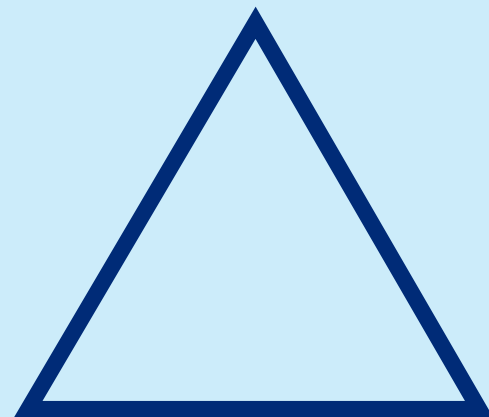
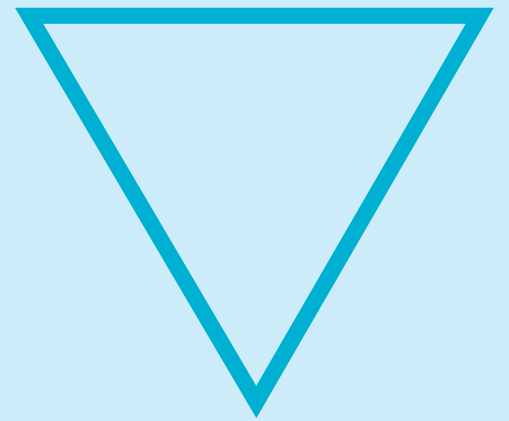
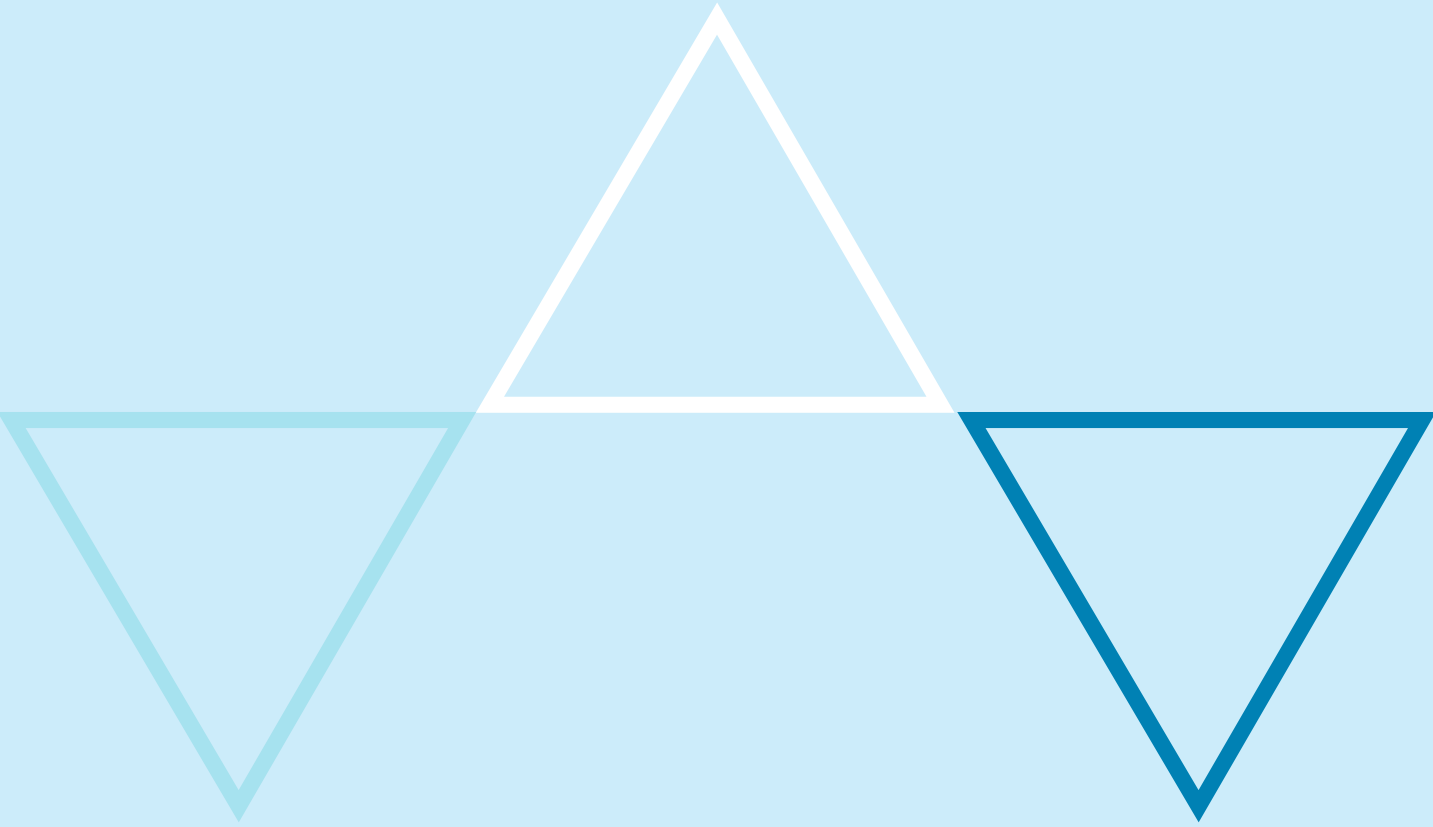


