
MEDICAL TRENDS INSIGHTS

UNDERSTANDING THE DRIVERS OF MEDICAL INFLATION IN MEA



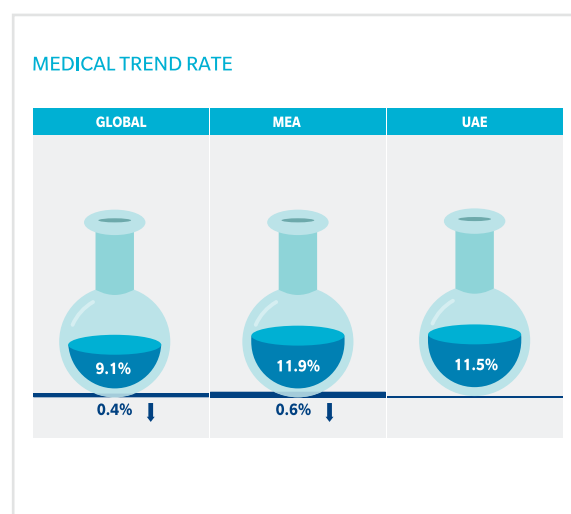
OVERVIEW

Research carried out by Mercer Marsh Benefits shows that the cost of medical insurance continues to exceed inflation, globally. The Mercer Marsh Benefits (MMB) annual medical trend survey, Medical Trends around the World, highlighted that while this was a global trend, some regions fared worse than others.

Higher medical spend without demonstrable return on investment will continue to be a challenge for employers. Organisations should manage costs of their employee health care in MEA through different measures such as investing in digitalization and data analytics, managing health providers, and creating awareness programmes.

Inflation is affecting countries in the region differently. In 2018, countries such as Egypt experienced a medical trend rate that stands at 20% largely due to country inflation linked to the devaluation of the Egyptian Pound. In Bahrain, we expect to see medical inflation decrease by 3%. In Oman, medical projection rates are expected to reach 10%, this could be due to the proposed introduction of compulsory medical insurance.

With mandatory medical care for employees in both the Kingdom of Saudi Arabia (KSA) and some parts of the United Arab Emirates (UAE), the costs associated with health should be of keen interest to organisations – and the need to manage this expense should be a priority. Before we can implement best practice to close the void between the two, we must first understand what drives the medical trend rate in the region.



1 MEDICAL TREND RATES

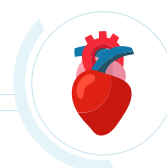
	2017 medical trend rate experienced ¹	2017 estimated inflation rate ²	2018 projected medical trend rate ¹	2018 forecast inflation ²
Middle East & Africa (MEA) (average)	12.5%	4.7%	11.9%	6.2%
Bahrain	12.2%	1.4%	9.2%	2.9%
Egypt	28.4%	23.5%	20.0%	20.1%
Oman	3.6%	1.6%	10.0%	2.5%
Qatar	13.5%	0.4%	15.0%	3.9%
Saudi Arabia	5.5%	-0.9%	5.5%	3.7%
United Arab Emirates	11.5%	2.0%	11.5%	4.2%

