International PMI versus Domestic PMI

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Bupa

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Agenda

Question

- *Why are customers buying IPMI?*
- *What are the key challenges in IPMI market?*

1. Product

Introduction of IPMI and PMI products

2. Membership

Understand the mix of business

3. Premium and Claims

Comparing premium and claims against key economic indices and other interesting (and random) indices

4. Hong Kong

A more detailed case study, deep diving the differences in International PMI and Domestic PMI in Hong Kong

1.1

Product

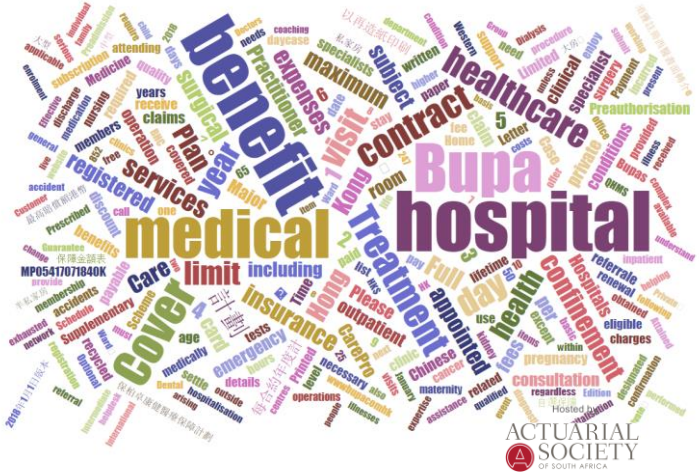
Introduction of IPMI and PMI products

The most common words from IPMI and PMI product literature are very similar.

The purpose of the products is to cover medical expenses.

Top 10 common words:
1) Treatment
2) Pay
3) Membership
4) Cover
5) Medical
6) Claim
7) Benefits
8) Plan
9) Hospital
10) Patient

Contract/Plan to provide Healthcare/Medical cover to member/membership/patient against claim arising from hospital treatment and clinical visit subject to benefit limits.



Top 10 common words:
1) Bupa
2) Hospital
3) Benefit
4) Medical
5) Cover
6) Treatment
7) Healthcare
8) Contract
9) Visit
10) Limit

Bupa's product literatures are used.

SECTION COLLOQUIUM 2019

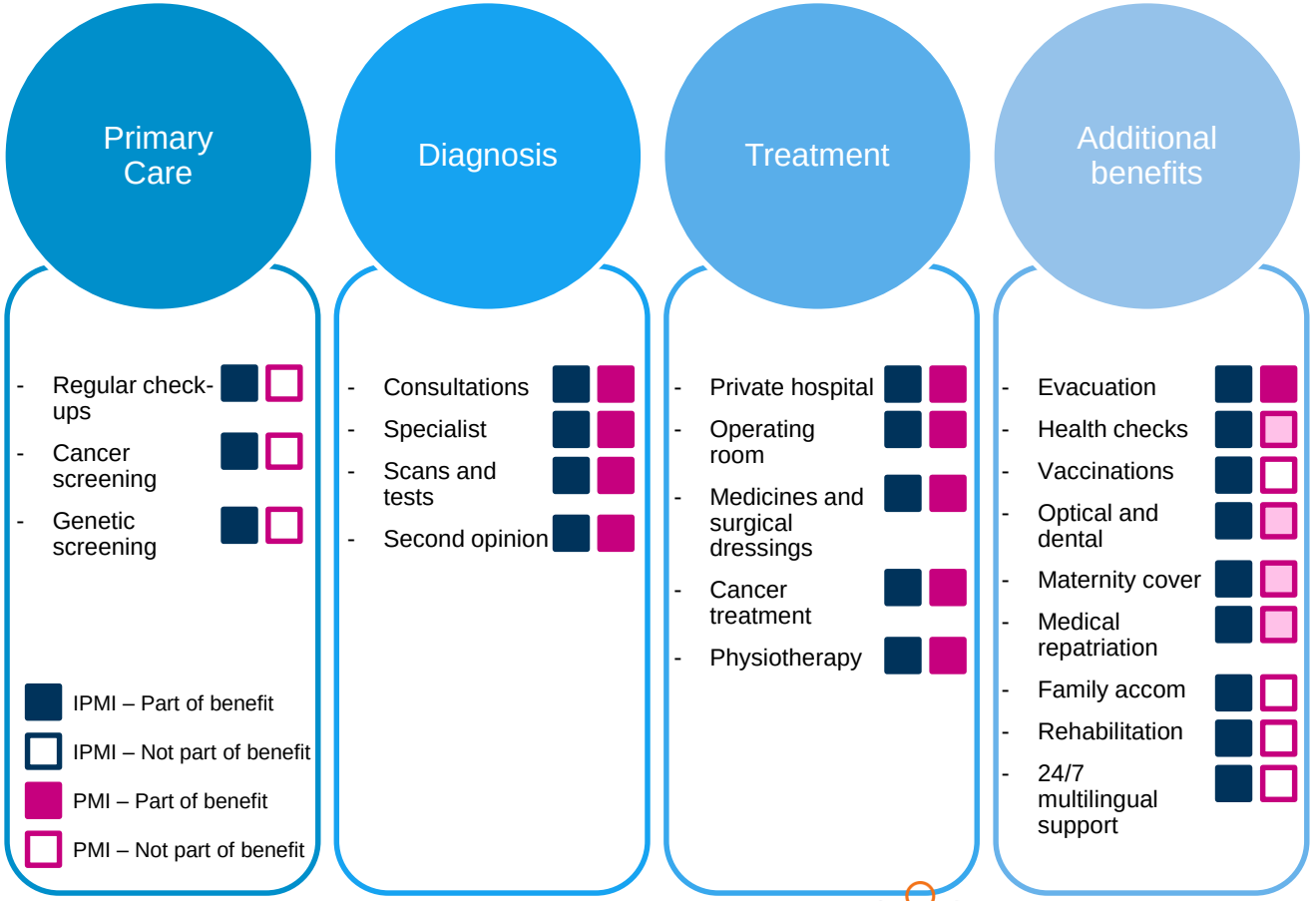
1.2

Product

Introduction of IPMI and PMI products

IPMI is a geographically portable medical insurance often with richer benefits than domestic PMI.

