

Finding the Balance in Healthcare Financing: Leveraging the “Limited” Skills of Private Medical Insurers

Hospital Authority Convention 2011
7-8 June 2011

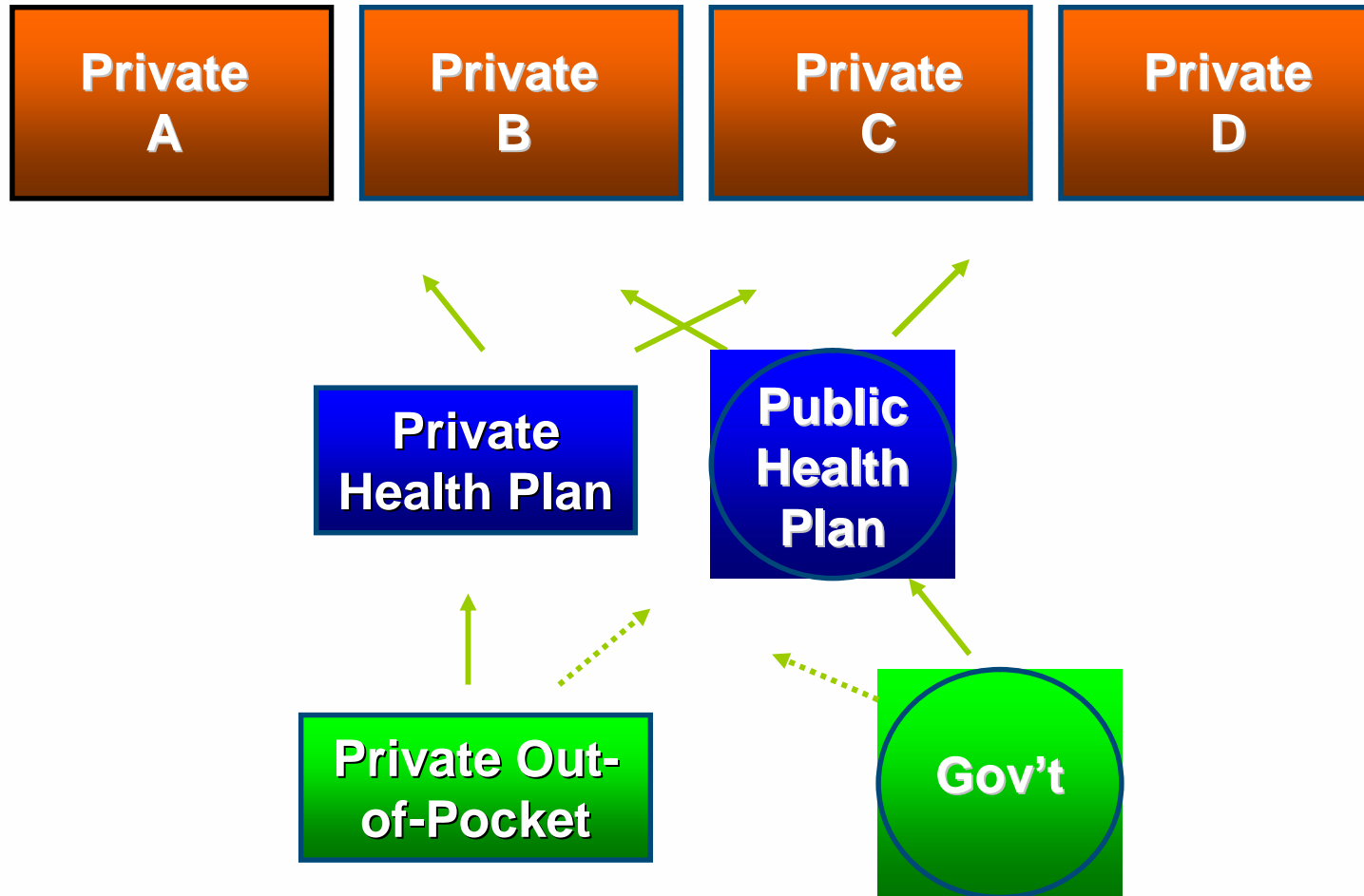
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Overview