Source: Mercer Marsh Benefits Medical Trends Around The World 2018

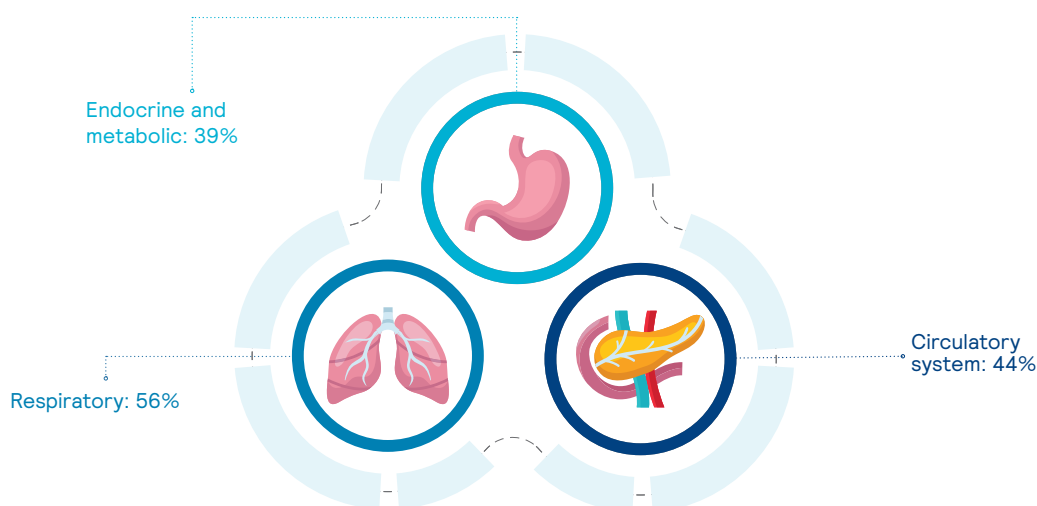
2 THE TOLL OF NON-COMMUNICABLE* DISEASES

According to the MMB Medical Trends around the World survey, 41% of insurers in MEA believed increased non-communicable diseases would increase employer-sponsored healthcare costs to a ‘very large extent’ over the next three years. In fact, all of them believed that non-communicable diseases could impact healthcare costs to some extent. Non-communicable diseases include heart disease, cancers, stroke, chronic respiratory diseases, diabetes, Alzheimer’s disease, mental illness, and kidney diseases. Variances in the types of diseases between regions is evident; cancer has a low frequency in the MEA region, with just 17% of insurers reporting it as a source of claim. Globally, in different regions around the world such as Latin America, cancer can account for up to 47%.³

Higher levels of non-communicable diseases mean a higher likelihood frequency of related claims. The opportunity for employers to potentially reduce the occurrences of diseases like diabetes, hypertension, and respiratory conditions, among employees should not be ignored.



The top three causes of claims cost in MEA were respiratory conditions, diseases of circulatory system and endocrine and metabolic diseases which include diabetes³.



The likelihood of dying prematurely from Non-Communicable Diseases in MENA is 19%, compared to 12% in higher income countries globally. Since young people of ages 10 to 24 account for an average of 25% of the MEA population, it is crucial to address risk behaviours such as poor diet, lack of exercise, and harmful use of alcohol or tobacco to this young cohort to change the trajectory of non-communicable diseases in the region.

The availability of convenience food along with unhealthy dietary habits could be attributed to be one of the causes behind the prevalence of high rates of diabetes and heart diseases. When climatic elements are added to the equation, such as high temperatures in the region, for instance, this can lead to less active lifestyles, and therefore can result in obesity and related diseases.

** A non-communicable Disease (NCD) is a medical condition or disease that is by definition non-infectious and non-transmissible among people⁴.*

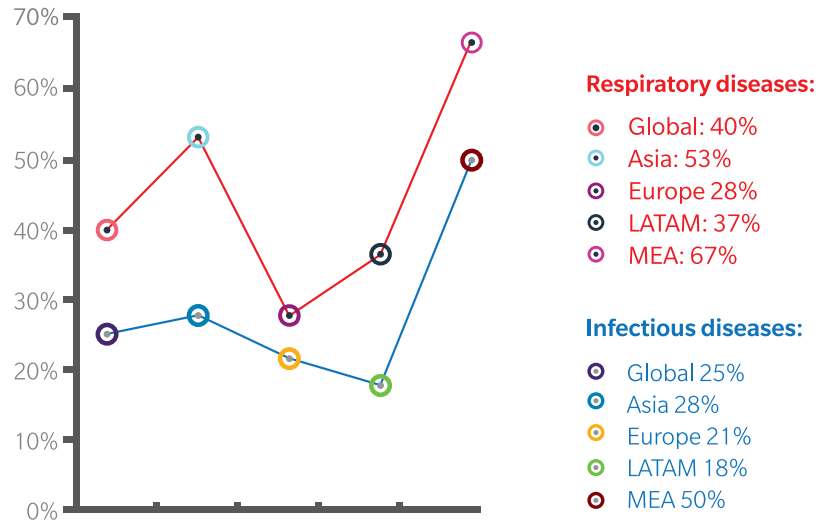
SPOTLIGHT

The climate has led to the region being very heavily reliant on cars as a mode of transport.