Policyholders have the flexibility to see a preferred doctor close to home or specialist in another region.



Product

Introduction of IPMI and PMI products

The products may look similar, in particular for Diagnosis and Treatment, there are other differences in terms of benefit, claiming process and administrations.

(Domestic PMI coverage is market specific)

		Domestics PMI products	IPMI products
Benefit	Coverage within residence region	✓	✓
	Coverage outside residence region		✓
	Evacuation and Repatriation option	✓ *Emergency repatriation*	✓ *Member choice repatriation*
	Deductibles	✓	✓
	Line by line benefit limit	✓	
Claiming process	Pre-authorisation	✓	✓
	Referral pathway	✓	*Optional*
	Global network of providers		✓
	Clinical case management	✓	✓
	Multi-currency claims payment		✓
Others	Multi-currency premium		✓
	Multi-lingual servicing		✓
	Adherence to local and international legal, regulatory and tax requirements	✓ *Local*	✓ *International*

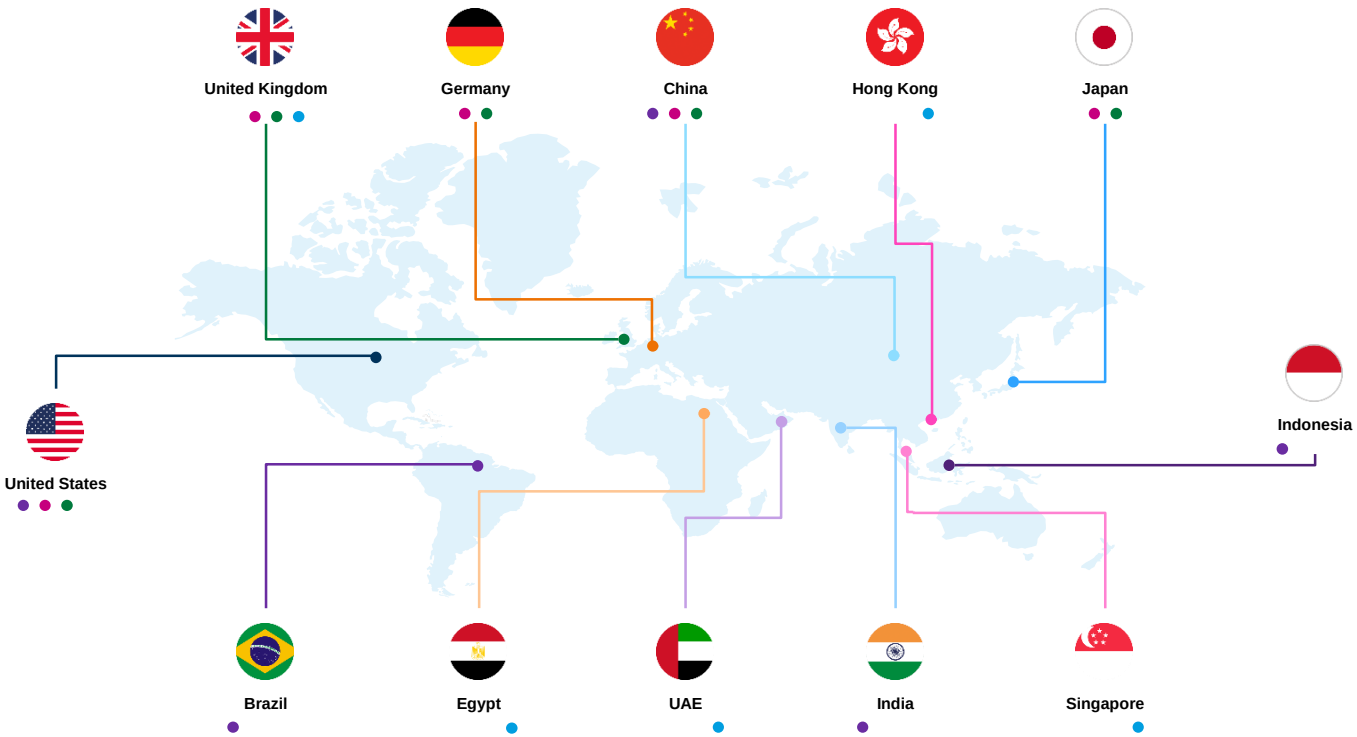
2.1

Membership

Understand the mix of business

12 areas have been selected for the review, this is based on top 5 regions with

- Population
- Nominal GDP per the International Monetary Fund
- Nonlife Direct Premiums written per Swiss Re, sigma, No.3/2018
- Bupa's IPMI premium (exclude LATM)



