

Challenges & Opportunities for our Profession in Actuarially Developing Countries

Health Issues

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A New Challenge for Actuaries

HEALTH CARE THE FIVE PLAYERS

- Recipient of Service
- Provider of Service
- Settler of Cost
- Scheme Administrator
- Regulator

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HEALTH CARE THE FIVE PLAYERS

1. Recipient of Service

- Active Population
- Retired Population
- Unprivileged
- Disabled

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HEALTH CARE THE FIVE PLAYERS

2. Provider of Service

- Professional Body
- Health Institution
- Others

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HEALTH CARE THE FIVE PLAYERS

3. Settler of Cost

- Individual
- Employer
- Insurance Company
- Health Provider (HMO)
- Government

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HEALTH CARE THE FIVE PLAYERS

4. Scheme Administrator

- Ministry of Health
- Independent Health Commission
- Insurance Companies
- Third Party Administrator

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HEALTH CARE THE FIVE PLAYERS

5. Regulator

- Ministry of Health
- Insurance Supervisor
- Consumer Protection Board

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HEALTH CARE INSURANCE REGULATION

- Traditionally – Short term Business
 - Claims Reserve
 - Unearned Reserve
- Way Forward – Long Term Business
 - Pre-funding
 - Sub-standard risks

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HEALTH CARE

THE FOUR COST COMPONENTS

- Procedure Cost
- Utilization Rate
- Settlement Cost
- *Universality of Cover*
 - *Population Exposed to Risk*
 - *Extent of Benefits*

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1997 Health Spending as a % GDP

- United States 13.7%
- EU averaged 8.2%
- U.K. 6.8%
- OECD 6% -10%
- Arab World 4.1%

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Health Care Systems Characteristics

STRENGTH

- Equitable distribution of health outcomes
- Financial fairness
- Low cost

WEAKNESSES

- Inadequate responsiveness Public or Private
- Uneven distribution of health care
- Financial unfairness

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Implication of Aging Population

- Increased life expectancy means a growing number of people living beyond retirement age.
- The increase in cost of health care for those in the third age bracket is larger than the average increase in wage of the workforce.
- Moreover, the dependency ratio is reducing.

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Issues Implementing Reformed Health Care System

- Recognize and satisfy population
 - needs
 - wants
- Create incentives for efficiency and improve effectiveness of public health care resources
- Design, implement and manage:
 - a rational, interface between public “core” and private “non-core” programs
 - public oversight of private “non-core” health insurance programs
 - effective public health interventions



Towards a Better Health Care System

- Public Sector must provide care for the:
 - Elderly
 - Unprivileged
 - Disabled
 - Preventive care to all
 - Core health care (compulsory basis)
may/may not
- Private Sector may provide:
 - Core health care (compulsory basis)
 - Non core health care (voluntary basis)

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Actuarial Financing Challenges

- DATA
 - Exposed to Risk
 - Universality of Cover
 - Benefits - Cost
 - Contributions – per capita - % of Income
- Pay as you Go
- Short Term Risk
- Full Funding
 - Long Term Risk

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Role of Actuaries in Health Care

- Actuaries are trained in
 - Understanding risk
 - Identifying risk
 - Quantifying risk

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**Concluding Quote
from the book THE PROFIT**

SAY NOT,
' I HAVE FOUND THE TRUTH,'
BUT RATHER,
' I HAVE FOUND A TRUTH.'

KAHILI Gibran

