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THE MODERN ACTUARY - CHALLENGE • INFLUENCE • LEAD

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2 - 5 April
2019
Cape Town
South Africa
CTICC

www.colloquium2019.org.za

Hosted by
ACTUARIAL SOCIETY OF SOUTH AFRICA

Health insurance across Africa

Not for the faint of heart!

Warren Daly

Liberty Health | Friday, 5 April 2019

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Africa…
A land of opportunity

- 54 countries, population of 1.2 billion and growing
- Economic growth of 4% forecast for 2019
- Economic infrastructure is improving across the continent opening new regions for growth
- Insurance can play an important role in supporting economic growth

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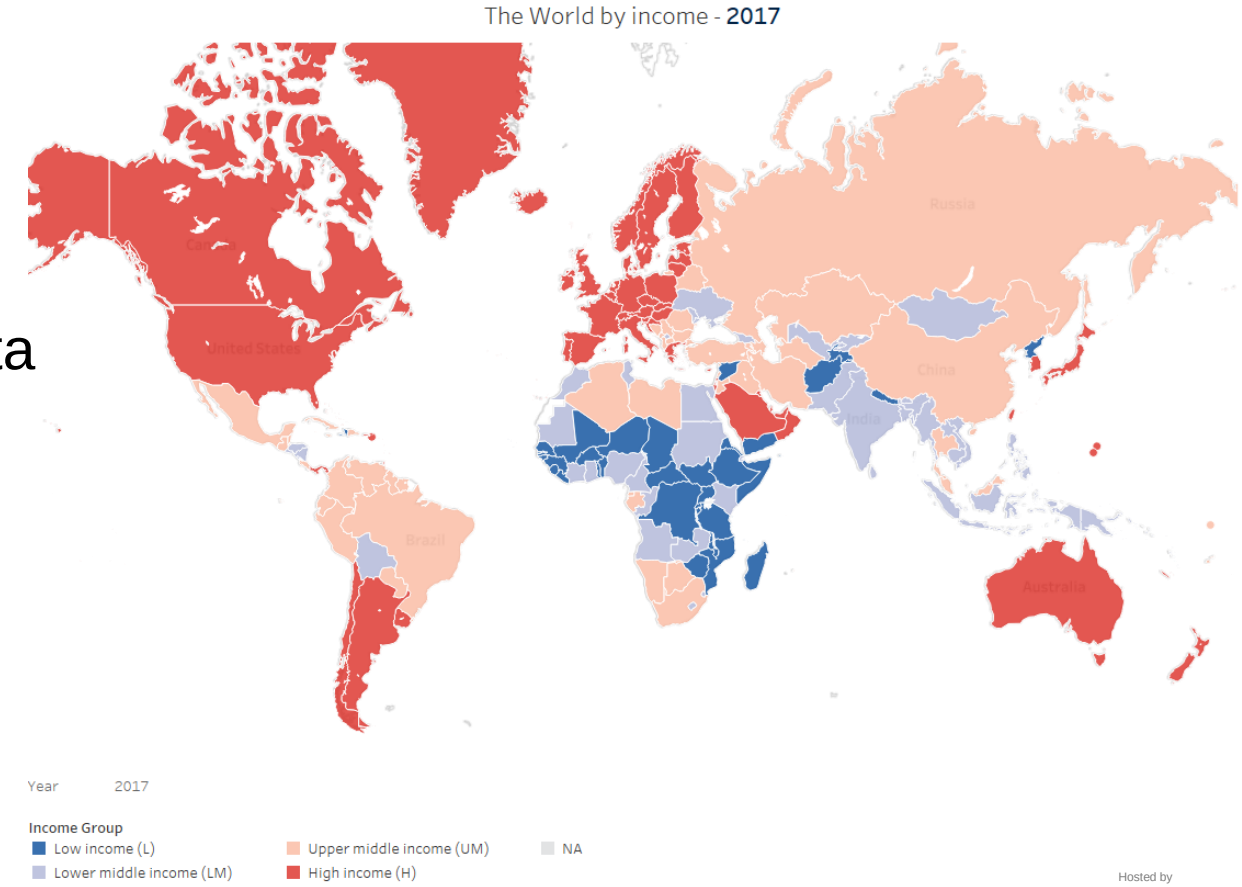
Africa – from a healthcare perspective

Africa has serious challenges…

- **Lowest average income levels**
- Highest disease burden in the world
- Lowest level of clinical resources per capita



Source: World Bank: The World by Income and Region

Africa – from a healthcare perspective

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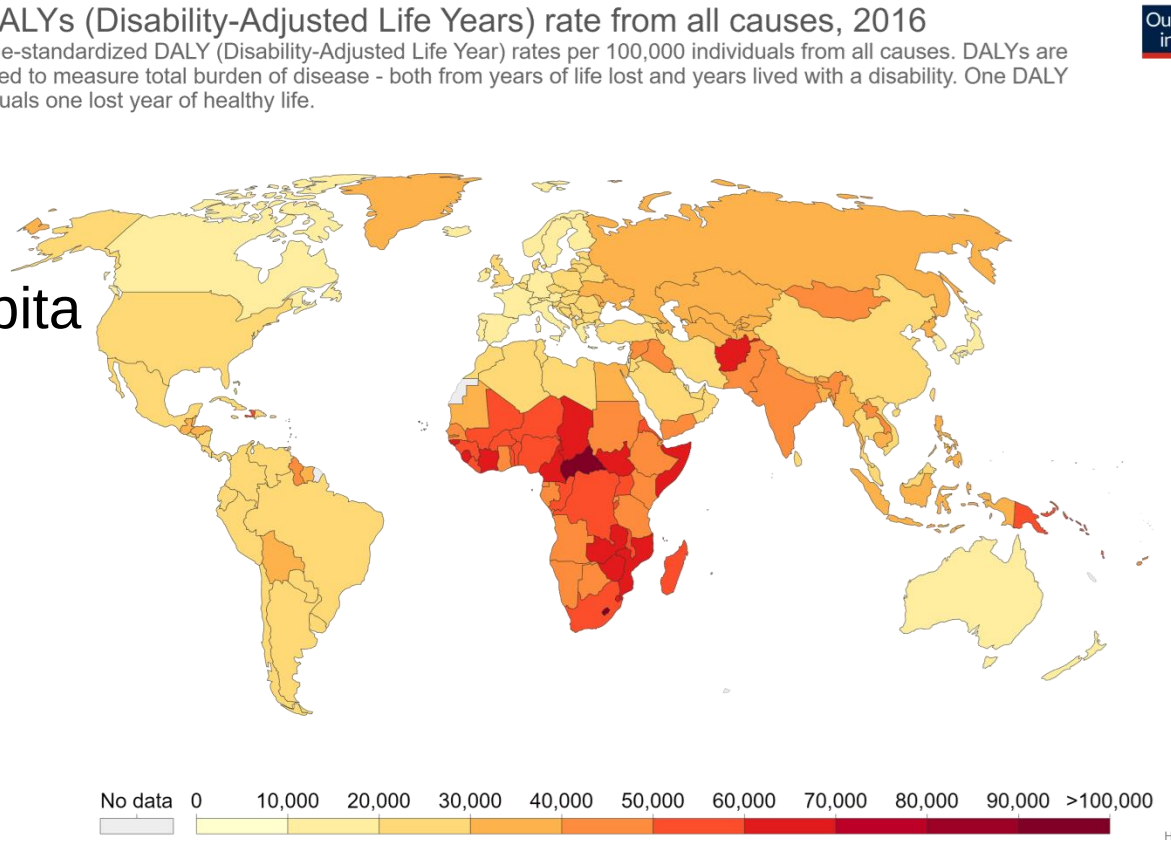