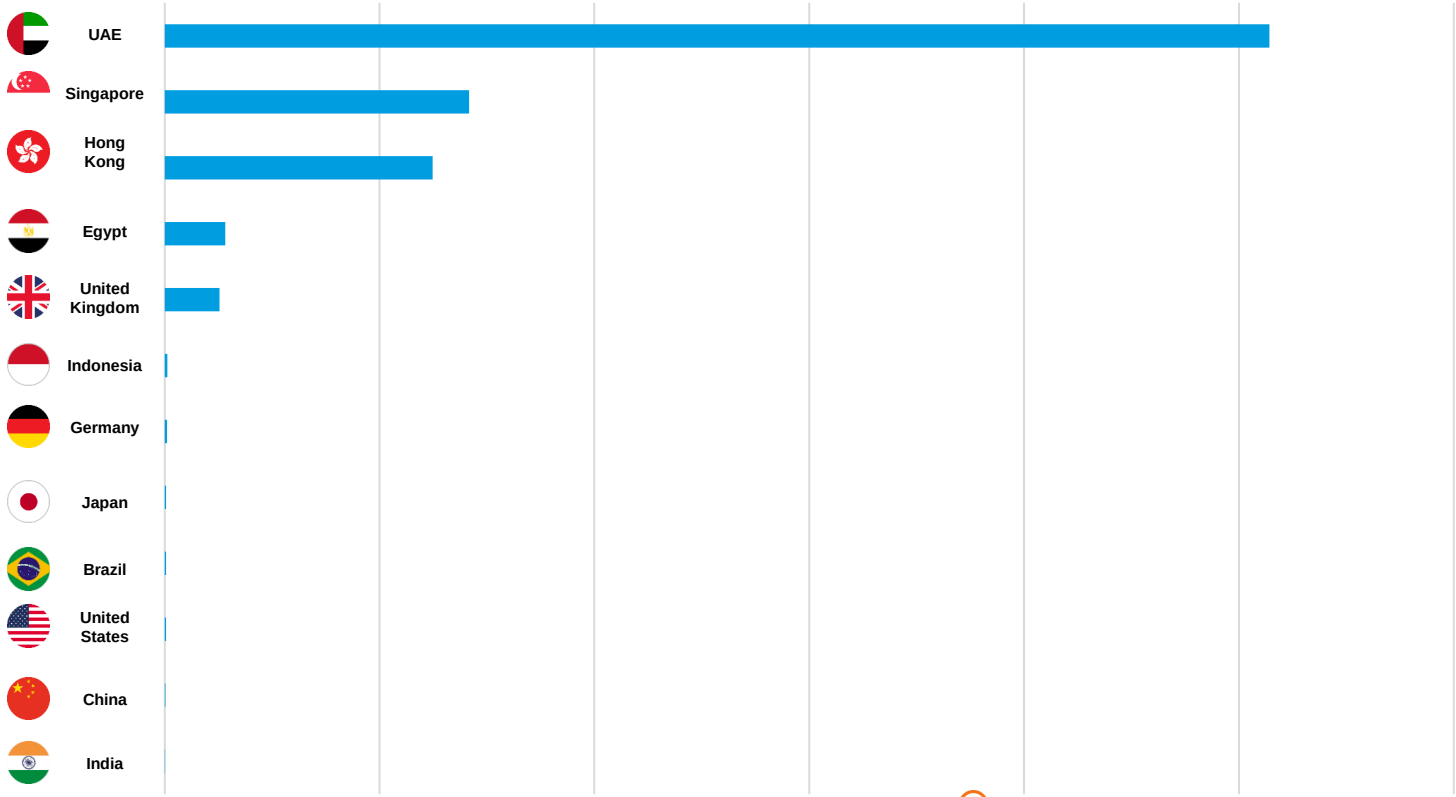
Google search interest ranking: 1

Membership

Understand the mix of business

BUPA IPMI penetration rate primarily underpinned by expatriation in emerging markets.

IPMI is principally targeted at expats (outbound and inbound) and customers seeking richer benefits.



Membership

Understand the mix of business

The table summarise the top 5 regions (out of 12) for each KPI.

Some of the Top 5 IPMI penetration regions shared similar characteristics, in terms of income group and high ranking in health system performance indices and economic globalization index.

Although Egypt is one of the Top 5 IPMI penetration regions, the characteristics appeared to be more similar to India and Indonesia.

	IPMI penetration rate	Region	World Bank income group	% of Gov spending on health	Private health expenditure (% of total)	Health system performance (Ascending)	Health system performance (Descending)	Economic globalization index	Health spending (per capita)
UAE	★	Eastern Mediterranean	High			★		★	
Singapore	★	Western Pacific	High		★	★		★	★
Hong Kong	★	Western Pacific	High	★	★			★	
Egypt	★	Eastern Mediterranean	Lower mid		★		★		
United Kingdom	★	Europe	High	★		★		★	★
Indonesia		South-East Asia	Lower mid		★		★		
Germany		Europe	High	★		★		★	★
Japan		Western Pacific	High	★		★			★
Brazil		Americas	Upper mid				★		
United States		Americas	High	★					★
China		Western Pacific	Upper mid				★		
India		South-East Asia	Lower mid		★		★		

2.4

Membership

Understand the mix of business

The table summarise the top 5 regions (out of 12) for each KPI.

IPMI penetration rate appears to correlate with regions with:

- *Lowest Corporate tax rate*
- *Lowest Personal tax rate*
- *Least number of business taxes*
- *Least forest area (% of land)*
- *Highest number of air passengers (per capita)*

	IPMI premium	IPMI penetration rate	Lowest Corporate tax rate	Lowest Personal tax rate	Least number of taxes paid by business	Least forest area (% of land)	Number of air passengers (per capita)	World Talent Ranking 2017	Lowest unemployment rate
UAE	★	★	★*	★	★	★	★		★
Singapore	★	★	★	★	★	★	★	★	★
Hong Kong	★	★	★	★	★		★	★	★
Egypt	★	★	★	★		★			
United Kingdom	★	★	★		★	★	★	★	
Indonesia									
Germany					★			★	
Japan									★
Brazil				★					
United States							★	★	
China									
India									★

*except Oil companies and banks

Membership

Understand the mix of business

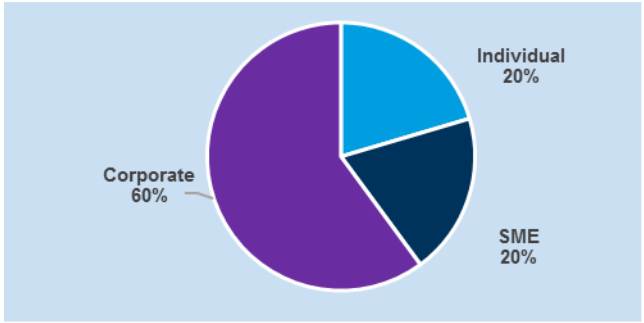
The IPMI book is heavily concentrated at group business (SME and Corporate). These members are employer sponsored.

The average age is 37 years old, most members are concentrated at age 30-39 and 40-49.

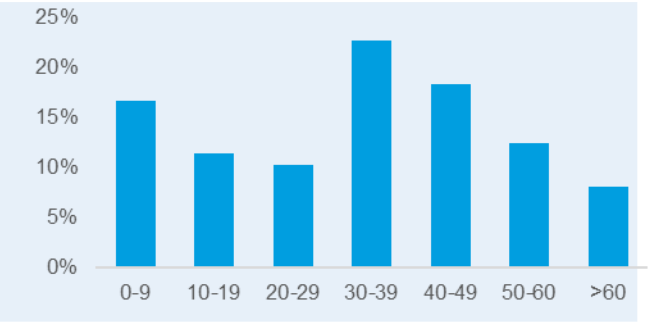
The most common nationality is UK.

The most common residence region is UAE.

