

Innovations in Healthcare Insurance



May 10 2014

Points of discussion

- ▶ Why do we need innovation in health insurance
- ▶ What innovations is the market currently shaping towards
- ▶ How does this benefit the Provider community
- ▶ How does it benefit consumers

Innovation is needed because

- ▶ Current health insurance products are perceived by the consumer as restrictive
- ▶ The government funds the BPL population – but the middle class does not see value in health insurance.
- ▶ The FDI rules bring in new players as the health insurance market india has high potential
- ▶ Health care has advanced in technology reducing risk to patient, but the policy needs to be in pace with that..

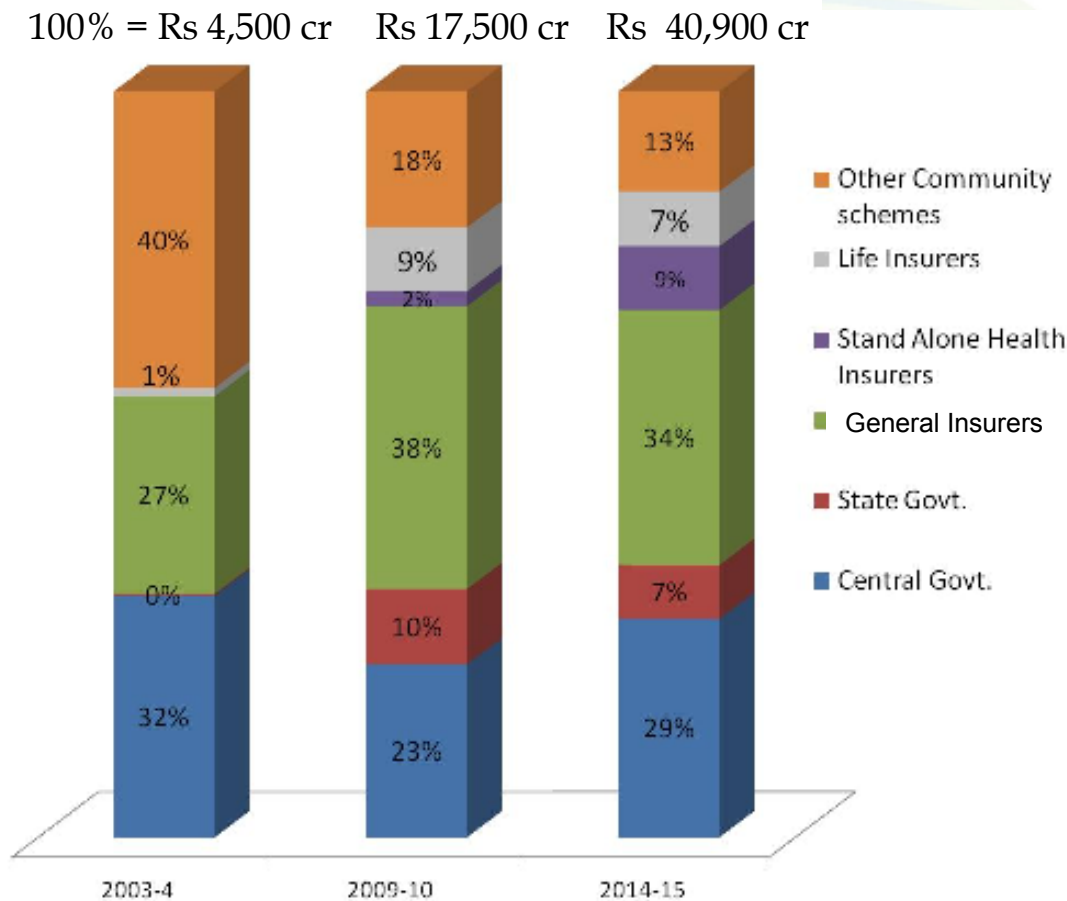
A large section of the Indian population *still* does not have access to health insurance

Population coverage (mn) by Scheme	2003-4	2009-10	2015 *P
Employees' State Insurance Scheme (ESIS)	31	56	72
Central Government Health Scheme (CGHS)	4	3	3
RSBY (Min. of Labour sponsored scheme)	NA	70	300
State govt schemes	1.6	114	153
Commercial Private insurers	15	55	90
Total population covered	51.6	298	618
Uncovered population	898	752	532

Source: Government Sponsored Health Insurance - Are you covered? Gerard La Forgia and Somil Nagpal; World Bank 2012, Table 3.1

Commercial health insurers cover 5% of the population. The govt focuses on the (Below Poverty Line) 'BPL' population. That leaves the middle market segment – the “savers” who , 'Pay-as-they-go" for health.

The government is the main 'insurer' in India



- ▶ Most “health” insurance in India is provided by the Government (Central government through RSBY and State Government through state schemes).

- ▶ These ‘social’ schemes will always focus on the BPL population.

Source: Source: Government Sponsored Health Insurance - Are you covered? Gerard La Forgia and Somil Nagpal; World Bank December 2012

Notes: 1. Life insurance premiums from IRDA annual report - projected for 2014-15. General Insurance premiums do not include government business. 2. Central government schemes RSBY, ESIS and CGHS. State Govt schemes refers to schemes in Tamil Nadu, Karnataka and Andhra Pradesh. 3. Other schemes = community schemes run by NGOs, etc.



The “Great Indian Middle class” is skeptical

Voice of consumer – Survey by Vidal Health

“Complicated. Do not understand jargon.”

Accountant, 50
Delhi

“Restrictive – waiting periods, copays”

Retired, 65
Nagpur

“No value for money. Pay premium every year, but claims are rejected”

Businessman, 40,
Chennai

Source August 2013: voice of consumer survey, N = 72

What innovation is the market moving towards?

