HILA-AIDA ATHENS SUMMIT

Premium pricing and transparency - The "key factors" for Private Health Insurance

CARPENTER TURNER

May 9th 2014

Marios Apergis

Global Reach Local Expertise

Overview

The “key factors” in premium pricing and transparency for private health insurance products addressed n this presentation :

- The role of the State, Clarity & basic forms of Private Health Insurance (PHI)
- Advancements in medical and related sciences
- Treatment choice options – the significance of choice and who decides
- Legal and regulatory frameworks of operation

Referring to Private Health Insurance products covering medical costs of illness or accidents.

The Role of the State

The development of the private health insurance sector is heavily dependant on

- the role the state plays which, varies considerably amongst different countries, even within the EU
- the level of satisfaction and effectiveness of benefits offered under the state health care system.

CARPENTER TURNER

The Role of the State

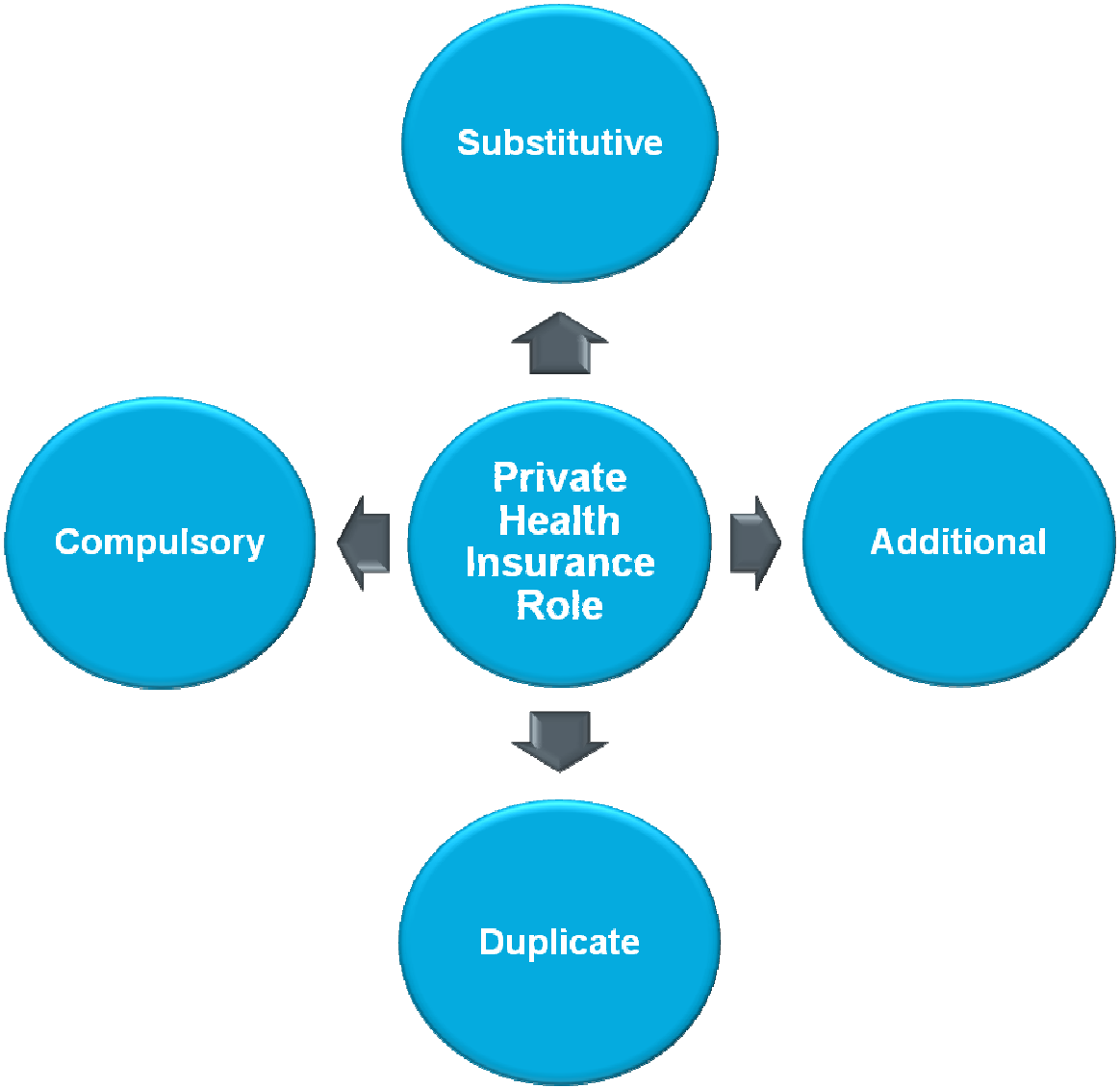
The State has the sole responsibility in determining the role of private health insurance:

