PACIFIC PRIME

The State of **Health Insurance** 2023

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About the report

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CEO and Founder at
Pacific Prime

From the lingering effects of the COVID-19 pandemic to the war in Ukraine and tension between major powers, 2023 has been full of macroeconomic and geopolitical challenges that are naturally going to spill into the health insurance industry. We've seen high inflation affecting premiums and affordability, and impacting insurer strategies as well.

I'm also always amazed to see the rate of technological advancement each year and this year is no different. Although ChatGPT and AI tools have been around for a while now, the sheer power and potential of these tools have only recently come to light, and I'm eager to see how it will transform our industry.

Technology not only has the potential to increase efficiency and streamline operations, but it can certainly be a force for social good such as through addressing health inequities that were worsened by the pandemic. Whether through telemedicine and other virtual health solutions, I firmly believe that technology in healthcare really is the solution in the post-pandemic world.

Speaking of social good, we're also seeing an increased emphasis on diversity, equity, and inclusion (DEI) within insurers both through their own hiring practices and the modernization of the health plans and benefits package. Consumer trust and privacy concerns are other areas insurers are paying close attention to as data protection and compliance regulations intensify.

Against the backdrop of these overarching trends, I'm very proud to present Pacific Prime's State of Health Insurance Report 2023. Now in its sixth edition, the report is a must-read for individuals and HR professionals alike. It sheds light about the global and regional health insurance landscape and makes informed predictions about the sector going forward.

Before signing off, I'd like to thank all those who made the report possible. Thank you to our in-house insurance and employee benefits experts, as well as our esteemed insurance partners and broker networks. A special shout out to Allianz, AXA, Bupa, Cigna, and WBN for their insights and commentaries that helped shape the report and gave it greater depth.

I hope you enjoy reading the report!

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1 Key trends shaping the international private medical insurance (IPMI) sector

As the COVID-19 pandemic slowly becomes a thing of the past, new challenges emerge in the global health insurance industry. This section goes into greater depth on the new macroeconomic and geopolitical challenges, as well as highlights the advancement of technological tools in the realm of AI, intensification of data protection and compliance regulation, and workforce-related challenges for insurers.

Our analysis covers the following points, each with its own subpoints, including:

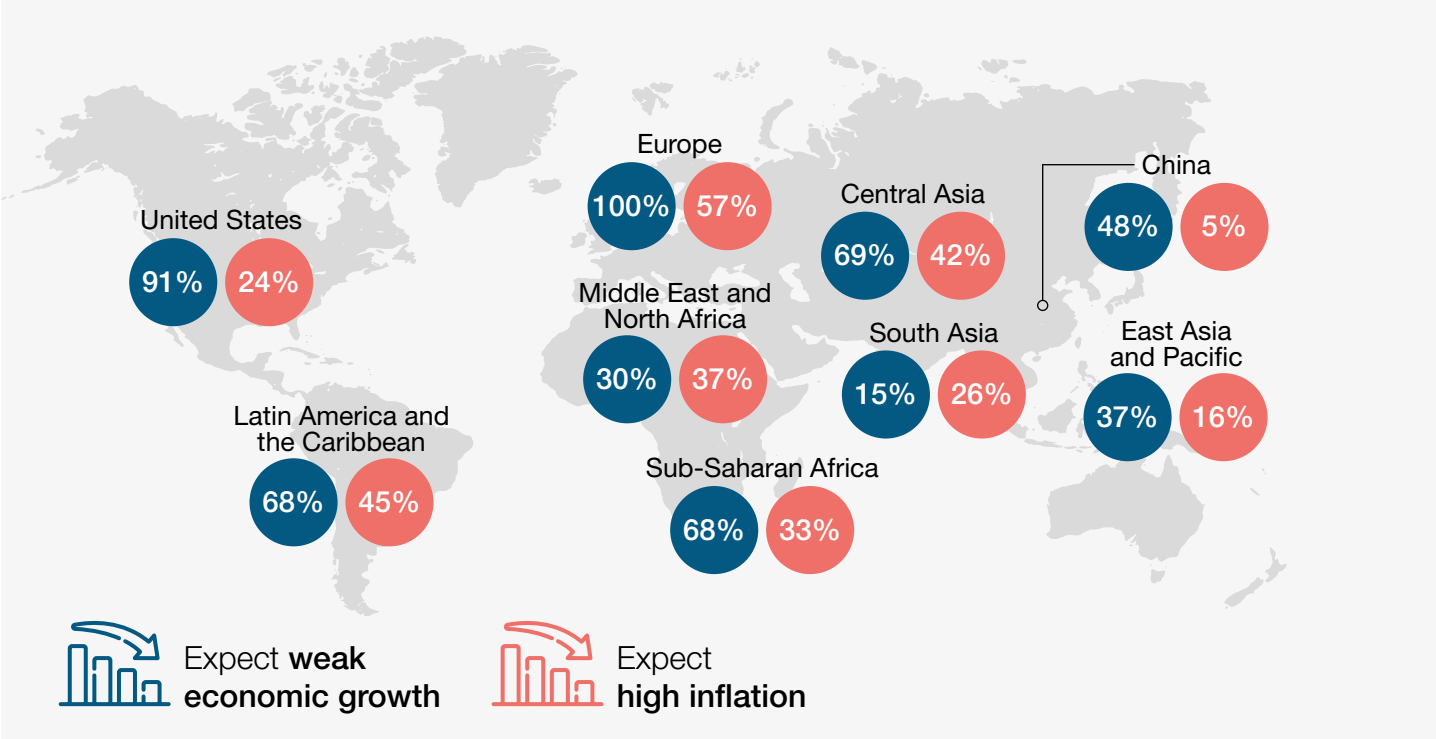
- Inflation: The key macroeconomic challenge facing the global health insurance sector
- ChatGPT, AI tools, and digital technology's transformative role in the health insurance space
- Data protection and compliance issues take center stage
- Workforce challenges pose difficulties for health insurers

Inflation: The key macroeconomic challenge facing the global health insurance sector

The health insurance industry has faced a tumultuous past couple of years. After the catastrophic impact of the COVID-19 pandemic and the rocky road to recovery, the industry is now dealing with macroeconomic uncertainty and geopolitical volatility, chief of them being inflationary pressures arising from the war in Ukraine. Other related challenges include rising interest rates, fluctuating currency valuations, and the ongoing effects on workforces and supply chains as a result of the pandemic.

Does this mean a global recession is likely in 2023? According to the World Economic Forum's survey of chief economists, a recession is indeed likely. Two-thirds expected a recession this year - of which 18% consider it extremely likely. Only a third of respondents consider a recession to be unlikely. Even so, the overwhelming majority of respondents agreed that the prospects for economic growth are bleak - especially when it comes to the US and Europe.

Figure 1: % of chief economists who predict either weak economic growth or high inflation in each region



Source: World Economic Forum: Chief Economists Say Global Recession Likely In 2023, But Pressures On Food, Energy and Inflation May Be Peaking

Similar to many of its counterparts, the insurance sector is not immune from these economic upheaveals and is poised to face challenges of its own. For starters, the growing cost of goods and services (especially the cost of healthcare) may impact the amount of claims made and the profitability of underwriting. To combat this, insurers may be compelled to increase the cost of health insurance and/or implement cost control measures.

Allianz

"Soaring inflation in the broader economy has significantly increased costs in healthcare. And, coupled with labor shortages in healthcare and a rise in demand for services, it remains unclear when the surge will stop."

David Myers
Chief Sales Officer, Health at Allianz Partners

cigna healthcare

"While healthcare inflation has not been as impacted as other areas of the economy by general inflation, our clients and customers have been impacted by high general inflation, which has meant additional focus on their healthcare spend."

Phil Austin
CEO Domestic Health Europe & Asia Pacific;
Health of Global Business Development at Cigna

AXA

"As you'd expect, with the world recovering from a pandemic, civil unrest and inflation rearing its head in many major markets, we're seeing an increasing focus on costs (premiums) and on cost control measures."

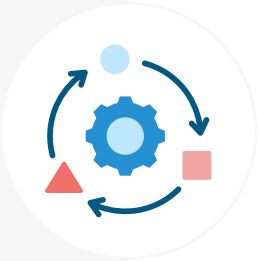
Xavier Lestrade
CEO at AXA Global Healthcare

A silver lining: Opportunities for health insurers exist, despite challenges arising from inflation

But it's not all doom and gloom. Given that inflation is nothing new to the health insurance industry, this means that opportunities do exist to minimize its impact. Year after year, the industry is faced with rising costs of specialty prescription drugs and new medical technologies for diagnosis and treatment, as well as the increased demand for care due to an aging population, which has prompted the American Journal of Managed Care to propose two possible solutions:

Value-based model:

While the traditional fee-for-service model simply treats patients when they get sick, a value-based model rewards patients for being healthy. Its primary aim lies in prevention and wellness care, dealing with health issues well before they become chronic and costly. Providers are also rewarded for meeting cost efficiency and quality metrics.



"Despite inflationary pressures we're all seeing in the market, we continue to encourage customers to utilize the vast array of on-demand services such as virtual care from AXA, allowing them to take full control of their health needs and receive better healthcare outcomes. The availability of 24/7 clinically accredited healthcare solutions can also help reduce costs for clients attributed to employee absenteeism too."

Xavier Lestrade
CEO at AXA Global Healthcare

Expanding the healthcare workforce:

In order to focus on prevention and wellness care, it is necessary to expand the capacity of healthcare providers, which effectively means expanding the healthcare workforce. Although this requires investment in the short term, it can result in cost savings in the form of lower overall health spending in the long term.

A noticeable surge in healthcare costs

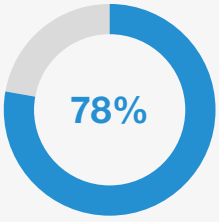
Against the backdrop of global economic upheavals and inflationary pressures, healthcare costs are expected to rise in most regions. This is attributed to growing labor and supply expenses, which are also causing hospital margins to continually decline, in large part due to the impacts of the COVID-19 pandemic.

Medical inflation rates also reflect the rise in healthcare costs, with the average rate of global medical inflation projected at 10% in 2023 - noticeably higher than 8.2% in 2021 and 8.8% in 2022. Regional variations in the medical inflation rate also exist, with costs expected to rise at a higher rate in most regions.

Figure 2: Global and regional medical inflation rates in 2021, 2022, and 2023

	Gross		
	2021	2022	2023 (projected)
Global	8.2	8.8	10.0
Latin America	15.1	18.2	18.9
North America	9.1	9.4	6.5
Asia Pacific	9.8	6.9	10.2
Europe	5.6	8.0	8.6
Middle East and Africa	12.4	10.5	11.5

In fact, medical costs are predicted to rise even beyond 2023:



More than three-quarters (78%) of health insurance companies predict that there will be higher or significantly higher medical inflation rates over the next three years.