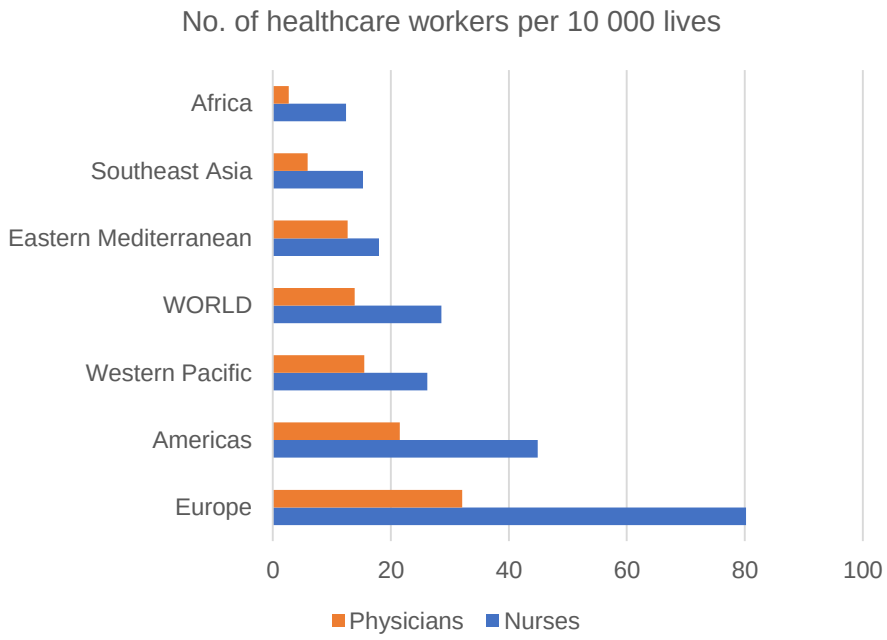
Source: IHME, Global Burden of Disease

Africa – from a healthcare perspective

Africa has serious challenges…

- Lowest average income levels
- Highest disease burden in the world
- **Lowest level of clinical resources per capita**

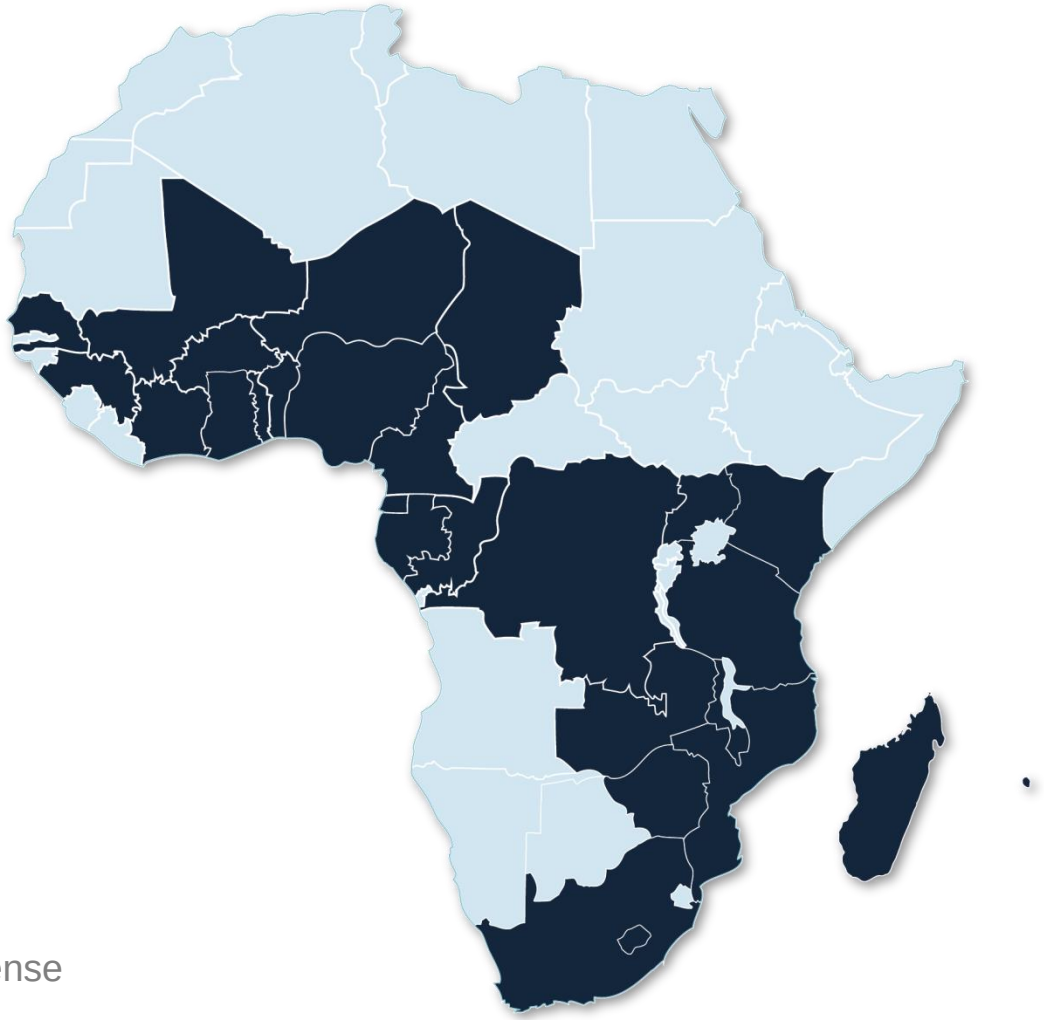
Unsurprisingly, the penetration of private health insurance is very low.



Source: IHME, Global Burden of Disease

Agenda for discussion

- Market highlights
- Some interesting graphs
- Challenges



Note: Liberty Health provides comprehensive private medical expense cover to clients across 27 countries in Sub-Saharan Africa. This is presented from the perspective of our experience, and using our data.