Key Medical Trends Impacting Employers in the Middle East and North Africa



Contents

- Overview.....5
- Key Trends in the Middle East and North Africa Region.....7
- Recommendations13

1

Overview



10520 STEPS



Health care expenditure is predicted to continue to grow in the Middle East and Africa (MEA) region and around the world. Monitoring changes and trends associated with these costs, and the mitigation thereof, is of keen interest to those striving for efficiency and growth in 2020 and into the future.

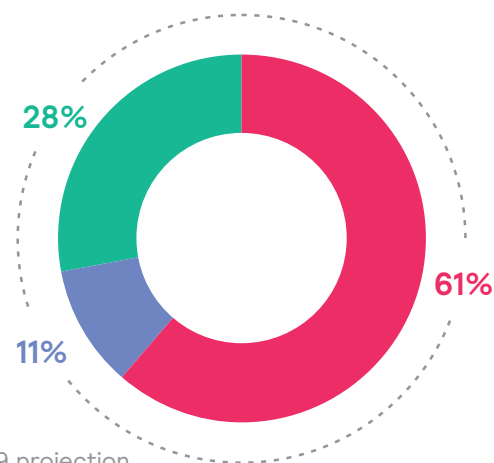
Now in its fifth year, the *Mercer Marsh Benefits (MMB) Medical Trends Around the World Report* acts as a lighthouse for employers, providing vital insight into the causes and implications of rising health insurance costs.

Each insurer may calculate medical trends slightly differently, but in general, it reflects a year on year cost increase for claims on a per person basis that are made through a medical scheme.

Globally, the 2019 medical inflation rate is predicted to be 9.6%, nearly triple the general inflation rate, and even higher rates are expected for 2020. While some markets are seeing medical inflation rates stabilise, others continue to experience very high costs for health care that are growing at pace.

61% of survey respondents from the MEA region predicted a higher medical trend rate for 2020.

- Same as 2019 projection
- Higher than 2019 projection
- Lower than 2019 projection



With regard to utilisation, cancer and disease of the circulatory system remain the global top two highest causes of claims, based on cost. As was the case with prior years, fewer insurers in MEA included cancer in their top three causes of claim cost. Instead, the top claims by cost and frequency in the MEA region are still dominated by lifestyle-related circulatory, gastrointestinal, and respiratory conditions.

In this report, we will unpack the survey results from the MMB Medical Trends Around the World Report and take a deeper dive into the key trends impacting employers in the MENA region.

Globally, the 2019 medical inflation rate is predicted to be 9.6%, nearly triple the general inflation rate, and even higher rates are expected for 2020.



There are four key findings for the MENA region:

Medical costs will continue to outpace general inflation, with even higher increases expected in 2020.

Lifestyle factors will continue to drive increases in medical costs.

Over and under-utilisation will continue to be a challenge in the region.

Technology is being explored to provide progressive solutions for preventative care, with the MENA region being the strongest adopter of virtual health consultations.

