices for treatment
- Intermediate plans are same as basic plans but instead of fixed set of price it pays out a reasonable cost in relation to the most expensive hospital or provider
- Comprehensive plans offer the widest coverage with no maximum limits or restriction on choice of providers
- Pre-existing conditions are generally excluded but may be covered after 6 months to 2 years

Product Types in Latin America

Existing Products:

- Major Medical:** Great variation from country to country. E.g., Mexico's MME (major medical expenses) mean + 90% while Columbia and Peru mean less than 10%
- HMO Type:** Great variation from country to country. E.g., Columbia HMO means + 90% while Mexico is less than 10%
- Critical Illness:** In its infancy, as a rider to life policies and few standalone products known as "High Cost Illness" products
- LTC:** Almost unknown due to poor infrastructure

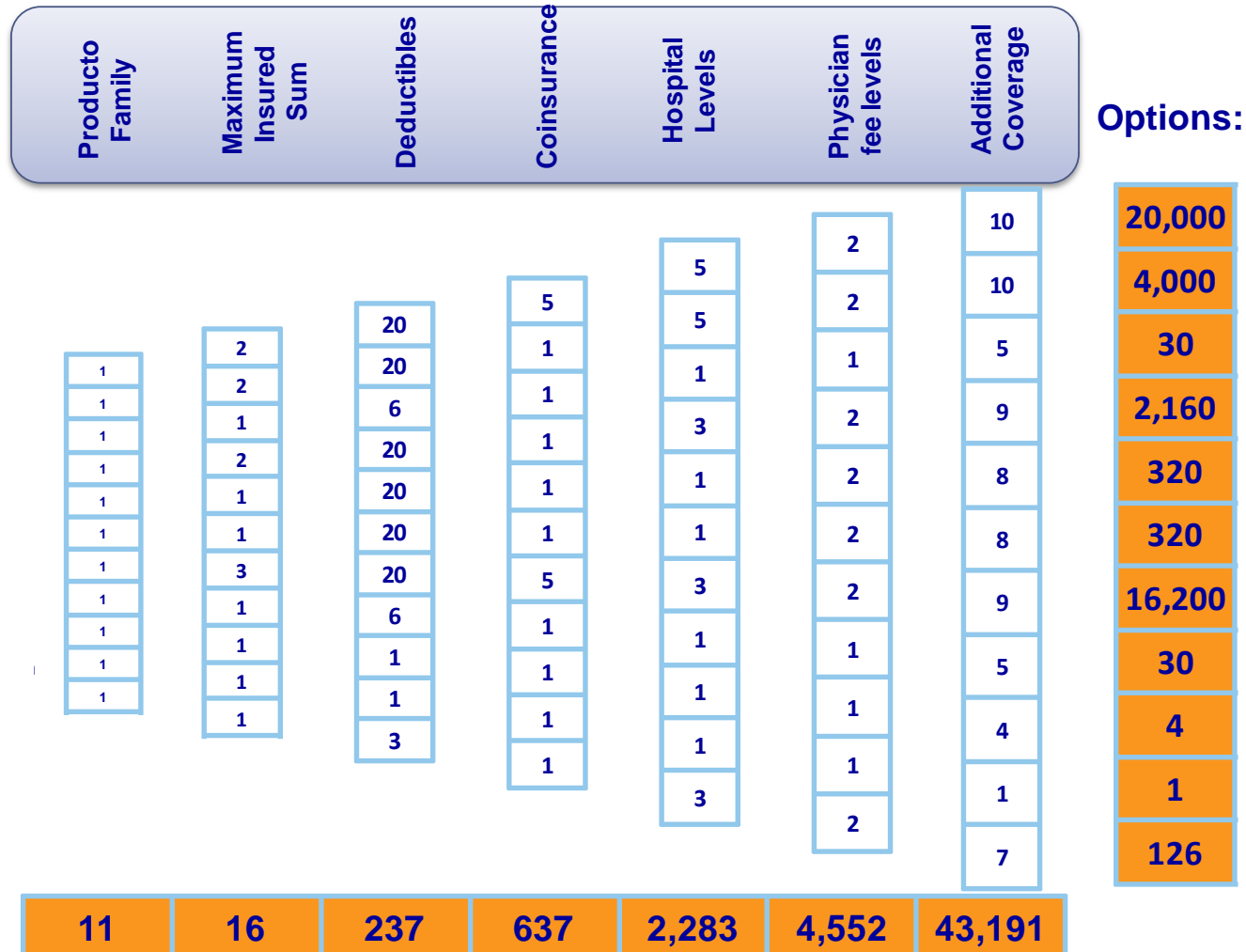
Trigger for recent product development and future growth is