Source: Willis Tower Watson: 2023 Global Medical Trends Survey

Trickle-down impact on the health insurance industry and ecosystem

Inflation and ongoing cost pressures are set to have a trickle-down impact on health insurers and major players within its ecosystem, resulting in various impacts such as:

Health plans

- Higher health insurance premiums, deductibles, and out-of-pocket costs

Consumers

- Increased healthcare costs and decreased affordability when it comes to healthcare

Employers

- Increased costs of group plans or the need to switch benefits or carriers to reduce the costs

Biopharmaceutical companies

- Continued scrutiny on drug prices amidst affordability concerns and pressure to lower prices

Medtech companies

- More demand for virtual healthcare tools and delivery to focus on prevention and reduce costs, especially for chronic conditions

Affordability becomes a major concern

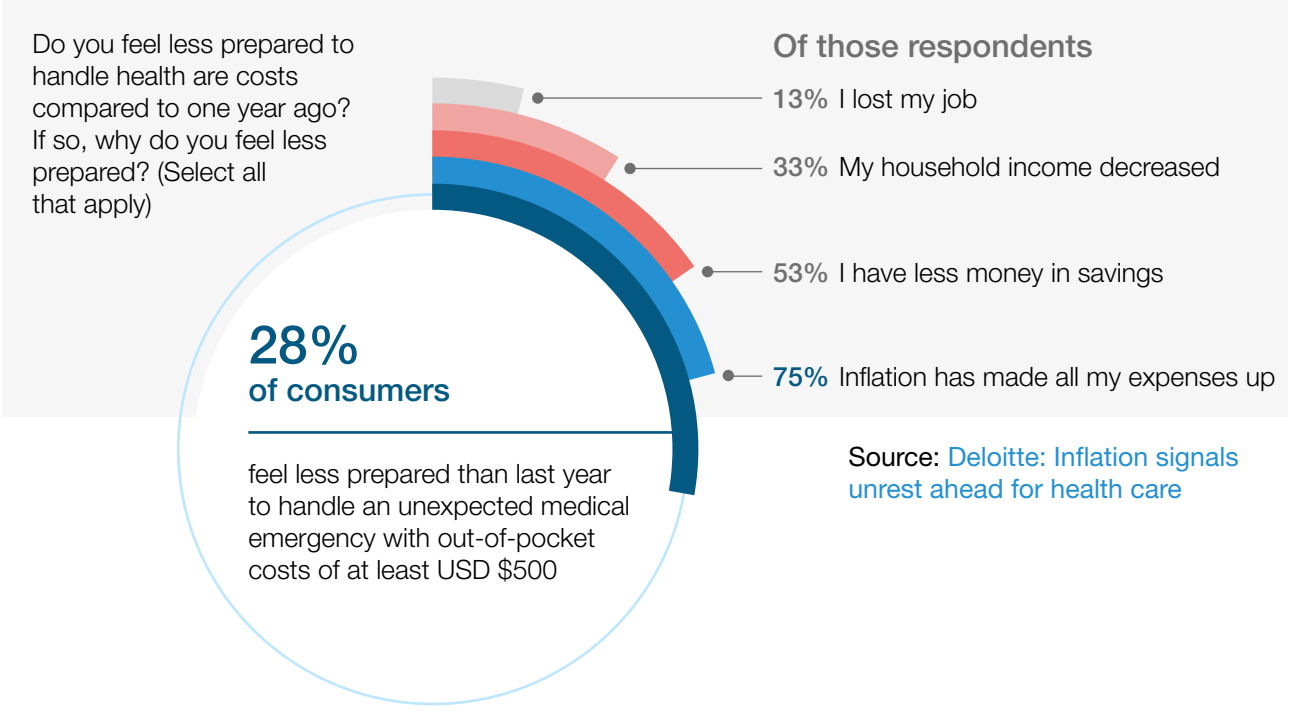
"As COVID-19 recedes, multiple underlying global health trends have reasserted themselves, including the pressing need for healthcare affordability (healthcare spend continues to outpace GDP growth worldwide)."

Phil Austin
CEO Domestic Health Europe & Asia Pacific;
Health of Global Business Development at Cigna

As health insurers increase insurance premiums to match the increased cost of healthcare, affordability becomes a key issue for individuals and their families. Many will face a strain on their budgets and some (particularly those without access to subsidies or other assistance from the government) may even go without coverage. Similarly, healthcare costs have also become a topmost concern for employers who offer group health plans.

This essentially means that a large proportion of the population may be left stranded if a healthcare need arises. In the US - for instance, nearly one in three consumers (28%) feel less prepared to handle unexpected healthcare costs today than they did last year. Of this figure, 75% blame inflation for increasing their expenses, 53% have less money in savings, and 33% have a lower household income.

Figure 3: Consumers' ability to handle healthcare costs



Source: Deloitte: Inflation signals unrest ahead for health care

Cost mitigation strategies to combat rising health insurance costs

In this climate of increasing health insurance costs, affected individuals and employers offering group health plans can take several steps to offset costs:

Cost-mitigation strategies for affected individuals and families

1. Explore all their health insurance options, which may require speaking to an insurance broker to find the best plan for their needs and budget.
2. Ask about any discounts or payment plans that health insurers may offer when shopping around for and comparing plans.
3. Consider government subsidies or state health insurance plans, if applicable. For example, Medicaid in the US.
4. Adopt a healthy lifestyle in order to reduce the financial burden of healthcare costs, such as exercising and eating healthily.

Cost-mitigation strategies for employers offering group health plans

1. Utilize healthcare analytics to understand underlying claims and health cost drivers in order to set (and measure) well-being initiative and react to unexpected claims.
2. Aim for a resilient workforce by combining healthcare data with other key data (i.e. absences, EAP statistics, etc.) and implementing relevant well-being programs.
3. Build a strategy to deal with high premiums in the long run, and align it with the organization's culture and structure.
4. Consult a broker in order to help with the aforementioned strategies. Any cost-savings can also be reinvested into wellness and healthcare initiatives.

With that said, employers may also decide to lower their level of healthcare coverage and/or pass on costs to their employees.

"Prior to the pandemic, large corporates typically covered 100% of the health insurance needs for those going on long-term assignments, but we've seen a shift in this. Not only are people going on assignments for shorter durations, but companies are now re-looking at the level of health insurance that they provide and what the employee may consider topping up. Increasingly, employers are considering providing a basic level of cover, with anything extra at the discretion of the employee."

David Myers
Chief Sales Officer, Health at Allianz Partners

ChatGPT, AI tools, and digital technology's transformative role in the health insurance space

The integration of AI tools and digital technology is driving changes in the healthcare industry. These advancements have led to new opportunities to enhance the efficiency and effectiveness of health insurance processes. By leveraging AI, including generative AI like ChatGPT, and related digital technologies, insurers can:

- Streamline operations
- Personalize coverage
- Enhance risk protection
- Deliver better solutions and services to customers
- Improve disease identification
- And more

It's important to note that ChatGPT is not designed for medical advice or examinations and does not support services covered by the Health Insurance Portability and Accountability Act (HIPAA). However, it could be integrated into healthcare applications with user verification and can assist in drafting prior authorization letters, insurance denial appeals, and other claims.

AI's impact on healthcare transformation

"We hear more and more every day how AI and machine learning are two parts of a booming tech industry. And although this technology isn't new, we're seeing more and more sectors using it."

Xavier Lestrade
CEO at AXA Global Healthcare

AI has driven a major shift in the healthcare industry. The merging of robust data availability and the adoption of digital solutions has set a solid foundation for AI-based healthcare innovations. With the global AI in the healthcare market projected to reach USD $137 billion by 2029, the potential of AI-enabled technologies is immense.

The role of AI in health insurance

"[Over the past year, we've witnessed] more use of both AI and technology internally to allow for more efficient servicing, claims assessment, and fraud detection – all resulting in better cost control."

David Myers
Chief Sales Officer, Health at Allianz Partners

AI plays a transformative role in the health insurance industry, spanning various domains including claims processing and personalized coverage.

Claims processing and fraud detection

"In the IPMI industry, it's possible for AI to decide whether some claims are valid within seconds, removing the need for an individual to read through each and every claim form and make a decision and giving the opportunity to both save costs. This leaves insurers with more time to focus on business growth and importantly, providing a more effective, tailored experience for customers."

Xavier Lestrade
CEO at AXA Global Healthcare

AI-based platforms and automation tools streamline claims processing in health insurance, saving both time and cost. Insurers who leverage AI algorithms can assess the validity of claims much faster and more effectively, reducing or eliminating the need for manual review.

This efficiency enables insurers to focus on business growth and improve the overall customer experience. By aiding in fraud detection, artificial intelligence technologies also ensure the integrity of insurance operations.

Personalized insurance solutions

AI technologies allow insurers to provide customized coverage tailored to individual customer needs. Insurance providers who analyze data and utilize machine learning can offer personalized insurance solutions that match the unique needs and requirements of policyholders, further enhancing customer satisfaction.

CASE STUDY AXA Global Healthcare Virtual Assistant - Remi

AXA Global Healthcare has successfully implemented AI technology to enhance its solutions and improve customer service through the introduction of its virtual assistant, Remi. Since its launch, Remi has continuously learned and expanded its knowledge through machine learning, enabling it to provide up-to-date and accurate information to customers.

With its seamless navigation, Remi guides users to the most appropriate next step, whether it's accessing virtual care services, viewing their online account, utilizing the provider finder tool, or connecting them to human advisors when necessary.

Through leveraging AI technology, AXA Global Healthcare has revamped the customer journey, making it easier for customers to find the information and services they need, resulting in greater customer satisfaction as well as efficiency within the health insurance industry.

AI integration in health insurance strategies

The insurance industry has been rapidly adopting AI technologies and related digital technologies in recent years. AI-based solutions are being created by startups to minimize errors and manual-intensive tasks, such as claims processing and risk prediction. Similarly, many insurtech startups and scaleups are using AI to convert large amounts of data into insights that will increase operational efficiency.

CASE STUDY EvolutionIQ's AI-powered claims guidance

EvolutionIQ, a US-based startup, utilizes AI to develop a predictive claim guidance platform that enhances claims processing, detects fraud trends, and improves team productivity. By leveraging AI-based automation, EvolutionIQ allows insurance examiner teams to process claims more efficiently, thereby reducing claims duration. This helps insurers improve both service quality and customer satisfaction.

CASE STUDY Viriyah Insurance turns to AI for market research

Thai insurance provider Viriyah intends to use AI technology to design a selection of insurance products that cover a wide range of risks and meet consumers' ever-evolving needs.

"Using data-driven innovation, we can conduct a deeper analysis of market research. This year, we will survey consumers' needs in each region for health and non-life insurance to build a personalization model that offers unique and individual coverage," said Amorn Thongthew, Managing Director of non-life insurer Viriyah Insurance.

As the health insurance industry continues to evolve, embracing AI-powered solutions offers numerous benefits for insurers. These advantages range from streamlining operations and delivering tailored coverage to improving risk management, resulting in more efficient processes and better healthcare outcomes, to name a few.

> *"What we should remember however when developing and investing in this style of technology is the importance of how virtual services approach customers with solutions so that the process doesn't come across as intrusive. Risk management is crucial in this, especially as AI technologies become more deeply integrated into the IPMI industry."*
>
> **Xavier Lestrade**
> CEO at AXA Global Healthcare

The COVID-19 effect: An acceleration of telemedicine

"Digital health enables healthcare to be truly globalized, allowing customers to have access to quality digital health services wherever they are. We have stepped up our digital propositions to give customers access to our specialist care wherever they are, for example, with our Global Virtual Care app which provides customers with access to phone and virtual same-day appointments with a global network of doctors, available 24/7."