- It decides the type of private healthcare systems it wishes for its citizens
  - Substitutive vs Complementary

- It defines the extent of interaction between private and state systems
  - Clarity in benefit provision by the different actors
  - Choices are political but also have practical implications

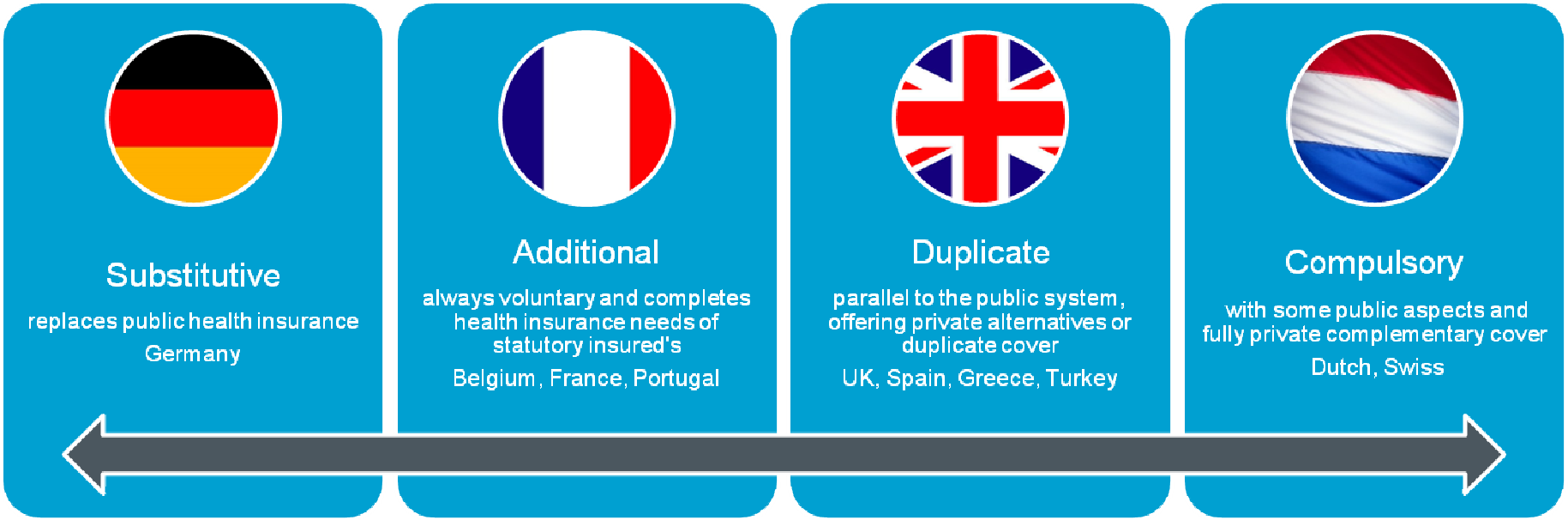
Responsibility for the creation of a supportive market environment for the PHI sector to grow in

The forms of PHI in Europe



CARPENTER TURNER

The forms of PHI in Europe



The magnitude of possible financial loss is more significant to the formal description of the market role, when evaluating PHI growth potential.

In 2012 in Europe 76% of private health insurance was written in three countries Netherlands (36%), Germany (31%) and France (9%).

CARPENTER TURNER

The Role of advancement in medical sciences & treatments

Medical Science and new treatments are amongst the fastest growing sectors of our time…… but so are the associated costs that need to be funded

Huge amounts of money are continuously invested in R&D making it impossible to predict the future treatment landscape and its impact on the associated costs

Medical Science and treatments are increasingly influenced by the development of related sciences.

Big Data & Predictive Analytics

All these factors are resulting in ever increasing pressure on State Healthcare Budgets and Private Health Insurance Premiums alike.

Understanding the mechanics that help ensure reasonable increases to costs (premiums) over time by the regulators and consumers ombudsmen is key.

CARPENTER TURNER

The advancement of health related sciences

According to a recent FT article :

“The life savers of the future will possess an intelligent layman’s grasp of medicine and no more. They will be strangers to the operating theatre and the research laboratory. The patients touched by their work will never know them. And if they have Dr as a prefix to their name, it will denote a PhD in information science or mathematics. “My son the statistician,” parents will boast.”

“America is at the thrusting edge, predictably enough. By studying search patterns, Google was able to predict outbreaks of influenza several days before they began to show up in hospital admission figures – and this is a hopelessly jejune innovation compared with what is possible. Harvard University’s School of Public Health is letting data inform more and more of its teaching and research; a master’s in computational biology and quantitative genetics starts soon.”

“Britain, could turn out to be the real crucible for this new science of science. It has vaults of data going back decades. It can centralise and standardise information, a rare perk of a command and control system.”

Treatment choice options and who Decides

Increasingly, the health services consumed are becoming more elective.