Mexico – Private vs. Public Coverage

BENEFIT	PUBLIC		PRIVATE	
	Social Security	Popular Insurance	Major Medical	Comprehensive Health
Preventive and Health Maintenance	✓	✓	x	✓
PCP Office Visits	✓	✓	x	✓
Specialist Office Visits	✓	some	some	✓
In-Patient Hospital Expenditures	✓	✓	✓	✓
Out-patient Hospital Expenditures	✓	x	some	✓
In-Patient Ancillary Service	✓	✓	✓	✓
Out-patient Ancillary Services	✓	x	some	✓
In-Patient Drugs Expenditures	✓	✓	✓	✓
Out-patient Drugs Expenditures	✓	some	some	✓
Pregnancy	✓	x	x	✓
Maternity	✓	✓	limited	✓
Primary Care Dental	✓	x	x	✓
Rehabilitation and Therapy Services	✓	some	✓	✓
Emergency Services	✓	✓	✓	✓
Vision Benefits	some	x	x	some
Maximum Benefit	Unlimited	Unlimited	Dif Options	Dif Options
Co-payments	No	Yes	Yes	Yes
Exclusions	No	Yes	Yes	Yes
Waiting periods	No	No	Yes	Yes
Own Infrastructure	Yes	Yes	No	Perhaps
Closed/Open Provider Network	Close	Close	Close/Open	Close/Open
Abroad Coverage	No	No	Yes	Yes

Multiple Product Variations



Mexico Product Examples

Hospital Cash Benefit Plans:

- Cover provides cash payment when hospitalized as a result of illness (\$1K to \$4K USD), as a result of accident (\$2K to \$8K USD), or as a result of accident on public transport (\$6K to \$24K USD)
- Cover also provided for an annual checkup
- Pre-existing conditions are excluded

Critical Illness Insurance:

- Not very popular, requested in less than 10% cases
- Cover is available as a rider benefit rather than a stand-alone product
- Policies available on both short and long term basis
- Typical CI includes cancer, cerebrovascular disease, coronary artery bypass, kidney failure, major organ transplant, paralysis, stroke
- Standard exclusions include injury caused by nuclear risks, investigative medical procedures, alcoholism and drug abuse, illness accompanied by HIV, attempted suicide, certain tumors or cancers of the skin and pre-existing conditions
- Special CI policies only for cancer are available

Medical Evacuation Insurance:

- Not sold in isolation but as addition to medical expense, personal accident, and travel insurance products
- Evacuation cover typically has a benefit limit of \$50,000 (USD) with a deductible of \$50
- Benefit is restricted to excursions outside of Mexico not exceeding 90 days

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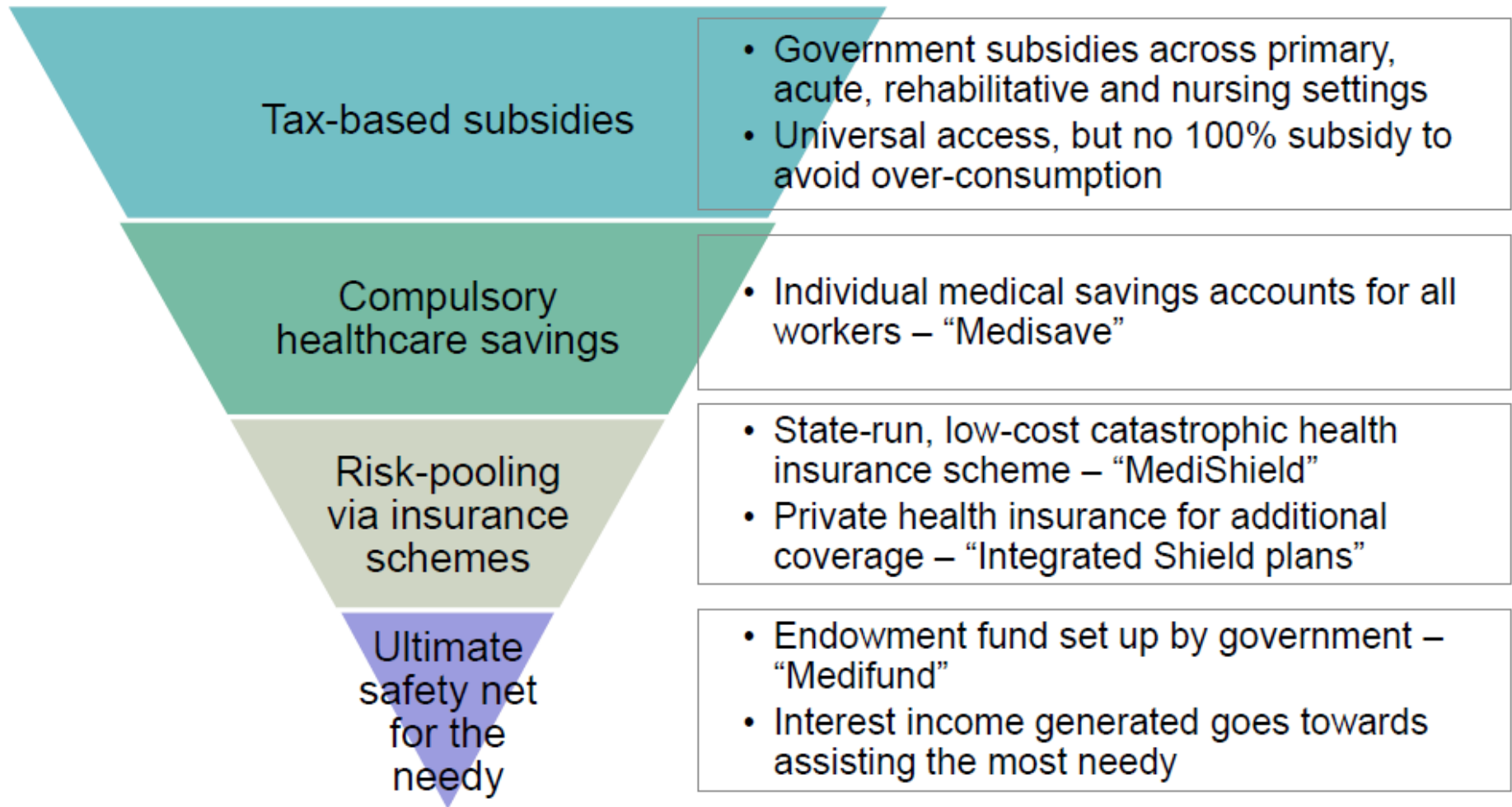
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Singapore Health System Overview