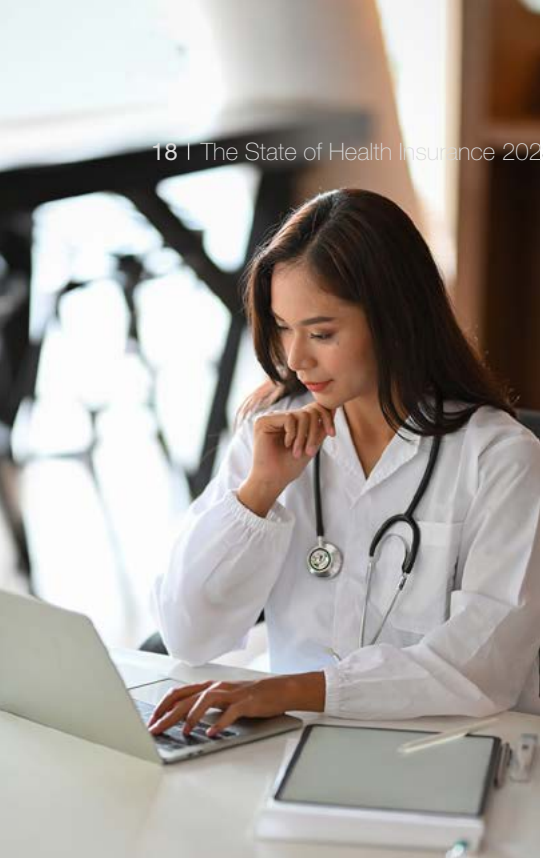
Anthony Cabrelli
Managing Director at Bupa Global

The COVID-19 pandemic brought significant changes to the healthcare industry, with one of the most evident shifts being the rapid adoption and acceleration of telemedicine and virtual care services. As the world adjusted to social distancing, remote work, and other changes brought on by the outbreak, telehealth became a vital tool for providing accessible and efficient patient care.

Healthcare providers quickly turned to virtual care solutions to continue caring for patients while reducing the risk of infection. Telemedicine is predicted to persist past the pandemic, with the global telemedicine market projected to reach USD $272.76 billion by 2027. Similarly, it's also expected to grow at a rate of 20.5% every year during the forecast period.

26%

Allianz Partners' data showcases **a significant 26-point increase in teleconsultation usage among young families over the past two years.**



Insurance companies embrace telehealth

"As of today, there are increasing numbers of insurers covering telehealth as a fully-reimbursed benefit and who consider telemedicine as a service that provides immediate diagnosis. In a world where medical costs continue to increase, telehealth has proven to be an effective way to manage these costs – particularly when deployed as an integral part of the patient journey."

David Myers
Chief Sales Officer, Health at Allianz Partners

Insurers are adapting their coverage options to accommodate virtual services, making telehealth a common inclusion in employee insurance programs. Leading insurers like Kaiser Permanente have adopted "virtual first" insurance formats, where telehealth and virtual health services are covered under their plans.

Likewise, insurers like Humana and UnitedHealthcare now allow clients to choose between physical or virtual appointments, giving them greater flexibility to receive care that meets their needs.

CASE STUDY Allianz Partners' Guided Care Program in the UAE

To manage rising medical costs without sacrificing quality of care, Allianz Partner implemented a Guided Care approach in the UAE. Teleconsultations serve as a first point of contact, offering convenience and timely access to outpatient care. A highly qualified team of doctors and nurses manages patient health for optimal treatment and outcomes. Most non-emergency cases are successfully closed during teleconsultations, with exceptions for cases that require in-person care.

Telehealth's cost-saving benefits

Telehealth solutions also help lower expenses. UnitedHealthcare reports that patients can save over USD $130 using telehealth compared to visiting an Urgent Care facility, and up to USD $2,000 compared to emergency room visits. Many healthcare providers also offer access to 24/7 telehealth services, making it more cost-effective and convenient for patients.

"The future model of care delivery is one where customers enter a digital front door and then are navigated through various pathways that are virtual, physical, or hybrid based on customer needs, preferences, and desired outcomes. There will be a tremendous opportunity for those that facilitate this care delivery model."

Phil Austin
CEO Domestic Health Europe & Asia Pacific; Health of Global Business Development at Cigna

Challenges and opportunities surrounding telehealth

When it comes to challenges and opportunities presented by telehealth, David Myers, Chief Sales Officer, Health at Allianz Partners, said it best,

"One key challenge when it comes to accelerating this trend will be to offer fast access to doctors and GPs wherever the patient is; in some geographies (The UK, France, Italy, Europe, for instance), this could become a real challenge like it is already in the physical network where finding an appointment can take weeks. Some additional challenges foreseen is the globalization of telehealth services which do have to follow local legislation requirements and doctors' licensing."

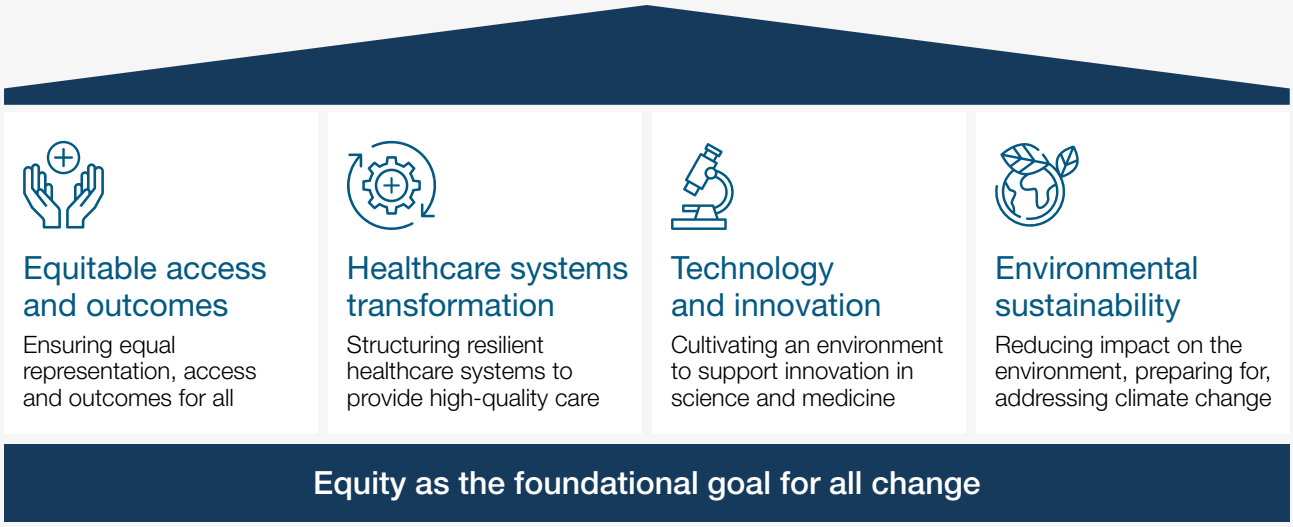
"The main opportunity could be on the data management side of digital health. Data collected from digital health services adoption is an opportunity for the insurer to help individuals interpret those data and help them to take action. It is an opportunity for the insurer to direct the member towards the right care/treatment as well and to propose steering and use data appropriately to improve population health."

Emerging technologies to address health inequities worsened by the pandemic

The COVID-19 pandemic has exposed the harsh reality of health inequalities that exist in our society, given its disproportionate impact on marginalized communities and role in exacerbating existing health disparities. One of the most prominent disparities highlighted by the pandemic is the unequal access to healthcare coverage, especially among women, children, and adolescents.

In addition to marginalized communities, low- and middle-income countries were also hit especially hard by disruptions to essential healthcare services, underscoring the pressing need to prioritize healthcare provision that closes gaps and makes it affordable and accessible for all.

Figure 4: The vision for health and healthcare in 2035 is formed of four main strategic pillars, with equity as the foundational goal



Source: World Economic Forum: World Health Day: 8 trends shaping global healthcare

People of color have borne the brunt of the COVID-19 pandemic due to systemic health disparities. One study conducted in workplaces in Utah, USA revealed that workers of color accounted for almost three quarters of all confirmed cases involving workers, even though less than a quarter of all workers in the state identified themselves as people of color.

Studies also reveal that black men and women are significantly more likely to die from a stroke compared to non-Hispanic whites, illustrating the stark differences in health outcomes based on race.

Figure 5: Stroke death rates are much higher for members of the black community

Age-adjusted stroke death rates per 100,000 (2018)			
	Non-Hispanic Black (NHB)	Non-Hispanic White (NHW)	NHB/NHW Ratio
Men	59.0	35.7	1.65
Women	48.0	35.6	1.35
Total	53.0	36.0	1.47

Source: Centers for Disease Control and Prevention: 2022 National Vital Statistics Report, Vol. 69, No. 13. Table 10

The environmental and social determinants of health

Clinical care only accounts for about 20% of health outcomes, while environmental and social determinants of health (SDoH) play a much more significant role. SDoH factors have a profound impact on an individual's health outcomes. These factors include:

- Home address
- Housing type
- Economic status
- Education received
- Job opportunities
- Mode of transportation
- Access to healthcare and good nutrition

Therefore, the pandemic has underscored the need for an overall approach to healthcare that addresses SDoH factors and recognizes that healthcare is not just about treating illnesses, but also about addressing the fundamental causes of poor health outcomes. It has shown the urgency to prioritize health equity so that all members of society have access to the resources and support to lead healthy lives.

Key takeaway

The key to enhanced health equity lies mainly in controlling the rise in healthcare costs. Along with adoption of telemedicine and AI, wearable and remote monitoring devices and better healthcare cybersecurity can also help achieve the stated goal.

Wearable and remote monitoring devices

For reducing health inequities, wearable and remote monitoring devices have emerged as potential game changers. These devices can enhance healthcare accessibility and provide real-time data to healthcare providers. The obstacles posed by physical distance and lack of free time, which economically disadvantaged groups often have to deal with, can be partly overcome with these devices.

> *"Wearable technology is being advanced to address precise healthcare needs and address challenges that couldn't be met through traditional health services."*
>
> **David Myers**
> Chief Sales Officer, Health at Allianz Partners

Wearables are capable of tracking various health indicators, such as heart rate, blood pressure, and physical activity, while remote monitoring devices can help manage chronic conditions like diabetes and hypertension, reducing the need for in-person visits. These devices enable healthcare providers to monitor a patient's health status and intervene proactively, potentially preventing the need for more costly and invasive treatments later on.

North America currently dominates the wearable devices market, but Asia-Pacific is expected to experience the fastest growth.

Healthcare cybersecurity

As more patient data is stored and transmitted electronically, so does the urgency to beef up cybersecurity. Cyberattacks can result in the compromise of patient data, interruptions in healthcare services, and reputational damage for providers. All these can weaken the general public's willingness to send personal health data over the Internet.

Inconvenient but true:
Cyber-crime related to email, such as business email compromise and phishing attacks in the healthcare industry, rose by 42% in 2022.

Cybercriminals were taking advantage of the already strained health systems to exploit their weaknesses. Unless companies continue to invest heavily in cybersecurity measures, the adoption of telemedicine and other technologies could lose momentum.

Data protection and compliance issues take center stage

"We are seeing a continued focus on localization from regulators in the markets we operate in, which creates operating complexities for our businesses."

Phil Austin
CEO Domestic Health Europe & Asia Pacific; Health of Global Business Development at Cigna

Health insurance companies gather, store, and process an extensive range of personal data, including individuals' medical histories, treatments, prescriptions, and billing details. This wealth of information makes health insurers an attractive target for cybercriminals seeking to exploit this sensitive data for financial gain or malicious purposes.

To tackle these challenges, health insurers are implementing robust cybersecurity protocols involving regular security audits, encryption of sensitive data, multi-factor authentication, and intrusion detection systems. Furthermore, training programs are being developed to educate employees about best practices in data security and the identification of potential threats, such as phishing attempts or social engineering attacks.

Did you know?

In 2020, the healthcare cybersecurity market was valued at approximately USD $9.52 billion, and it is projected to reach USD $24.1 billion by 2026, exhibiting a compound annual growth rate (CAGR) of 16.7%.

Source: MarketResearch.com

Another hot area of research is blockchain technology, which has notable advantages in terms of security and transparency. Blockchain facilitates swift data sharing while providing robust safeguards against fraudulent activities. The utilization of cryptographic protection methods ensures the utmost reliability of blockchain for storing and transmitting insurance-related data.

