International Private Medical Insurance Inflation 2017
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Welcome to the 2017 edition of Pacific Prime’s International Private Medical Insurance Inflation report. This annual report sets out to analyze the premium increases seen from 2009-2016. This report presents in-depth analysis on the inflation of the most popular medical insurance plans offered by the top insurers in ten top locations where International Private Medical Insurance (IPMI) is purchased. As with previous years, we have grouped the locations into three regions: Asia, the Middle East, and Rest of the World (excluding Canada and the USA).

While this is an annual report, the last half of 2015 and first three quarters of 2016 were an interesting time in the health insurance industry with intriguing changes being announced primarily regarding the introduction of new insurance products and the recent legislative changes that have made Dubai a country to watch for the foreseeable future. Together, these had an impact on inflation seen in 2016. As such, this year’s report has changed slightly in order to reflect these two industry changes:

- New regulatory requirements of mandatory health insurance for all residents in the UAE has meant significant changes to both insurance products, providers and consumers in Dubai, resulting in some substantial premium and plan differences for 2016.
- Two providers have been dropped with two new insurers added in their place.

We have provided a full explanation of the report changes in the appendix of our report.

At the start of this report, it should be noted that all premiums used in this report are for individual health insurance plans however, the trends and inflation figures discussed in this report can also be applied to group health insurance plans. Also, all figures are measured by numerical averages and are not weighted either year-on-year, or by insurance company size.
Key components of the report

Pacific Prime has identified four major sections that form the primary focus of our latest International Private Medical Insurance (IPMI) Inflation report.

1. Average IPMI Inflation in 2016

When averaging the inflation of IPMI premiums from each of the ten locations included in this report we found that globally, **IPMI inflation was 9.2% in 2016**. Interestingly, this was the same percentage increase seen in 2015. In this section of the report we present not only a historical overview of IPMI inflation but also a year-on-year comparison with Consumer Price (CP) inflation.

2. Insurers

In this section, we take a look at the average premium inflation of the major international health insurers included in this report. We are pleased to announce that in 2016 **Allianz Worldwide Care retained their place as the insurer with the lowest average premium increase worldwide**.

Similarly, we congratulate **Aetna International (Interglobal) on having the lowest IPMI inflation average over the past five years**. It should be noted here that these rankings are not indicative of the cheapest insurance products, rather the insurers whose plans saw the lowest inflation.
3. Inflation drivers

A major section of the last International Private Medical Inflation report covered four key drivers of medical insurance inflation:

- New medical technology
- An imbalance of healthcare resources
- Increased compensation for healthcare professionals
- Healthcare overutilization

These key drivers are an important constant force on inflation in 2016 and continue to make up a strong part of the explanation behind inflation. That said, we have identified three inflation drivers that emerged in 2016 and had an impact on private medical insurance premiums:

- Global economic uncertainty
- Changing population dynamics
- The increasing availability of technology

We cover these three drivers in-depth in the Inflation Drivers section of the report.

4. Analysis of inflation by country

As with previous reports, we have provided an overview of inflation in the ten countries included in this report. While we fully believe that all of the inflation drivers had an impact on inflation in all countries, there are also country-specific influences that are discussed in each section.

What’s more, Dubai has seen some major health insurance related changes that have largely set it apart from the other locations included in this report. As it remains an important location for international health insurance we have included an in-depth analysis on the changes seen in the Dubai section of this report.

Important assumptions

As with the last report, this report has been written with one major assumption: The primary driver of IPMI inflation is the cost of healthcare. As we mentioned in the last report, IPMI inflation is usually within 1-2% of healthcare inflation. The 2016 Global Medical Trend Rates report from Aon Hewitt reported that the average medical trend rate for 2016 was 9.1%, nearly on par with IPMI inflation which yet again confirms that the cost of medical care and international health insurance are closely linked.
Average International Private Medical Insurance inflation in 2016

The chart above shows the average increase of international private medical insurance (IPMI) across the globe from 2009-2016. Interestingly, in 2016 the average percentage increase of international health insurance plans was exactly the same as that seen in 2015, 9.2%. When compared with the average Consumer Price (CP) inflation seen in the 10 countries included in this report (3.76%), it is clear to see that our finding from the last report - that IPMI is around 5 percentage points higher than CP inflation - held true for 2016.

Furthermore, when you compare the average IPMI inflation with the average increase in Global Consumer Prices of (as of June, 2016) 7.2%, health insurance inflation was only 2% higher. This indicates that health insurance, especially international medical insurance, is largely immune from global price inflation trends.
Insurers

This report features the most popular international health insurance plans from eight global insurers offering the products in all of this report’s focus locations. The following reflects the changes which has altered the list from the previous report:

- The inclusion of two Aetna plans
- The removal of two Bupa Global plans
- The addition of two new insurers: Cigna Global and IntegraGlobal
- The removal of Dubai from country comparison data

An explanation for Dubai’s exclusion is in its own section and Appendix A, however the short reason is due to the final implementation of mandatory health insurance in late 2016. This has forced insurers to implement new Dubai-centric plans that comply with mandatory health insurance regulation. As such, there was not enough historical data available to include an accurate measurement of inflation in 2016.

