HEALTH INSURANCE AND RISK MANAGEMENT

PRESENTED AT

The Insurance Institute of Uganda

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Course Schedule

Morning session: 8.00AM – 10.00AM

- 1. Insurance and health care
- 2. Morbidity and its treatment, Rating and selection for Morbidity
- 3. Actuarial Application for Health Insurance
- 4. Long-term Health Insurance, dreaded cover Insurance

BREAK SESSION: 10.00AM – 10.30AM

Mid-morning session: 10.30AM – 12.30PM

- 5. New Insurance Products In the international markets
- 6. Managed Health care
- 7. Health Insurance for the poor (Health and Micro-Insurance)
- 8. Medical underwriting and claims settlement

LUNCH SESSION: 12.30PM – 1.30PM

Afternoon session: 1.30PM - 3.00PM

9. Analysis of claims data, risks and reduction of losses

10. Channeling Health Insurance Marketing in Uganda

11. Health Insurance products & their Management

BREAKOUT SESSION: 3.00PM – 4.00PM

COURSE EVALUATION: 4.00PM – 4.30PM

1. Insurance and healthcare - Uganda

a) A huge discrepancy exists between the high potential demand and the rather low real demand.

b) Currently there are over 15 community based health insurance schemes in Uganda coordinated by an umbrella organization Uganda Community Based Health Financing Association and overseen by Ministry of Health

c) On the other hand, Private Commercial health insurance arrangements exist and together contribute less than 1% to the total health expenditure because of their coverage plans.

d) Introduction of a National Health Insurance Plan will help these schemes sync with the overall health sector financing goal of efficiency and equity.

e) Furthermore, the gradual introduction of the National health insurance plan to provide universal health care will help reduce current inequalities in access to care and contribute to reduction of catastrophic health expenses that impoverish households.

2. Morbidity and its treatment, Rating and selection for Morbidity

a) Morbidity is a term used to describe how often a disease occurs in a specific area. An example of morbidity is the number of people who have cancer.

Morbidity is the quality of being sick or unhealthy while **Mortality** is the condition of being mortal and of dying.

b) Morbidity rates are used in actuarial professions, such as health insurance, life insurance and long-term care insurance, to determine the correct premiums to charge to customers. These rates help insurers predict the likelihood that an insured will contract or develop any number of specified diseases.

c) Malaria is reported by the Ministry of Health (MOH) as the leading cause of morbidity and mortality in Uganda, accounting for approximately

- 8–13 million episodes per year,
- 30–50% of outpatient visits at health facilities,
- 35% of hospital admissions, 9–14% of hospital deaths (nearly half of those in children less than 5 years of age) and
- Numerous deaths occurring outside of health-care settings

(Uganda Ministry of Health, 2005).

3. Actuarial Application of Health Insurance

a) An actuary is a business professional who deals with the measurement and management of risk and uncertainty. A multitude of insurance lines such as health, life and long-term care insurance use Actuaries to determine appropriate premiums

b) The solution can be thought of as a private health insurance model which can be used to:

- Perform profit tests.
- Model control requirements.
- Determination of the provision for outstanding claims/loss reserves

c) Therefore the focus of an Actuary is twofold namely;

- support management review of financial projections in by means of an analysis of surplus and
- more importantly, review of outstanding claims provision

4.Long-term Health Insurance, dreaded cover Insurance

a) Unlike traditional health insurance, long-term care insurance is designed to cover long-term services and supports, including personal and custodial care in a variety of settings such as your home, a community organization, or other facility.

b) Long-term care insurance policies reimburse policyholders a daily amount (up to a pre-selected limit) for services to assist them with activities of daily living such as bathing, dressing, or eating. You can select a range of care options and benefits that allow you to get the services you need, where you need them.

c) The cost of your long-term care policy is based on:

1) How old you are when you buy the policy

2) The maximum amount that a policy will pay per day

3) The maximum number of days (years) that a policy will pay

4) The maximum amount per day times the number of days determines the lifetime maximum amount that the policy will pay.

5) Any optional benefits you choose, such as benefits that increase with inflation

4. Long-term Health Insurance, dreaded cover Insurance (continued)

Some of the critical illnesses include:

- Heart Attack. The death of a portion of the heart muscle (myocardium) as a result of inadequate blood supply
- Stroke
- Coronary Artery Disease Requiring Surgery
- Cancer
- Kidney Failure
- Fulminant Viral Hepatitis
- Major Organ Transplant
- Paralysis / Paraplegia.

5. New Insurance Products in the international markets

1) As our world today becomes progressively more digitalized and consumers increasingly get comfortable using new technologies, the future of health insurance needs to become much more digitalized in nature i.e. it's marketing, sales and claims' processing.

2) Focus ought to be on adjacent innovation for the future of insurance. Adjacent innovation includes taking existing products into new markets and digital channels, or creating new digital products for existing markets. By minimizing the number of completely new areas for a program, insurers can focus on creating value in one area by leveraging existing assets.

3) By cutting out the middleman (broker) and selling directly to the customer, this insurer can offer products at a lower, more competitive price because the cost of sales decreases. In turn, they can immediately increase revenue.

6. Managed Health care

1) Managed care plans are a type of health insurance. These have contracts with health care providers and medical facilities to provide care for members at reduced costs. These providers then make up the plan's network.

2) It is also a general term that refers to health plans that attempt to control the cost and quality of care by coordinating medical and other health-related services.

3) The most common forms of managed care providers are **Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs)** and **Point-of-Service Plans (POS).** They all come with their various pros and cons. The main advantage of managed health care is the lower costs associated with them.