Governments are not sitting on their hands either

With the ongoing digital transformation of the healthcare industry being a prominent trend in 2023, concerns about the security of health data are also escalating. The European Union plans to allocate EUR €220 million (about USD $240 million) from 2023 to 2027 to develop the European Health Data Space, a cross-border digital platform empowering individuals to control their own electronic health data.

The primary objective is to uphold data privacy by leveraging the EU's General Data Protection Regulation (GDPR), while simultaneously enhancing the interoperability and accessibility of data within the EU. The United Kingdom has a similar strategy in place, aiming to centralize data storage and protection, while enabling remote access for clinicians and researchers.

Other regions are likely to adopt similar measures because the World Health Organization (WHO) made a pledge in 2023 to cooperate with the EU to implement their European Health Data Space development plan.

The US, with its competitive private healthcare landscape, will face significant challenges in 2023 as it seeks to expand its data protection laws under the proposed American Data Privacy and Protection Act. China is expected to proactively enforce its health data protection regulations due to increased usage of online health applications during COVID-19.

Ensuring compliance with these regulations is not only a legal obligation but also an opportunity for health insurance companies to build trust with their customers. Demonstrating a commitment to data protection and privacy can help insurers differentiate themselves in a highly competitive industry, attracting and retaining customers who prioritize the security of their personal information.

Workforce challenges pose difficulties for health insurers

The health insurance industry is facing significant challenges regarding its workforce. Even though organizations are committing to diversity, equity, and inclusion (DEI), representation remains an issue in the industry, especially among women and people of color. Difficulties surrounding talent recruitment and retention are also at their peak, amplifying the talent shortage as long-term employees retire.

Lack of diversity, equity, and inclusion (DEI)

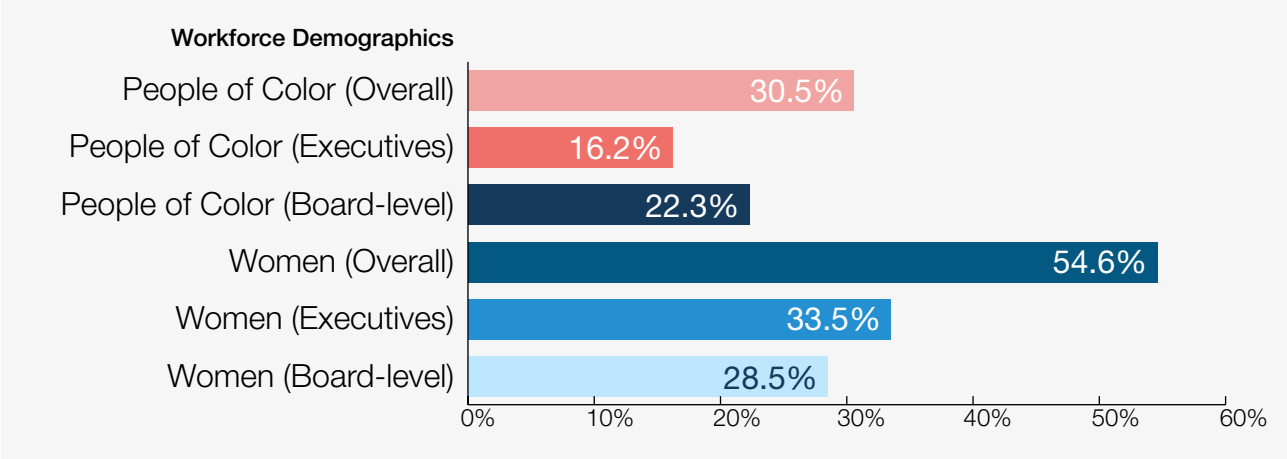
Despite commitments to improving DEI, the insurance industry continues to lag behind in representation, with just a small percentage of minority leaders in companies and a lack of diversity in executive and board-level positions.

Slow progress in diversity initiatives

A study by the Independent Insurance Agents and Brokers in 2018 revealed that "only 2% of established agencies have at least one African-American principal." Similarly, " just 4% of all independent agencies have an African-American principal or senior manager - compared to the 88% with white agency leadership."

From 2017 to 2021, only 30.5% of employees in the insurance industry were people of color and, at a board level, this representation dropped to 22.3%. Similarly, while women comprised 54.6% of the overall workforce of the largest US insurance providers in 2021, they held only 33.5% of executive positions and 28.5% at the board level.

Figure 6: Diversity in the US insurance industry: minority workforce demographics (2017-2021)



Source: U.S. House Committee on Financial Services

Challenges in attracting and retaining talent

The aging workforce in the insurance industry creates a significant talent crisis, with almost 400,000 employees expected to retire within the next few years. With the interest in insurance careers declining among the younger workforce, insurers face the challenge of filling positions left by retiring employees, such as in areas of analytics, technology, and underwriting.

Additionally, with more workers seeking remote opportunities since the pandemic, providers must focus on enhancing company culture to align with changing workplace demands. To attract and retain a diverse pool of skilled professionals, the industry should prioritize DEI, offer incentives, and embrace innovation, leveraging technology and automation to address the talent gap.

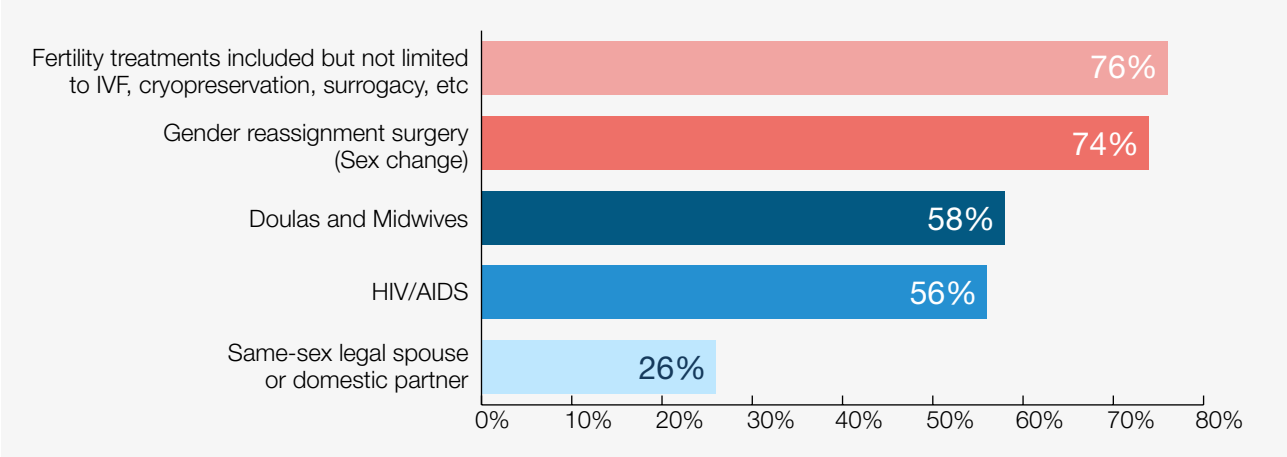
Insurance plans and benefits packages are modernized

"At Bupa Global, we're embracing the renewed focus on health and ensuring that customers are equipped with solutions that are as personalized as they are. Everyone's healthcare needs are different. For example, women, men, customers of different ages, and the LGBTQ+ population all have vastly different needs. It's critical that healthcare providers and insurers ensure that their offerings are diverse and meet the needs of the many, not just the individual."

Anthony Cabrelli
Managing Director at Bupa Global

As things currently stand, however, the majority of health insurers place at least some exclusions on their plans related to gender, which can be seen as discriminatory toward female employees and those from the LGBTQ+ community. For example, approximately 75% of all group plans across the world exclude fertility treatment - a figure that's even higher in Asia Pacific (85%) and the Middle East and Africa (90%).

Figure 7: Gender-related exclusions applied by insurers globally



Source: Willis Tower Watson's Spotlight on DEI

Aligning employee benefits with DEI

"Our latest Bupa Global Executive Wellbeing Index found that more businesses around the world are providing benefits to support their female employees. Fertility and pregnancy care is high on the agenda for businesses looking to create a supportive environment for their employees. There is a positive trend towards businesses being proactive in offering comprehensive care in women's health, including issues relating to menstruation and menopause."

Anthony Cabrelli
Managing Director at Bupa Global

Companies that strive to align their employee benefits with DEI reap numerous advantages. Employees, especially those who have been traditionally discriminated against, will feel more appreciated and supported. This will likely result in reduced rates of absenteeism and presenteeism, as they become more present and productive team members. However, there can be several roadblocks to removing certain exclusions and aligning benefits with DEI goals.

Exclusions may result from legal restrictions or exist due to government-provided social benefits.

Insurers may be unable to remove the exclusions due to insufficient experience in effectively pricing the benefit.

Economic uncertainty and recession can impact both insurers' and companies' willingness and ability to explore the removal of exclusions.

The role of mental health in DEI

One vital element of DEI that shouldn't be overlooked is addressing the stigma surrounding mental health and removing barriers to access for individuals with mental health conditions. This is important not only from a fairness and equality standpoint but also because it is closely linked to overall well-being and success, and can contribute to the overall success of the organization. A survey conducted by Bupa Global confirms:

- Nearly half of global leaders plan to improve their employee benefits packages in the next year (47%).
- More than two-thirds (68%) plan to purchase additional private medical insurance for themselves or their family.
- When asked what they expect as standard from a medical insurance plan, nearly one in five (17%) cited comprehensive cover for mental health support.

"We know that mental health conditions can be complex and can reoccur, which is why we recently removed both annual and monetary limits across plans for in-patient and day-patient mental health treatment, which includes cover for ADHD, addiction, and self-inflicted injuries. This change ensures that more people than ever before can access the right help when needed."

Anthony Cabrelli
Managing Director at Bupa Global

2. Regional trends in the international private medical insurance (IPMI) sector

To complement the aforementioned global trends in the health insurance industry, it's important to delve into regional nuances and complexities. Whether it's an example or case study from a specific country that gives context to the overarching global trend or a completely new insight or discovery related to the local health insurance sector, this section outlines noteworthy regional trends.