In addition to the air conditioning inside the vehicle there is also the matter of pollutants which can affect the environment outside. These drivers could impact medical costs, and there are specific scenarios that are adding risk to employers in relation to medical inflation.

Air pollution deaths cost economies in the MENA region more than \$9 billion.²

Causes of Claims



3 THE GROWING THREAT OF RESPIRATORY CONDITIONS IN MEA

While the global trend for the highest cause of claims was cancer, the MEA region bucked the trend with respiratory conditions accounting for 56%³ of its claims. A prevalence towards smoking in the region feeds into the threat of respiratory conditions.

Across the region, there is also a heavy reliance on air conditioning, with some living in a fully air conditioned world – from home, to transport, malls, and work environments. When individuals venture outside of these air-conditioned environments, they are confronted by variance in temperature, and the temperature change can put the respiratory system under pressure.

4 MANAGING EMPLOYEE EXPECTATIONS

A hyper competitive market of insurers leads to more choices for beneficiaries which means they can receive expensive consultations for minor ailments. As medical insurance is compulsory in some countries and is in general provided by employers of large organisations, employees could exhibit an element of entitlement when it comes to treatment.

There is a growing trend where employees expect to see top consultants for minor ailments when using their medical insurance. This all-access approach is both a costly and an inappropriate use of resource.

Organizations should manage expectations and costs of their employee health care in MEA by offering an incentive for patients to seek the correct treatment pathways for their health issues.

Other measures can include:

- Co-pays, which according to the survey 54% of insurers in MEA acknowledge that this is already an active part of their current plan management approach.
- Pre-authorization (assessment of reasonableness) is another measure to deal with employee expectations which 85% of insurers in MEA claim they are currently implementing.

5 MEDICAL FRAUD

Misuse and medical fraud from practitioners and employees can impact inflation. As medical insurance is compulsory and provided by employers, it can be viewed as a given right and therefore utilised as an entitlement, rather than used when it is actually needed.

In the MEA region, 54% of insurers have reported performing coinsurance to help manage plan members' health³. This means that measures are being taken to reduce the cost of out-patient usage on the employee's end.

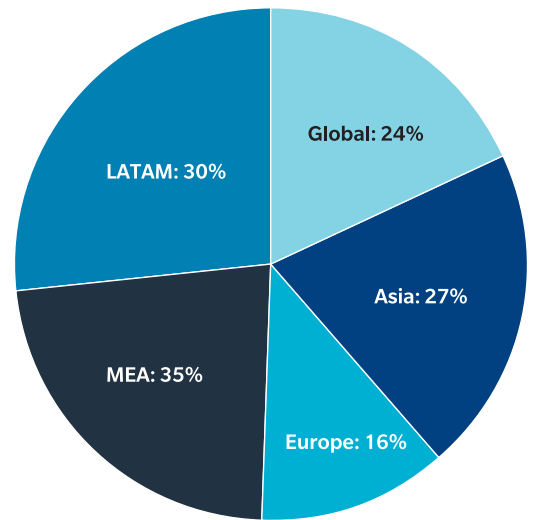
In addition, in the MEA region, none of the insurers reported that employees are "to a large extent" required to pay a portion of the premium or raising their portion. As opposed to in Europe, 9% of insurers believe that employees do pay a portion of the premium or raise their portion. These types of

co-pays are important measures to manage medical fraud on the part of employees because it increases the awareness of the impact of the importance of the misuse of medical provision.⁴

According to employee feedback, practitioners may also receive bonuses when certain referrals are made. The temptation is there for practitioners to refer employees with minor ailments on for unnecessary treatments, such as blood tests and MRIs for simple headaches - an act that is costly for insurers.

The effort to reduce medical fraud takes a "tag-team" approach. Third-party administrators that front hospital network programs for example might notice a suspiciously high incidence of blood tests taking place at a certain hospital compared with others.