Multiple layers for universal coverage



Singapore Health System Overview

3M system in Singapore

Medisave:

- National medical insurance scheme through which members build savings for their healthcare needs (more like an HSA)
- Benefits include hospitalization expenses and certain outpatient treatments for members and dependents
- Limits of withdrawal apply based on benefits to avoid over-utilization
- Savings can be used to pay for MediShield and PMI
- Mandatory monthly contribution for CPF members determined based on retained age, varying from 7% to 9% of monthly salary up to a maximum of S\$41,000 per year
- Care delivery is a mix of private-public providers. For primary care, 80% is delivered by private providers and for acute care, 80% is delivered by public providers (where cost is capped by government)

MediShield:

- Complementary plan to Medisave for catastrophic medical insurance
- Covers expenses for prolonged hospitalization and certain outpatient treatment for serious illnesses
- All Medisave members are automatically enrolled but can opt out
- Annual premiums increase by age from S\$33 for age below 30 to S\$1,123 for age between 84-85
- Does not cover people aged 85 or above
- High deductible plans and do not cover services like vaccinations, psychiatric treatment, drug abuse, etc.

Medifund:

- Endowment fund set up by government to help when Medisave and MediShield are inadequate to pay for medical expenses
- Funds are added to Medifund based on budget surplus and withdrawal is subject to approval of Medifund approved institutions (MFI)

Singapore Health System Overview

3M system in Singapore

ElderShield:

- Severe disability insurance to provide protection for long-term care
- Benefit pays S\$400 per month up to 72 months to pay out-of-pocket health expenses
- Singapore citizens and PRs enrolled in Medisave are automatically covered under ElderShield at the age of 40
- Level premiums calculated based on age at entry and premiums are payable until age of 65

Private Insurance:

- Two types of PMI plans are available: Medisave-Approved Integrated Shield Plans (MISP) that integrate with MediShield to provide enhanced / supplementary coverage and other plans (non-PMIS) which are not MediShield approved
- CPF members can enroll in the MediShield integrated plans using Medisave savings
- Benefits include inpatient and outpatient medical expenses, surgical costs, critical illness treatment, disability and long-term care
- Different product variations are created by providing different levels of benefits for different inpatient accommodation types (ward B2/C1 being the cheapest to ward A being the most expensive in public sector hospitals, followed by private hospitals)
- Product variations created through providing additional benefits like organ transplant, pregnancy complications, pre and post hospitalization treatment, etc.
- Different levels of deductible and coinsurance apply based on age and benefits



Ward B2/C1 Plans



Ward B1 Plans



Ward A Plans



Private Hospital Plans

Snapshot of the 3M System

	2008	2009	2010
Medisave			
▶ No. of Accounts (million)	2.9	2.9	3.0
▶ Total Medisave Balance (\$billion)	42.4	45.8	50.2
▶ Average Balance per Account (\$)	14,900	15,700	16,900
▶ Amount Withdrawn for Direct Medical Expenses (\$million)	588	661	732
MediShield & Integrated Shield Plans			
▶ No. of MediShield Policyholders ('000)	3,076	3,299	3,390
▶ No. of MediShield Policyholders with Private Integrated Shield plans ('000)	1,790	1,930	2,068
ElderShield			
▶ No. of ElderShield Policyholders ('000)	835	882	921
▶ No. of ElderShield Policyholders with Supplements ('000)	76	127	189
	FY08	FY09	FY10
Medifund			
▶ No. of Applications Approved ('000)	370	410	481
▶ Grants Disbursed to Institutions (\$million)	73.7	75.0	80.0