Source: Mapchart.net

HEALTH INSURANCE MARKET HIGHLIGHTS

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Market Characteristics

Market for healthcare insurance

- Largely through employers
- Relatively small market, but growing
- A variety of insurers involved

Regulatory environment

- Generally lightly regulated
  (often under short term insurance licences)
- Varies by country/region
- Typical requirements
  - Licencing, local currency requirements, certain taxes, compulsory cessions

Typical
Product Features

No prescribed benefit requirements, but common market practice differs

Generally provides comprehensive benefits

- Often high outpatient limits and low inpatient (hospital) limits
- Inpatient benefits can have sub-limits (e.g. max 5 days in ICU)

Outpatient benefits

- Often a simple structure
- Can be subjective (e.g. “reasonable and customary”)
- Some use of co-payments, but depends on the situation

Typical
Product Features

Provider Networks

- Important for both insurer and clients (impacts both cost and access)

Region of Cover

- Not all required services may be available locally
- Demand for international emergency evacuation and/or foreign treatment cover

Underwriting

- Generally limited in group market, used in individual market

Premium rating factors (if any)

- Age, family structure, size of group

Healthcare
Provider Environment

- Very little regulation of providers
- A few providers can provide the majority of private care in a country
- Typically few “elite” providers
- Limited number, if any, of certain types of specialists
- May charge for all components of care provided, i.e. not necessarily split by “discipline” or “type of provider”
- Role of the insurer is not just funding the care, but can also involve facilitating the care
- Insurers, with employers, can play a role in improving access to care in a region…

Provider
Related Challenges

Lack of a standard tariff coding structure

Tariff levels:

- Negotiated individually per provider, at any time
- Large variations between providers

Providers can threaten to “close their doors” to your clients

Low proportion of claims submitted electronically

Upward pressure on overall costs as supply of services improves in a region

Data available for actuarial work

Not perfect, but good (enough)…

Level of detail differs by:

- Country
- Administration platform used

Challenges:

- Multiple currencies
- Improving the understanding of the value of accurate data
- Clinical data needs bespoke “groupers” to be made consistent across countries

Actuarial judgement is often required…
… but good insight can be gathered!

GRAPHS (based on our data)

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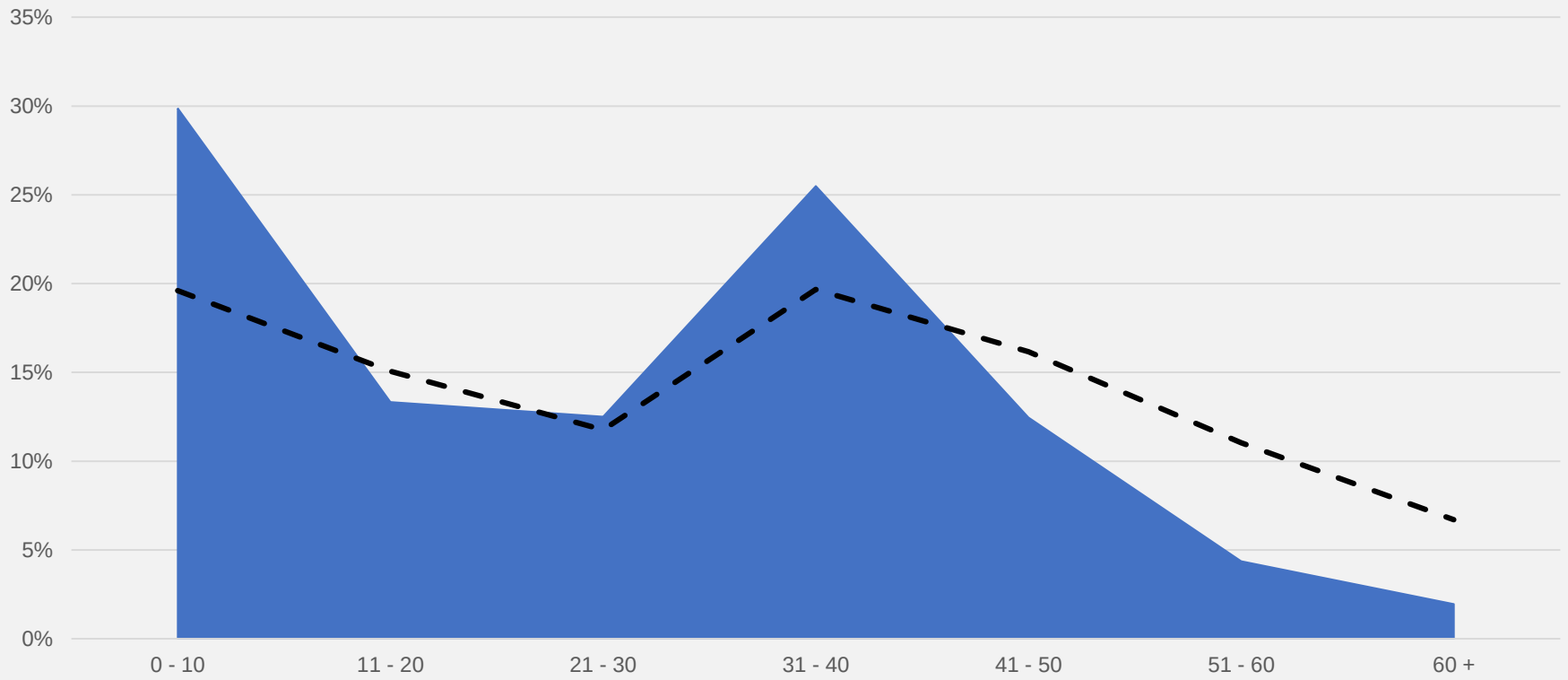
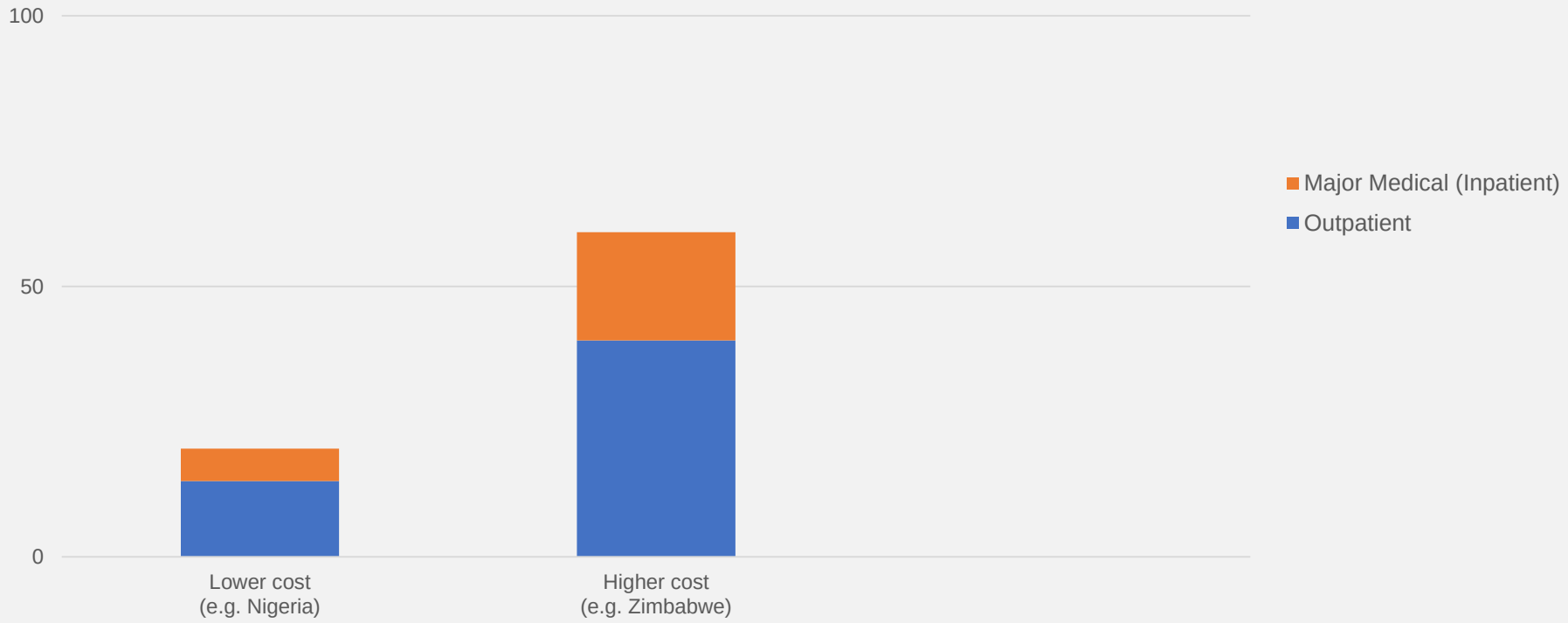
Typical age profile of a group



