

Why Do My International Healthcare Premiums Keep Increasing?



If you have opened the renewal email from your insurer and felt your pulse-rate increase, and a dark cloud of anger come over you, read on- a little background knowledge may be as good as taking a Valium (or a cup of chamomile tea, at least).

This note focuses on what is driving up the cost of global healthcare. Whilst this won't make the premiums any less expensive, knowing some of the background can help you understand the broader reasoning behind your healthcare premium increases.

Medical Technology



With any trip to a doctor these days, you are likely to see an array of electronic equipment. Long-gone are the days of a simple thermometer and a notepad.

According to Willis Towers Watson's 2017 Global Medical Trends Survey Report, the trend in average global medical technology investments went up 7.8% in 2017 and most countries expect it to continue to rise between 2.4 and 7.5% a year until 2020.

Whilst the newest tech may help diagnoses, and possibly save lives, it needs to be paid for, and the cost will be included in the medical bill, and ultimately in your premiums.

The rising popularity of health-tracker apps and wearables like Fitbit also means that people are more aware of the state of their overall health, and therefore expect their healthcare providers to match their levels of connectivity.

For the younger mobile-savvy generation, the need for convenience, mobility and choice are all seen as basic requirements, meaning technology-enabled approaches are one of the top considerations (and investment/cost areas) for healthcare providers.

Consumer Demand



An emerging middle class in developing countries means there is an increasing demand for high quality private health services.

The Brookings Institution report, *The Unprecedented Expansion of the Global Middle Class*, estimates that there were around 3.2 billion people in the middle class at the end of 2016, growing by around 140 million annually.

This is set to increase to 170 million a year in five years' time. The majority of the next billion will live in Asia, including some 380 million in the Indian sub-continent, 350 million in China and 210 million in other areas of Asia. Brookings suggests that by 2030, Asians could represent two-thirds of the global middle-class population.

The rise of the middle class has meant a general increase in wealth and life expectancy, but has created additional strain on health services. Particularly in Asia, where high-fat diets and passive lifestyles are associated with greater wealth and longer life expectancy, obesity is increasing (pun intended), with the resulting increase in chronic diseases, such as cardiovascular disease, cancers and respiratory illnesses.

It is generally acknowledged that rates of cardiovascular disease are projected to at least double if not quadruple in several Asian countries over the next two to three decades.

The issue for premiums is the increasing rates of these medical problems. The higher the rate, the more likely your insurer will need to pay for treatment!

Aging and Lifestyle

The longer people live, the more care they tend to need, and the more chance they will have of contracting later life conditions and diseases, such as dementia.



According to Deloitte, cases of dementia are forecast to increase in every region of the world, reaching 74.7 million by 2030.

Additionally, by 2020, Deloitte predicts that 50% of global healthcare expenditure – around \$4 trillion – will be spent on the three leading causes of death: cardiovascular diseases, some cancers and respiratory diseases. At the same time, the number of diabetes sufferers will rise from 415 million to 642 million by 2040.

It is worth at this point mentioning how insurers derive their premiums.

Their actuaries (actuaries are accountants for whom accountancy is much too exciting), typically develop profiles of their consumers and then calculate how much each profiled patient type will cost. For example, one profile might be for male children, age 2 to 6.

The insurer will determine an average number of GP visits each child will need, how many vaccinations he will need, how many times he'll fall and need stitches, etc.

Another profile might be for women age 50 to 55. An average woman in this age group may be advised to have a mammogram, perhaps a colonoscopy or bone density scan.



She'll need a blood test for diabetes or cholesterol. Even if she's quite healthy, she may need to take one or more prescription medications, such as a statin to prevent heart problems.

The insurer will also determine the number of surgeries, medical tests, accidents, and other possible medical needs for each of its profiled patient groups, as well as the relative costs for each country of residence.

Likely costs in the event of the patient opting for treatment in another country will also be considered – a European resident in Cambodia may opt for surgery in Hong Kong, or Singapore, for example.

Using those profiles, multiplied by the number of patients they expect to insure for each profile, the insurer can estimate what its costs will be. Additional amounts for expenses and profit will be added to the total. Then they'll do the calculations to find an average cost per patient, and determine the annual premium.

Regulations and Fraud



The global healthcare regulatory landscape is complex and constantly evolving. In the future, healthcare providers will face increasingly complex and rapidly changing set of global, regional, country and industry-specific regulations, laws and directives.

These cover clinical quality and safety, regulations on counterfeit drugs, identifying and eliminating corruption, and the constantly-increasing danger of cyber security.

The Global Health Care Anti-Fraud Network estimates that \$260 billion – or around six percent of global healthcare spending – is lost to fraud each year. Health insurance fraud, where an insurer or government healthcare program is raided by fake claims, is a growing problem, while prescription drug diversion is expected to become more of a global problem than illicit drug production.

Tackling fraud and adhering to regulations all come with a hefty price tag. Expensive security software must be purchased to protect confidential patient information from hackers. Healthcare costs must therefore rise to ensure data and patients are kept safe.

How Does This Impact my Health Insurance?

As global healthcare costs go up, this increases how much it costs to provide health cover. However, if you are renewing your health insurance, there are a few options you can consider.

Shop around and compare your options for the most competitive deal, making sure your policy meets your needs and consider the fact that pre-existing conditions may not be covered.

Stay with your current insurer, but check your policy meets your needs and provides access to the best health cover.

You may be able to change the level of your cover, for example, the level of plan, optional benefits or excess amounts, and I can offer some guidance on this.