- Examples the roles of private insurers in different systems around the world
- The potential role for insurers in Asia and challenges faced

“Free Market” System

Fragmented with pockets of success

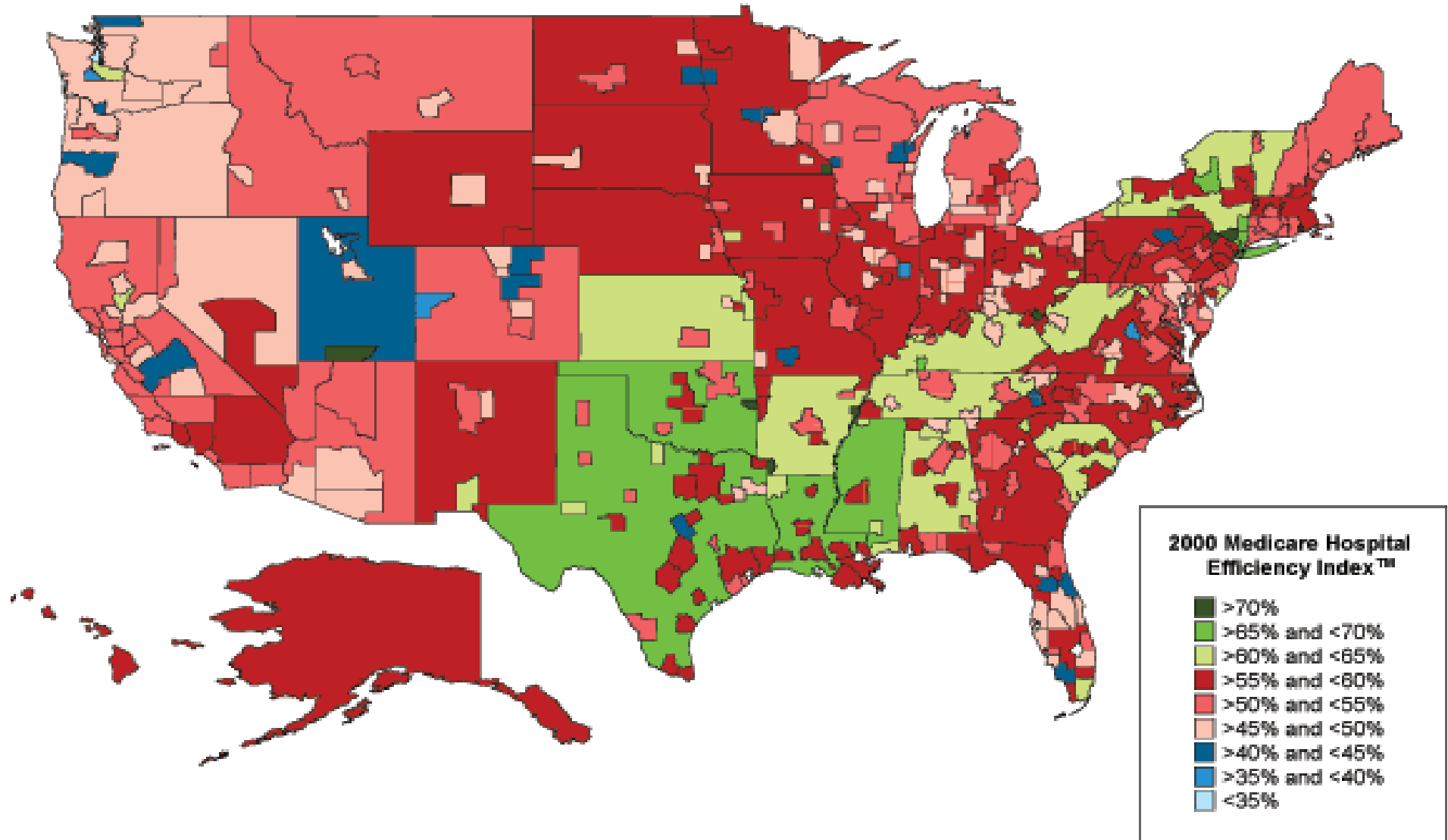


“Free Market” System

- Government Medicare Health Plan
 - Funded by Medicare levy on taxpayers
 - Health insurance benefits to age over 65
 - Managed by statutory organisation (CMS)
- Introduced Medicare Advantage
 - Medicare members can opt out to join a private plan
 - More choice
 - Combination of higher benefits and/or lower premiums, but with more controls. E.g. PPO, HMO plans, including staff-based HMOs
 - Also offer supplementary covers

2000 Medicare Hospital Efficiency Index™

National Average=53.8%



“Free Market” System, cont’d

- Medicare Part D
 - Prescription drug cover
 - Exclusively offered through private plans with “risk corridors” and government administered “fall-back” drug plans
- Fertile ground for experimentation and public-private partnerships
 - DRG and RBRVS introduced as the basic structure; rate levels result of combination of government and private sector negotiations
 - Several P4P demonstration projects