Comparative claims levels plpm (USD)



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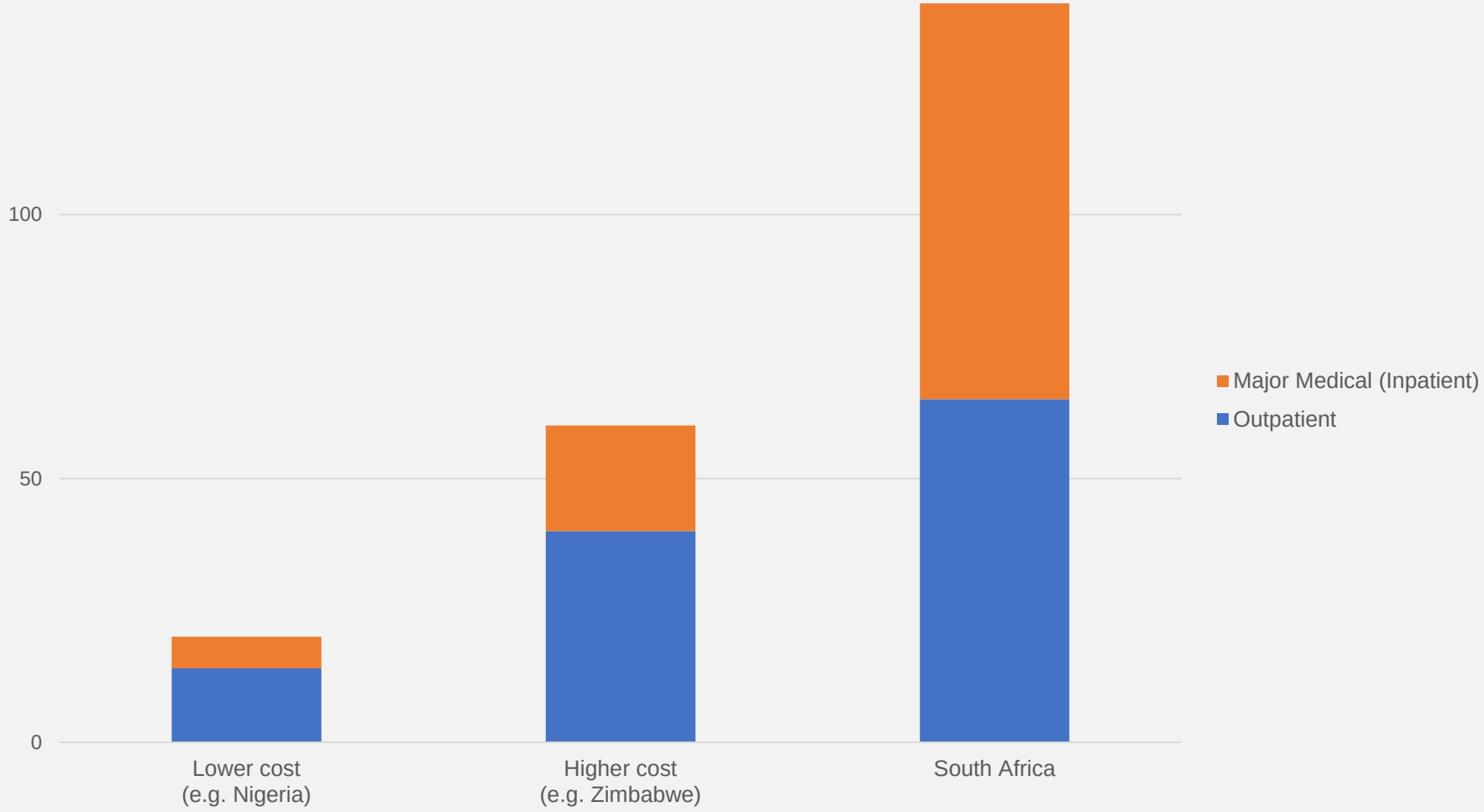
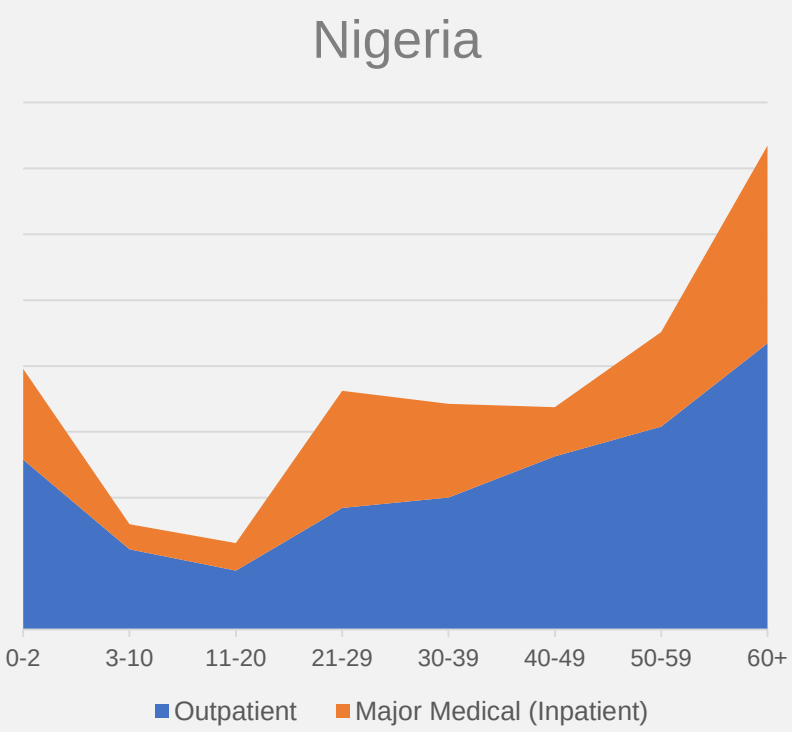
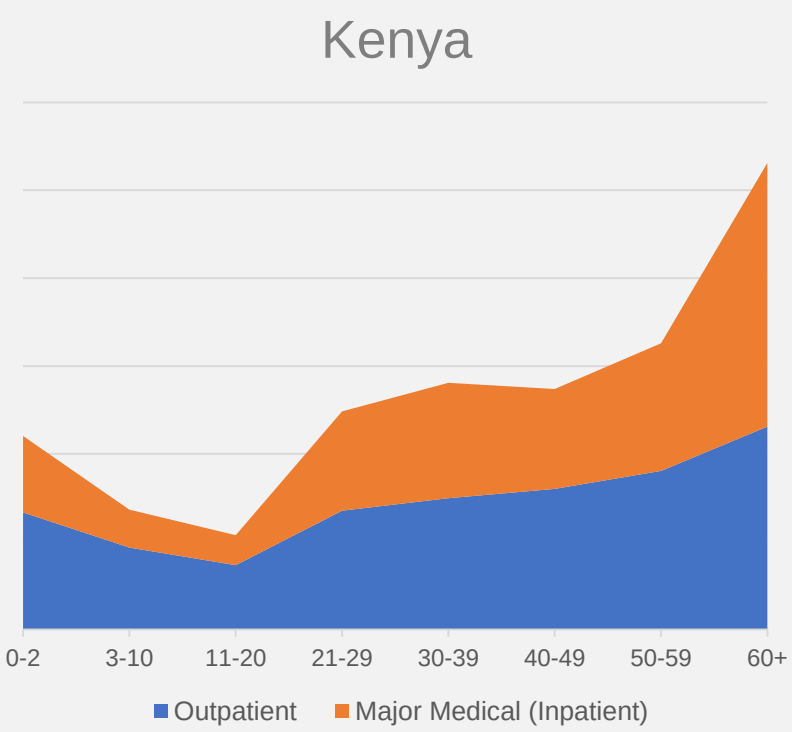
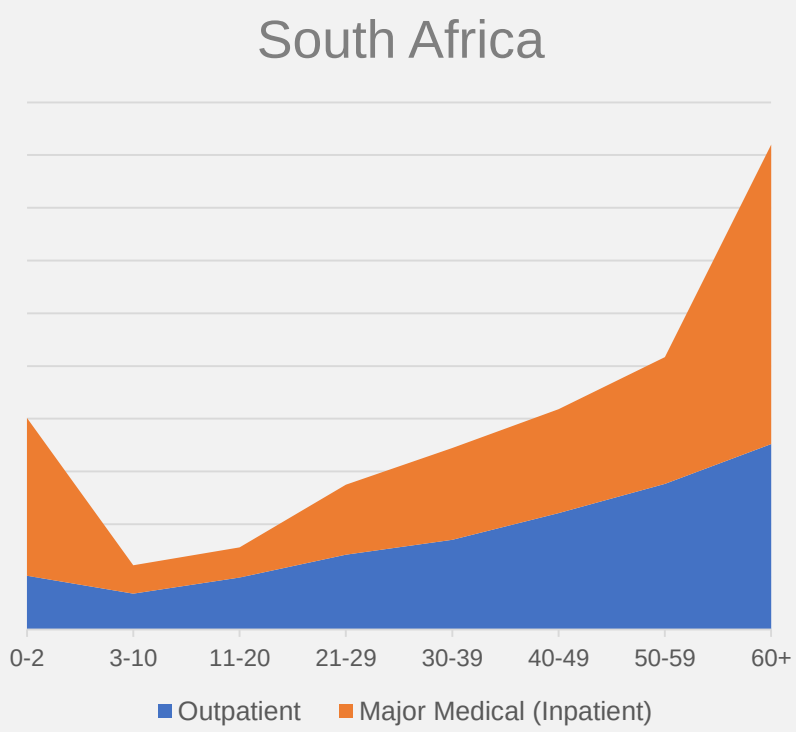