Putting Dubai aside, the list of insurers included in the 2017 IPMI report is:

<table>
<thead>
<tr>
<th>Insurer</th>
<th>Plan(s)</th>
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<tr>
<td>Aetna International</td>
<td>International Healthcare Plan</td>
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<tr>
<td>Aetna International</td>
<td>Ultracare Plan (InterGlobal)</td>
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<tr>
<td>Allianz Worldwide Care</td>
<td>International Healthcare Plans</td>
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<tr>
<td>AXA PPP Healthcare</td>
<td>International Health Plan</td>
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<td>Bupa Global</td>
<td>Global Health Plan</td>
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<td>Cigna Global</td>
<td>Global Health Options</td>
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<tr>
<td>William Russell</td>
<td>Elite Plan</td>
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<tr>
<td>IntegraGlobal</td>
<td>Personal Health and Premier Plans</td>
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Global IPMI Inflation 2017 - P.7
On a global scale, the global average IPMI increase in 2016 was 9.22%. Looking at insurers, **Allianz Worldwide Care had the lowest increase by a long margin** — 3.86% for 2016. The next three insurers with the lowest average inflation increases were:

- **William Russell** — 6.17%
- **Bupa Global** — 7.00%
- **AXA PPP Healthcare** — 7.17%

All other insurers ranged their average inflation increases between 8.98% and 19.64%. Bupa Global again posted the same inflation figures across all locations, a sign that it is sticking with the underwriting strategy and risk exposure from the previous year. IntegraGlobal posted the highest premium increases with Hong Kong (37.77%), China, and Singapore (both 31.21%). We understand that this is due to a change in the way they renew business. Its lowest inflation rate, 12.76%, was applied across Thailand, Philippines, Indonesia, the UK, Kenya and Brazil.

Hong Kong, China and Singapore have the highest average inflation increases for all of our locations.
When looking at the five year average inflation of the insurers by country, insurance plans have seen premium inflation in countries range between 3.53% and 10.87%. Providers also continue to have higher inflation figures in the traditionally strong Asian countries (Hong Kong, China and Singapore), with most applying reduced or consistent increases in places like Thailand, Philippines, Indonesia, and Kenya.

Based on the five year average, the three insurers with the lowest IPMI inflation are:

- Aetna International - (InterGlobal) — 5.29%
- Allianz Worldwide Care — 6.66%
- William Russell — 7.53%

The five year averages for IntegraGlobal, Bupa Global, and Cigna Global were not available as we only have one year’s worth of data for their plans. They will be included in this ranking when we have more historical data.
Key drivers of IPMI Inflation

In previous years, the IPMI inflation reports identified four key inflation drivers that impact inflation not only on a global level but also on a country level as well:

- **New medical technology** - The medical industry being among the top in terms of demand for new technology. Everything from the cost of new machines to the cost of pharmaceuticals and systems like Electronic Medical Records influences health insurance inflation.

- **An imbalance of healthcare resources** - Each of the ten locations included in this report have an aging population, increased demand for healthcare, and an increase in High Net Worth (HNW) individuals utilizing private care. Combine this with a shortage of health facilities, especially private clinics and hospitals, in many locations and this has resulted in increased costs of care and claims. This in turn has a direct impact on IPMI inflation.

- **Increased compensation for healthcare professionals** - Doctors, nurses, and other healthcare professionals are facing increased costs in education and licensing which has resulted in costs of care rising. This in turn also impacts insurance premiums.

- **Health care overutilization** - The locations included in this report have all seen increased overutilization of available medical treatments. This in turn has resulted in increased claims submitted to insurers. Insurers offset this by increasing premiums, and if the number of claims increase in a location you will see premiums adjust to reflect this increase.

These key drivers have continued to play a part in the inflation of IPMI in this report and we believe that they will continue to for the foreseeable future. To learn more about these drivers, please see the Inflation Drivers section of our last report.
Emerging trends to watch

In addition to the key drivers, Pacific Prime found three global trends that we believe have some bearing on the rate of inflation in the locations covered in this report. A changing population dynamic, the impact of a turbulent global economy, and the potential that both technology and big data hold for increased efficiency of insurance companies all point to pressure being put on IPMI inflation. In review, these trends have had mixed results across the globe - affecting inflation in some countries while having little to no effect on others.

All of these contending factors have contributed to this year’s IPMI inflation figure of 9.2%. While there are obviously more factors at play than these new trends impacting IPMI, we still believe that there's enough potential in these trends to highlight them for consideration for this and future years.

1. Global economic uncertainty

Tough economic times often means a lot of belt-tightening and making decisions around what’s important to people. Many of our focus locations had their share of economic challenges in 2016, from both global, regional, and domestic pressures. In many ways, low economic growth affects IPMI through flow on effects; low commodity prices has seen a shrinking in job opportunities for expats in places like Indonesia, British expats whose income was paid in pounds found themselves worse off following the Brexit referendum result, and people in China have experienced a growing resistance to foreign workers as the country, like many others, focuses on employing more locals as its GDP slows.

It is highly likely that continued uncertainty will have an impact on IPMI inflation in some locations, especially those which are experiencing changing population dynamics.
2. Changing population dynamics

Economic uncertainty has also had an impact on population dynamics. For example, Asia in particular is facing a significant challenge in the "super aged" that are expected to become a bigger burden on economic resources. If economic conditions are weak, government’s will have fewer resources available to address the increased demand for healthcare which could drive up prices.

Beyond that, we are seeing a movement of expats in various regions. Expats are traditionally the main market for international medical products and their movements around the globe have told us much about where the international insurance market may be heading. However, it appears that the traditional expat is slowly disappearing in some countries with demand being taken up by local or regional HNW individuals.

When it comes to expat movement, a recent SCMP article highlighted how Hong Kong, long a popular destination for expats, has actually seen the number of expats, namely British, American, and Australian, drop by 10.64% in the last half of 2015 and throughout 2016. This is mirrored around the region with neighbouring Malaysia, Japan, Indonesia, and Singapore reported to have a smaller number of foreign residents. Likewise, the UAE with a higher cost of living and uncertainty in the local job market has the potential to have an impact on expat numbers in the region.