2

Key Trends in the Middle East and North Africa Region



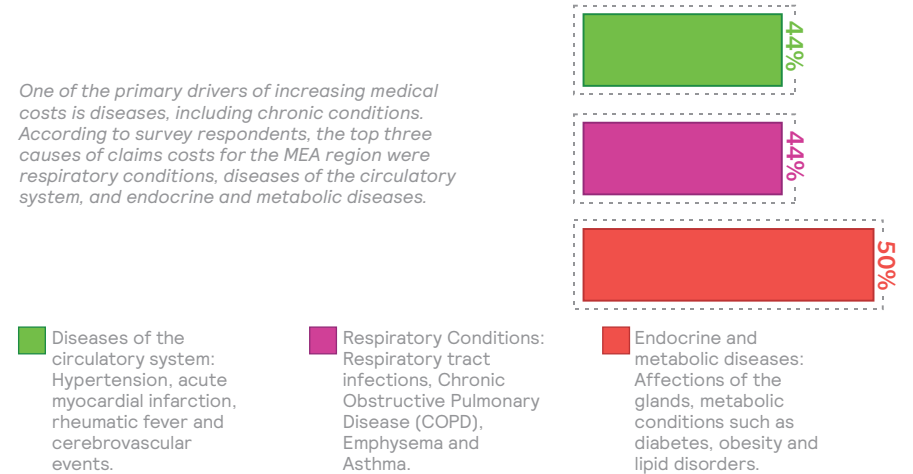
The 2019 projected medical trend rate for the MEA region is 13.6%, nearly three times that of the region's economic inflation rate. Employers in the MENA region seem to share the rest of MEA's views of health care cost increases, as 78% of MENA survey respondents stated that they are expecting the 2020 medical inflation rate to be even higher than last year.

The below table reflects projected medical trend rates by survey respondents from the MEA region in comparison to Global results:

Country/Region	2018 medical trend rate experienced	2018 estimated inflation rate	2019 projected medical trend rate	2019 forecast inflation rate
Global ³	9.7%	3.2%	9.6%	3.3%
Country/Region	2018 medical trend rate experienced	2018 estimated inflation rate	2019 projected medical trend rate	2019 forecast inflation rate
Middle East and Africa (MEA)	14.0%	5.6%	13.6%	5.0%

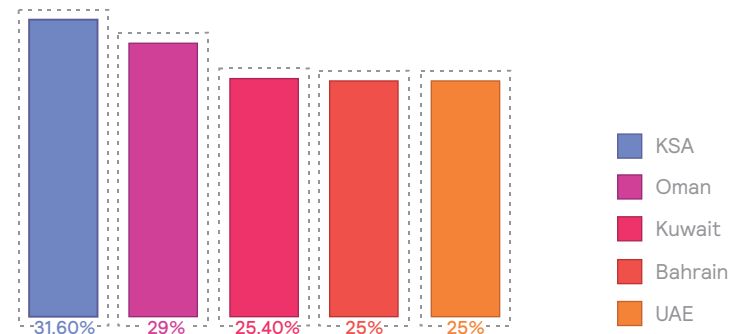
MEA: Top 3 causes of claims cost

One of the primary drivers of increasing medical costs is diseases, including chronic conditions. According to survey respondents, the top three causes of claims costs for the MEA region were respiratory conditions, diseases of the circulatory system, and endocrine and metabolic diseases.



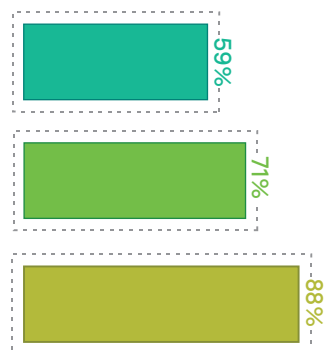
While most countries within the MENA region reported the same top three causes of claims costs as the MEA region above, additional diseases in MENA contributing to high claims cost were also reported, such as gastro-intestinal diseases.

In the MENA region, type 2 diabetes is a key health concern. Chronic diseases such as diabetes have cost implications for employers due to increased claims and an unhealthy workforce. The Kingdom of Saudi Arabia (KSA) has the highest prevalence of type 2 diabetes at 31.6%, followed by Oman, Kuwait, Bahrain and the United Arab Emirates (UAE).



Most of these causes of claims are heavily impacted by lifestyle-related risks. Sedentary lifestyles and unhealthy dietary habits such as convenience foods feed heavily into these lifestyle-related risks. Likewise, poor air quality from heavy automotive usage (of particular relevance to those working in construction); the impact of air conditioning; and a smoking culture all play into respiratory conditions.

In MEA, the top three risk factors influencing employer-sponsored group medical costs are 'metabolic and cardiovascular risk', 'dietary risk', and 'occupational risk', respectively.



Metabolic and cardiovascular risk: High blood pressure, high cholesterol, high blood glucose, overweight/obesity, physical inactivity.

Dietary risk: High carbohydrates consumption, low fibre and vegetables.

Occupational risk: Work related risks, ergonomics, and occupational carcinogens.

Additional risk factors reported for the region included 'Tobacco smoke: smoking, second hand smoke' and 'Environmental risk: Urban indoor/outdoor air pollution, ozone, water sanitation, climate changing'.

In order to help reduce medical inflation whilst creating healthy and productive workplaces, employers should implement medical programmes that tackle these disease-related risks at their roots.