Claims cost profile by age band

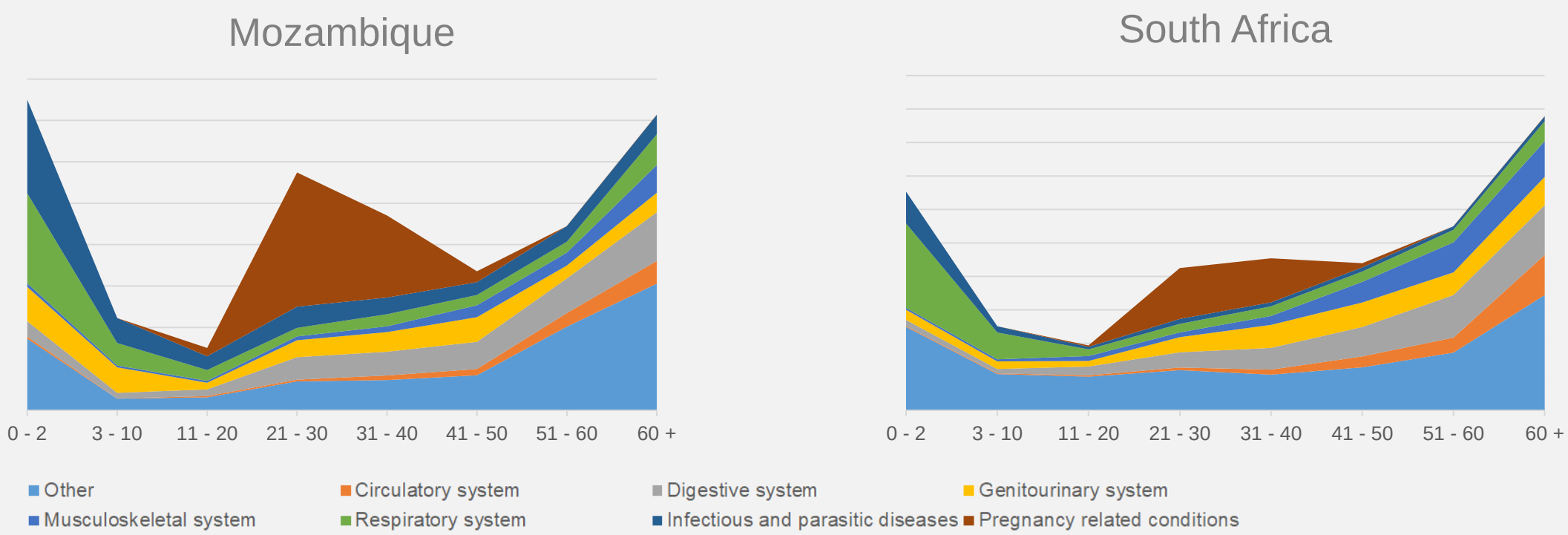






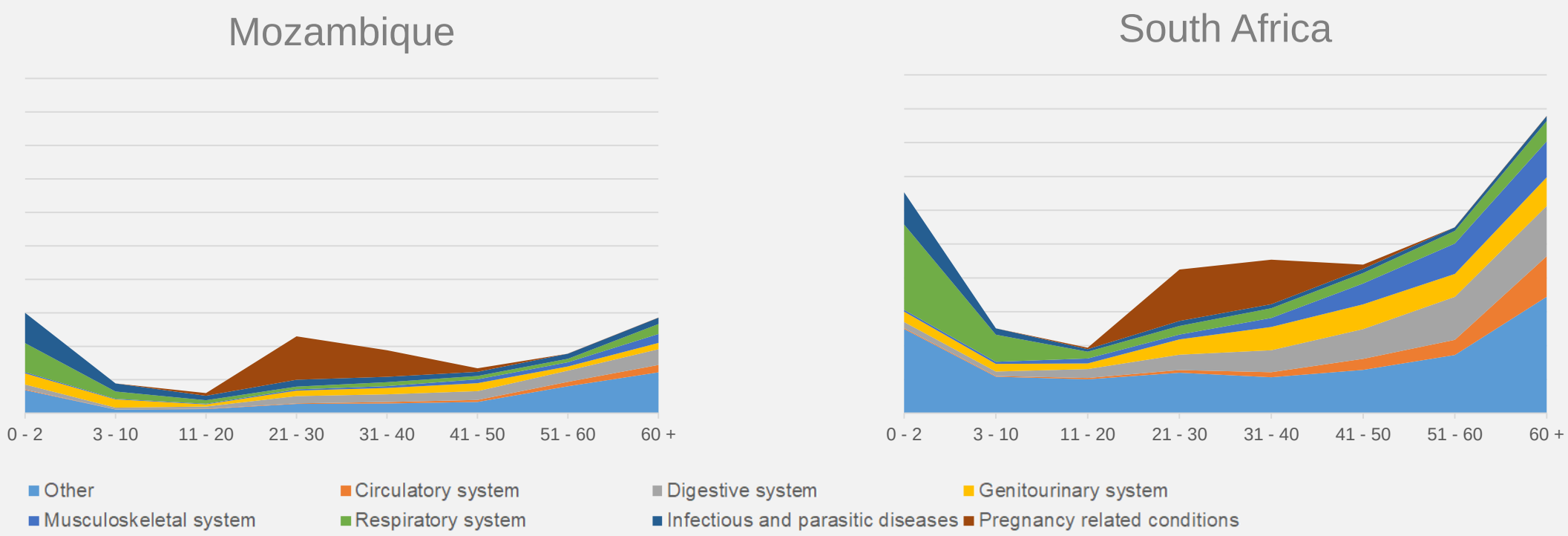
Hospital admission rates comparison

Admission rates by Major Disease Category (relative comparison)



Hospital admission rates comparison

Admission rates by Major Disease Category (absolute comparison)