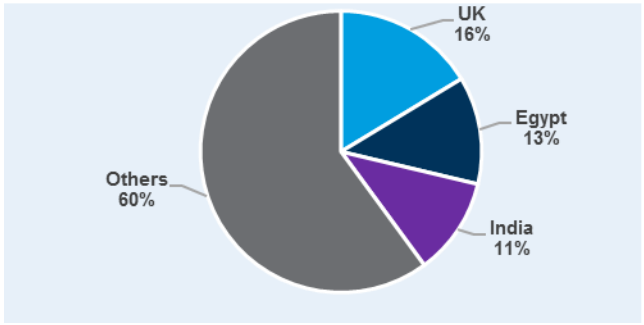
Segment mix



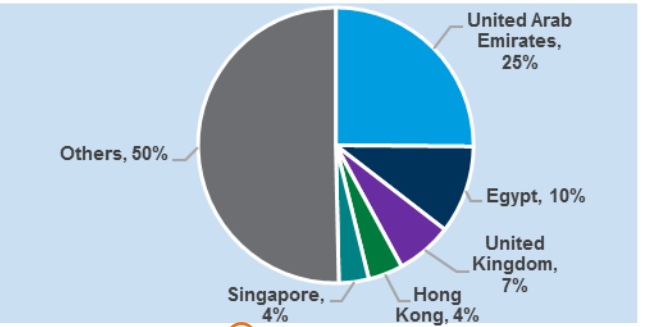
Age mix



Nationality mix



Residence region mix



Membership

Understand the mix of business

The demographic profile for members buying IPMI appear to be different from the average population profile for all regions.

A quick recap …

- Majority of the members are from employer-sponsored IPMI policies.
- The most common nationalities is UK.
- The most common residence region is UAE.

The penetration rate appears to correlate with:

- Expats
- Taxation regime
- Out of pocket private healthcare spent

The following demographic profiles summarise the difference for the members buying IPMI and the average population profile.

Average person		Average IPMI member
Age: 41	United Kingdom	Age: 33
Gender: M 51% F 49%		Gender: M 52% F 48%
Family size: 2.4		Family size: 1.9

Average person		Average IPMI member
Age: 30	UAE	Age: 29
Gender: M 51% F 49%		Gender: M 52% F 48%
Family size: 5.1		Family size: 2.1

Average person		Average IPMI member
Age: 24	Egypt	Age: 34
Gender: M 51% F 49%		Gender: M 52% F 48%
Family size: 4.4		Family size: 1.8

Average person		Average IPMI member
Age: 47	Germany	Age: 42
Gender: M 49% F 51%		Gender: M 53% F 47%
Family size: 2.0		Family size: 1.6

Membership

Understand the target market for IPMI and domestic PMI products.

Individual domestics PMI policies are likely to be most price sensitive.

Employer-sponsored IPMI policies are heavily influenced by Intermediaries.

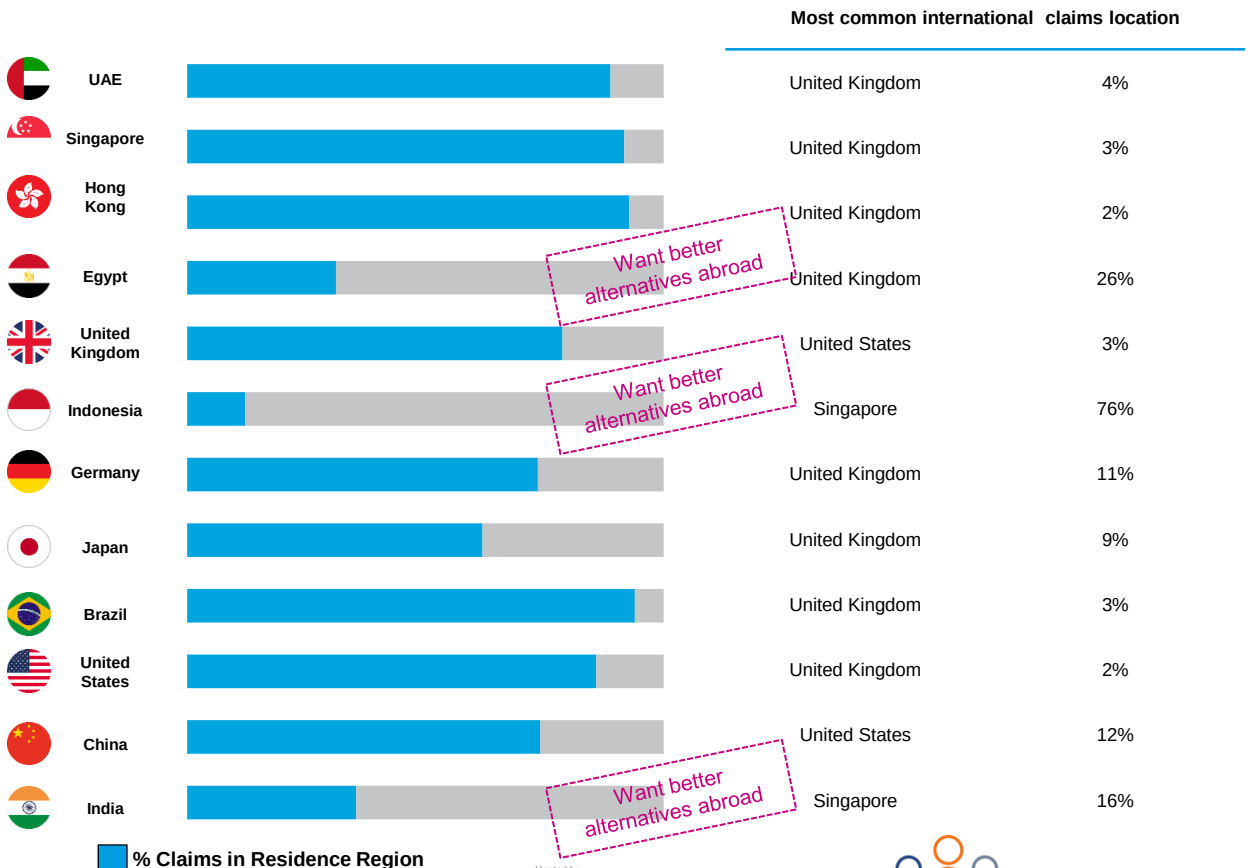
	Employer-sponsored IPMI Policy	Individual IPMI policy	Individual domestics PMI policy
What Triggers Consideration to Buy	Provide coverage for expat employees to cover beyond residence region. Employee retention tool (in particular for CEOs and Board members)	Provide richer benefits than domestics PMI Importance of International feature depends on local healthcare market	Fundamentally for “peace of mind” Better access and choice over public or alternative private system
Which Provider to Choose	Network coverage Proposition bespoking Intermediary influence	Access to best care in the world Brand affinity/prestige Price Broker	Similar to Individual IPMI, except… … price sensitive … Direct marketing has a greater role

Claims

Claims split within and outside the residence region

Approximately 70% of claims are "domestic" and 30% of claims are "aboard".