4) The major difference between indemnity (non-network based coverage) and managed care plans (network-based coverage) concerns choice of doctors, hospitals, and other providers; out-of-pocket costs for covered services; and how bills are paid.

7. Health Insurance for the poor (Health and Micro-Insurance)

There are two health insurance arrangements:

a) the private commercial health insurance by health maintenance organizations **(HMOs)** and commercial insurance companies on one hand and

b) community health insurance schemes on the other.

Facts :

c) Existing community health insurance schemes cover about 1% of the population while the private commercial health insurance equally covers about 4%.Almost 95% of the population is without health insurance

d) Universal health coverage through a national health insurance scheme in Uganda would do well to observe the experiences and learn from HMOs. Especially as their structure would be a hybrid of the HMO model.

e) There is a need to adopt a phasing-in approach which shall include children aged 13 and below, adults aged over 70 years and persons with disabilities, through a basic healthcare package. While these segments of society aren't able to contribute to the financial pool, it is prudent to consider that the bulk of healthcare spending both out of pocket and by the government is in these two categories.

8. Medical underwriting and claims settlement

a) Insurance companies unanimously agree that the claims processing function is the most important to guarantee not only their differentiation but also their survival in what is largely a homogenous business environment

b) Insurance companies also do minimal underwriting as a normal business practice due to the cut-throat business climate they operate in and that Uganda is a buyers' market

c) Premiums are set using prior year figures with the aim being to get market share. They write policies and collect premiums to get the numbers and deal with the claims' side later

d) There's need to realign the two i,e. underwriting and claims to regain the business standard

e) The gross claims paid for both life and Non-life insurance (including HMOs) in the 2016 reporting period increased from UGX Shs 214 billion in 2015 to UGX Shs 260 billion in 2016 representing a 21.5% growth in claims paid out. But specifically HMO net assets increased slightly to UGX shs. 1.31 billion in 2016 from UGX shs. 1.3 billion in 2015. This sustained growth of the insurers' asset base highlights the growing strength of companies to handle insurable risks locally and provide adequate protection to the insuring public.

9. Analysis of claims data, risks and reduction of losses

a) According to the IRA 2016 annual report, an analysis of the reported business and claims data shows that growth has been registered in gross written premium income in 2016 for HMOs to UGX Shs. 52 billion from UGX shs.48 billion in 2015 for a 25% hike.

b) Although the IRA annual report doesn't highlight the issue of fraud in the claims processing, Industry sources cite it as a major factor in the industry and is reflected heavily in the numbers reported above. Most notable is the soft fraud element that involves inflating the value of claims

c) the need to publically acknowledge the prevalence of fraud by the industry watchdogs will be a step in the right direction. Political will would then be harnessed to rein in the stakeholders partaking in this practice.

10. Channeling Health Insurance Marketing in Uganda

a) The global trend today is looking at expanding the role of agents and brokers and equipping them to play a pivotal role in the growth of the health insurance sector. With the increasing consumerism in the world today and emergence of a more informed populace, the key to selling today is about cultivating relationships. Hence the need to amplify the human element in selling and complementing it with the digital component of online selling.

b) Furthermore, the introduction on the market of Bancassurance has opened possibilities for sustained growth in the sector. Currently market penetration is less than 1% with the goal to bring it to at least 3%.

c) Presently, there are an estimated 5 million bank accounts in Uganda while insurance penetration stands at 0.85%. The advancement of Bancassurance in markets like Asia, Europe and more recently in Africa speaks to the desirability and profitability of bank branches

d) The Philippines, for example, has experienced a 32% increase in the combined earnings of its insurance companies during the first quarter of 2015.

11. Health Insurance products & their Management

a) Recent legislation and regulations directly addressed structural and operational elements of the HMO and Health Insurance Organizations (HIO) fraternity, resulting in a drop from eleven to seven registered and licensed HMOs in 2016. HMOs shed off the costly arm of insurance and rather continued to provide health services through their facilities for walk-ins and as health insurance service providers.

b) This eliminated the costly burden of having to deal with perpetually problematic service providers and customers laden with fraudulent claims and/or pharmacies amongst other issues.

c) HMO products are the mainstay of the industry today as their focus on cost control enables companies to survive and thrive in this cut-throat business.

d) There's urgent need by industry policy makers to introduce co-pay plans into the market as this will provide a much needed cash buffer to the companies but most importantly help weed out unnecessary hospital visits and the accompanying billing of unwanted services by overzealous physicians.

e) Management of these products can be greatly improved if the physicians and hospital operators are incentivized to cut out the soft fraud and not just look at their own bottom-line but that of the whole industry and its overall survival.

Breakout session

- **Course feedback**

  - Share insights and observations

- **Networking (group & one on one)**

  - Market channeling and development

- **Course evaluation**

  - Fill up short survey (located at the back of course booklet and return to instructor)

- **Conclusion**

References

1) HEALTH SECTOR STRATEGIC & INVESTMENT PLAN

Promoting People's Health to Enhance Socio-economic Development

2010/11 – 2014/15

2) Applying the actuarial control cycle in private health insurance

By Ben Ooi FIAA

Presented to the Institute of Actuaries of Australia

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3) USAID Health Systems 20/20:

http://www.healthsystems2020.org/

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4) Center for Health Market Innovations (CHMI) is managed by the Results for Development Institute. CHMI is funded by the Department for International Development (DFID), the Bill & Melinda Gates Foundation, and the Rockefeller Foundation.

5) Insurance Regulatory Authority of Uganda – 2015 Annual report

6) HEALTH SECTOR STRATEGIC & INVESTMENT PLAN – July 2010

Promoting People's Health to Enhance Socio-economic Development

2010/11 – 2014/15

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