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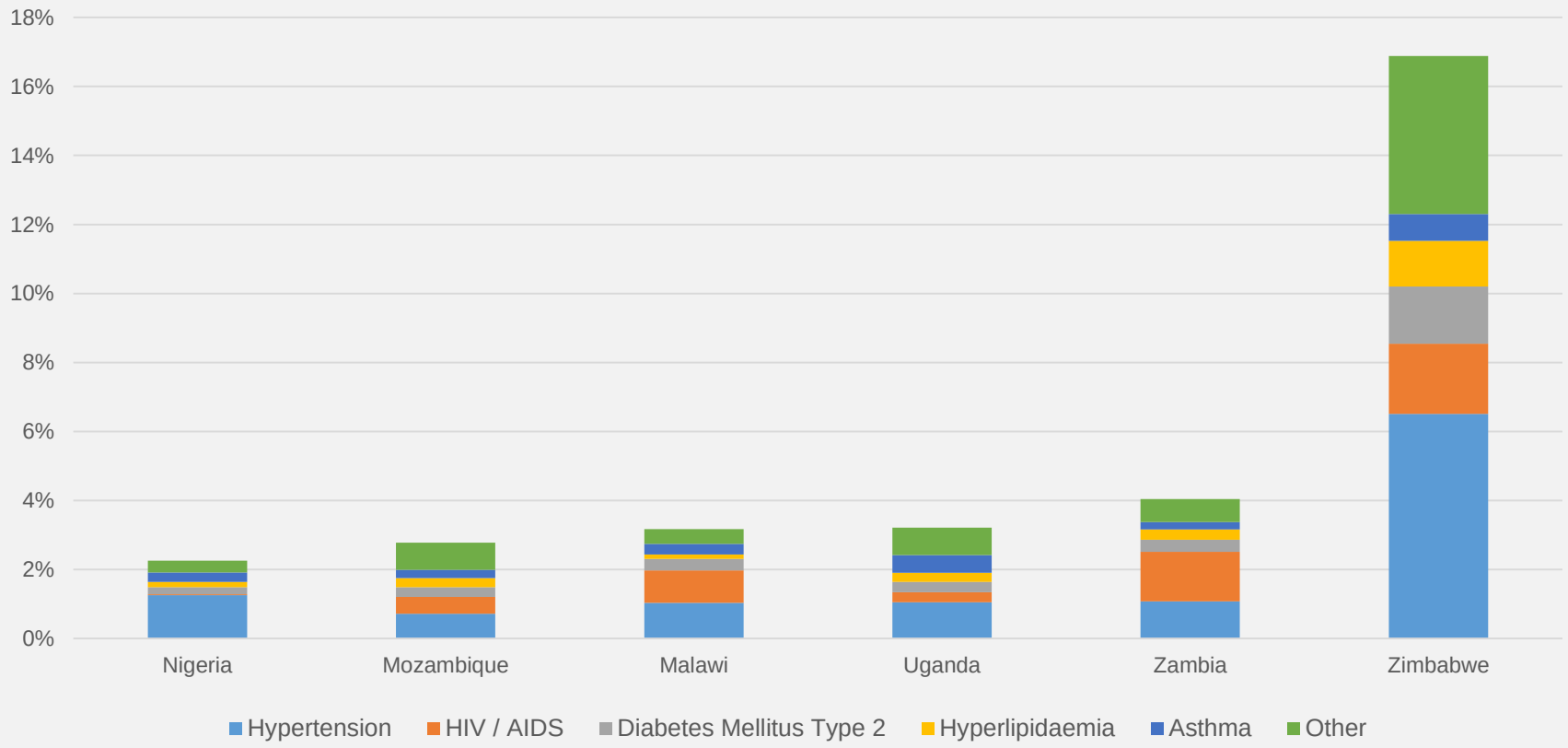
Chronic prevalence (as registered)

Our actual experience (impacted by age profile of clients)



CHALLENGES TO DEAL WITH

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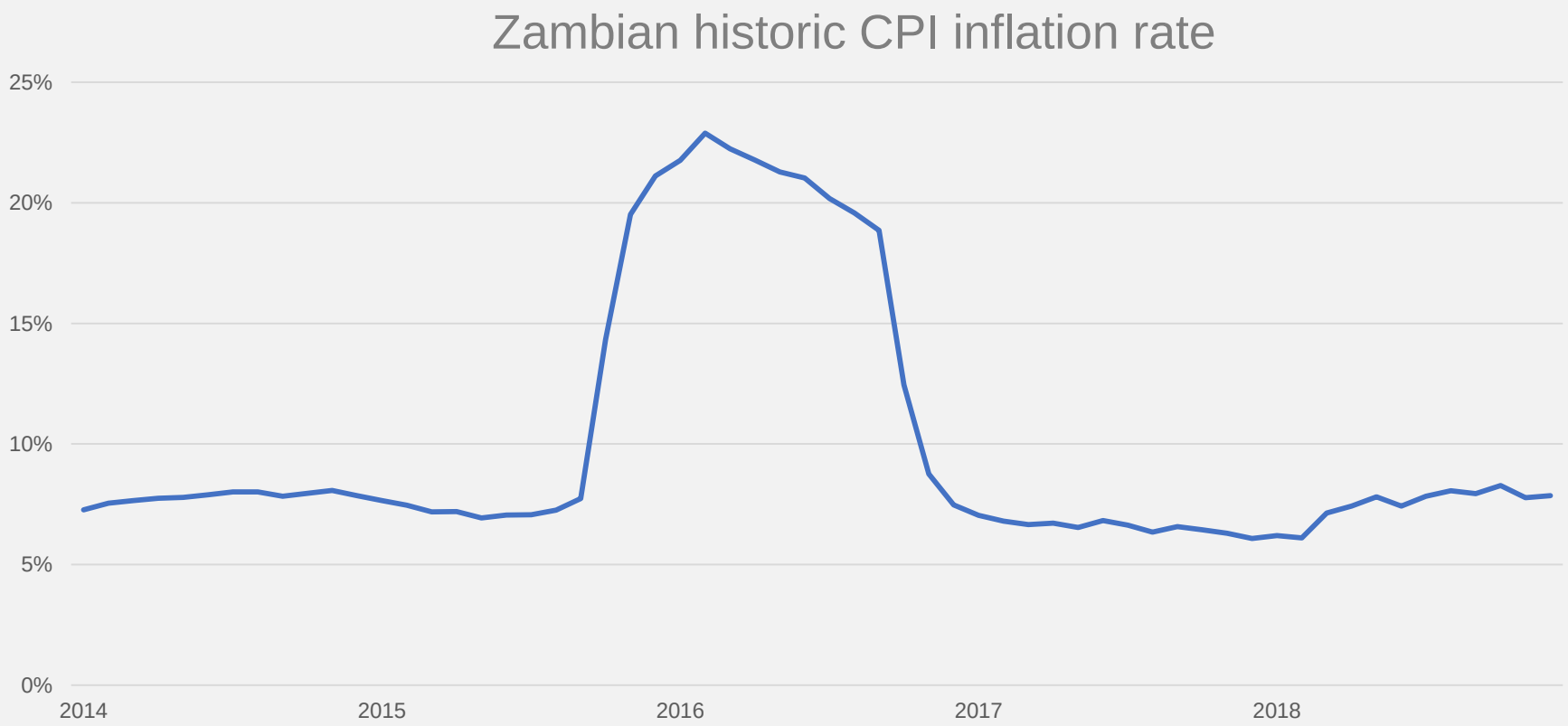
Macro-economic challenges