 - Quality / performance measurement
 - Providers accepting packaged prices / risk

“Collaborative” System

- Delivery of care
 - Public-private competition coming into play
- Provider reimbursement
 - Mostly negotiated by government; insurers negotiate prices on “commodity-type” procedures
- Health policy
 - Insurers encouraged to provide preventative care and pursue disease management
 - Use of risk adjustors
- IT / Benchmarking / Quality / Evaluation / Transparency
- Range of policies with different price ranges
 - Varying degrees of access (PPO)
 - Designed to suit young vs. old, different income groups

RxAdjuster Individual Output

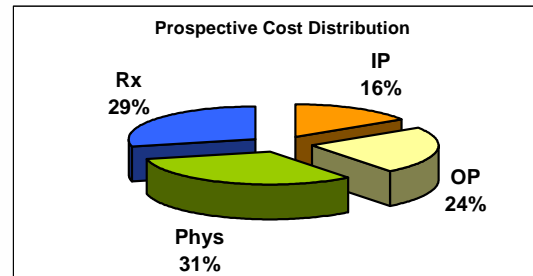
Relative Risk Scores – Total and by Category

Hypothetical Member: Jane Johnson

Milliman RxAdjuster

Demographics

Member ID	467743202
Age	59
Gender	Female
Dependent Status	Spouse
Exposure Months	12
Lag Months	3



Risk Scores & Monthly Cost Estimates

Hospital Inpatient	2.665	\$339.99
Hospital Outpatient	3.715	\$503.18
Physician/Other	3.136	\$679.65
Prescription Drugs	4.783	\$611.38
Total	3.513	\$2,134.21

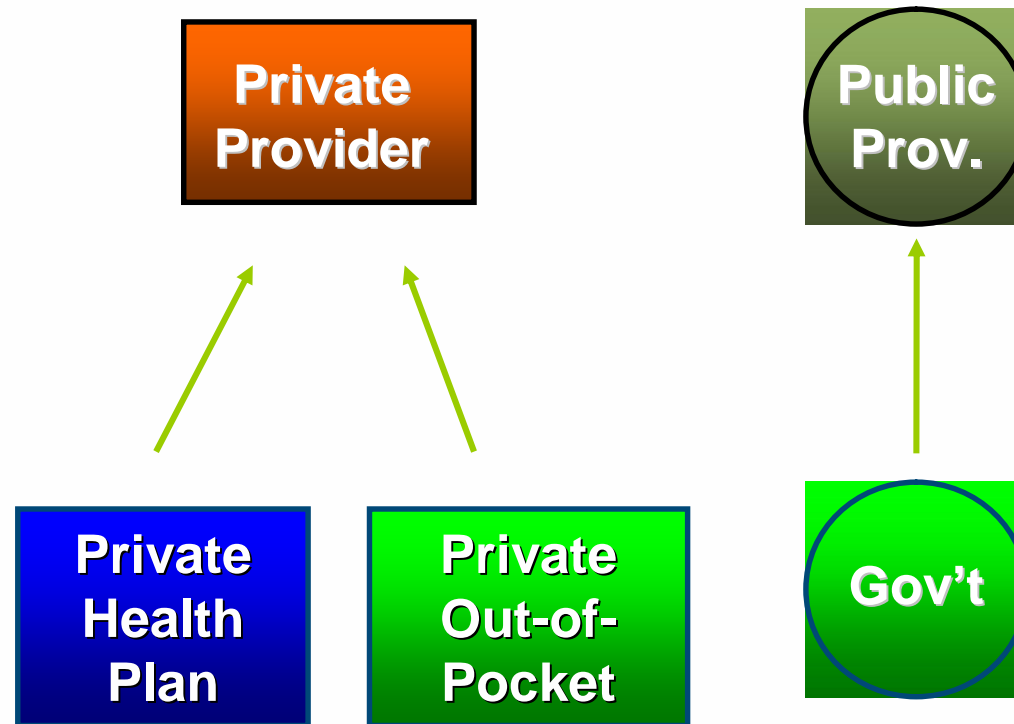
Jane is 3.6 times sicker than average.