VIDAL HEALTH ™
THIRD PARTY ADMINISTRATOR

Formerly  **TK HEALTHCARE TPA**
PRIVATE LIMITED

Insurer response

- ▶ **Product Innovation**
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ **Network Innovation**
 - Closed provider structures
 - Tariffs incl. PPN type structures

Once a customer is covered, the insurance company has to renew the policy, as long as the customer pays premium. This has helped contain the practice of 'selective' renewal – where some insurers would send renewal premium notices based on whether a customer had claimed or not in the previous year.

Insurer response

- ▶ **Product Innovation**
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ **Network Innovation**
 - Closed provider structures
 - Tariffs incl. PPN type structures

All pre-existing conditions are covered once an individual customer pays 4 continuous annual premiums.

Claims cannot be rejected based on PED after 4 years.

Insurer response

- ▶ **Product Innovation**
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ **Network Innovation**
 - Closed provider structures
 - Tariffs incl. PPN type structures

New products introduced in 2013 and 2014 cover OPD procedures including consultations and tests.

There are limits on cover – usually Rs 5000 or Rs 10,000 per family per annum.

Dental covers are also available – bundled with retail covers.

Insurer response

- ▶ **Product Innovation**
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ **Network Innovation**
 - Closed provider structures
 - Tariffs incl. PPN type structures

Healthcare schemes introduced by wellness companies.

Flat annual fee (e.g. Rs 2500 per family per annum) entitles the family to unlimited consultations from a specific list of doctors for a specific set of specialties.

Insurer response

- ▶ **Product Innovation**
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ **Network Innovation**
 - Closed provider structures
 - Tariffs incl. PPN type structures

Product innovation introduced in 2013.
Covers people who have diabetes.
Medical testing is optional.

Insurer response

- ▶ **Product Innovation**
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ **Network Innovation**
 - Closed provider structures
 - Tariffs incl. PPN type structures

Product innovation introduced since 2010 by insurers and stand alone wellness companies.

Insurers: Offer loyalty points which customers can earn and use as premium discounts.

Wellness companies: Access to counselling for nutrition and stress.

Insurer response

- ▶ Product Innovation
 - Guaranteed renewability
 - PED capped at 4 years
 - OPD insurance
 - Capitation structures
 - Chronic disease cover
 - Wellness products
- ▶ Network Innovation
 - Closed provider structures
 - Tariffs incl. PPN type structures

Experience with large IT company - 2004 to 2006
Closed provider network - 108 hospitals
Traffic : Patient increase on average 5 to 7%.
Overall outflow reduced by 30%.

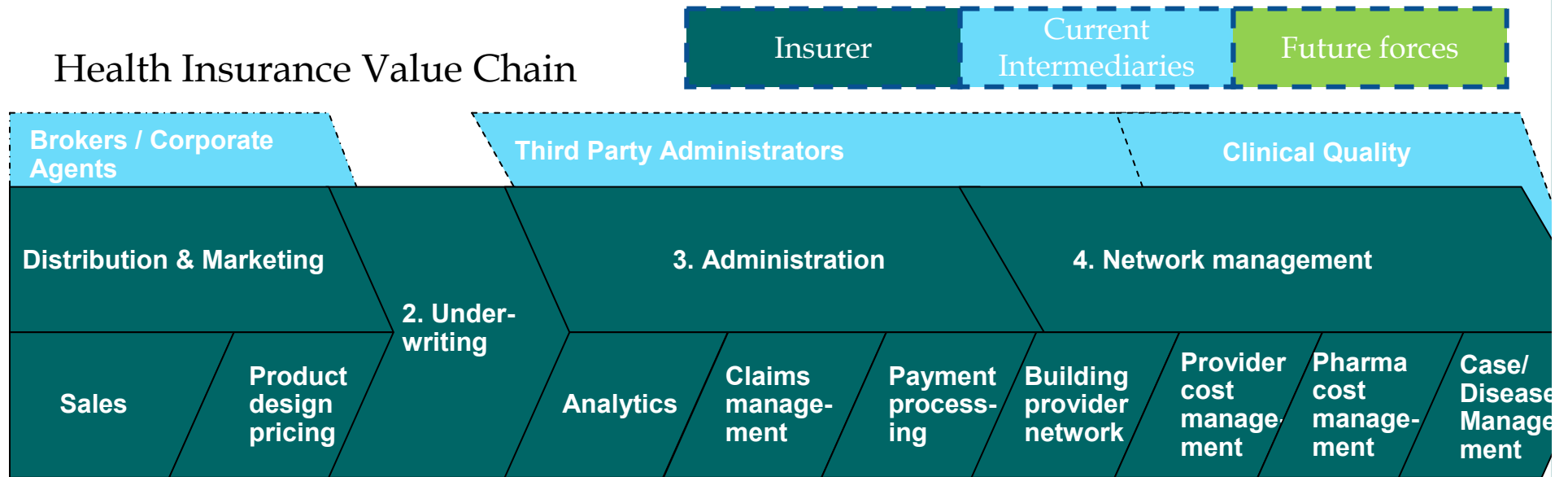
Insurer response

- ▶ Distribution
 - Online (feature comparison) and selling
 - Lead generation through social media
- ▶ Cost containment
 - Copays and deductibles

www.policybaazar.com
www.coverfox.com

Future forces impacting product innovation

Health Insurance Value Chain



Technology will push intermediation across three critical aspects of the value chain.