Economic environment can shift quite rapidly… need to be able to respond!



Source: Standard Bank Research – Africa Research

Macro-economic challenges

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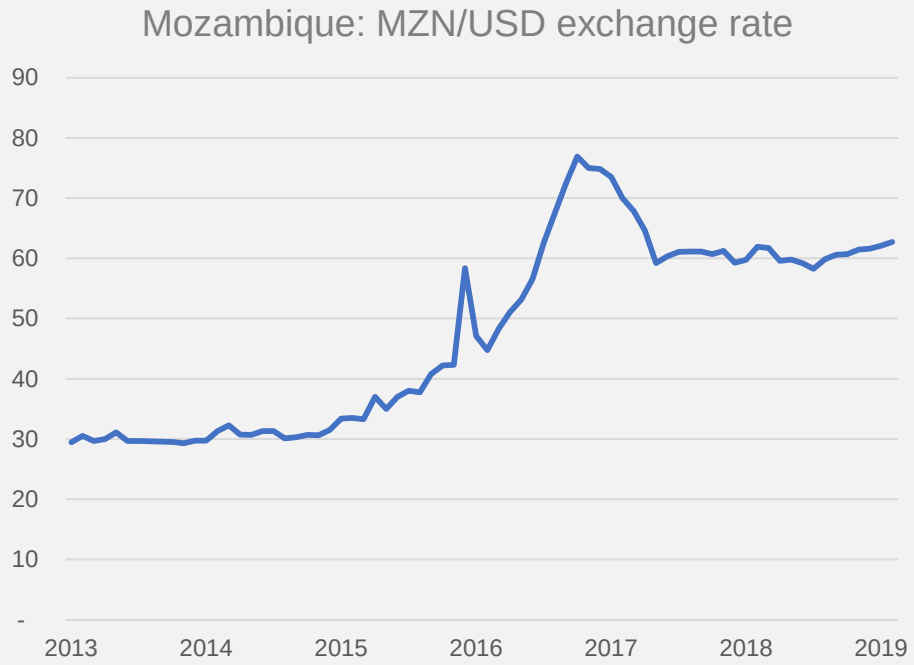
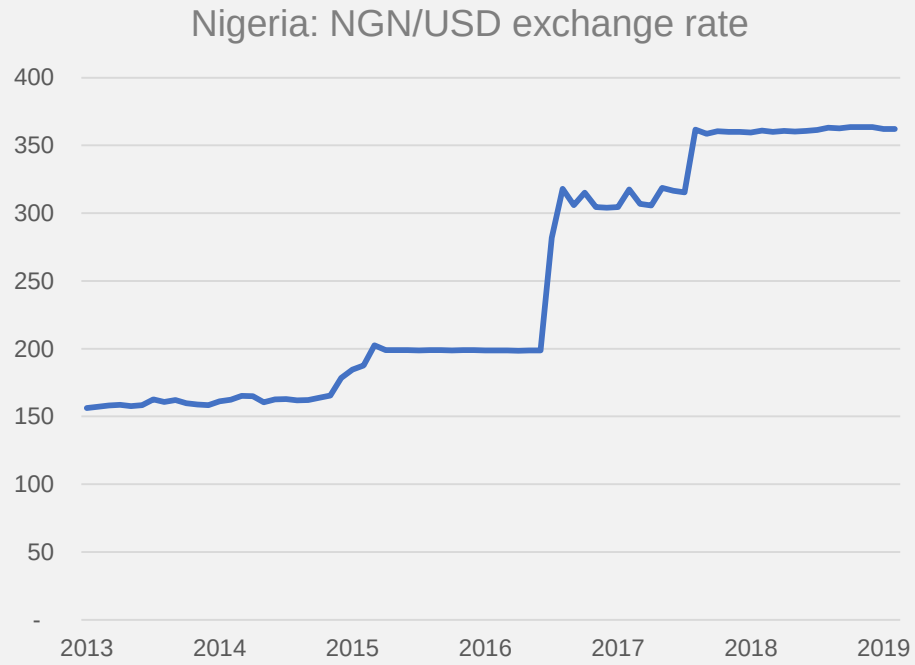
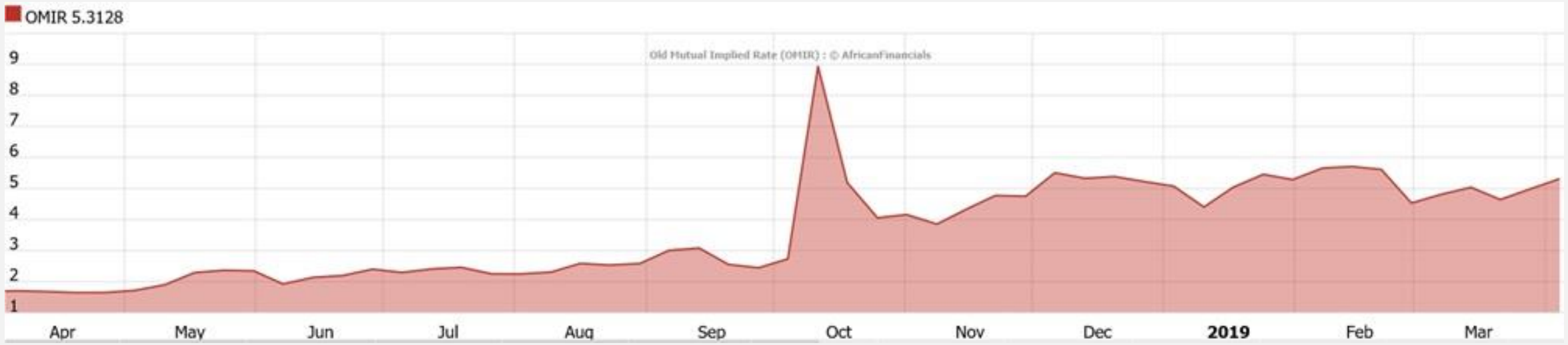