Expat dynamics are also changing in the type of people moving abroad for work. According to the ECA, the look of the typical expat has changed over the past few years with many now likely to be engaged on short-term or commuter assignments. These shorter contracts are said to be more appealing to both unaccompanied expats and those with families as it means less commitment to trying a new experience. Millennials, most notably, have been found by the annual HSBC Expat Explorer report to be increasingly interested in working abroad to further their career ambitions, fast track progress towards financial goals, and to search for a sense of purpose. The concern here is that when on short-term placements millennials and unaccompanied expats likely will eschew expensive, long-term international coverage for more affordable, shorter term travel or local insurance products.

The question is, if expats are moving out of the major IPMI destinations of Hong Kong, Singapore, China, and possibly Dubai, why is inflation up in these countries, or why has IPMI inflation held steady globally? The primary reason here hinges on demand from HNW individuals living in or around these countries. In these locations, we have noticed increased demand from regional and local HNWs for high quality international health insurance plans.

Essentially, in many locations traditional expats are still present, however in some locations their numbers are dwindling. This is being counterbalanced and even surpassed by increasing demand from HNW individuals.
The idea of increasing an organization’s efficiency formed one of the key components of our 2016 medical insurance trends report with many insurers commenting that they are currently striving to improve the overall efficiency of their organization. One of the most effective ways to do so is through the introduction and implementation of technology.

Insurers have realized this and have started to implement technology at every stage of the client’s relationship. At the beginning stage, insurers and brokers alike have all implemented online systems that allow clients to quickly compare plans, premiums, coverage details, etc. which ensures they are generally better informed about their options and how to use plans before they even purchase one.

When it comes to existing clients, our previous medical trends report highlighted two major technology-driven systems that are increasingly being demanded and implemented:

- **Online portals**
- **Mobile apps**

At their core, systems like these make it drastically easier for customers to interact with the insurer and the plan they have purchased. For example, in some cases clients can now go online to view their plan details and book an appointment with an in-network doctor within a few clicks. From there, the insurer can submit the correct forms with the care center and process a guarantee of payment faster, often within a matter of minutes or before you even get to the doctor’s office.

Mobile apps also have enabled increased ease of use through their ability to submit claims directly from a photo taken with your phone or to even connect doctors with patients via telehealth services.

There is also a variety of technical systems being implemented that have made it easier for doctors and insurers to share information. For example, with many electronic health record systems, doctors are now able to share a patient’s records with insurers and insurers can digitally share relevant information with doctors.

What's more, insurers are increasingly turning to online platforms like social media and messaging apps for ways to quickly communicate with clients and share information like never before. Some insurers have even started to work with doctors in other regions who can provide telehealth consultation services and more.

By implementing technology at all touchpoints, insurers have been able to decrease the time it takes to onboard new clients, provide claims service, share information, etc. This all equates to increased efficiency if it’s implemented correctly.

Across all industries the increasing adoption of technology and big data has enabled nearly unprecedented cost efficiencies.
The use of big data

According to McKinsey & Company, a big-data revolution is under way in health care. Many health sector organizations and experts are beginning to use big data to gain insights to improve both their products and decision making processes in relation to care and costs. This allows companies to better manage and predict market movements and premiums. The concern here however is that while insurers are starting to use it, there has been little to no substantial impact on IPMI Inflation yet.

In our 2016 medical insurance trends report, Pacific Prime noted that many of our partners are analyzing big data to better understand and predict risks. Everything from service standards, quality outcomes, health care costs, and the claim habits of consumers is seen as vital information that helps insurers combat low investment returns from unprofitable underwriting.

In particular, companies are becoming more intelligent with the way they assess potentially fraudulent claims, now being able to match new claims with the data of past fraudulent claims - in some cases the accuracy of big data indicates a potential for technology to be more effective than manual human assessment. Ideally, this will lead to an improvement in an insurer’s management of premium cost inflation as the risk of fraud becomes lower.

Consumers themselves are also taking a more active role in providing the sort of data healthcare and insurance companies need to improve analytics. It’s estimated that around 100 million wearable fitness and activity trackers were sold in 2015, with that number to rise to as many as 245 million by 2019. With consumers now interested in monitoring their own health and exercise habits, the information these devices can provide to insurance companies will allow them to better tailor their policies to the individuals who purchase them.

While the use of big data in the health sector is still in its early stages, its growing importance is not lost on insurance companies who are finding that regulatory constraints are putting pressure on underwriting performance everywhere. The cost of healthcare continues to rise across the globe but with the help of technology, insurers should start to increasingly use big data to find new ways to keep costs contained and better manage premium inflation. While this has not impacted inflation in a major way yet, we anticipate that this will in the future, as more insurers start to adopt this technology.

Will these trends continue?

Predicting the future is not our aim with this report, however we are fairly confident that these new trends have a lot of potential to influence IPMI inflation in years to come. They are important enough for us to have considered now and, should conditions around the globe continue as they have for the past year, we don’t expect that they will disappear anytime soon.

What has been interesting to note, however, is that these trends have also posed a new question regarding the picture of the international medical insurance market our previous drivers were hinting at. The impact of HNWs individuals on IPMI inflation in locations like China, Hong Kong, Singapore, and Dubai suggest to us that a two-tier marketplace that divides high cost from lower cost countries is developing.

The inflation drivers discussed above will without a doubt continue to impact the locations in this report but how they impact inflation, especially the emerging drivers, will be different. Case in point: In the high cost countries (i.e., Singapore, Hong Kong, China, and Dubai) we can expect to see a drastic increase in demand from HNW individuals, to a point where demand will outpace expat demand by a near exponential factor. Combine this with the already high cost of medical care at private facilities in these countries and growing demand, it can be expected that IPMI inflation will increase.