Under the State health insurance system, the state decides which treatments it chooses to provide (fund).

Who is the appropriate actor to make these treatment choices when these are funded through a private health insurance contract? Whilst avoiding conflicts of interest.

The challenge for private insurers is not only to provide the perceived "best treatment", usually also the most expensive, BUT to also maintain premiums affordable

The Legal and Regulatory Framework

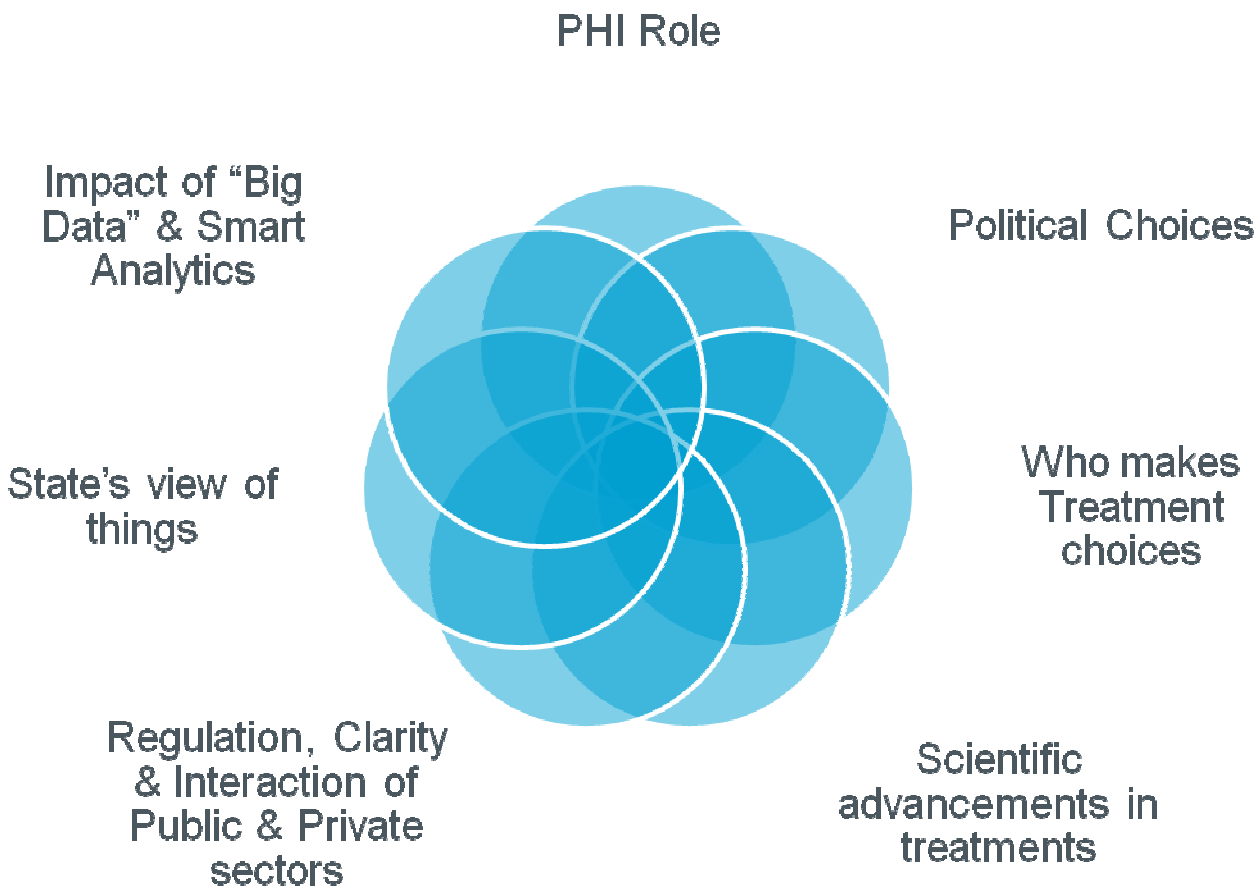
The legal and regulatory environment forms the basis and foundation of a PHI system and influences market size.

➢Countries with "more regulated" PHI markets have significantly larger size than markets loosely regulated

➢Lack of clarity in regulation leads to reluctance of insurers to offer some covers, to higher costs and therefore premiums, to lack of standardisation of the benefits provided -negatively affecting customer confidence and market growth.

Responsible to guide the market successfully to achieve its objectives, and to avoid market inefficiencies.

Putting it all together - Closing remarks



CARPENTER TURNER

CARPENTER TURNER S.A. Insurance and Reinsurance Broker & Consultant
7, Granikou Str., Maroussi, 151 25 Athens, Greece
t +30 213 0119 000 f: +30 213 0119 090
www.carpenterturner.com

A company affiliated with Guy Carpenter

CARPENTER
TURNER