Drugs Observed

NDC	Product Name	Generic Name	Category
00149075202	ASACOL	Mesalamine	Inflammatory Bowel Agents
62175044601	PEG 3350 & ELECTROLYTES	K Cl/Na Bicarb/Na Cl/Na Sulf/PEG	Bowel Evacuant Combinations
63304040701	PROCTOSOL-HC	Hydrocortisone	Rectal Steroids
00378041510	ATROPINE SULFATE/DIPHENOXYLATE HCL	Atropine Sulfate/Diphenoxylate Hydrochloride	Antiperistaltic Agents
52152015502	HYOSCYAMINE SULFATE	Hyoscyamine Sulfate	Belladonna Alkaloids
00185070401	BISOPROLOL/HCTZ	Bisoprolol Fumarate/Hydrochlorothiazide	Beta Blocker & Diuretic Combinations
00069307075	ZITHROMAX TRI-PAK	Azithromycin	Azithromycin
00085119701	NASONEX	Mometasone Furoate	Nasal Steroids
00591555250	METRONIDAZOLE	Metronidazole	Misc. Anti-infectives
00597001314	COMBIVENT	Albuterol Sulfate/Ipratropium Bromide	Adrenergic Combinations
00009045003	COLESTID	Colestipol Hydrochloride	Bile Sequestrants
60432053716	NYSTATIN	Nystatin	Anti-infectives - Throat
00046086881	PREMARIN	Conjugated Estrogens	Estrogens
00378050301	BISOPROLOL/HCTZ	Bisoprolol Fumarate/Hydrochlorothiazide	Beta Blocker & Diuretic Combinations