1. Online Selling & Ecommerce.
2. Electronic Medical Records & Smart card technologies
3. Electronic Payment technology

Network Aggregation - led by market forces - is likely to increase access and transparency via:

4. Wellness Companies
5. Outpatient medical plans



How does innovation benefit providers

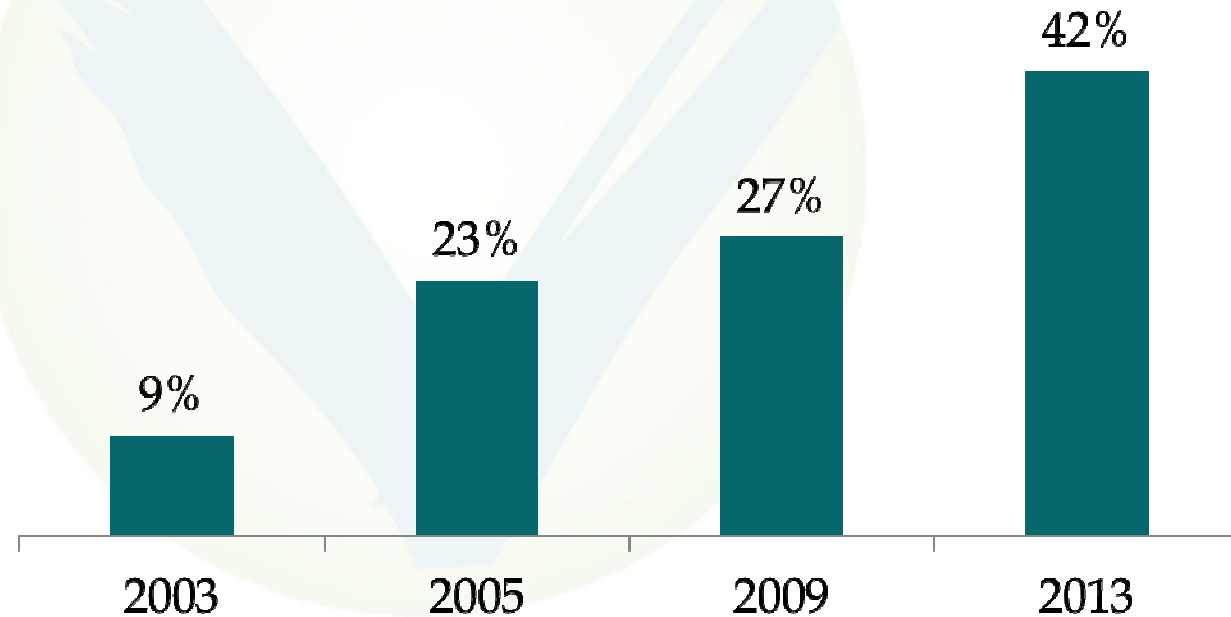
VIDAL HEALTH ™
THIRD PARTY ADMINISTRATOR

Formerly  TTK HEALTHCARE TPA
PRIVATE LIMITED

Insurance product innovation provide stability of revenues for Providers

% hospitals with more than 20% billing from insurance

**“RSBY”
paperless
claims
processing
resulted
in...**

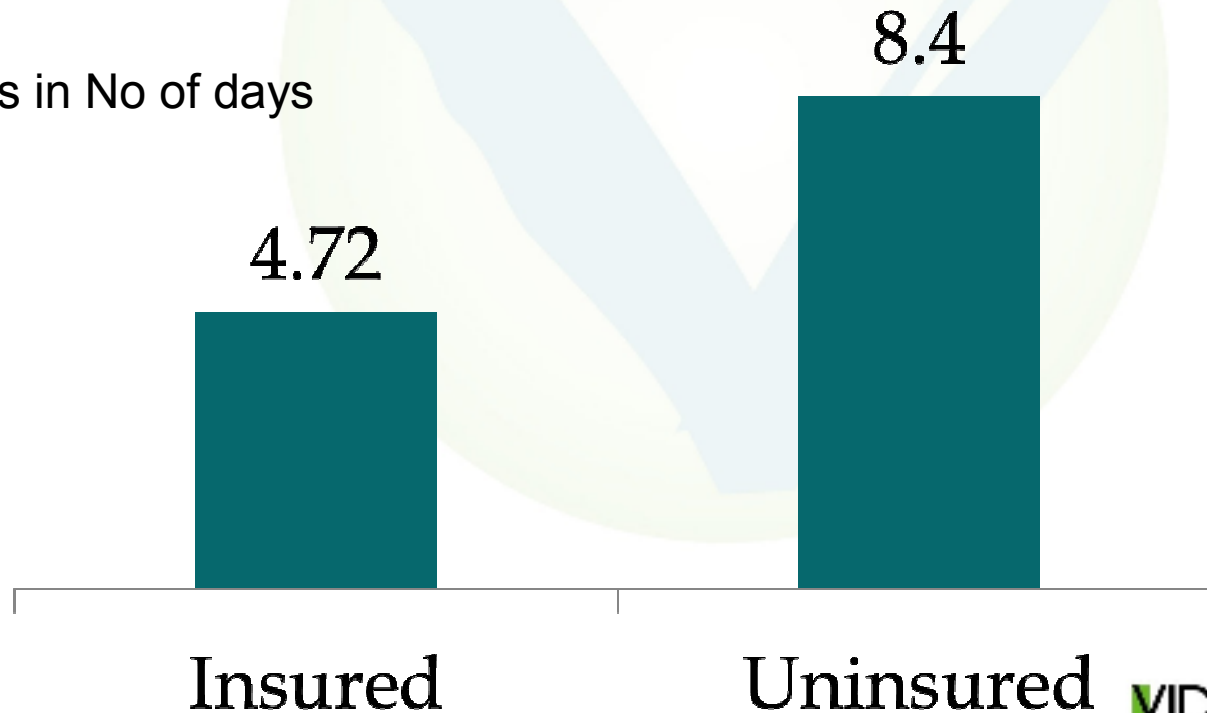


Source: World Bank “Govt sponsored health insurance in India”, 2013

Private health Insurance creates better Utilization of services

Better utilization = Lower Length of Stay.