Meanwhile, countries included in the second tier i.e., Thailand, Indonesia, Philippines, Kenya, etc. will certainly be more affected by global economic conditions. In many of these countries, we have seen demand for coverage decrease in certain sectors, especially those related to natural resources, but it is not readily being replaced by demand from local/regional HNW individuals.

It is a little too early for us to be confident that this is happening, but our suggestion is to keep your eye on these trends over the next year and any associated events that could strengthen or weaken their future influence on IPMI.
International Private Medical Insurance inflation in South East Asia

This year’s report features six locations in the Southeast Asia region:

- Hong Kong
- China
- Singapore
- Thailand
- Philippines
- Indonesia

Grouping the data for the six locations included in Southeast Asia shows that 2016 health insurance premiums increased at an average of 9.9%, 0.7% higher than the average global medical insurance inflation. Comparing inflation figures from previous years, it would appear that the region is starting to pull away from the global trend, which is primarily influenced by increased medical insurance inflation in Hong Kong, China, and Singapore.

This section covers the average inflation in each of the six locations included in this region and any major drivers behind the inflation figures seen.
Hong Kong

Hong Kong is one of the most expensive locations in Asia for medical care, especially at private hospitals and clinics. This high cost certainly has a major influence on international private medical insurance (IPMI) inflation in the city.

While during the years 2009-2014 it appears that there was a downward trend in IPMI inflation, inflation figures from the previous two years indicate that this trend is likely to be not only over but reversed. In fact, private medical insurance inflation seen in 2016 was the second highest level since 2009.

In 2016, Hong Kong recorded an IPMI inflation of 12.1% and a year-on-year Consumer Price Inflation of 2.5% (as of June 2016)*. It would appear that IPMI inflation in Hong Kong is not influenced by, or linked to consumer prices.

Instead of consumer prices, we believe that there are two major drivers of medical insurance inflation unique to Hong Kong.

Increased demand for care from the private sector - The public care sector in Hong Kong is increasingly overburdened, with long wait times for many surgeries and care at certain times of year. For example, according to the Hospital Authority, the wait time at public hospitals for Total Joint Replacement Surgery is up to 64 months at some hospitals. One of the strategies the government has enacted to deal with this demand is to simply push people to the private system. For example, this article in the SCMP describes a new public-private partnership where people with less severe health emergencies are basically told to go to private clinics should the public hospitals be at capacity.

High cost of care at private centers - It is well known that the private hospitals and clinics in Hong Kong are expensive and there is little indication that this trend will be slowing. Because people with international coverage, especially local/regional HNW individuals in Hong Kong tend to prefer to visit the private sector for care, this has translated to higher insurance premiums.

*The decrease in Consumer Price Inflation in Hong Kong is primarily due to when the data was recorded, June 2016. During the first half of 2016, property prices fell significantly resulting in somewhat slower inflation. As of the time of writing this report, prices seem to have stabilized and were increasing again, so it is likely that the future CPI will be higher than the figure recorded in June.
China’s healthcare system has seen a substantial increase in investment to expand its infrastructure since new reforms in 2009. Its most recent five year plan, starting in 2015, has vowed to deliver equal access to public health services for all Chinese citizens by 2020 and the demand for services has been bolstered by a Chinese middle class whose perception of health insurance has improved.

A PricewaterhouseCoopers (PwC) study has indicated that insurance for young and elderly dependents has become more important for middle-aged consumers who have shown a greater willingness to pay for varied and better health services including health insurance as their disposable incomes have increased.

The country’s IPMI continued its upward trend in 2016, seeing inflation reach 12.06%. Similar to Hong Kong, China’s year-on-year Consumer Price Inflation of 1.8% (as of June 2016) indicates that its IPMI is not influenced by, or linked to, consumer prices.

While the key drivers discussed in this report certainly have had an impact on IPMI inflation in China, we believe there to be two country-specific drivers that have affected premium increases this year:

**A maturing insurance market** - Consumers in China, especially HNW locals, are continuing to mature in their attitudes to insurance. A growing middle and upper class has seen those with greater disposable income demanding more access to better quality healthcare, while companies are increasingly looking at healthcare benefits as a way to attract quality employees. This increase in demand has likely helped keep premium increases in China from falling like its inflation of consumer prices.

**Growing government health regulations** - Health related reforms to expand and improve services have also seen authorities beef up regulations in the sector. Insurers have been concerned about the compliance costs of recent government initiatives like the China Insurance Regulatory Commission’s campaign to identify domestic systemically important insurers (D-SII).

Both of these trends have influenced the increase in IPMI inflation in China, in addition to the growing number of HNWs in the country. Paired with the aforementioned PwC study indicating changed attitudes to insurance in China, expect the number of HNW locals and new middle class population to look to private medical insurance to better protect the health of their elderly and young loved ones.
Singapore

Singapore is home to one of the most efficient and innovative healthcare systems in the world with state of the art facilities backed by a sector desiring to become a thought leader and hub for biomedical research and education in Asia. Paid for by salary contributions, nearly 100% of Singaporeans are covered by universal coverage scheme MediShield Life, while individuals can supplement their insurance with market-priced private plans.

Expats are excluded from the MediShield scheme and do not qualify for government subsidies. While the facilities in both the country’s public and private sector are of a high standard, expats and many HNW individuals will generally use the private facilities due to the fact that the private facilities offer lower wait times and quality care.