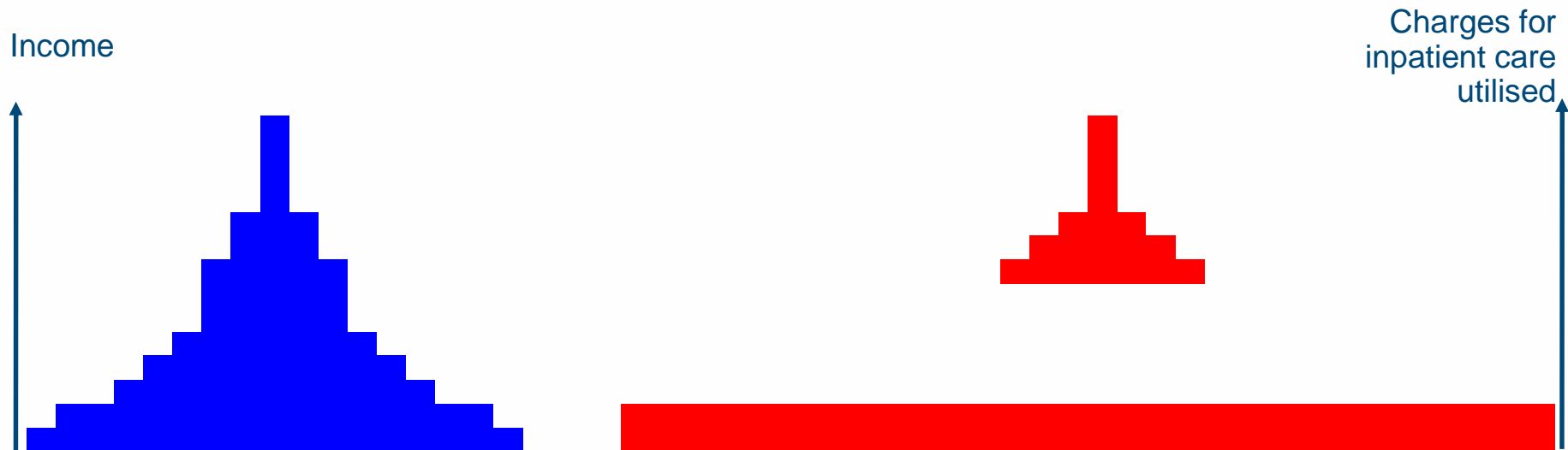
Public Provider Dominated Systems

Centralised Planning/Evaluation, Financing, and Delivery



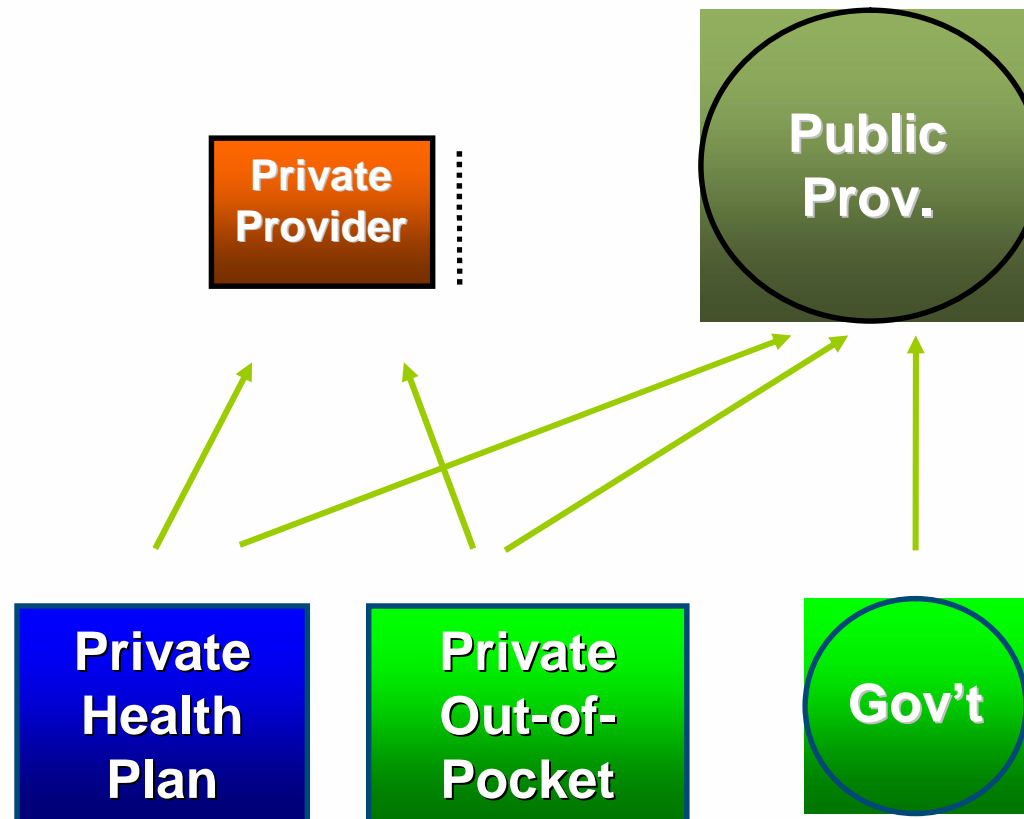
Next Steps in Asia

Filling the Gap?