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Inhibitors of Change in Healthcare

- Financial constraints - is it enough and is it spent well?
- Societal expectations and norms – what should be an acceptable level of medical service?
- Lack of aligned incentives – objectives of various stakeholders?
- Inability to balance short-term and long-term perspectives – how to manage chronic health issues?
- Inability to access and share information – can technology solutions help reduce cost and provide better outcomes?

Lessons from International Markets

Health Care Delivery in Resource-Poor Settings Suffers from Similar Problems

Current Model

- The product is **treatment**
- Measure **volume** of services (number of tests, treatments)
- Discrete **interventions**
- **Individual** diseases
- **Fragmented, localized,** pilots, programs, and entities



New Model

- The product is **health**
- Measure **value** of services (health outcomes per unit of cost)
- **Care cycles**
- Sets of prevalent **co-occurring conditions**
- **Integrated** care delivery system

Product Design Transformation

Benefits (Inclusion / Exclusion)

- Core healthcare services (hospitalization / surgery, etc.)
- Supplementary services (dental, optical, etc.)
- Optional services (psychiatric, MSOs, counseling / helplines, etc.)
- Disease specific services
- Long-term care services
- Preventive / wellness services

Limits / Sub-limits / Cost Sharing

- Fixed benefit limits
- Variation through limits / sub-limits (different payout limits for different benefits)
- Variation through cost sharing (high cost sharing low premium plans or low cost sharing high premium plans)
- Variation through waiting periods
- Variation through exclusion of pre-existing conditions
- Variation through NCD / LCD scaling

Choice of Provider

- Restricted providers only
- Classification of providers as in and out-of-network
- Tiering of providers
- Variation through different payment arrangements with providers (FFS, capitation, etc.)
- Result based payments (sharing risk / profit with providers)

Managed Care Approach

Risk Segmentation

Coordinated Care

Cost Sharing Methods

Important Tool

- Can be used as a cost containment method
- Can be a key component of product design and marketing strategy. E.g., a high premium, low cost sharing plan will attract sicker population while a low premium, high cost sharing plan will attract healthier population.
- Can use a high deductible as an alternative to reduce waiting periods
- Can control out-of-network utilization / cost by imposing high coinsurance on out-of-network claims and redirecting members to in-network providers with negotiated contract rates
- Can help reduce cost by encouraging use of generic drugs versus brand drugs by applying higher copay on brand drug prescriptions
- Can be used to improve overall health by not applying any form of cost sharing to preventive services (annual flu shot, annual physical exams, immunizations, wellness programs, etc.)
- Proper selection of services covered by cost sharing methods can be used to create a balance between reduced risk and reduced demand

Participative Approach for Change

Stakeholder	People	Structure	Technology
Government / Regulator	Design national standards for payment mechanisms, with local adjustments	Reduce conflicting incentives Create centers for specialty care	Provide flexibility to encourage innovation
Insurers	Design incentives for physicians and patients to direct them to the most appropriate location of care Design incentives to reward patients and physicians for prevention and wellness activities	Collaborate among payers and providers to standardize incentives Design incentives that encourage coordinate care rather than silos	Design metrics to measure quality of outcomes
Providers	Develop culture of providing quality care while managing costs	Collaborate with payers to design incentives	Review capital cost distribution methods to incorporate IT

Some Product Ideas and Challenges

Product	Need	Challenge	Transferable model
LTC	Family support prevalent means of LTC Increasingly mobile urban population, split families	Inadequate supply infrastructure Regulation requirements Social acceptability	Can we adapt Germany's model?
Outpatient / Drug Coverage	Very few / limited products with outpatient services	Subject to fraud and abuse Lack of mechanism to control utilization No clear definition of what should be covered?	Is there a possibility to introduce a GP like model from UK? Can we have a defined list of benefits with limits like Medisave / MediShield in Singapore?
Preventive / wellness Services	Very few / limited products for preventive services Services like annual check-up, cancer screenings are not very common	Not a well-defined delivery mechanism Which essential services should be included?	Can services like annual checkup, some vaccinations, cancer screenings, tobacco cessation be sold as top-up to CI or group policies? Can it reduce incidence rates to contain costs?
High-Net Worth Products	Lack of specific products for affluent urban middle / upper class Increasing wealthy population in Asia / India	Lack of underwriting experience / expertise to offer such high-value products	Some examples available in SE Asia, e.g., Zurich's HealthNoble Medical Insurance in Hongkong

THANK YOU