In the past year, the IPMI inflation in Singapore rose from 9.5% to 11.2%, pushing up into the double digits and making it comparative to other high-cost countries like Hong Kong and China. Its IPMI increase places it third highest in this study. The year-on-year Consumer Price Inflation has, with its economy, slumped to 0.24% (as of June 2016), and indicates that insurance premiums are not likely linked to the country’s consumer prices.

In the last report, we considered that Singapore’s ageing population, rising private primary care fees, and an aggressive government upgrade of the healthcare system were the main country-specific drivers influencing its IPMI. These remain true for 2016, with the following additions:

**Continued medical tourism demand** - Singapore remains one of the top destinations for medical tourism, especially with HNW individuals from around the region. As such, hospitals have all invested in developments like architectural design in order to attract medical tourism money, which has driven medical fees up in the country.

**Government co-opting of private facilities to ease public sector service demands** - As the demand on public services by Medishield Life subsidized patients grows, the government has been negotiating agreements with private facilities, such as Raffles Hospital, to expand national capacity. This has been exacerbated by the number of Integrated Shield Plan (IPs) holders opting for treatments at private hospital, driving inflation of private hospital treatment costs well above those in the public sector.

**Movement of High Net Worth expats from other Asian nations** - Singapore has been attracting a lot of the older expats from neighbouring countries like Hong Kong for things like cheaper housing, better work benefits, and a cleaner environment for families. As these expats are likely to be further in their career than foreign graduates, it would seem that their ability to afford higher cost insurance plans has helped Singapore increase its inflation again this year.
Thailand is quickly becoming a frontrunner for the title of Asia’s medical hub. Boasting state-of-the-art facilities and technologies, internationally certified medical services, expert medical professionals, and a wide range of high-standard international hospitals, Thailand’s healthcare costs remain less expensive compared to Japan, Hong Kong, and Western countries.

Thailand continues to be a highly competitive market for medical tourism, which drives heavy investment in the sector. This means the 99% of Thais covered by social security can benefit from free healthcare at public facilities. The problem is, these facilities don’t often offer the quality of care many expats and HNW individuals will demand, causing them to opt for international insurance plans in order to benefit from higher levels of coverage and better access to private hospitals than social security options.

Thailand’s IPMI fell to 7.8%, exactly the same figure as the Philippines, thus continuing the assumption that insurers have grouped these countries together for premium increases. The year-on-year Consumer Price Inflation of 0.22% (as of June 2016) fell more sharply than the CPI average in top expat destinations.

The key drivers discussed in the Inflation Drivers section of this report continue to have an impact on IPMI, however the following are considered to be specific drivers for Thailand:

**Grouping with other “low cost” Asian markets** - The IPMI inflation shrink seen in Thailand has been identical to the figures for the Philippines this year, and near enough to Indonesia’s 7.6%. With the IPMI rates for China, Hong Kong and Singapore all noticeably moving the opposite direction, the figures for the rest of Southeast Asia continue to indicate that, as mentioned in previous reports, these countries are likely grouped as a “low cost” region of Asia and have had premium increases applied as a group.

**Cost complaints and government regulations** - Despite Thailand already having medical services less expensive than in Japan, Hong Kong, and Western countries, the government has received complaints about healthcare prices and reports of customers refusing to pay bills. The government has also considered a Drugs Bill that would require pharma companies to reveal information about their pricing structure when seeking approval for medicines in Thailand. These public and government attitudes could be a driving factor in insurers’ decision-making around premiums.

**ASEAN AEC developments** - The developments of the Association of Southeast Asian Nations will bring further economic challenges to Thailand as cheaper production, outsourcing and labour rates can be found in its neighbours such as Laos, Cambodia, and Vietnam. A weakening economy may see the government struggle to deliver on its infrastructure projects, including in the healthcare sector. This could mean higher demand with lower supply which would inevitably increase healthcare costs.
Philippines

Healthcare in the Philippines continues to have quality medical staff working in a two-tiered system. Private hospitals and specialist clinics have better equipment and resources than their public counterparts, yet doctors and nurses in the country are of a high standard - many are graduates of top local or overseas universities. The cost of healthcare is not as expensive as Western nations or wealthier Asian countries, however the Philippines is looking to the medical tourism industry as its neighbours Thailand and Singapore have as a potentially lucrative overseas market.

In 2015, the Philippines saw its IPMI reverse a downwards trend to climb up to 8.80% while its CPI fell from 4.46%. This was explained as a result of insurers grouping the Philippines with similar “low-cost” Asian countries (such as Thailand) and applying the same premium increase to the group as a whole. This year has seen the country’s IPMI inflation drop to 7.8%, tied again with Thailand, and its year-on-year Consumer Price Inflation dip to 2.0% - much lower than the CP inflation average in top expat destinations of 3.0%. The Philippine economy has grown strongly in 2016 despite the uncertainty surrounding the country’s political direction.

For 2016, we believe that the following driver has had an impact on IPMI inflation in the Philippines:

Unbalanced private and public healthcare sectors -
The government has continued to pursue public-private partnerships [PPPs] where the private sector owns 60% of the market. Poor cost control of the government and limited competition against established market players has seen the cost of healthcare in the Philippines controlled by a private sector in which most patients are likely to be users of. As such, residents have reported being unable to afford the retail price of drugs in the country, of which 90% of drug purchases are out-of-pocket.