Figures in No of days



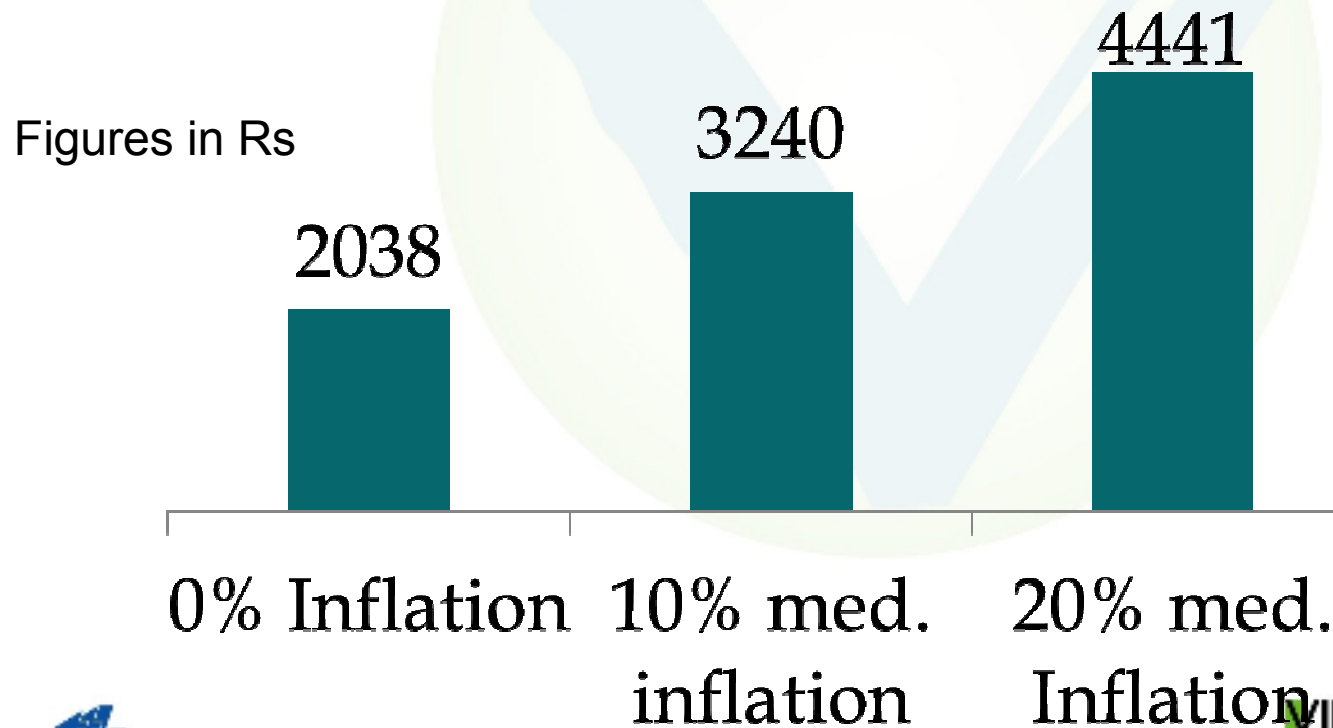
Source: Jan 2013 – PHFI “: impact of private health insurance on length of hospitalization and hospitalization expenditure in India - April 2013”

Data is based on ~94463 claim records provided by the IRDA and 32665 uninsured individuals from NSSO data. .

Insurance structures help improve per-bed-night costs

As med. Inflation increases, per bed-night spend from insured patients is Rs 2000 to Rs 4400 higher

Additional spend by insured population, per bed-night, between 2004-2008.



Source: Jan 2013 – PHFI “: impact of private health insurance on length of hospitalization and hospitalization expenditure in India - April 2013”

Data is based on ~94463 claim records provided by the IRDA and 32665 uninsured individuals from NSSO data. .

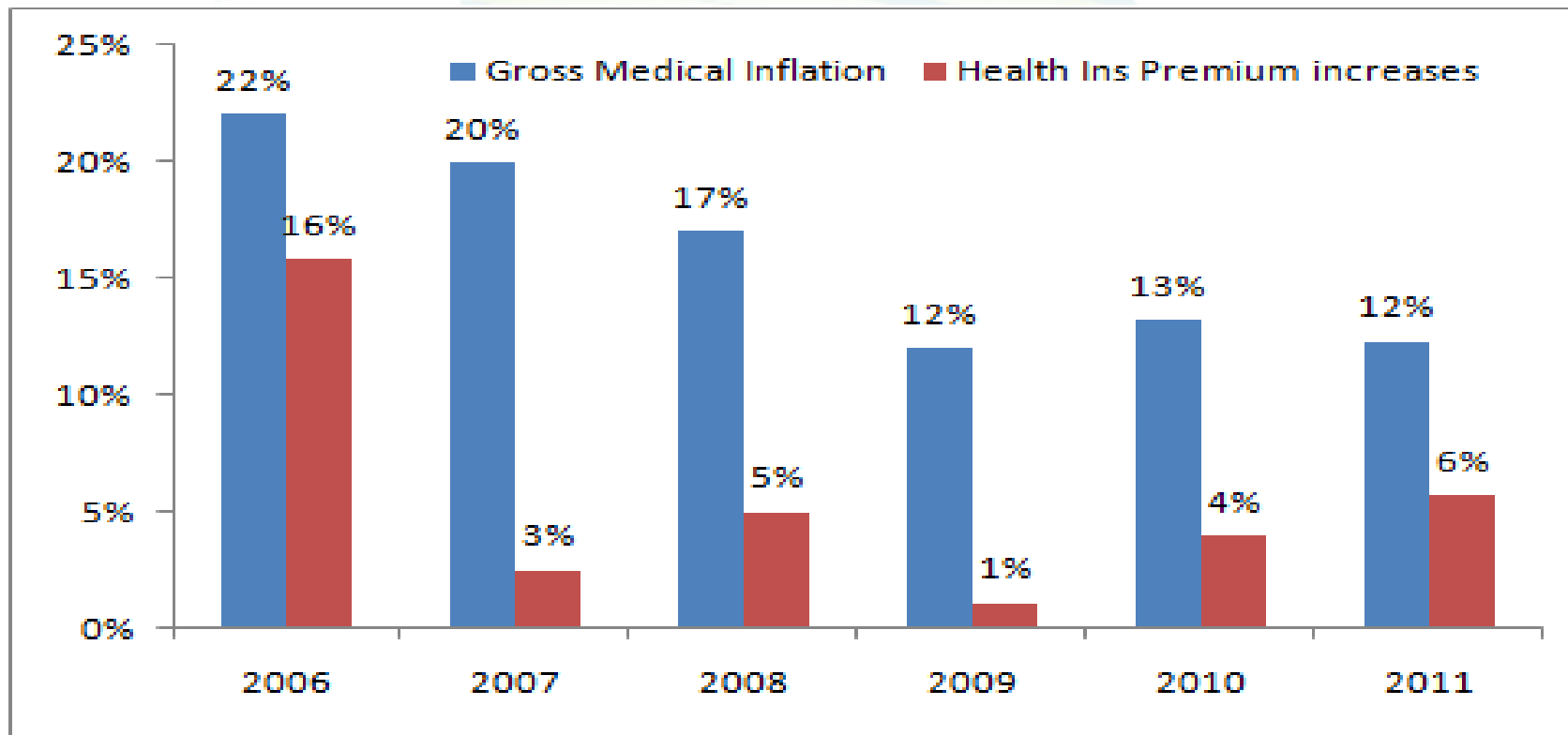
How does innovation benefit the consumer