IPMI members may purchase the products because:
1) Want to escape local system
2) Want better alternatives abroad
3) Want best locally with international if needed
4) Want best no matter where it is.

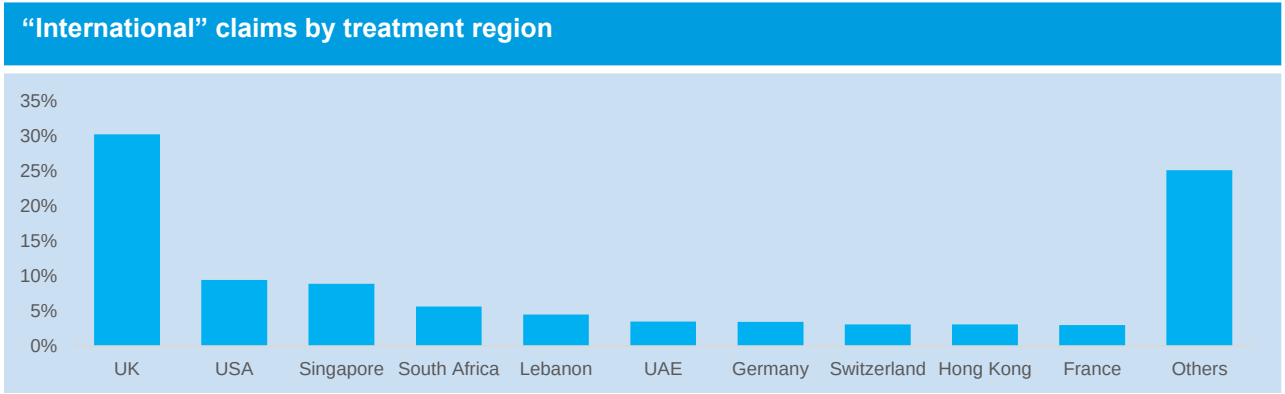


Claims

IPMI claims insight

United Kingdom, United States and Singapore are the most common international claims location. They appeared to be popular destinations for Expats.

Another common feature for the top 4 regions is that English is one of the major languages in medical industry.



We are going to investigate:

- How are the claims within the residence region differ to the claims outside the residence region?
- Given the high proportion of "international claims" that are treated in UK, how are the UK claims arise from UK residence differ to the UK claims arise from other residence regions?

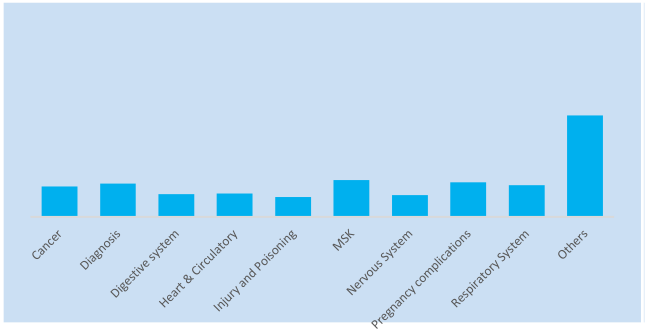
Claims

IPMI Claims split within and outside the residence region

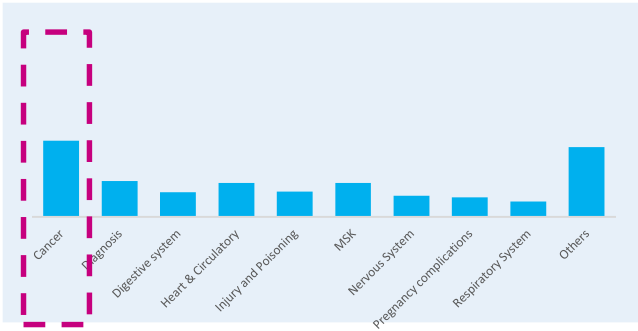
There is a higher proportion of cancer claims for claims outside the residence region.

The claims distribution by benefit types are different. For claims that are outside the residence region, the proportion of primary care and out-patient claims are lower, but the proportion of accommodation, radiotherapy and surgery claims are higher.

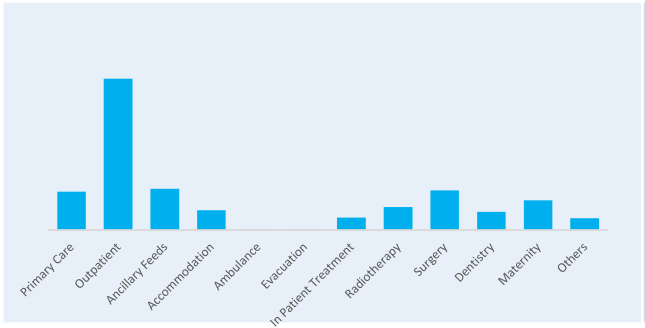
Domestic claims split by conditions



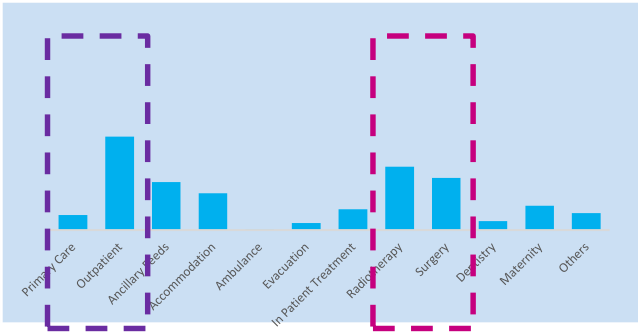
International claims split by conditions