With a number of initiatives planned, the Philippines government is looking to boost its investments in eHealth to help improve efficiencies in the sector. This is a long term strategy, however, so potential reductions in the cost of delivering healthcare in the Philippines are yet to materialise. Future impacts on insurance premiums will certainly reflect the effectiveness of the Filipino healthcare reforms, and the progress to make itself more marketable and competitive in the global medical tourism industry.
Indonesia

Indonesia is not known for having a high standard of medical care, especially for those suffering critical illnesses, serious emergencies, or for those living in rural areas. The country has long lagged in per-capita spending on healthcare, meaning many existing facilities need to be upgraded or replaced. The government has also been phasing in universal healthcare coverage for all Indonesians since 2014, while expats are required by law to purchase an insurance plan compliant with local regulations.

In 2016, Indonesia’s IPMI shrank to 7.6% from 9.1% in 2015. This follows the Consumer Price inflation in the top IPMI countries downwards, but at a much steeper reduction of 1.5%. This sharp drop is mirrored more strongly in the year-on-year Consumer Price Inflation drop of 2.4% (from 6.8% in 2015 to 4.3% in 2016) which is explained by Indonesia’s recent economic performance.

While we reported last year that insurers lumping Indonesia with similar low cost Asian countries was the most significant impact to IPMI changes, this year, we believe that the country’s IPMI has also been affected by the following:

**Economic factors impacting local markets and expat numbers** - As China slows its imports of regional resources, the low commodity prices have seen fewer exploration and production in the oil and gas sectors of Indonesia. Many expat workers, engaged in the resource sector, have been leaving the country - while the Indonesian government itself has been restricting the number of foreign workers in a bid to provide more opportunities to locals. With expats generally considered some of the biggest spenders in the Indonesian economy, it seems likely that their exodus has had some influence on the country remaining in the “low cost” group of Asian countries, in contrast to the strong IPMI inflation in China, Hong Kong and Singapore.

Despite these drivers having a dampening effect on IPMI, there are still a number of factors to take into account regarding Indonesia’s future. The government remains committed to the success of the JKN program which, as a result of its successful enrolment campaign, has been putting pressure on existing health sector infrastructure. If barriers to building new infrastructure and employing foreign doctors can be overcome, expect better investment in improving facilities to increase costs and insurance premiums across the board. This will be especially true as Indonesia’s fast growing middle-class looks to spend its rising discretionary income on better healthcare solutions than the government provided JKN can deliver.
International Private Medical Inflation in the Middle East

This report features one location in the Middle East region: Dubai.

As with the regional inflation reports of previous years, the Middle East has one location included in this report: Dubai. Historically, IPMI inflation in Dubai has closely tracked global IPMI inflation and Pacific Prime believes that this remains largely true for 2016. The problem however is that we don’t actually have reliable inflation data for 2016 available for Dubai.

![Average Inflation in the Middle East](image)

The primary reason for this is due to the final implementation of the Dubai Health Authority’s (DHA) reforms legislating mandatory health insurance coverage for all residents in the city. Because of the DHA reforms insurers had to implement new plans in 2016 in order to remain compliant in the city.

- Four insurers from the previous years’ reports no longer offer plans in Dubai
- Mandatory coverage has seen a big uptake in insured numbers
- Those insured with less than compliant policies have had to upgrade their plans
- Insurers have had to adjust their plan packages and premiums as a result of the additional risk brought by the DHA reforms

The following Dubai section will explain more about how these factors have impacted this year’s report.
Dubai - DHA reforms have resulted in a significant change in insurer behaviour

As we have noted throughout the report, when analyzing the data used to develop the report we were somewhat intrigued by the results.

1. Four insurers from previous reports no longer offer plans in Dubai

In previous years, and with every other country in this year’s report, the comparison between IPMI inflation was made between eight different insurers who offer the same plan in each location. However, a mandate set by the DHA requires that insurers offer plans that offer set levels of coverage for all residents. As such, plans that do not meet these minimum requirements are not currently allowed to be sold in Dubai. In other words, insurers were encouraged to design and introduce new health insurance plans if they wanted to remain in Dubai.

As of the writing of this report, the following four companies did not offer individual plans that meet DHA requirements:

- Aetna International (InterGlobal)
- Allianz Worldwide Care
- AXA PPP Healthcare
- Cigna Global

The insurers that have introduced compliant plans as of 2016 are:

- Al Ain Ahlia - Aetna International
- Oman Insurance - BUPA Global
- Dubai Insurance - William Russell
- Salama Insurance - Integra Global

As these plans are different from those included in the rest of the report, it would be unhelpful comparing these new plans to the plans of these insurers offered in previous years. Going forward however, we will be including a special Dubai section that compares inflation in the city.
Dubai - DHA reforms have resulted in a significant change in insurer behaviour

2. Mandatory coverage has seen a big increase in the number of insured

The number of uninsured in Dubai has historically been quite high; the Oxford Business Group estimated that up to 70% of the population were actually without insurance before the DHA reforms. Now, employers or sponsors who have not yet purchased health insurance for their employees and their dependents will face penalties from the end of 2016. Employees without valid coverage will also see new visa applications and visa renewals denied.

As of November 2016, the DHA has estimated that the 88% of the target population in Dubai had secured health coverage - meaning almost 3.5 million people had become insured in the past year. With less competition in the international insurance market, we believe that premiums have been impacted by the increased opportunity to engage more consumers as a result of the reforms.

3. Those insured with less than compliant policies have had to upgrade their plans

A big part of the DHA reforms mandated a minimum level of benefits that must be provided by any health insurance plan:

- An annual limit of Dh 150,000 per person on all claims per year
- Pre-existing and chronic conditions must be covered in full, subject to a six-month waiting period
- In-patient treatment must be covered with a 20% excess up to a maximum of Dh 500 per encounter, or a maximum of Dh 1,000 per year
- Out-patient treatment must be covered with a 20% excess
- The cost of medicine must be limited to Dh 1,500 per person
- Maternity services must be covered for up to eight outpatient visits, inpatient treatment covered up to Dh 7,000 for a normal delivery, and up to Dh 10,000 for medically necessary C-section and other complications (all maternity services are to be covered with a 10% excess)

Those who owned insurance plans that offered less covered than the minimum have been required to upscale their coverage. This means those opting for less expensive inpatient only medical coverage have now had to purchase more expensive plans that include both outpatient and maternity coverage, even if they have no intention of having children.