Medical plan fraud and abuse (initiated by users, doctors and/or health vendors) can impact healthcare costs in the next three years according to insurers



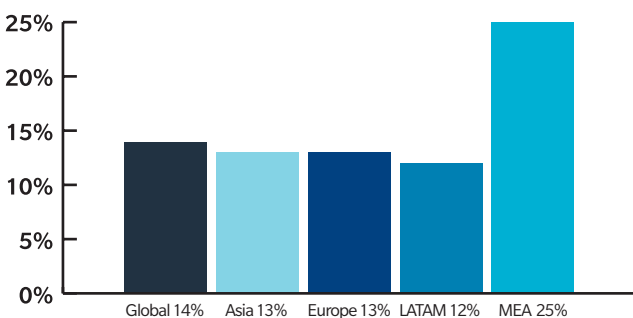
HOW CAN EMPLOYERS HELP?

According to insurers employers are engaging in some measures to improve plan member health and contain healthcare costs. These measures include:

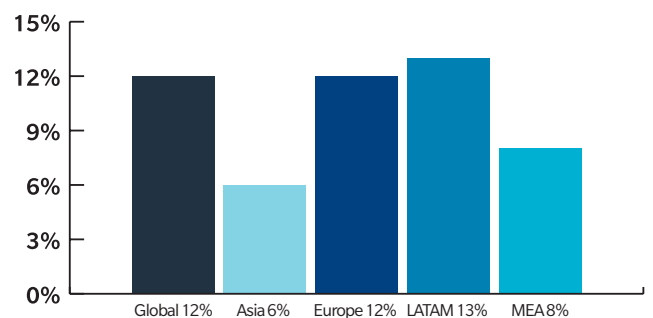
- flexible benefits programs,
- creating or expanding onsite clinical services and creating or expanding wellness programs, and
- placing monetary or frequency caps/limits on covered services.
- identifying the optimal access to care i.e. gate keeping model/ different levels of co-insurance based on the type of provider etc.

Employers contain healthcare cost to a very large extent through the following measures:

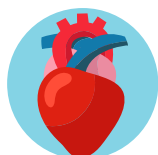
Creating wellness programs



Adding controls on use of specialists and other services such as referral requirements:



There are a number of actions that employers can take to help contain their medical costs within their businesses.



Besides sourcing and managing the access to medical networks and providers insurers and brokers are facilitating employers in mitigating health risks through lifestyle programmes. As highlighted earlier non-communicable diseases such as diabetes and environmental complications like respiratory conditions, can be minimised with changes to lifestyle.



Insurers play a key role in minimising medical inflation as they are the gatekeepers to the medical networks and providers. More insurers and brokers are involved in educating employers and employees in better lifestyle choices to help mitigate particular illnesses and in the most effective ways to use their healthcare insurance.



Not all claim containment measures require a challenging make over such as a move away from smoking in public restaurants and bars but rather simple steps can be taken such as raising awareness among employees. Simply by promoting the importance of using a face mask for blue collar workers, this can make a major difference.

Mercer Marsh Benefits' Smart Patient education and awareness programmes also helps employers and insurers to educate employees about ways they can better manage their own health. It also aims to educate employees about the longer-term effects of misusing their medical coverage. The message is a tough one: the increased cost to your employer might not affect you now, but if this continues then your employer may have to take steps such as introduce a co-payment system or even withdraw some benefits.

CONCLUSION

According to findings from Mercer Marsh Benefit's BenefitMap which harnesses the power of data and analytics to deliver benchmarking solutions and optimal and sustainable employee health and benefits' healthcare inflation is significantly impacted in the second half of the year. Now is a great time to collaborate with your broker in order to move the education of employees forward.

With medical claims increasing at a faster rate than the premium covered rate now is the time to act.

Please note that Marsh shall not provide insurance brokerage services or other services in violation of applicable trade sanctions laws. Therefore, Marsh will not provide insurance brokerage services or other services to you or in connection with any activities that could expose Marsh to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom, United States, or other applicable countries.

This document is provided to you on the basis that it is confidential. It may only be used in connection with RFP to which this document responds, and shall not be disclosed for any reason without our prior written consent.

© Copyright 2019 Marsh Qatar LLC. All rights reserved