Macro-economic challenges

Or can be a “ticking timebomb”, especially if there are fiscal discipline concerns…

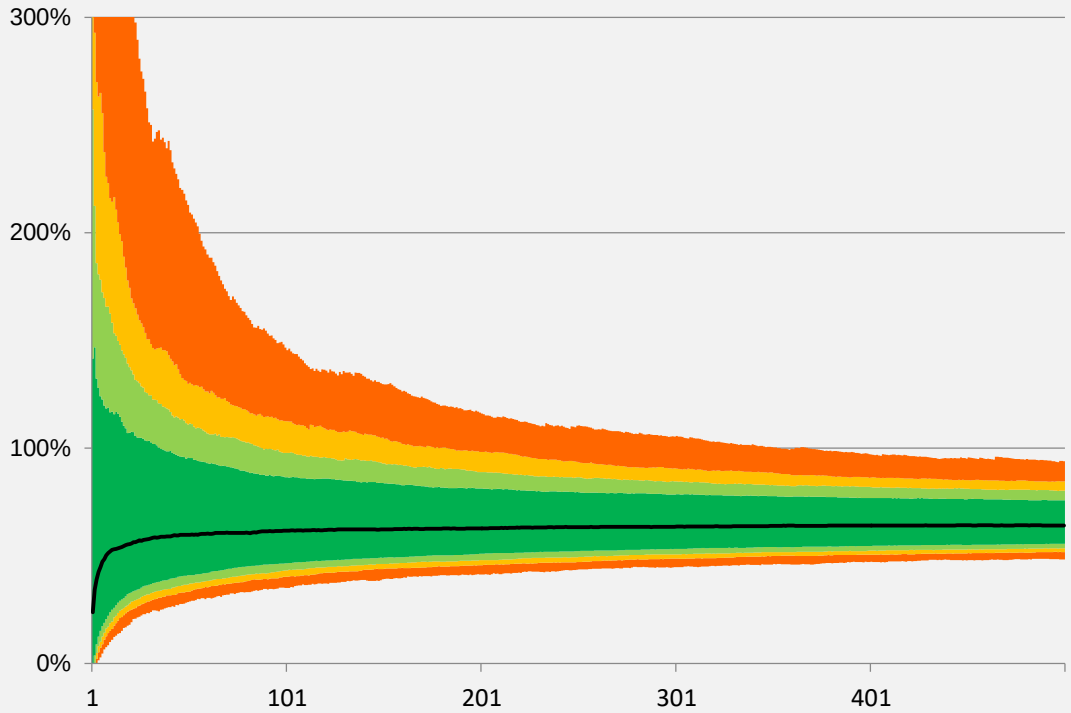
Old Mutual’s Zimbabwe Dollar Implied Exchange Rate



Source: www.omir.today

Experience rating challenge

Common practice to “experience rate” groups, even for smaller than 100 lives



But variation can be large…

…Even with a large group!

Other Challenges

- Operating across multiple countries, languages, legal environments, cultures, etc.
- The economic situation in a country
- Understanding of the value (and cost) of certain benefits
- Uncertain seasonal effects (e.g. due to malaria)
- Fraud
- And more…

IN CONCLUSION

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Health Insurance
Across Africa

- Market for health insurance is growing in Africa
- More players are entering the various markets
- Lots of diverse opportunities for actuaries to become more involved
- Many challenges, but exciting work and a great opportunity…

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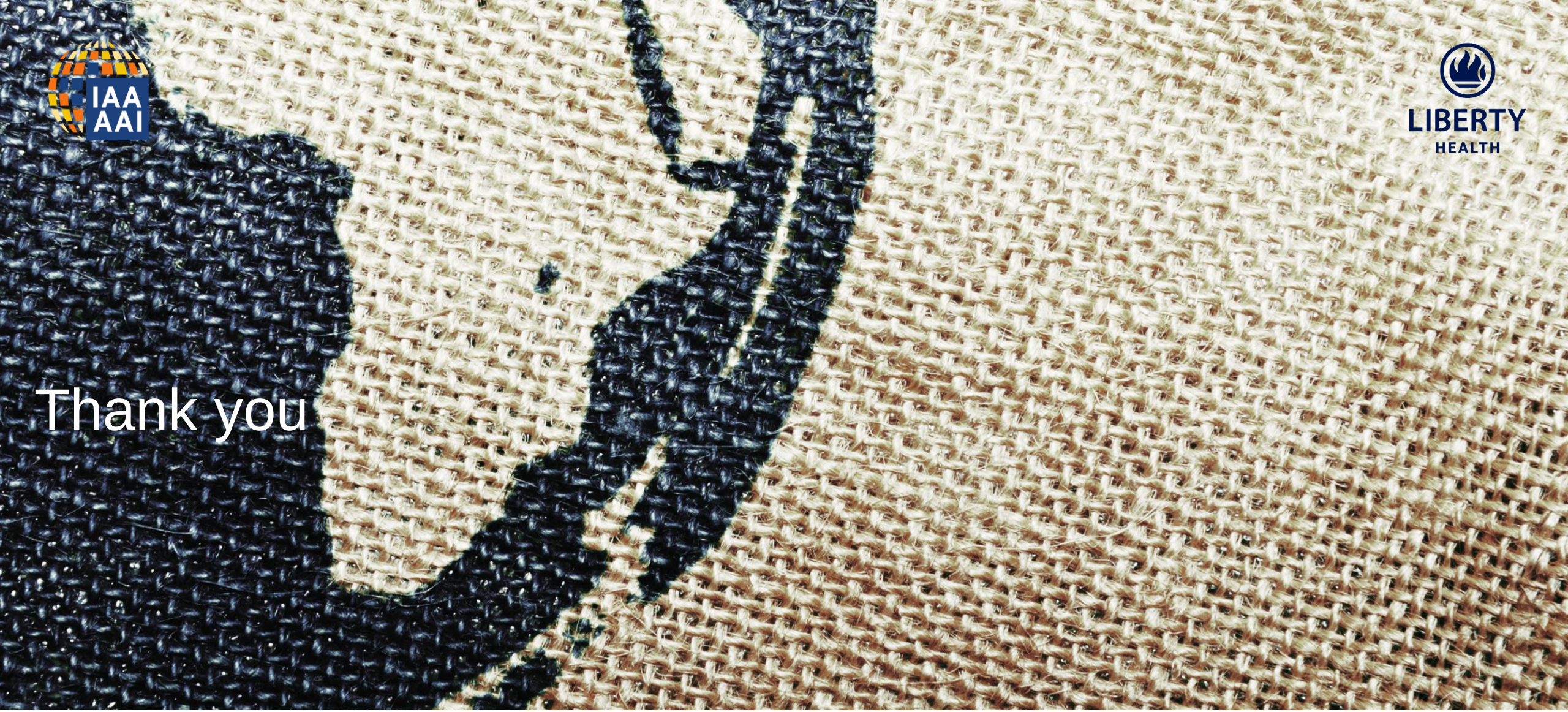

QUESTIONS

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