VIDAL HEALTH ™
THIRD PARTY ADMINISTRATOR

Formerly  TTK HEALTHCARE TPA
PRIVATE LIMITED

Insurance premiums have risen less than medical inflation

Consumers benefit from the power of pooling



Source: Towers Perrin. 2008 and 2011 Medical Trends Survey Reports – which also covered India.

%ages are based on declarations from insurers.

Note: in 2006, all Psu insurers raised insurance premium rates.

Formerly

VIDAL HEALTH
THIRD PARTY ADMINISTRATOR



How does innovation benefit the consumer?

- ▶ Medical inflation management
- ▶ Saving for post-retirement health expenses
 - Insurance covers inpatient expenses mostly
 - 70% of spend after the age of 50 is on outpatient spend.
- ▶ Information for health management
 - Counselling services on diet / nutrition / physical activity.

What's missing?

Collaboration between Hospitals and Insurers

Collaboration is based on a common objective



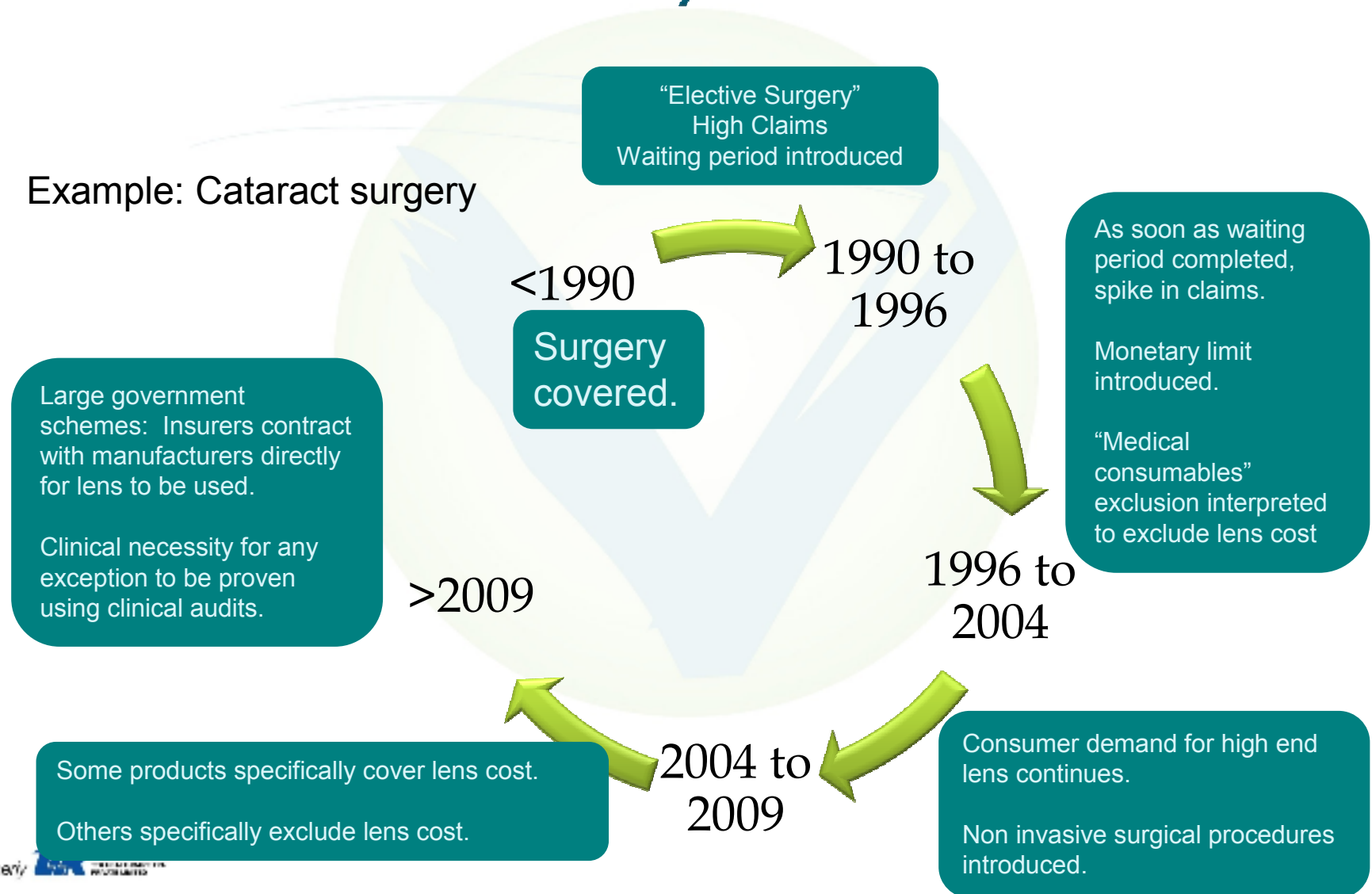
Provider Point of View

Insurer Point of View

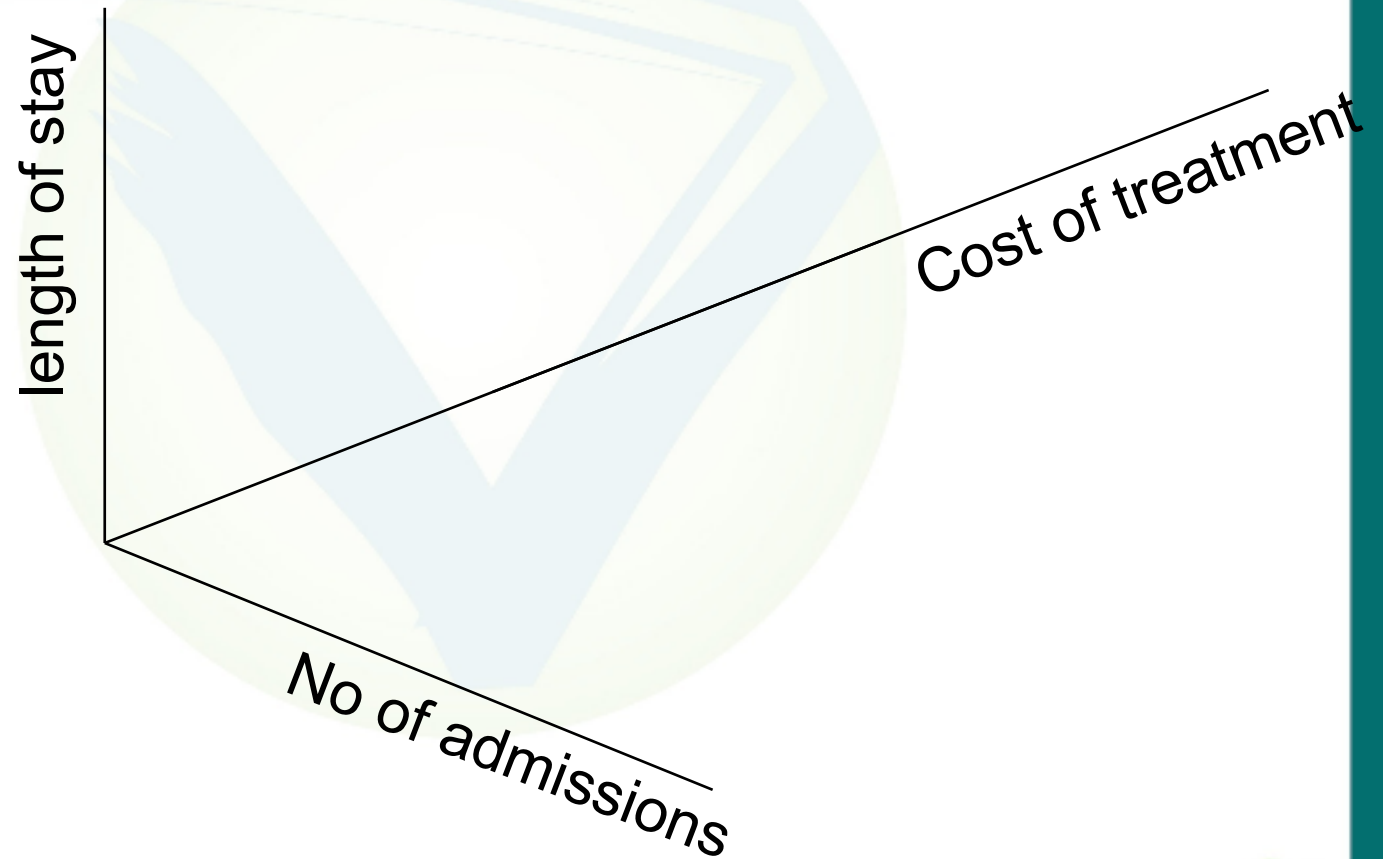
Patient centricity: Optimal level of care irrespective of the cost
Customer choice: Optimal consumption of care