Public Provider Dominated Systems

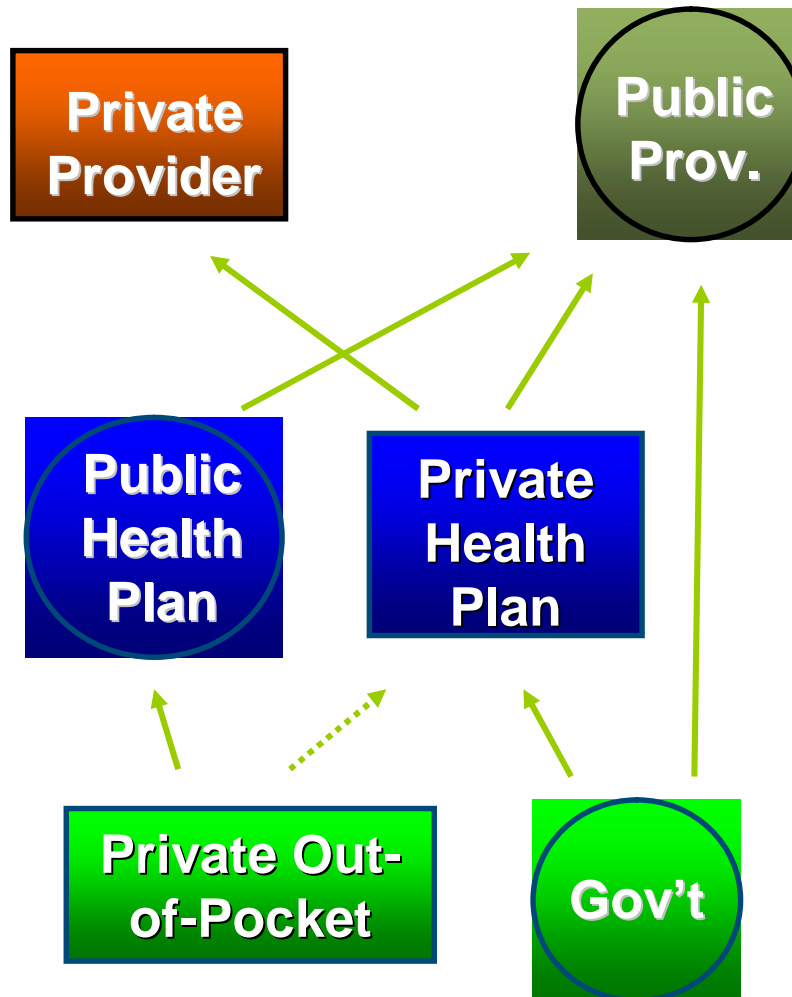
Singapore



- High quality public hospitals with reasonably short queues
- Government subsidy of public hospitals continually reducing
- Insurance used to finance higher user fees
- Majority of patients go to public hospitals
- Private hospitals serve the rich locals and tourists

Public Provider Dominated Systems

Australia



- High quality public hospitals, but with long queues
- Financed by government insurance programme (Medicare) and direct subventions
- Government subsidising private health plan premiums to try to shift patients to private sector
- Dynamic private providers
- Variety of health plans available to young and old

Filling the Gap / Creating Choice

- Singapore “or” Australia?
 - Or direct subsidies to private hospitals?
- Do we need insurers? What value do they provide?
 - Utilisation control?
 - Benchmarking / encouraging operational efficiency?
 - Claims management?
 - Health management?
 - Risk pooling / risk management?
 - Packaging and marketing / meeting customers needs?

What Are We Packaging?

- Existing range of bronze, silver, gold plans
- Private integrated networks / virtual “private HA”?
- Budget private hospital?
- Private HA hospital?
- What do customers want?

Next Steps in Asia

Filling the Gap?