Factors impacting utilisation of benefits in the MENA region

Health care legislation

Health care legislation continues to impact employers in the MENA region as mandatory health care in the KSA and the UAE places the onus on businesses to provide health care for employees, resulting in employer challenges relating to over-utilisation of benefits and under-utilisation of primary care.

KSA have had employer-sponsored mandatory health care for a number of years, and was followed by the UAE introducing the legislation in Abu Dhabi and Dubai. This approach is now spreading throughout the region, with countries like Qatar and Bahrain considering some form of health care legislation. Oman is expected to introduce the legislation this year, and in 2019 Kuwait made amendments to its standing legislation.

With the introduction of legislation comes higher utilisation. This occurs for two reasons: hospitals become more commercialised, while the access to care increases. More facilities move to the country and there is greater development in terms of specialism, so the quality of health care being delivered within the country improves. With this increased access to more costly care, comes a rise in utilisation.

In many locations around the world, a social layer of health care is deemed a part of a basic living experience, however in the UAE and KSA, it is a more costly private level of service that is deemed to be the baseline. Employers are feeling the impact of this mind-set as members opt for expensive treatment and reject primary care provision.

The Impact of a Less Transient Expatriate Workforce

In early 2019, the UAE introduced legislative changes to residency conditions for expats, which includes long-term visas up to 10 years¹ for entrepreneurs, as well as a five-year retirement visa for residents aged 55 with high salaries or significant assets². These legislative changes are expected to have an impact on medical trends in the UAE going forward as the expat workforce will be less transient and more likely to retire in the region.

The prevalence of age-related diseases may therefore increase, resulting in higher claims and increased utilisation of health care benefits. Employers should take this likely trend into consideration when designing health care plans going forward.

The MEA region is one of the highest adopters of an employee-centric approach, with more than 71% of survey respondents stating that they are making efforts to help members make smarter health care decisions. Employers in the region are actively offering value-added services such as education sessions and wellness programmes to members.

The MENA region is leading this trend with the majority of survey respondents indicating that 'education in order to make plan members smarter consumers of health care' is either currently an active part of their management plan, or they are considering and developing plans to initiate this approach in the next 24 months.

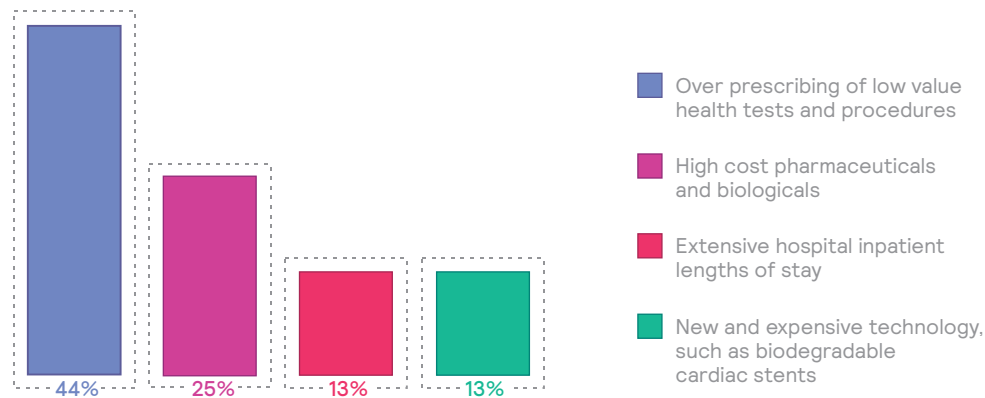
When it comes to 'influencing government around legislative changes/health reform', the majority of MENA countries have developed plans to initiate this within the next 24 months, with the UAE already having made this an active part of their management plan.

Members need to be viewing health care as a workplace benefit rather than a right. Educating employees in order to encourage a shift in how health care is perceived by members will be necessary for employers in order to manage medical costs while maintaining an employee-centric view.

Under-utilisation of primary medical care

The Middle East continues to experience under-utilisation of primary medical care, with members opting for expensive consultants and other senior specialists for minor ailments – this, along with the increased likelihood of over-diagnosis, has inflated costs relating to outpatient costs and in turn fed into the over-utilisation of health care provision. Furthermore, it is a cultural norm for the families of plan members to make use of available health care, leading to further over-utilisation.

According to the MMB Medical Trends Around the World Report, the top three causes for increased cost within the MENA region are: 'overprescribing of low-value health tests and procedures'; 'extensive hospital inpatient lengths of stay'; 'high cost pharmaceuticals and biologics' and 'new and expensive technology, such as biodegradable cardiac stents'.