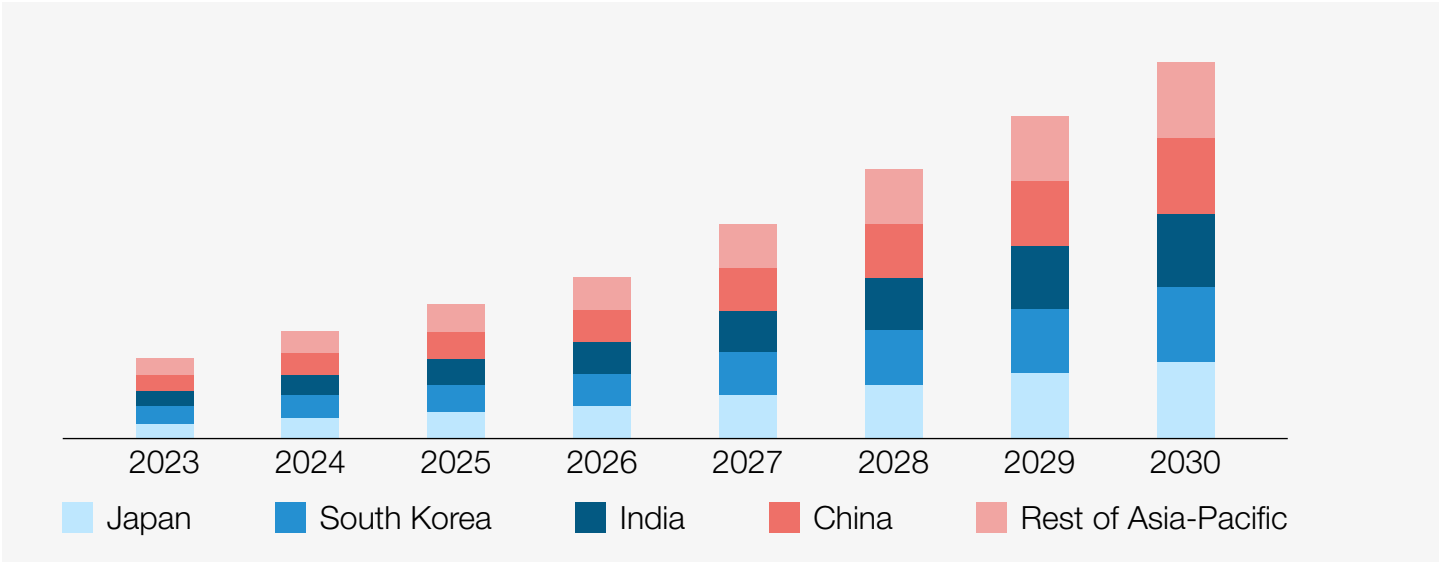
Our analysis covers the regions we have expertise in, and goes into country-level details for the countries we have a presence in:

- Asia-Pacific
- The Middle East and Africa
- The Americas
- Europe

Asia-Pacific

Asia-Pacific's health insurance market is forecasted to grow at a CAGR of 4.6%. Valued at USD $394,264.38 million in 2022, the market is expected to soar to USD $564,990.33 million by 2030. One of the factors driving this growth is the region's rapidly aging population. As people age, investing in health insurance policies gives them a sense of security and increases demand for health insurance.

Figure 8: Growth of Asia-Pacific's health insurance market by country



Source: Asia-Pacific Health Insurance Market – Industry Trends and Forecast to 2030

The region is also being propelled by rapid technological changes in the healthcare sector, which are making healthcare more affordable, accessible, and convenient for patients. Digital well-being solutions are becoming more popular, thereby accelerating health data regulation amid cybersecurity concerns. Rising healthcare costs and inflation also remain pressing concerns in the region, resulting in cost containment measures by insurers.

Hong Kong, China

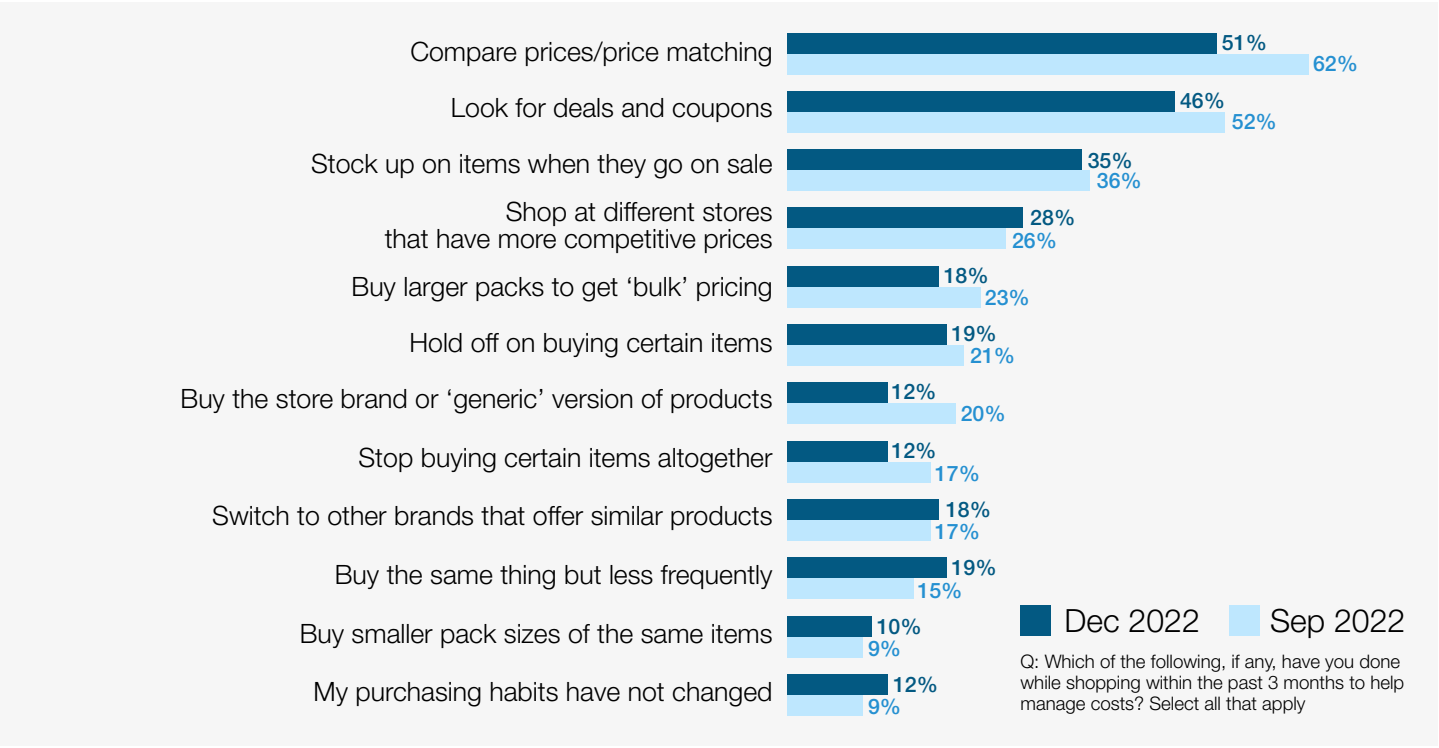
Hong Kong has emerged from the COVID-19 pandemic amidst changing consumer behavior, a growing focus on the Greater Bay Area region, and the long-lasting impact of the pandemic. To stay competitive, traditional insurers will need to evolve by focusing on additional areas, such as ESG and digitization.

Health remains a priority despite the financial impact of the pandemic and inflation

Transitioning into the new normal, Hong Kongers are changing their spending behavior to weather the twin financial impact of the pandemic and inflation. For instance, consumers are just as likely to shop online than to shop in person post-pandemic, with a significant jump in policies sold online for the past few years.

Consumers are also keenly aware of their diminishing purchasing power and are spending less on certain non-essentials. However, health remains a priority. COVID-19 is still top of mind for nearly one in four Hong Kongers (23%), followed by concerns about inflation (21%), and health (19%), according to Ipsos' New Normal Tracker.

Figure 9: Changes in Hong Kongers' shopping habits to prioritize saving



Source: Hong Kong New Normal Tracking Study - More stability and less pessimism but still not the end of the tunnel

"As Hong Kongers continue to be more health conscious, early detection of illnesses is on the rise. This further exacerbates the pressure on insurers as premium rates follow suit."

Stevie Erard
General Manager at Pacific Prime Hong Kong

Demand for well-being and digital solutions

Millennials (aged 25-40), in particular, are especially health-conscious and need an ecosystem of well-being and digital solutions from insurers. Burdened by their long and hectic work schedules, 6 out of 10 millennials are dissatisfied with their overall well-being in Bupa's survey of 500 millennials in Hong Kong. This group also stands out in the sense that, compared to previous generations, they view health as a holistic pursuit incorporating various aspects of physical, mental and emotional wellness.

Thus, employers can look after employees' health by offering workplace holistic wellness resources for both millennials and Gen Zs. Digital resources are the preferred medium for these workers and will play a pivotal role in driving the shift from treatment to prevention and helping cut costs in the long run. Below are three core elements of millenials' distinctive healthcare expectations:

Holistic

Interactive and engaging

Digital

"Insurers are rethinking their benefits design to better manage claims and provide premium sustainability for their clients. Further consolidation of the market is also very likely in Hong Kong."

Stevie Erard
General Manager at Pacific Prime Hong Kong

Customer-centric mindset and ESG are key to insurers' business strategies

Insurers in Hong Kong are responding to the change in spending behavior and health consciousness by adopting a customer-centric mindset. Against the rise of insurtech, growing focus on the Greater Bay Area, and lingering impact of the pandemic, the local market needs to evolve to focus on additional areas like ESG and digital.

More Hong Kong-based insurers are incorporating ESG into their business operations to stay competitive by revolutionizing the underwriting and investment standards, for example, and designing new products to address key coverage gaps and pandemic-related losses.

China

China's healthcare market growth

The healthcare market in China has developed at a double-digit rate over the past decade, reaching an estimated value of RMB 10 trillion (around USD $1.5 trillion) in 2021. Rising incomes, growing health awareness, and an aging population significantly influence the rapid growth of China's healthcare industry, leading to notable expansion in the IPMI sector. This growth is further impacted by the government's "Healthy China 2030" initiative, which is aimed at addressing healthcare gaps and meeting rising demand amidst the nation's expanding healthcare market and demographic changes.

Under the "Healthy China 2030" initiative, the goal is to reach RMB 16 trillion (around USD $2.4 trillion). Major segments in China's healthcare market include:

Pharmaceuticals

Medical devices

Healthcare services

Impact of COVID-19 on China's IPMI sector

The COVID-19 pandemic has led to a surge in demand for health insurance, with 47% of individuals planning to spend more on health insurance in December 2022, a 15% increase from October. Individuals are seeking plans that provide access to premium private providers, especially after experiencing the shortcomings of China's public healthcare system during the pandemic.

The Chinese healthcare market offers considerable growth opportunities for domestic and foreign companies, particularly in areas like drug R&D and equipment production. However, navigating regulatory requirements and meeting the evolving needs of Chinese consumers will be vital for success in the market.

Digitalization and health data regulation

Digitalization of the healthcare system will persist post-pandemic, accompanied by stricter health data regulations in China. The country will also enforce more stringent health data protection measures to address data privacy and security concerns arising from the increased usage of online health apps during the pandemic.

Insights from insurers and industry experts

AXA

To help balance the rising costs of medical inflation, AXA continues to focus on managing global network costs. Through complex analysis and collaboration with regional Third-Party Administrators (TPAs), AXA aims to bring more cost savings to clients and customers.

AXA has introduced a partnership with MSH Asia, enabling members based in China to access outpatient treatment without upfront payments and claim costs back through direct billing across the MSH China network of providers.

Pacific Prime China

"Insurers in China experienced stable premiums during COVID-19 but are now reinstating small rate adjustments as claims pick up. As borders reopen, there is an increasing demand for international coverage among clients.

Companies are also offering remuneration packages with greater coverage to attract expats back to China, while Chinese individuals are revisiting plans that provide international coverage."

Jason Armer
Country Manager at Pacific Prime China

Thailand

Thailand's health insurance market has grown steadily over the past decade and is expected to continue growing this year, albeit at an incremental rate. According to the Thai Life Assurance Association (TLAA), the industry is poised for a 0-2% growth in gross written premiums (GWP) this year, while first-year premiums are forecasted to expand at a rate of 2-5%.

Consumers remain health-conscious following the pandemic, which continues to fuel the demand for health insurance products, as does the uncertain state of the economy. Another positive factor for growth in the insurance industry is the rebound of tourism and influx of visitors in Thailand.

A pressing need for healthcare reform

Despite Thailand being home to world-class medical and wellness facilities, increasing pressure on future healthcare services is driving calls for healthcare reform. At a seminar on "Health and Wellness Sustainability", Associate Prof. Chanchai Sittipunt, Dean of Chulalongkorn University's Faculty of Medicine, mentioned:

- Many diverse factors affect health in Thailand and are driving the need for a sustainable and effective healthcare system, including PM 2.5 pollution, emerging diseases, global warming, overflowing garbage, non-communicable conditions, and a fast-growing aging population.