In the absence of genuine collaboration – the market will ‘force’ your hand

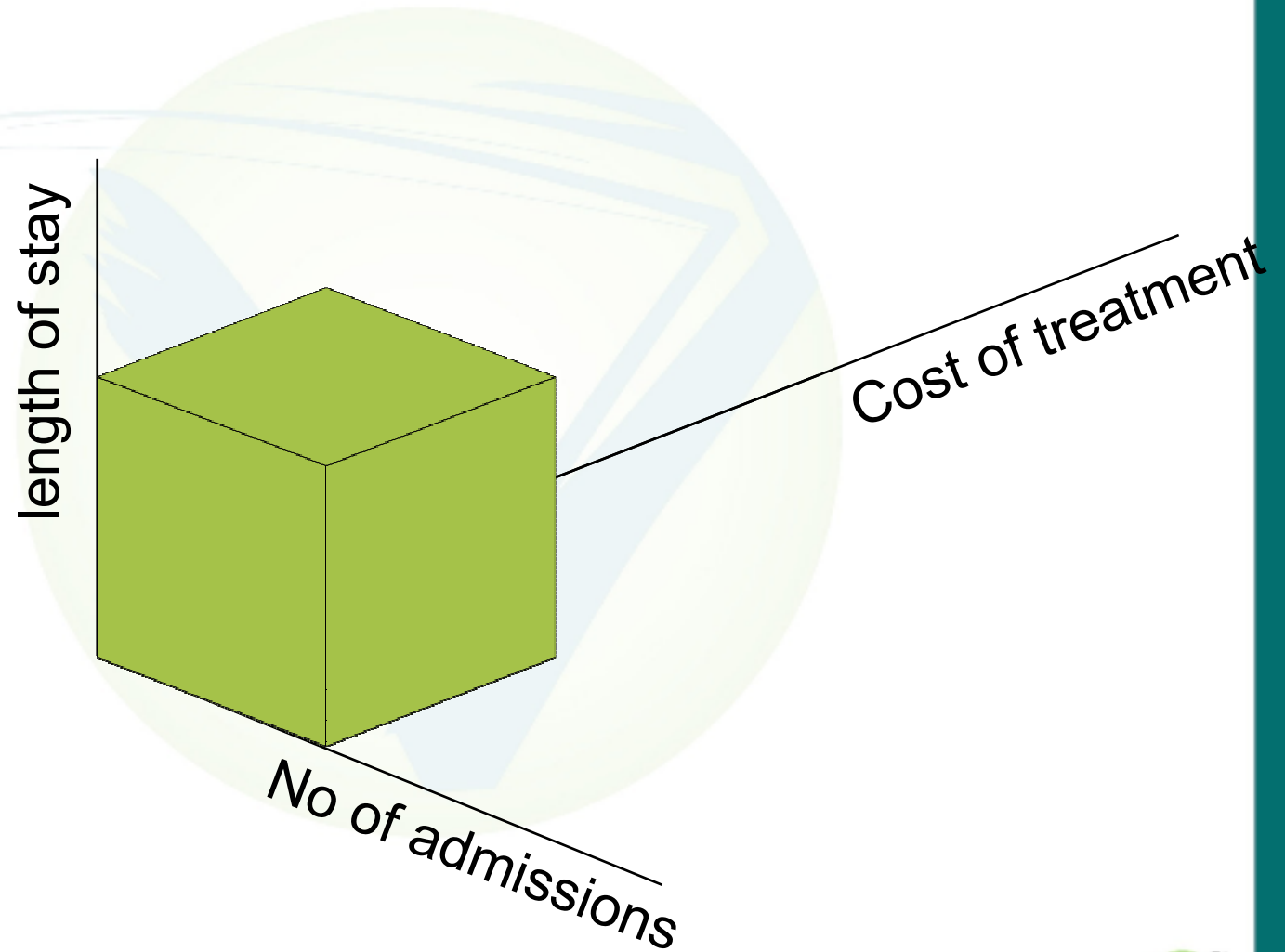
Example: Cataract surgery



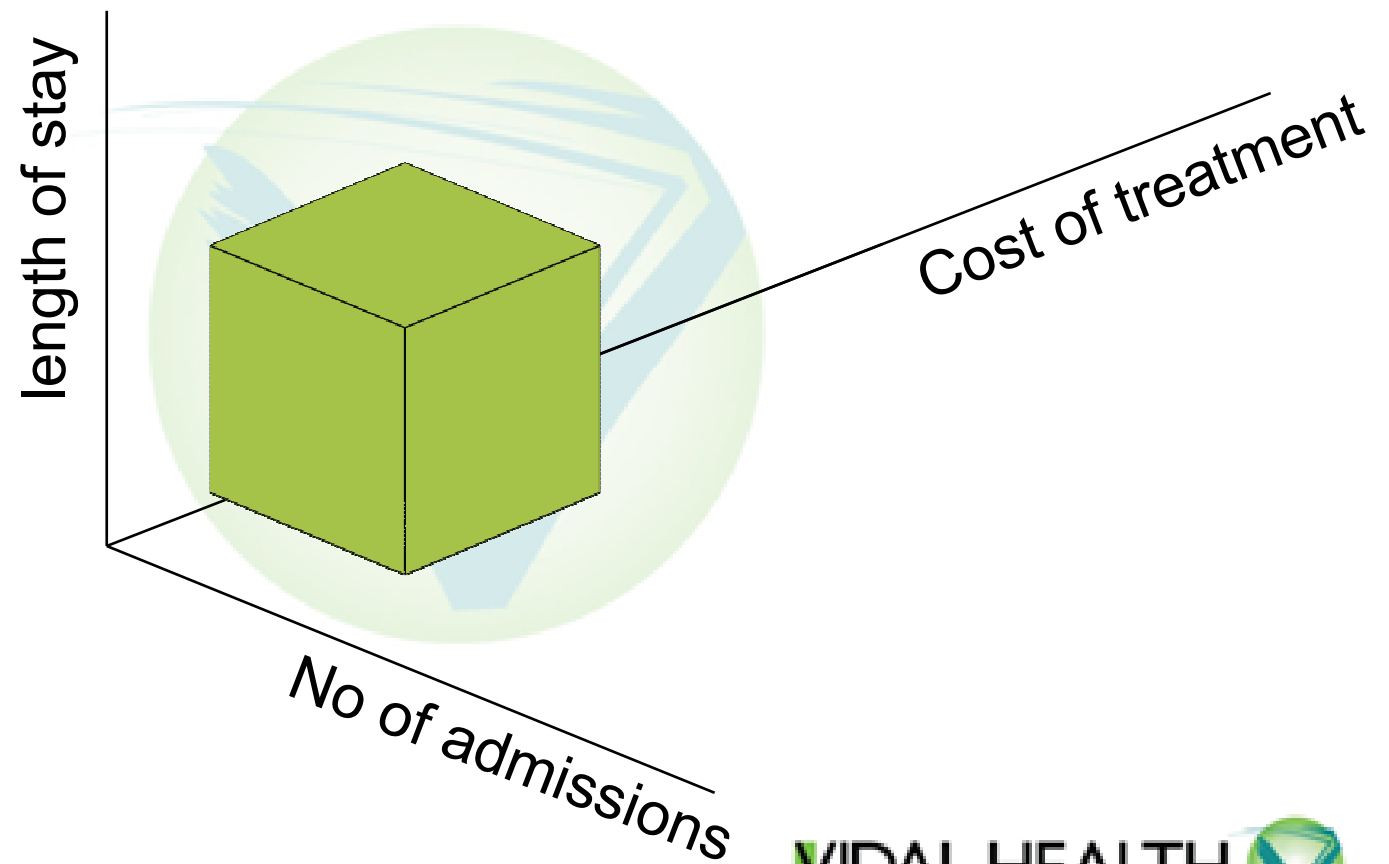
Three dimensions to any financial collaboration structure between hospitals and insurers