Within the MENA region, the primary focus areas to manage plan member health and contain medical costs are pre-authorization and the negotiation of rates with health providers. A further seven approaches have been ranked by survey respondents as top approaches that are currently an active part of their management plans:

The top approaches that are currently an active part of management plans within the MENA region:



Some insurers only require pre-authorization for inpatient services, while others require pre-authorization for certain treatments, like MRI scans, physiotherapy, mental health, and maternity. For others still, preauthorization is triggered only when certain monetary thresholds are reached.

Along with the above approaches, employers should be focusing on designing plans that incentivise consumer behaviour and perception of health care. The MEA region is leading this global trend of plans that utilise coinsurance (up to 20% of the total bill³) and deductibles to encourage a more consumer-orientated view of health insurance and that embed accountability among members.

Page 7 -

Source: Mercer Marsh Benefits 2019 Medical Trends Around the World Report covering 59 countries excluding the US.

Source: European Review - Type 2 diabetes in the Arab world

Page 9 -

¹Source: The National - Who is eligible and how to apply for the UAE 10 year golden residency visa

²Source: Government - Retirement visa for UAE residents

Page 11 -

³Source: Gulf News - Health insurance - how well are you covered

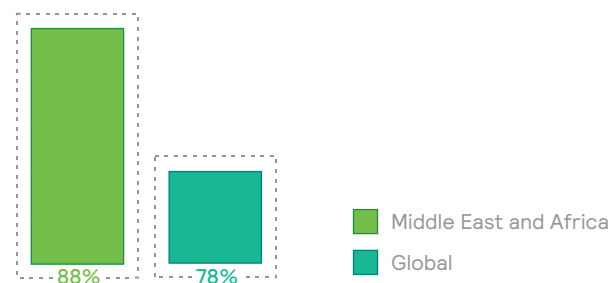


Technological solutions for preventative care

The health care landscape is bound to see changes in the future, given the rise in medical costs and demand for a more consumer-centric approach to medical insurance. The current trajectory of health care is moving toward digital health, with strategic investments in data analytics and digitization driving this trend.

Adopting digital health can assist employers to contain medical costs, improve utilisation of primary health options, and provide members with quality health care services in an efficient and more precise manner.

MEA is a global leader in adopting virtual health consultations and telemedicine, with 88% of survey respondents either considering or already supporting this new technology in comparison to 78% globally.



Insurers are increasingly using digitalisation to support pre-authorisation activity, with approval text messages and emails being sent to members in real time, often while members are communicating with receptionists at the hospital. This is helping with the transparency of the process.

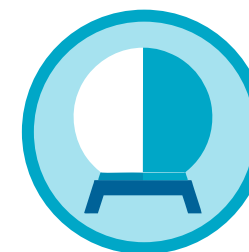
Future investments being employed for cost containment



Data Analytics

Data analytics is the top strategic area of investment with regard to group medical insurance globally, supporting the trend that health care is moving toward a more member-centric approach as the data collected can be used to help employers identify and manage cost drivers and offer plans to better meet the needs of their employees.

While the MENA region is still developing in this area with a third of survey respondents stating that this was an area of strategic investment for them, the region as a whole is showing promising growth.



Incentive-based plan design

The survey results show that the MEA region has placed high emphasis on making strategic investments in incentive-based plan design, with 53% of survey respondents confirming this as an area of investment in their organisation.

These strategic investments in digital health along with MEA being a global leader in helping members become smarter health care consumers, shows that a member-centric approach to health care is a high priority for this region.

Recommendations



An educated workforce

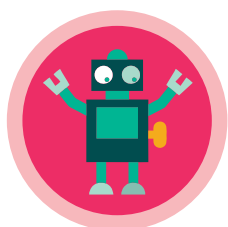
Over-utilisation of low-value health tests and procedures points to the strong need for making employees smarter health care consumers. Also, employers need to leverage interventions that steer members to high-quality care based on adherence to protocols and outcomes.



An employee-centric approach

The future of health care provision will see a shift from cost management to an employee-centric view built on preventative care. There is room to support a plan member's whole health journey, and those that pay attention to wellness support will see the benefits in lower medical inflation.

The MEA region is ahead of the curve in this area, due to the activities of a number of advanced countries in the region, which are already investing in progressive solutions to cost containment and preventative care.



Embrace disruption

Currently, insurers in the MEA region are leading globally on the exploration of technological approaches to cost containment. Obtaining buy-in from plan members in the use of virtual consultations and the increased uptake of primary care provision will see a step-change medical trends and medical inflation in the region.