Domestic claims split by benefit types



International split by benefit types



3.4

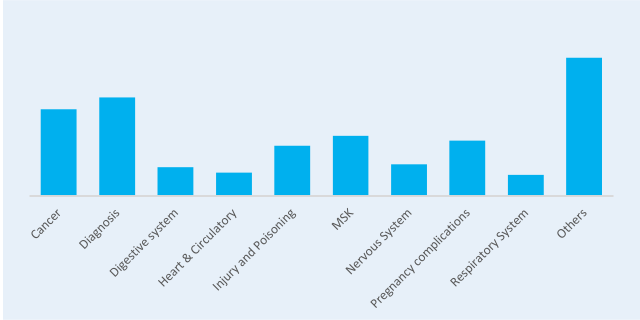
Claims

IPMI Claims that are treated in UK

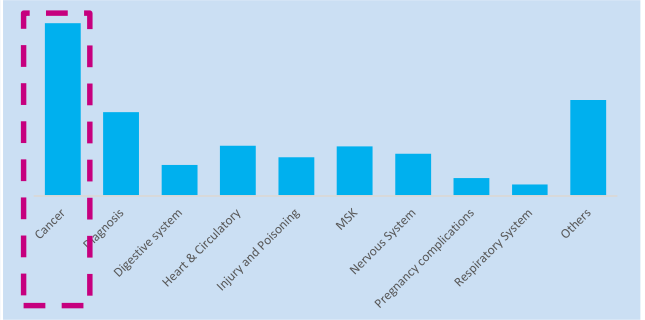
Similar to previous slide, there is a higher proportion of cancer claims for claims outside the residence region.

For claims that are outside the residence region, the proportion of out-patient claims are lower, but the proportion of radiotherapy are higher.

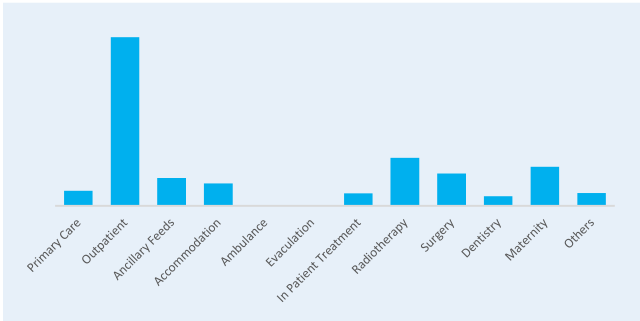
UK domestic claims split by conditions



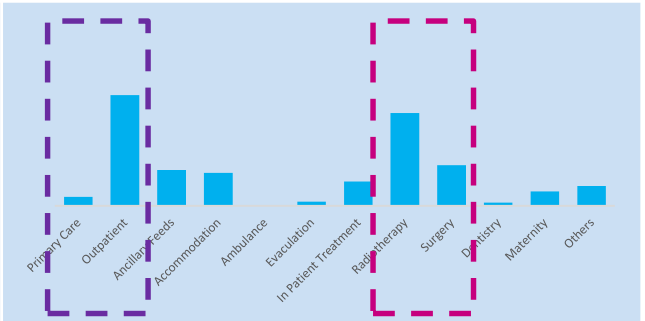
International claims treated in UK split by conditions



UK domestic claims split by benefit types



International claims treated in UK split by benefit types



Claims

IPMI claims insight

Over 40% of IPMI claims would not be paid under the typical domestics PMI product.

UK is the most common international claims location, primarily residences from former British mandates.

The most common nationality of the IPMI book is Great Britain, these members may also choose to come home for medical treatments.

- 70% of claims are domestics (within residence region) and 30% of claims are abroad. UK is the most common international claims location.
- 50% of UK international claims are residences from:
  - UAE
  - Egypt
  - Nigeria
  - Kenya
- 30% of UK international claims are Cancer related.
  - 80% of cancer claims are from radiotherapy, chemotherapy and oncology treatment.
- Some of the IPMI benefits are not in typical domestics PMI insurance.
  - Primary Care accounts for c8% of claims.
  - Maternity benefit accounts for c7% of claims.
  - Repatriation, ambulance, evacuation and other non typical domestic benefits account for c3% of claims.
- On the other hand, USA is the most common international claims location for UK residence.

4.1

Hong Kong

A more detailed case study, deep diving the differences in International PMI and Domestic PMI in Hong Kong

- Area = 1,108km^2
- Population = 7.5m
- Density = 6,777/km^2 (4th)
- GDP = $484b (44th)
- GDP per capita = $64,794 (10th)
- Healthcare = 17% of all government expenditure in 2015
- 1.7 doctor per 1000 people

- Hong Kong was selected for the case study because of the availability of both domestics PMI and IPMI data.
- Bupa Hong Kong provides both health insurance and healthcare provision business. The insurance business covers over 400,000 individuals and more than 3,200 companies in Hong Kong.
- Bupa Global is our worldwide business, which provide products and services for people who want the most premium coverage and access to the best healthcare around the world, that can be whether you are at home, studying, living travelling or working abroad. Bupa Global covers over 13,000 members in Hong Kong.
- Hong Kong's medical infrastructure consists of a mixed medical economy. The public sector provides few treatment with small co-payments. Apart from the 42 public hospitals and 74 primary care clinics, there are 11 private hospitals and private primary care clinics.
- Hong Kong ranks the most costly medical treatment in Asia, the second most expensive location in the world.
- The government has proposed a Voluntary Health Insurance Scheme (VHIS) to encourage more use of the private sector hospital, and would be effective on 1 Apr 2019. Standardized terms and conditions, minimum benefit limits are two of the compulsory features of VHIS products. Guaranteed acceptance and portability are still under investigation and not implemented.