- The government must shift toward people-centered health services by addressing primary care, integrated care, and patient-centered care. Additionally, the Social Security Scheme, the Universal Coverage Scheme, and the Civil Servant Medical Benefit Scheme should be integrated to create cost-effective operations and optimal patient benefits.

On a related note, there is also lack of regulation regarding the costs charged by private hospitals to private health insurers. This is an area that also requires reform.

"Cost of treatment is still a major factor in Thailand. BDMS Hospitals [Thailand's largest private hospital operator] are charging more and more and there is no regulation to control costs being charged to insurers. Some hospitals have been charging a lot of money for simple treatment, which results in insurers increasing their premiums to match these claims."

Ricky Batten
General Manager - Pacific Prime Thailand

Digital transformation lies ahead

As part of the Thai Office of Insurance Commision's (OIC's) Insurance Development Plan (2021 - 2025), digital transformation is a key strategy. Technologies set to transform the online insurance industry in Thailand include Predictive Analysis, Artificial Intelligence, Machine Learning, Internet of Things, InsurTech, Telematics, Chatbox, Lowcode, and more.

While online sales of insurance are still relatively small compared to sales via agents or brokers, the online distribution channel is becoming more and more popular. This is due in part, to the increasing smartphone penetration rate and ease of issuing e-policies, e-claim payments, and instant issuance of policies with minimal paperwork required.

Figure 10: Key statistics about Thailand's online insurance market

77.8%
Internet Penetration Rate in Thailand, 2021

73.1%
Use of Technology-Online Shopping in Thailand, 2021

THB 57.3 Tr
Value of Mobile Banking Transactions in Thailand, 2021

Source: Ken Research: Thailand Online Insurance Market Outlook to 2027F- Driven by changing consumer needs and preferences with availability of supplies and reliability of delivery of the products

CASE STUDY

AXA and CoverGo team up to transform health insurance in Thailand

AXA has teamed with CoverGo, a leading global no-code insurance Software as a Service core platform for health, to revolutionize AXA's health insurance ecosystem in Thailand. The partnership seeks to enhance and expand the usage of technology for optimal efficiency.

Claude Seigne, CEO of AXA Thailand General Insurance, commented:

"This partnership is a crucial strategic move for AXA. It streamlines and expedites the coordination process with hospitals, significantly reducing the time required to handle various documents and ensuring quicker, higher-quality treatment for individuals in need. Moreover, it solidifies AXA's global leadership in the insurance industry by continuously offering the finest products and services to our valued customers."

Tomas Holub, founder and CEO of CoverGo, responded:

"We are delighted to assist AXA on their digital transformation journey. AXA's commitment to digitizing and streamlining its health insurance ecosystem in an efficient and scalable manner using CoverGo's cutting-edge no-code insurance platform is truly commendable. This collaboration is a testament to CoverGo's expertise in the health insurance space, with leading health insurers worldwide adopting our platform. We look forward to expanding our collaboration with AXA across multiple products and markets."

Singapore

Singapore's IPMI sector is facing various challenges and opportunities driven by factors such as inflation, rising healthcare costs, premium increases, overuse of plans, and new regulatory changes. To tackle these issues, insurers are adopting cost-containment strategies and emphasizing preventive benefits.

Innovations in digital health and emphasis on primary care are key trends in the Southeast Asian healthcare landscape. Additionally, recent developments in regulation (including mandatory insurance coverage and GST charges) further shape Singapore's insurance market outlook.

Rising healthcare costs and inflation

"One of the factors that is driving the increase in premiums is inflation. Singapore's inflation has reached a decade-long high in 2022, the highest since 2008, and is expected to stay elevated for at least the first half of 2023."

Heena Bose
Deputy CEO – Pacific Prime Singapore

Global inflation and increasing healthcare use contribute to a projected 9.8% increase in healthcare benefit costs in Singapore, the highest level in almost 15 years. Healthcare use and costs around the region will continue to rise with the reopening of borders and loosening of health restrictions.

The rapidly aging workforce and heavier chronic disease burden are primary contributors to rising healthcare costs. Similarly, overuse of care by insured members and overtreatment by medical professionals also add to the increasing costs.

Overuse of plans and premium increases

"Another factor that is driving the increase in premiums is the overuse of outpatient and maternity benefits. There has been a significant increase in claims for physiotherapy and specialists' consultation as a result of lifestyle changes and work environment (WFH)."

Heena Bose
Deputy CEO – Pacific Prime Singapore

Significant overuse of outpatient and maternity benefits has led to premium increases of 60%-80% on maternity policies in Singapore. Consequently, insurers have reduced maternity benefits to sustain their portfolios. Due to lifestyle changes and work-from-home arrangements, there has also been an increase in claims for:

- Physiotherapy
- Specialists' consultation
- Mental health
- ADHD treatments

Cost-containment options by insurers

"COVID-19 has affected the expat population, leading to a shift towards inpatient-only plans with high deductibles as clients become more price-conscious."

Heena Bose
Deputy CEO – Pacific Prime Singapore

Insurers in Singapore are implementing various cost-containment measures to control premium increases. These measures include actively promoting their direct settlement networks and encouraging pre-authorizations for consultations and treatments. This helps insurers manage costs, streamline claims, and reduce unnecessary claims while ensuring the necessity of treatments.

A greater emphasis on preventive benefits

Insurance providers are emphasizing preventive benefits, such as by promoting wellness programs and annual health checks, to help clients identify and treat health problems early, reducing the need for more complex and costly treatments in the future.

Mandatory medical insurance coverage and GST charge on premiums

Singapore recently implemented new developments in mandatory health insurance coverage for Work Permit and S-Pass holders, offering employers enhanced protection by partially covering large medical expenses incurred by foreign employees.

The market will become more competitive as the number of insurers offering enhanced medical insurance products continues to grow, providing employers with a wider range of options to choose from.

Starting from January 1st, 2023, premiums received for medical insurance will be subject to an 8% GST charge.

Malaysia

The aftermath of COVID-19, coupled with the resurgence of non-communicable diseases (NCDs) and potential respiratory infections, demands strategic attention. Malaysia's healthcare landscape requires critical improvements, with experts saying that a national health insurance scheme should be considered.

It is imperative to enhance public trust, involve stakeholders in policy formulation, and address growing healthcare costs, as almost 35% of Malaysia's healthcare spending comes directly from out-of-pocket payments. Similarly, focused solutions are needed to retain local talent within the medical workforce and address the shortage of healthcare personnel.

Technological advances and prospects

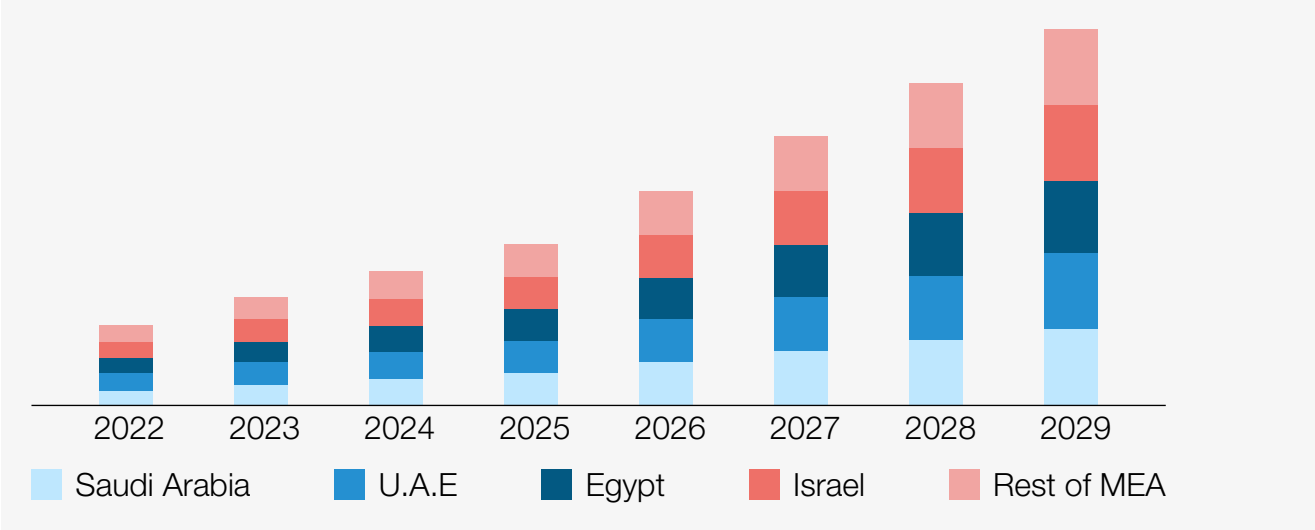
While technical innovations hold promise, they also raise concerns regarding patient data privacy and security. Malaysia now stands at the crossroads of transforming its healthcare system through collaborative reforms, capitalizing on health-focused manifestos.

As Malaysia grapples with its fair share of challenges, emphasizing individual responsibility for health, vaccination compliance, and making informed healthcare choices becomes paramount. By embracing transparency, encouraging public engagement, and implementing strategic reforms, the country can navigate toward an improved and resilient healthcare landscape.

The Middle East and Africa

The health insurance market for the Middle East and Africa (MEA) is forecasted to grow at a compound annual growth rate of 3.7%, to USD $186,081.64 million by 2029.

Figure 11: Growth of Middle East and Africa's health insurance market by country



Source: Middle East and Africa Health Insurance Market Size, Share, Growth & Analysis

The health insurance market in Africa is experiencing growth due to a combination of factors, including rapid urbanization, the rise of the middle class, and an increasing working population on the continent. Furthermore, there is a growing awareness among people about the advantages of health insurance.

Nevertheless, to overcome the obstacles hindering further growth, governments and insurers need to devise strategies to enhance knowledge and understanding of health insurance in rural areas.

Another trend worth noticing is the rise of government-mandated health insurance initiatives. In Saudi Arabia, the number of insured individuals is expected to grow steadily as a result of the Vision 2030 program. The UAE is also set to make health insurance mandatory for all residents. While this requirement is in effect in Dubai and Abu Dhabi, it is anticipated to be soon extended to cover all Emirates.

Additionally, Qatar, Oman, and other Gulf Cooperation Council (GCC) states have announced plans to implement mandatory health insurance. However, the specific details regarding these plans have yet to be disclosed.

The United Arab Emirates

The UAE stands as a significant market within the GCC region. With a population of approximately 9.6 million and a rapidly growing economy, the UAE offers a lucrative opportunity for health insurance providers.

In 2022, the health insurance market in the UAE had already reached USD $7.7 billion. The forecast for the coming years is even more promising, projecting an estimated market size of USD $11.8 billion by 2028. This reflects a robust CAGR of 7.32% spanning from 2023 to 2028.

Several trends in the health insurance sector and the health industry have been identified:

Premiums are rising fast

In 2023, the average annual premium for non-basic medical insurance in the UAE is approaching AED 6,000, marking a significant increase from just a year ago when a standalone health insurance policy averaged around AED 4,500.

The premium hikes can be attributed to several factors:

- Rising costs faced by insurers
- Diagnosis-Related Group (DRG) rate increases
- Customers with basic or essential plans opting to upgrade their coverage
- Advancements in medical technology and treatment options
- Prevalence of chronic diseases and conditions

"Higher deductibles and copays are set to be the norm in 2023 and beyond. It's one way to make the policyholder use their plan more carefully, and ensure the continuity and affordability of the medical insurance in the long-run."

David Hayes
Regional CEO at Pacific Prime Dubai

Trend of mandatory insurance coverage for everyone

The UAE is set to make medical insurance mandatory for all residents nationwide. Currently, this requirement applies to Dubai and Abu Dhabi, but it is anticipated to be extended to all Emirates in the near future.