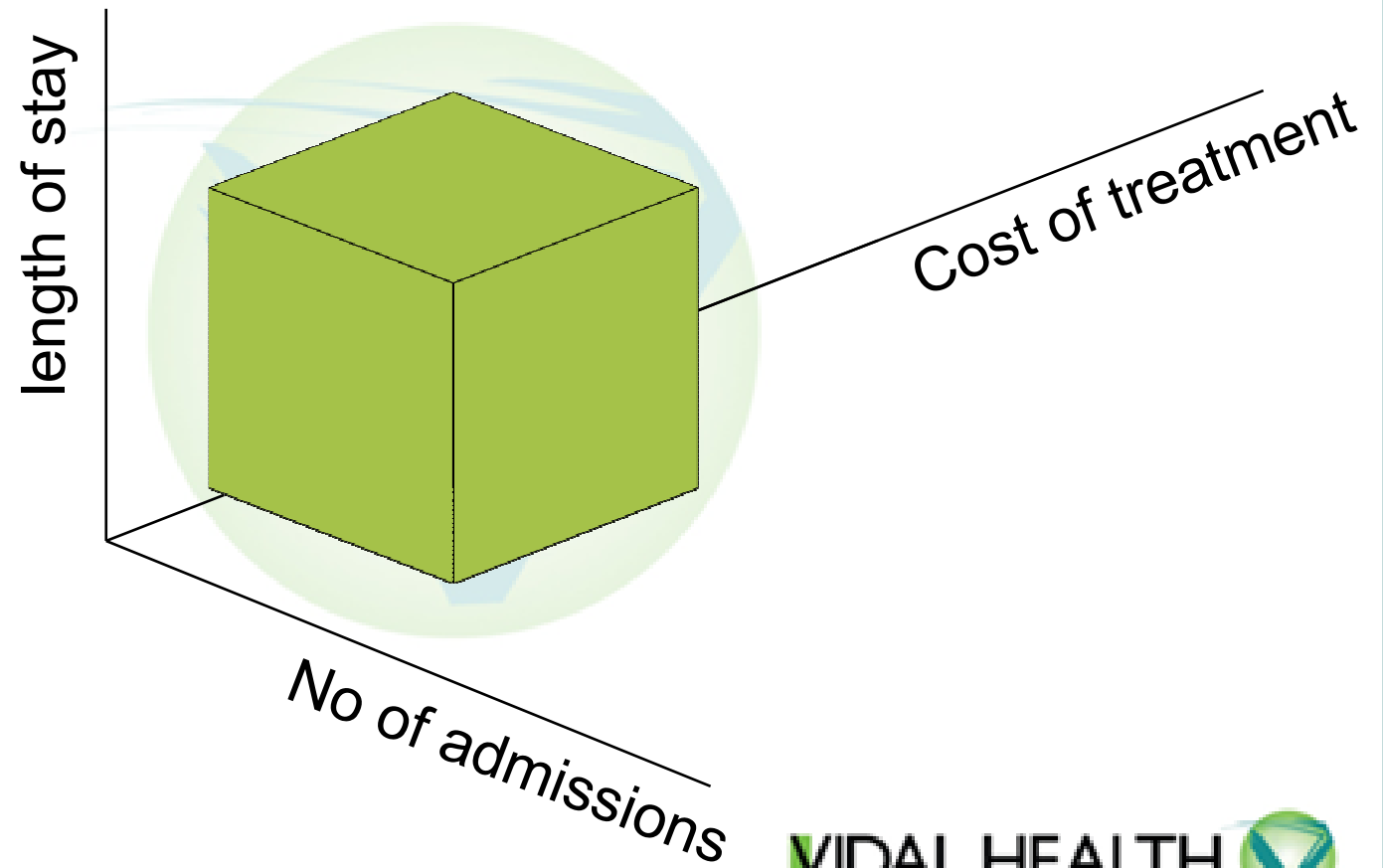
Traditionally, hospitals charge a Fee for Service



So, Insurers negotiate a Discounted Fee for Service



Actual situation.....



Could this have been done better?

- ▶ Product
 - Create special covers which cover cataract from inception
 - Sliding scale of cover: i.e. for cataract increase the sum insured every year. (incentivise the customer to defer the claim).
- ▶ Educate:
 - The consumer about the reason for waiting periods
- ▶ Provider
 - Gatekeeper concept (pay the provider for gatekeeper services – i.e refer cases for surgery only where cataract is affecting day to day life. Convert from elective to required).
- ▶ Preferred Providers:
 - Negotiated rates for high end procedures only in a specified list of hospitals.

Impact of collaboration

- ▶ Essential Health Benefits to a larger population with less hassle
- ▶ Influence health seeker behavior from illness to wellness
- ▶ Regulating the supply side of the equation- access to care
- ▶ Shift from Fee for service to fee for value
- ▶ More transparency & better policy servicing
- ▶ Influencing Provider participation in a positive manner
- ▶ Minimizing Risk & fraud in the system
- ▶ Positively influence medical technology & innovations
 - Work with insurers to prospectively price in the use of medical technology (e.g. stents, robotic surgery).
- ▶ A better health risk management model for the Nation

Innovations in Healthcare Insurance

VIDAL HEALTH ™
THIRD PARTY ADMINISTRATOR

Formerly  TTK HEALTHCARE TPA
PRIVATE LIMITED