4.2

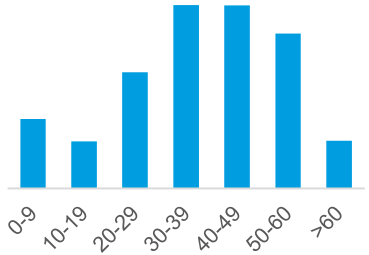
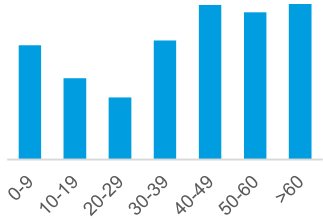
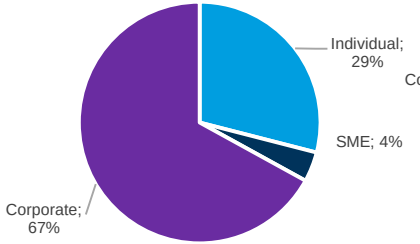
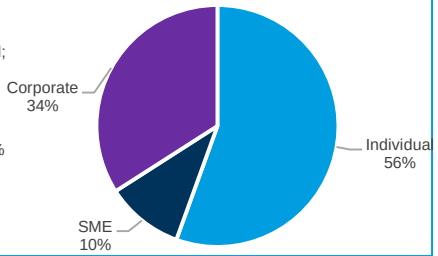
Hong Kong

Comparing the mix of business

The mix of business are different. There is a larger proportion of members in "Group" segments than Individual segment.

The age profile for both Individual and Corporate segments are different by products. This is because:

- *Expats population are more attracted to IPMI.*
- *IPMI is offered as part of benefits package for CEOs and Broad members.*
- *High Net Worth Individuals want richest benefits covered*

Metrics	Domestics PMI	IPMI
Penetration rate	6%	0.25%
Age distribution		
Average age	Individual: 40 Corporate:36 Total: 37	Individual: 44 Corporate: 32 Total: 40
Gender distribution	Male: 49% Female: 51%	Male: 47% Female: 53%
Segment mix		

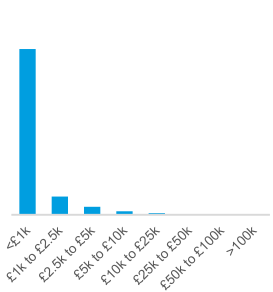
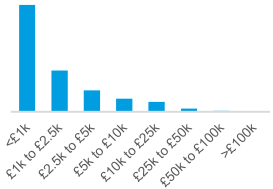
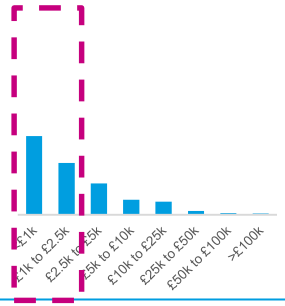
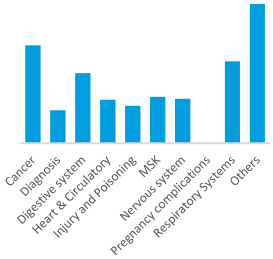
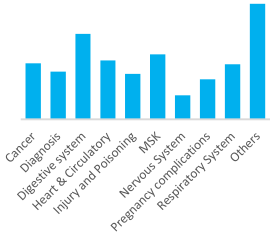
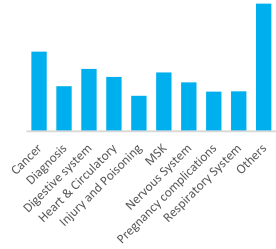
4.3

Hong Kong

Comparing the claiming behaviour

Domestics PMI claimants distribution are more concentrated at the lower end. 90% of domestic PMI claimants claim less than £1,000 (HKD 10,000).

There are two types of IPMI claimants, one that made part of their claims outside residence region; or made all of their claims within residence region. For the claimants that made part of their claims outside residence region, there is a higher proportion of members claiming above £1,000, result in a higher average claim per claimant.

Metrics	Domestics PMI	IPMI (did not claim outside HK)	IPMI (had claimed outside HK)
Claimant distribution by total claims spent			
Average claim per claimant	HKD 8,000	HKD 35,000	HKD 45,000
Condition mix (% of total claims)			

4.4

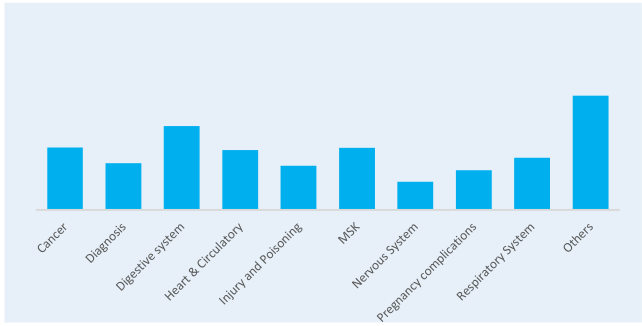
Hong Kong

IPMI Claims for members resided in Hong Kong

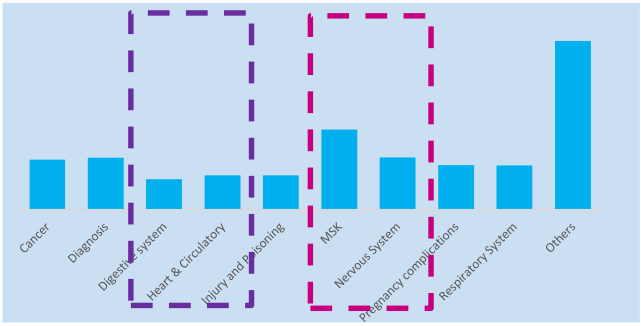
For IPMI members in Hong Kong, there are lower proportion of claims spent on Digestive system and Heart & Circulatory conditions outside Hong Kong. There are higher proportion of MSK and Nervous systems claims spent outside Hong Kong.

On benefit types, there is a higher proportion of claims spent on outpatient, and lower proportion of claims spent on surgery.

