Health insurer trends: the shift from payer to partner

Eric Butler of Generali Employee Benefits comments on the changing landscape for medical insurance and remarks on how the rise in 'lifestyle diseases' is causing healthcare costs to skyrocket

Gone are the days when a health insurer would operate on a pure indemnity model, just processing and paying medical claims and then passing on the inevitable medical trend every year in the form of increased premiums. Annual double-digit medical trend increases are not financially sustainable for captives, which cannot pass on the increases to local businesses as easily.

Today, health insurers and healthcare captives are far more engaged in the health (and health delivery) of their covered populations. They are more proactive. This is a shift from payer to partner. For healthcare captives the focus of this partnership is increasingly about addressing changes in the burden of illness for a population, which means trying to have a positive impact on the current and future health of all individuals insured.

What's driving costs?

Medical trend should never be confused with medical inflation. Inflation reflects year-over-year changes in unit costs, and while medical treatments and services can certainly experience inflation, the bigger drivers of medical trend are things like new medical technology, new drugs, aging populations, patient demand and changes in physician treatment patterns. Medical trend has also been particularly impacted by changes in burden of illness, especially by the rise in non-communicable diseases (NCDs), or what are more commonly known as 'lifestyle diseases'.

Modern life is such that people are moving less, with upwards of 40 percent of individuals in many countries failing to do even moderate activity, defined as just 150 minutes per week. This is a big problem, as the negative impacts of a so-called 'sedentary lifestyle' and being overweight are well known, but the prevalence in many countries of individuals with a BMI of more than 25 has reached 40 to 60 percent, or higher. Add to this a rise in binge drinking, persistent smoking rates, pervasive stress, and more time spent in direct sunlight and you can see a significant upward trend of NCDs.

The impact on health outcomes is serious. In 2017, over 70 percent of deaths were related to NCDs, with a shocking 38 percent of these deaths classified as premature, meaning involving individuals between 30 and 69 years of age. Of those premature deaths, 80 percent were related to four disease groups: cardiovascular disease, cancers, respiratory illnesses, and diabetes.

The physical and psychological effects of these illnesses on people and businesses are far-reaching and somewhat impossible to quantify, but the direct impact on insurance claims costs is significant.

Changing the curve of medical trend

The estimates can vary dramatically from country to country, but most surveys conducted by brokers/consultants such as Aon, Mercer-Marsh and Willis Towers Watson have placed global medical trend at just under 10 percent. This is more than three times general inflation, which means that healthcare costs are growing disproportionally to other costs of multinational companies. The math is sobering. A company with global medical insurance costs of $90 million today could conceivably expect to pay $238 million ten years from now, absent any intervention.

If healthcare captives are to make any real headway with regards to medical cost containment, there needs to be a concerted effort to understand true underlying cost drivers within their health plans. This has to begin with data analysis.

Though data seems to be plentiful, both data quality and correct application of the data are what matter most. The real challenge is in turning data into meaningful insight.

While most health insurers around the globe can supply clients with summary claims data, too many report only top 10 diagnoses or general benefit utilisation. The risk is that simplistic reporting can be incomplete, one dimensional, and even distorted.

Health insurers that can slice claims data in multiple ways can provide a better perspective, as can reports with drill-down capabilities to discover, for example, which populations are driving which benefits, or which diagnostic groups are driving benefit categories.

Even better are health insurers with reports that can further indicate if year-over-year changes within each category are related to more patients, more services per patient, or a higher unit cost per service. This type of insightful data provides an effective roadmap for interventions and programmes to mitigate trends and cost drivers.

Turning data into meaningful solutions

Beyond data assessment, however, in order for employers to make a real impact on employee health, it is essential to overlay claims data with observations and insights on local population health trends, programme design, provider network structure, and any impact on plan costs from the public health sector and the regulatory environment. An understanding of all of these factors is essential to help convert data into meaningful solutions for employers and those insured.

Through this approach of leveraging information to develop insight and meaningful recommendations, the best health insurers act as partners to healthcare captives—providing illuminating reports, informed and market-specific insight into cost drivers and their causes, comparative benchmark information, and targeted recommendations on how to address the findings. Sometimes, due to limited scope of cover locally, or the local interplay with a public health system, the cost drivers within the local private

medical cover are not at all related to things we would expect (like NCDs). A good analysis can identify that, to ensure that we do not over-engineer a programme that isn't driving medical claims.

Whatever the cost drivers identified, recommendations can include modifications to plan design, provider networks, pre-authorisation requirements, as well as the introduction of targeted wellbeing programmes. At Generali Employee Benefits (GEB), we focus on wellbeing programmes that support members at every stage of the health continuum, including programmes that help members stay healthy or return to health, as well as programmes to help members prevent and manage chronic illnesses. In this way, we approach programme design holistically at the local and global level.

Making a tangible impact on employee health

GEB routinely carries out this kind of analysis for captive clients. So how does all this play out in practice? As an example, the reports for one large client revealed an unusually high amount of respiratory claims in one Asian country (more than 38 percent of total spend) compared to other clients in the same market. This spend, however, was not related to NCDs but rather it was overwhelmingly related to simple colds and flus, and this was due to an extremely high incidence rather than due to severe cases. That is to say, nearly everyone covered had a cold/flu claim but the number of claims per person were few and relatively inexpensive.

We identified that local HR policy was a big driver of these statistics in that a doctor's note was required for even one day's absence, even for simple conditions such as the common cold, despite the fact that there is little a doctor can do to treat a cold. As it was, an HR policy to control sick days had the unexpected result of driving up claims for conditions where general practitioner visits have little to no impact. We recommended an HR policy change, along with other initiatives to reduce the need for such sick days, and improve respiratory health overall. These ideas included:

- Education materials on how to avoid catching or passing on a cold
- Implementation of targeted anti-cold and flu campaigns
- An assessment of in-office air quality, proper changing of air filters, and improved sterilisation procedures for all office surfaces
- Implementation of an anti-smoking campaign
- Implementation of on-site medical kiosks and a telemedicine service to reduce demand for outpatient consultations.

As part of this exercise, we worked closely with our network partner to ensure that our recommendations were feasible locally, addressing intricacies of the local environment and the interplay between public and private healthcare systems.

The future of health and wellbeing

With NCDs often representing the leading cause of deaths around the world, and sometimes the leading cause of claims, this is the opportune moment for all players in the benefits ecosystem to intervene, collaborate and help improve quality of life and sustainability of insurance programmes. This is where digital solutions can also play a part, particularly since functionality has gone up in recent years and implementation costs have come down.

Multinational employers, particularly those who are self-insured through a captive, are increasingly focused on changing the health of all employees and their dependants. This shift requires health insurers who can move from being just a payer, to being a true partner.

Successful healthcare captives are strengthening their partnerships with their local health insurers, or even better through their global network providers such as GEB, using data analysis, insights and recommendations to focus on managing behaviours and costs of healthcare providers. It's a classic win-win. **CIT**

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Eric Butler, director, global health and wellness, Generali Employee Benefits