Recognizing the importance of mental well-being, the UAE recently also implemented a mandate for mandatory coverage of mental health services in health insurance policies.

Demand for health insurance continues to rise, including portable policies

In the UAE, there has been a growing realization among individuals and businesses about the need for comprehensive health insurance coverage. With the rising costs of medical treatments and healthcare services, having insurance provides financial protection and peace of mind.

Renewed focus on primary healthcare and preventive measures

"Primary healthcare with a focus on wellness, prevention, and treatment should be the universally available first point of contact for anyone to access healthcare services. It is important that mandatory comprehensive primary healthcare entry becomes the foundation for a good healthcare system. This will assure universal access for prevention and early detection of diseases and aid in improved health outcomes at a much lesser cost."

Dr. Azad Moopen
Chairman and Managing Director, Aster DM Healthcare

The UAE has prioritized the establishment of a primary care system focused on wellness, prevention, and treatment. In doing so, the UAE aims to achieve early detection of diseases, prevention of complications, and improved health outcomes, all while reducing the burden on the healthcare system and containing costs.

Meteoric rise of online pharmacies

The convenience and accessibility of online pharmacy delivery services have led to remarkable growth in the sector, with the online pharmacy market in the UAE reaching an astounding USD $250 million in 2022. Experts project a rapid and continuous expansion of this market in 2023 and beyond.

The Americas

Inflation is running rampant in 2023, and this trend holds true for the Americas as well. In the US, efforts to lower healthcare costs include the introduction of the Inflation Reduction Act of 2022. This act allows Medicare to negotiate prescription drug prices and makes virtual and digital care more affordable.

Conversely, Latin America boasts the fastest growing e-commerce market, and local governments are enthusiastic about accelerating the growth of insurtech firms with improved regulations. That said, it still lags behind other major global regions.

The United States

As the US consistently ranks high in our annual Cost of Health Insurance Reports, including the 2023 edition, affordability and access to care remain pressing issues. This is why we're witnessing policy changes aimed at lowering healthcare costs, as well as the introduction of more innovative products and virtual healthcare solutions. Another emerging trend in the US is the growth in Medicare due to the aging population.

The Inflation Reduction Act (IRA) of 2022

On the policy front, the US Senate approved the Inflation Reduction Act (IRA) in August 2022, which aims at reducing domestic inflation. One of the areas this will impact is healthcare costs, especially the cost of prescription drugs. It will allow Medicare to negotiate prices with pharmaceutical companies, put a cap on drug prices, and lower out-of-pocket expenses for Medicare recipients. The IRA also extends the Affordable Care Act (ACA) subsidies for three years.

According to the Congressional Budget Office (CBO), the IRA is estimated to result in a net decrease in the deficit totaling USD $90 billion over the 2022-2031 period.

CBO

Increasing access to care through innovative digital solutions

With the COVID-19 pandemic accelerating telehealth adoption, the FDA is paving the way for more accessible virtual and digital care. One example is the Experiential Learning Program (ELP), an innovative learning opportunity for staff at the Center for Devices and Radiological Health (CDRH). In addition to traditional in-person site visits, the ELP is now incorporating virtual visits into the program.

> Through ELP, CDRH staff have the opportunity to participate in training visits that help bridge knowledge gaps between emerging and innovative technology and the pre-market review of the resulting medical device.
>
> Virtual site visits allow CDRH to continue program participation during periods of limited travel, offering greater flexibility in selecting staff for site visits, proposals, and increasing exposure to the program.
>
> **CDRH**

As telehealth becomes mainstream, more health insurers are also covering it. In fact, one Kaiser Permanente plan even covers all virtual and telehealth services in a "virtual first" format. Not only is it more convenient, but telehealth is also a much more affordable way to receive care. A study by the American Journal of Emergency Medicine estimated net cost savings per telehealth visit ranging from USD $19 to USD $121 per visit.

Insurers' offerings continue to increase

Speaking of telehealth offerings by health insurers, an insight piece by McKinsey & Company reveals that insurer participation and new product offerings in the US have also accelerated in the past couple of years. In fact, product offerings have nearly tripled, with approximately half of that growth occuring between 2021 and 2022 alone.

Growth in Medicare due to an aging population

According to the Urban Institute, the US population is aging. By 2040, the number of Americans aged 65 and older will more than double, reaching 80 million. For Americans aged 85 and older, the figure will nearly quadruple. This demographic shift is causing growth in Medicare, a federal health insurance plan for individuals 65 or older. Medicare Advantage, offered by private companies approved by Medicare, is especially popular among senior citizens.

> Medicare Advantage penetration is expected to reach 52% in 2026.
>
> **McKinsey & Company**

Brazil

Brazil's economic growth is followed by surging healthcare costs and increased health plan usage. While the demand for private healthcare services is rising, the aforementioned factors have put a hamper on the private health insurance sector and its profitability. Insurers may consider adjusting premium prices with the caveat that an economic slowdown is expected down the road, which could hinder growth in policyholders.

Regulatory reforms and technological advancement

To encourage insurance market innovation, the Brazilian government launched a regulatory sandbox for a selected group of insurance companies, supervised by the Brazil Insurance Superintendent (SUSEP). This move is in line with many Latin American countries that have introduced improved frameworks and regulations in recent years.

Mexico

The Mexican health insurance market faces various challenges including inflation, high interest rates, and sluggish premium growth. However, medical tourism to Mexico is thriving as North American patients are attracted by affordable treatment and comparable healthcare quality.

"We've noticed big increases in premium rates, as most Latin American plans cover the health expenses in the US, leading to high claims. Moreover, quite a number of policyholders use their IPMI for costly maternity-related expenses before discontinuing the plan altogether, which further drives up the premium. Claims frauds are also fairly common in this region, along with the nondisclosures of pre-existing conditions."

Marco Vuarambon
CEO LATAM – Pacific Prime

Challenges facing the Mexican health insurance market

The Mexican insurance market is fraught with challenges due to the global and local economic downturn. While inflation decreased, it is still above the central bank's target, as the government's fiscal austerity program ensures that interest rates remain high. These are several of many contributing factors to the sharp hikes in premium rates. As a result, insurance companies are having a harder time making a profit under these conditions. Non-life premium growth is also expected to slow down drastically, which may give rise to growth in commercial lines.

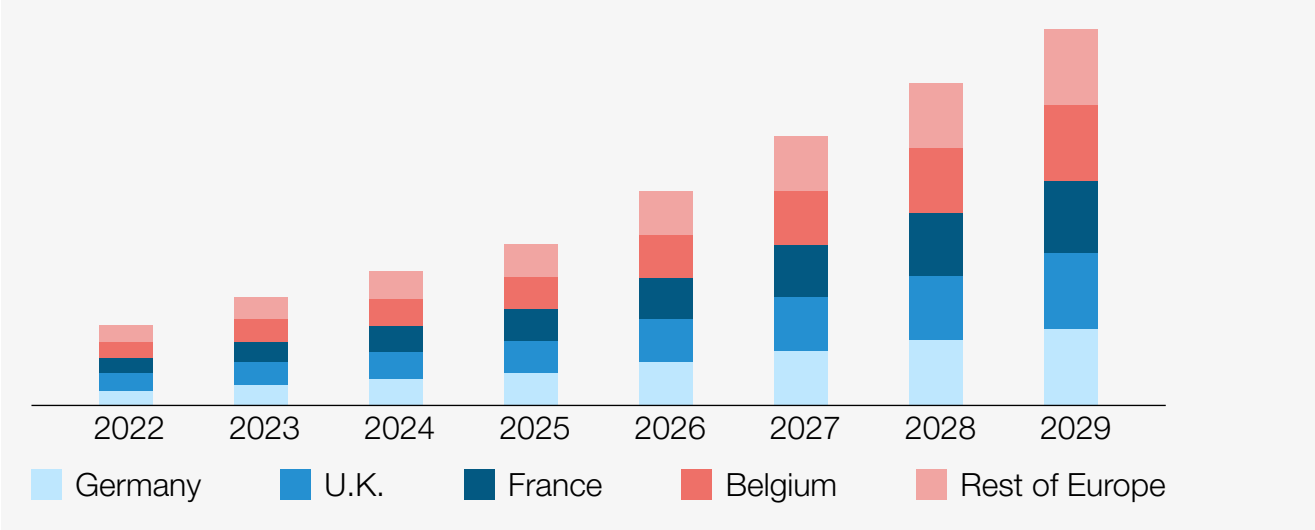
Medical tourism to Mexico is on the rise

The medical tourism market in Mexico is rapidly recovering nearly back to its pre-pandemic levels. Driven away by the sky high treatment costs in the US to the accredited hospitals in Latin America, thousands of North American patients would cross the border in search of treatment. Likewise, numerous Americans also believe that the quality of healthcare in Mexico is comparable or even better than what is available in the US, for a lower cost. Patients have the potential to save between 50% and 70% on the cost of elective treatments compared to what they would pay in the US. The rise of medical tourism may help local insurers cut costs.

Europe

The European health insurance market is projected to grow at a CAGR of 4.4%, reaching USD $617,096.45 million by 2029.

Figure 12: Growth of the European health insurance market by country



Source: Europe Health Insurance Market Share Analysis, Size & Analysis by 2029

The lasting impact of COVID-19 is still rippling throughout Europe's healthcare systems, leading to a concerning rise in healthcare expenses attributed to missed screenings and delayed diagnoses. Unfortunately, the ongoing constraints on public healthcare systems suggest that a quick fix is unlikely in the near future.

There has been a notable surge in musculoskeletal disorders, accompanied by a marked increase in disability claims. Experts suspect that these may be connected to the inadequate ergonomics of work-from-home setups, which have become prevalent during the pandemic. The sudden shift to remote work has inadvertently contributed to physical strain and discomfort for many individuals.

Furthermore, there has been a clear increase in the demand for well-being solutions, particularly in the area of mental health. The pandemic has significantly impacted people's emotional well-being, resulting in higher anxiety and stress levels. As a result, both individuals and organizations alike are actively pursuing remedies for these issues.

The United Kingdom

"UK inflation is having an impact on everyone in the country, be it the price of goods and services or a consumers' affordability. Average NHS wait times also continue to be long, which is drawing more people to explore private health insurance."

Jonathan Hill
Country Manager – Pacific Prime UK

The impact of a soaring cost of living

According to the Office for National Statistics (ONS), the Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 7.3% in the 12 months to June 2023. Pricing data from the ONS consistently reveal high inflation throughout the year, resulting in a soaring cost of living.

This cost of living crisis is taking a massive toll on people's finances, leading to poverty and stress, and contributing to deteriorating physical and mental health outcomes. A poll by the Mental Health Foundation confirms that financial concerns are having an impact on UK adults, resulting in:

- 30% of adults in the UK experiencing poorer quality sleep
- 23% meeting with friends less often
- 15% pursuing a hobby less frequently
- 12% exercising less often

As employees feel the financial strain, they are also considering quitting their jobs and changing roles within the labor market - something that typically doesn't occur during times of inflation. This is largely due to the availability of roles, which, although in decline, still outnumber pre-pandemic levels. This trend clearly reinforces the importance of a robust employee benefits package.

NHS in crisis: Demand for private health insurance is on the rise

Years of underfunding have left the NHS substantially weaker, plagued with long wait times, overcrowding, and systemic failures. These issues only worsened during the COVID-19 pandemic. In the post-pandemic world, the NHS continues to struggle, compromising the health of its users.

Did you know?

A report by the Royal College of Emergency Medicine offers perspective, estimating that 300 to 500 people a week are now dying as a result of delays in emergency care.