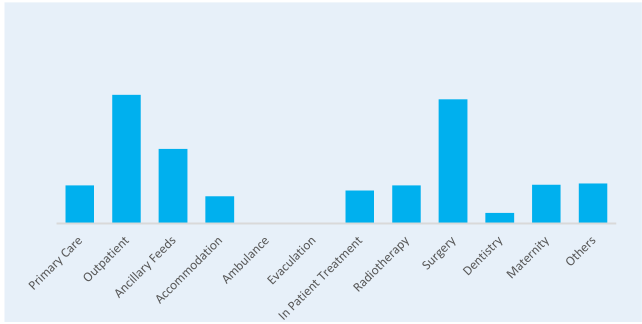
HK domestic claims split by conditions



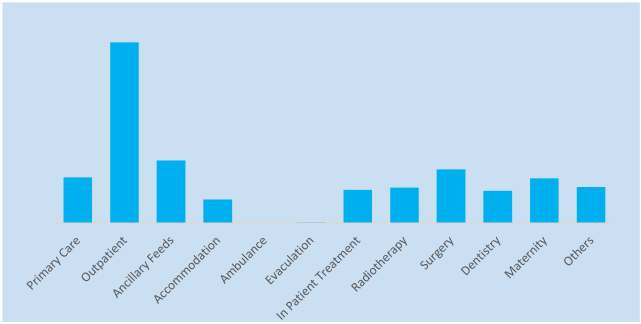
International claims from HK residences split by conditions



HK domestic claims split by benefit types



International claims from HK residences split by benefit types

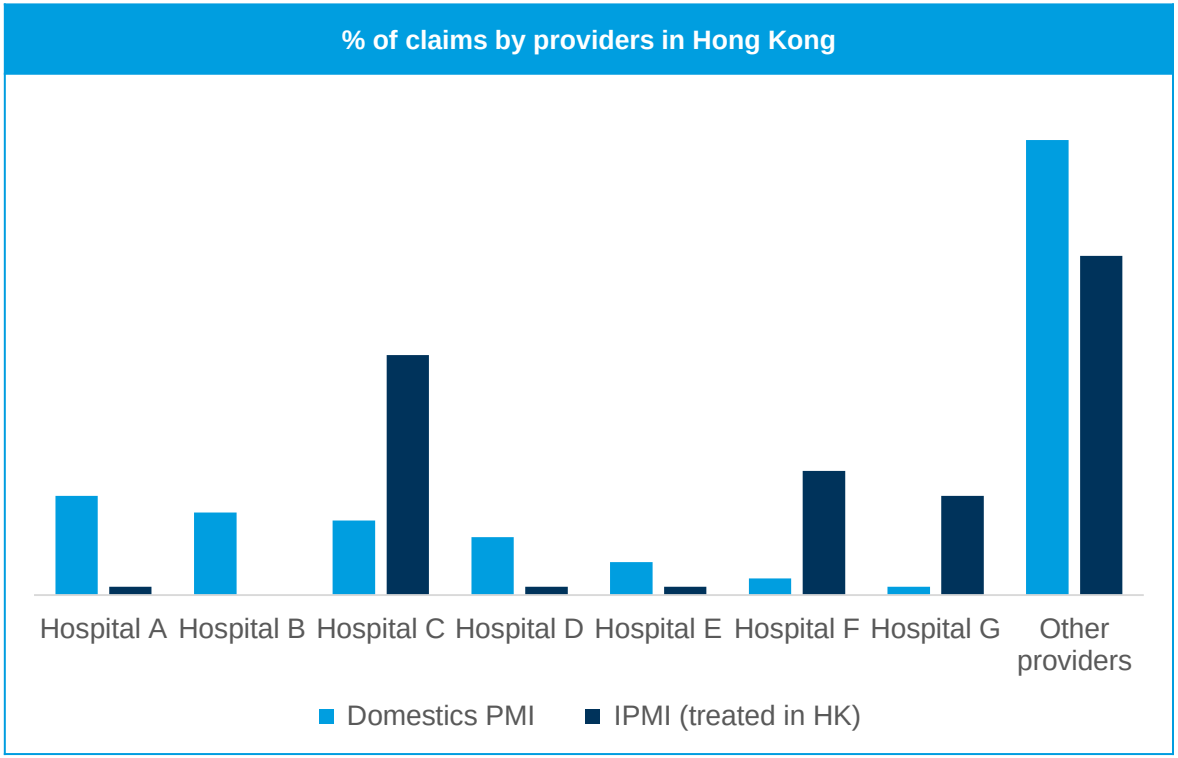


Hong Kong

Comparing the providers usage

The utilisation of providers for Domestics PMI and IPMI are very different.

The providers usage are more spread out for domestics PMI, and more concentrated for IPMI.



Premium

Comparing the domestics PMI and international PMI premium

- The annual premium for the most comprehensive product for a male member, aged 40:
  - Hong Kong Domestics PMI individual: HKD 20,000 (ZAR 36,000)
  - UK Domestics PMI individual: GBP 1,000 to 2,800 (ZAR 18,000 to 52,000)
  - International PMI (residing in Hong Kong): GBP 14,000 (ZAR 260,000)
  - International PMI (residing in UK):GBP 13,000 (ZAR 240,000)

- The most comprehensive domestics products vary by market.

5.1

Conclusion (for now…)

- *Why are customers buying IPMI?*
- *What are the key challenges for IPMI?*

1.

The products are different.

Although the benefit from the product literature is similar, IPMI is more comprehensive than PMI in terms of:

- International features
- Additional benefit such as primary care, optional evacuation and repatriation
- No line by line limit
- Optional managed care

2.

The customer needs for both products are different.

IPMI members may purchase the products because:

1) Want to escape local system
2) Want better alternatives abroad
3) Want best locally with international if needed
4) Want best no matter where it is.

PMI members may purchase the products because they want better access to domestics private care.

3.

Product proposition is one of the key challenges for IPMI.

An universal IPMI product position would not work globally given the differences in local public system, domestics PMI system and quality of healthcare.

The paper demonstrated that:

- Egypt members used the product to claim aboard.
- Hong Kong members mostly claim within Hong Kong, but the claiming distribution and providers utilisation are different from domestics HK insurance members.

5.2

Future considerations

1. Product designs

- More market specific, taking into account the domestic healthcare system
- Introduce restriction to market IPMI as cheaper product, such as Network, compulsory managed care, review cases on repatriation
- Remove restriction given this is market as a comprehensive product
- A rider benefit on domestic PMI

2. Pricing

- Improve predictability in claims
- Introduce new pricing factors, such as:
  - Top up domestics benefit only
  - Top up international benefit only
  - Best treatment globally
- Better understanding on how currency fluctuations may impact on claims.
- Better understanding the impact of claims inflation

3. Further deep dive

- The analysis done in this paper has not been risk adjusted. The next step would involve a more detailed analysis factoring in the difference in demographic profile and benefit features.
- Extend this study to other areas