To be clear here, ALL residents in Dubai must have health insurance coverage that meets the minimum level of benefits regardless of whether they actually want to secure coverage or not. This will certainly have an impact on IPMI inflation as some of the medical issues that are now required to be covered e.g., maternity, are incredibly expensive.
Dubai - DHA reforms have resulted in a significant change in insurer behaviour

What will the future bring?

At a broad glance, the changes brought about by the DHA will likely have a strong impact on IPMI inflation with a distinct possibility that inflation will increase. This is largely based off of two major points:

The number of people seeking care will increase - At this point no one really knows how the DHA reforms will impact health insurance inflation. That said, News articles published in mid 2016 pointed to the fact that claims are going up, as expected and has been seen in the past. For example, this report points out that when Abu Dhabi implemented a similar health insurance scheme hospital visits increased 40% nearly immediately. We expect that this will see the cost of care soon follow the increase in demand, therefore putting pressure on the future insurance premiums in Dubai.

Greater number of insured providing actuarial opportunities and risks - The big numbers of insured coming through in Dubai does present some interesting big data and technology opportunities for insurers, however actuaries working out prices for the current plans have done so with very little historical data on how the Dubai population will perform under the new DHA reforms. We expect it to take a few years before premiums become more stable as the actuaries build the data on the new Dubai insurance market.

4. Insurers have had to adjust their plan packages and premiums as a result of the additional risk brought by the DHA reforms

The DHA requirement that pre-existing and chronic conditions be covered in full, albeit with a six-month waiting period, has meant that the remaining insurers in the market have had to take on more risk with consumers. As a result, we expect that many policyholders with pre-existing conditions have been subject to extra loading payments in order to have their conditions covered.

One example where this situation can have a huge impact on the price of insurance is based on how people used to secure coverage in the Emirate. Some who had pre-existing conditions such as diabetes had opted for plans with lower levels of cover e.g., inpatient only due to the cost of plans or exclusion of pre-existing conditions. Now, with the DHA reform they are covered, whether they want to be or not, and some insurers might be attaching a loading to these plans in order to mitigate the risk and cost associated with now covering these diseases.
International Private Medical Insurance inflation in the Rest of the World

This report features three locations in the Rest of the World region:

- **United Kingdom**
- **Kenya**
- **Brazil**

Insurance premium data for the Rest of the World has shown that the average rate of inflation for this grouping fell to 7.90% in 2016. This marks a 1.60% drop from the 2015 figure of 9.50%, as well as an indication that the region’s IPMI is pulling away from its previous trend of sticking close to the global IPMI average.

This section covers the average inflation in each of the three locations included in this region and any major drivers behind the inflation figures seen.
Global IPMI Inflation 2017

While residents and some expats are covered by the National Health System, overseas visitors (including those staying with family, visiting on business, as a tourist, or residing illegally) will generally be charged for hospital treatments. As such, insurance premiums can be impacted by the movement of migrants into the UK whose residency does not yet make them eligible for the NHS. Beyond that, those looking for better access and shorter wait times will often purchase private insurance.

The UK’s IPMI inflation in 2016 was 8.20%, down from 9.60% in 2015. It mirrors IPMI drops in both Kenya and Brazil for the past year, and returns close to premium inflation seen in 2013. The country’s year-on-year Consumer Price Inflation shrank to 0.78% (as of June 30). It would appear that since last year’s spike in IPMI, inflation has since returned to following the consumer price trend decline from the past few years.

While the constant drivers continue to have a significant impact on the UK’s IPMI, we believe the following country-specific points are of note:

Long and short term pressures on health services - The long-term tightening of government spending in the NHS public health system of the UK, caused by a tough economic decade, has recently led to unrest by health staff and growing public debate on the publicly funded future of the service. For patients, the economic times have delivered a current system that poses considerably long wait times, lower staff to patient ratios as the country’s populations increase and age, and increasingly outsourced services compared to before. For a nation familiar with a generous public system, its current state may be enough of a push for some to consider private medical insurance for improved access and services.

Consumers demanding better prices - Reports have noted that companies are increasingly offering employees private plans to meet demands for non-NHS care, while the concept of data sharing in exchange for a pricing benefit is growing particularly around the millennial market. This has spawned greater demand for more affordable products which may be having a direct impact on the cost of IPMI for 2016.
The National Hospital Insurance Fund mandates that all Kenyans over 18 be insured, however poor administration and corruption means many HNW individuals join expats in purchasing private medical insurance.

Most health care facilities in Kenya are below international standards with limited resources and capabilities. Public hospitals are understaffed, poorly equipped, and lack supplies. Private clinics are better but still have limited capabilities compared with more developed nations, with only the private AGA Khan Hospital in Nairobi operating at a Western-standard level of care. The government initiative Kenya Vision 2030 aims to improve the health care sector for all, however corruption has still plagued its progress since its 2008 launch.

Kenya’s IPMI in 2016 sat at 7.16%, much lower than 2015’s 9.10% rate. The country’s year-on-year Consumer Price Inflation rose slightly to 6.26%, mirroring the modest increase in the Kenyan economy and bucking the trend of CP inflation in top expat destinations downwards to 3.00%. It is too early to assume that the coming together of the IPMI and Consumer Price Inflation in Kenya means there’s a link, however it’s clear that the IPMI is following the global trend in terms of the average Consumer Price Inflation in the countries included in this report.