Despite the cost of living challenges, it's no surprise that NHS' shortcomings are driving a sharp rise for private health insurance in the UK. According to the Telegraph, three of the largest health insurers in the UK (Bupa, Aviva, and Vitality) collectively added 480,000 new customers since the beginning of 2022.

Insurance coverage for travelers to an from the UK

"Following the lifting of COVID-19 restrictions, the market continues to recover, with many enquiries from those traveling to the UK, and an increase in British nationals exploring overseas cover, predominantly in France and Spain."

Jonathan Hill
Country Manager – Pacific Prime UK

3. Changes and development in the health insurance sector

Insight and commentary from our insurance partners have been used not only to guide the global and regional trends outlined in this report, but also to contextualize trends with statistics, examples, and case studies. With that said, this section offers a bird's eye overview of insurers' key updates, strategies, and workings in order to better explain the changes and development in the health insurance industry.

Our summary covers the updates, strategies, and workings of:

- Allianz
- AXA
- Bupa
- Cigna
- WBN

An insight into the strategies and workings of health insurers

As Pacific Prime collaborates with a number of health insurers and insurance partners to establish strong, mutually trusting relationships, we hold a unique vantage point for comprehending/understanding insurers' strategies and operations. We are delighted to share our insights with readers in this report, categorizing these into the use of digital technology, focus on holistic health, and other noteworthy developments within the company and industry. A sincere thank you to Allianz, AXA, Bupa, Cigna, and the broker network WBN for their collaboration.

Use of digital technology

Allianz	Allianz has developed a Telehealth Hub featuring a widget-based solution that promptly connects patients with medical doctors via video appointment or text/chat for consultations, prescriptions, and drug delivery services (only available in certain countries). This is accomplished without the need of downloading a third-party app or registering a profile. Allianz consistently enhances its service range and geographical coverage for existing services, as part of its extensive digital wellness solutions ecosystem, earning a remarkable 4.9 customer satisfaction rating. Allianz's integrated Digital Health Assistant has also seen increased demand. Operative in Europe, MEA and APAC, this virtual assistant links customers with digital health services and professionals such as an AI-based Symptom Checker, Doctor Chat, and teleconsultation. This initiative spans 30+ countries and caters to more than three million customers.
AXA	AXA is using AI technology to deliver better solutions - take its AXA Global Healthcare virtual assistant, Remi, for example. Since its launch, Remi continues to learn and constantly assimilates new information through machine learning, enhancing its ability to help customers find what they need more efficiently. This includes viewing their online account, accessing virtual care services, using the provider finder tool, or connecting with human advisors when needed. To date, Remi has engaged in over 30,000 conversations via text or voice, and 95% of customers' interactions have been accurately matched with an intent.

Bupa	Bupa Global has stepped up their digital propositions to grant customers access to specialist care wherever they are. The Global Virtual Care app, for instance, enables customers to access phone and virtual same-day appointments with a global network of doctors, available 24/7. This endeavor is driven by Bupa's commitment to care for customers in ways that are better for them and the planet.
cigna healthcare	Cigna believes it's critical to have both telemedicine and digital health solutions embedded in their insurance products in all markets. However, they acknowledge the global challenge of low adoption and engagement. Cigna envisions a future care delivery model where customers enter a digital front door and subsequently navigate through virtual, physical, or hybrid pathways tailored to their needs, preferences, and desired outcomes. As such, Cigna is exploring digital-first products in some key markets.
WBN	WBN members are collaborating to supercharge insurance and employee benefits programs by merging talent with cutting-edge technology. Through custom platforms and experiences, WBN gives clients a centralized view of their documents and data, and uses AI and machine learning to automate time-intensive tasks and uncover smarter insights. This transformation is revolutionizing the client experience, empowering teams to provide a more personalized service and moving the industry toward a smarter future.

Focus on holistic health

Allianz	Allianz has prioritized mental health and well-being in their offerings an initiatives. Among the important moves they've taken is the elimination of waiting periods and increased limits to fully cover inpatient psychotherapy across all products. In this year's individual review, their middle-tier plan will also begin to include outpatient psychotherapy benefits, along with health and well-being benefits. In late 2022, Allianz extended access to the Wysa Mind Coaching app (a chat buddy and human coaching service) to all their health insurance customers, following a preferred partnership deal with Aetna International. This app, currently used by over 4 million users globally, provides immediate, confidential mental health support at no additional cost.

For three consecutive years, AXA has been monitoring the state of mind health across the globe. In their latest report, they present interesting findings about the attributes and behaviors of people who are flourishing or, on the other end of the scale, struggling. AXA believes that understanding their audience's intricacies and complexities is crucial for insurers. Only then can they design their proposition, products and services offering to align with the unique wants and needs of customers.

Bupa Global's Executive Wellbeing index found the majority (89%) of business leaders experienced symptoms of poor mental health in the past 12 months. Addressing burnout and stress ranks among the top priorities worldwide. Bupa Global has recently removed both annual and monetary limits across plans for inpatient and day-patient mental health treatment, including coverage for ADHD, addiction, and self-inflicted injuries. This ensures wider access to appropriate help. Bupa Global has also pioneered an innovative IPMI proposition, "Private Client by Bupa". This is an exciting first-to-market step into a new 'lifecare' category of health insurance. Private Client by Bupa offers a concierge-type service that manages customers' holistic wellness and healthcare needs. It goes beyond facilitating treatment or payments, acting as a healthcare partner. Each Private Client is appointed a Lifecare Concierge Manager that handles all aspects of the customer's health plan, maximizing the benefits of their premium health insurance.

Cigna has enhanced its focus on the mental health and well-being of their staff. In late 2022, Cigna launched a global initiative encouraging its leaders and external leaders to dedicate 5% of their working hours to employee mental health and well-being. Cigna also offers a combination of in-person and virtual therapy for members through their global partners. Likewise, all Cigna clinicians are undergoing training in mental health first aid to identify mental health issues during interactions with members and guide them to appropriate resources.

WBN will be officially launching the WBN Wellbeing Zone in 2023. Centered around five key well-being pillars – physical, mental, social, financial, and digital – the zone creates a connected ecosystem of service providers and partners for their members. This allows members to determine best practices for specific regions and cultures, granting clients access to the latest well-being innovations and guiding them toward a well-rounded well-being strategy for their global employee population.The Wellbeing Zone will ensure the WBN network remains at the forefront of the well-being evolution and consistently provides best-in-class service and solutions to multinational clients. From meditation apps to bereavement support, financial education, VR addiction therapies and more – the array of services employers can provide for their workforce is limitless.

Other notable developments within the company/industry

Allianz	In May 2022, Allianz announced a preferred partnership deal that led to their acquisition of the majority of Aetna International's health insurance portfolio outside the Americas, Thailand, and India. This agreement aligns with their long-term vision of becoming a truly global healthcare provider and demonstrates their commitment to and investment in the fast-evolving global health market and emerging customer segments. Allianz's dedication to providing best-in-class services was recognized with a Feefo Platinum Trusted Service Award for customer service in 2022. The Platinum Award is an upgrade from its previous Gold rating, and demonstrates their consistent deliverly of exceptional customer service year after year. Allianz's product and service evolution, shaped by regular research with brokers and clients, has continued through 2022 and into 2023. The insurer has established dedicated support teams to provide advisers with a single point of contact for all queries.
AXA	Over the past 12 months, AXA has introduced a number of new and enhanced tools to track Fraud, Waste, and Abuse (FWA), helping to support their cost containment strategies. These tools help to target and identify new areas of claim waste and abuse, bringing new intervention capabilities to help reduce and monitor cost containment practices while assessing ever-changing claiming patterns within the IPMI market. Particular heat map analysis helps AXA identify by both country and treatment type, improving their claims risk criteria and mandatory claim referrals, allowing them to target any claims abuse quickly. By analyzing claims utilization, AXA can understand where claims are increasing and apply solutions. For example, their Psychiatric case management was implemented after seeing an increase in the volume of claims for inpatient psychiatric care. In 2022, £17.1 million was saved through FWAdetection activities.
Bupa	Bupa Global is innovating to care for their customers in ways that are better for them and the planet. Bupa Global believes it's vital to lead with action in reducing their environmental footprint in delivering healthcare, particularly given the now indisputable links between the planet's health and human health. This is changing the way Bupa provides care now and in the future. One example is Bupa Global's Eco-Disruptive program, which helps develop solutions to confront the effects of climate change.

cigna healthcare	Cigna doubled down on individual health in September 2022 by creating a standalone transversal business unit focused on individual expatriates and the globally mobile. This pivot allows them to focus on deeply understanding their customers and putting focus into developing the right solutions to serve their evolving needs. Cigna has also completed the divestment of their supplemental businesses to Chubb in the summer of 2022, signaling a new fully health-focused chapter for the company. In early 2023, Cigna entered Saudi Arabia as the first international health insurer to receive a branch license from the Saudi Central Bank.
WBN	WBN is expanding their network of top-tier independents, providing more choice for clients in all key markets. They launched their Client Advisory Council, which is a strategic global forum to help their members develop innovative solutions for clients' most challenging issues. Including risk managers and employee benefits managers from 4 continents, WBN's Client Advisory Council is the first of its kind, and provides the insights, feedback, and ideation needed to keep WBN and their members innovating and delivering successful benefits and insurance programs globally. WBN also continually develops Catalyst, which gives new people to their industries a global group of like-minded people to lean on and collaborate with. This includes a formal training program - The Catalyst Academy - that combines leadership coaching, industry-specific training, and workshops at their global conferences.

Appendix

List of acronyms and abbreviations

Abbreviations	Meaning
ACA	Affordable Care Act
ADHD	Attention-Deficit/Hyperactivity Disorder
AED	United Arab Emirates Dirham
AI	Artificial Intelligence
APAC	Asia Pacific
BDMS	Bangkok Dusit Medical Services
CAGR	Compound Annual Growth Rate
CBO	Congressional Budget Office
CDRH	Center for Devices and Radiological Health
CEO	Chief Executive Officer
ChatGPT	Chat Generative Pre-trained Transformer
COVID-19	Coronavirus disease (COVID-19)
CPIH	Consumer Prices Index including owner occupiers' housing costs
DEI	Diversity, Equity, and Inclusion
DRG	Diagnosis-Related Group
EAP	Employee Assistance Program
EDI	Event-Driven Interaction
ELP	Experiential Learning Program
ESG	Environmental, Social, and Governance
EU	European Union
EUR	Euro
FDA	The United States Food and Drug Administration
FWA	Fraud, Waste, and Abuse
CAGR	Compound Annual Growth Rate
GCC	Gulf Cooperation Council
GDPR	General Data Protection Regulation
Gen Z	Generation Z
GP	General Physician

Abbreviations	Meaning
GST	Goods and Services Tax
GWP	Gross Written Premiums
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
IPMI	International Private Medical Insurance
IRA	Inflation Reduction Act
LATAM	Latin America
LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer and plus
MEA	Middle East and Africa
NCD	Non-Communicable Diseases
NHB	Non-Hispanic Black
NHS	National Health Service
NHW	Non-Hispanic White
OIC	Office of Insurance Commission
ONS	Office for National Statistics
PM	Particulate Matter
R&D	Research and Development
RMB	Renminbi
SaaS	Software as a Service
SDoH	Social Determinants of Health
SUSEP	Brazil Insurance Superintendent
TLAA	Thai Life Assurance Association
TPA	Third-Party Administrator
UAE	United Arab Emirates
UK	United Kingdom
US	United States
USD	United States Dollar
VR	Virtual Reality
WBN	Worldwide Broker Network
WFH/WFO	Work From Home/Work From Office
WHO	World Health Organization

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