In the last report we suggested that Kenya had been grouped with low cost countries by insurers, driving the jump in IPMI for 2015 well above the Consumer Price Inflation in top expat destination figures. This holds true for 2016.
The health care facilities and treatment in Brazil can be varied depending on where in the country you are. The Unified Health System (SUS) itself has been rated unsatisfactory by a survey conducted by the Brazilian Federal Medical Council, with the most frequent complaints being for lengthy waiting times, and difficult access to complex procedures (e.g. dialysis, chemotherapy and surgery). Concerns exist regarding private facilities as well, as some may be in the same poor condition as public ones.

The IPMI of Brazil in 2016 was reduced to 8.30%, 0.9 points below the global average. It also dropped lower than the country’s year-on-year Consumer Price Inflation of 8.74% - the first time Consumer Price Inflation has been higher than IPMI in this survey’s history. This indicates that the IPMI inflation in Brazil is more likely linked to global IPMI movements than it is to consumer inflation, which has been significantly driven by Brazil’s economic struggles.

In 2015, the main IPMI drivers for Brazil were related to increasing fraudulent claims, stricter insurance regulations, expensive local private plans, and providers trying to recover from losses related to fraud and regulatory compliance costs. While these drivers continue to impact Brazil’s IPMI, we believe the country to also be part of the following driver:

**Insurance market predictions based on economic performance** - Previously hailed as one of the emerging BRIC nations to watch, the recent economic performance of Brazil has left the wider insurance sector cautious about the price of premiums in the region.

**Economy driving an expat exodus** - Many expats who flocked to the country when its economic fortunes looked stellar have now made the decision to repatriate home. Companies are also retreating, as three multinational banks (HSBC, Citigroup and Societe Generale) either abandoned or scaled back operations in the past year.

Brazil, who has previously seen both higher and lower end IPMI rankings in our report, appears to be on the low end of inflation this year. We expect that the less than great economic outlook with the loss of expat workforce may be a factor in insurers opting to treat the country like a low-cost Asian country for the year.
Appendix
Appendix A - Report changes

As mentioned at the start of the report, due to changes in the insurance industry, we have made a number of changes in this year’s report. These changes include:

Excluding Dubai from the global insurance inflation average
The first, and most important thing to note is that due to massive changes in the insurance landscape in Dubai, we have not included inflation figures in the overall global average for 2016 only. We strongly believe that Dubai and the UAE is an increasingly important region for international health insurance, so we have included an in-depth section that presents our reasons for this change and our analysis on insurance in Dubai in 2016.

Changing insurers
In the last report we included eight of the largest international private medical insurers in the world. These included:

- Aetna International – International Healthcare Plan
- Allianz Worldwide Care – International Healthcare Plan
- AXA PPP Healthcare – International Health Plan
- Bupa Global – Worldwide Health Options Plan
- Globality Health – You Genio Plan
- Bupa Global (IHI Bupa) – International Health and Hospital Plan
- Aetna International (InterGlobal) – UltraCare Plan
- William Russell – Elite Plan

For 2016’s report, we have amended the insures included (more on that below) to reflect industry and plan changes. These include:

- Aetna International - International Healthcare Plan
- Aetna International - Ultracare Plan (Formally InterGlobal)
- Allianz Worldwide Care - International Healthcare Plans
- AXA PPP Healthcare – International Health Plan
- Bupa Global - Global Health Plan
- Cigna Global - Global Health Options
- William Russell - Elite Plan
- IntegraGlobal - Personal Health and Premier Plans

There are three key changes to note here.

1. The inclusion of two Aetna plans
In 2015 Aetna purchased InterGlobal and took over the management of their plans. As of the time of writing this report, Aetna is still supporting InterGlobal’s Ultracare Plan and allowing clients to continue with this plan. While they are merging the Ultracare Plan and International Healthcare Plan together, this will take time. To that end, we have decided to include the Ultracare Plan in this year’s report, though expect it to be fully merged within the next 1-2 years.

2. The removal of two Bupa Global plans
Our last report included premiums for both Bupa Global’s – Worldwide Health Options Plan and Bupa’s Global (IHI Bupa) – International Health and Hospital Plan. In late 2015/early 2016 it was announced by Bupa Global that they had launched a new international health insurance plan, referred to as the Global Health Plan, that would become the primary Bupa Global plan. Subsequently, all clients with existing Bupa Global plans will be switched over to the Global Health Plan at policy renewal.

This movement and consolidation will take time to complete, however, the Global Health Plan is the only plan being offered to new clients in 2016, so Pacific Prime has decided that going forward from 2016, this will be the main plan included in our report.

3. The addition of two new insurers
This year’s report introduces two new insurers: Cigna Global and IntegraGlobal, both of whom now offer worldwide plans and have seen increased popularity worldwide.

Insurers in Dubai
With the final implementation of mandatory health insurance in Dubai in late 2016, all residents including expats in Dubai are now required to have health insurance from providers who are compliant with government regulations. The issue here is that many of the insurance plans offered by international providers, including those used in this year’s report, are not compliant in Dubai because they do not meet the mandatory coverage requirements such as pre-existing conditions.

That said, there are four providers included in this report who do offer compliant plans:

- Al Ain Ahlia - Aetna International
- Oman Insurance - BUPA Global
- Dubai Insurance - William Russell
- Salama Insurance - Integra Global

It is important to note here that these plans are all new to Dubai, so there is no historical data on these plans. Therefore, there is no way we can look at inflation in Dubai in 2016.