

Medical Insurance Russia General considerations

Private HealthCare Conference Moscow

8 December 2014

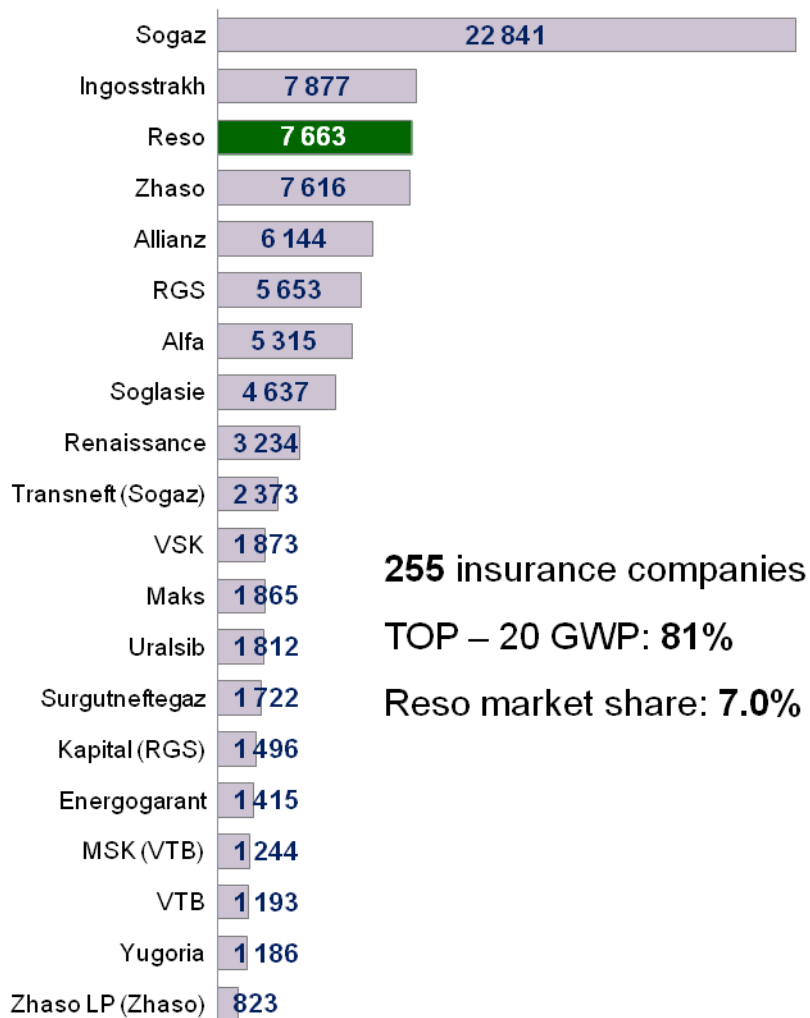
redefining / standards





Voluntary Medical Insurance (VMI) – Market 2013

2012 Total GWP: 108 947 mln RUB

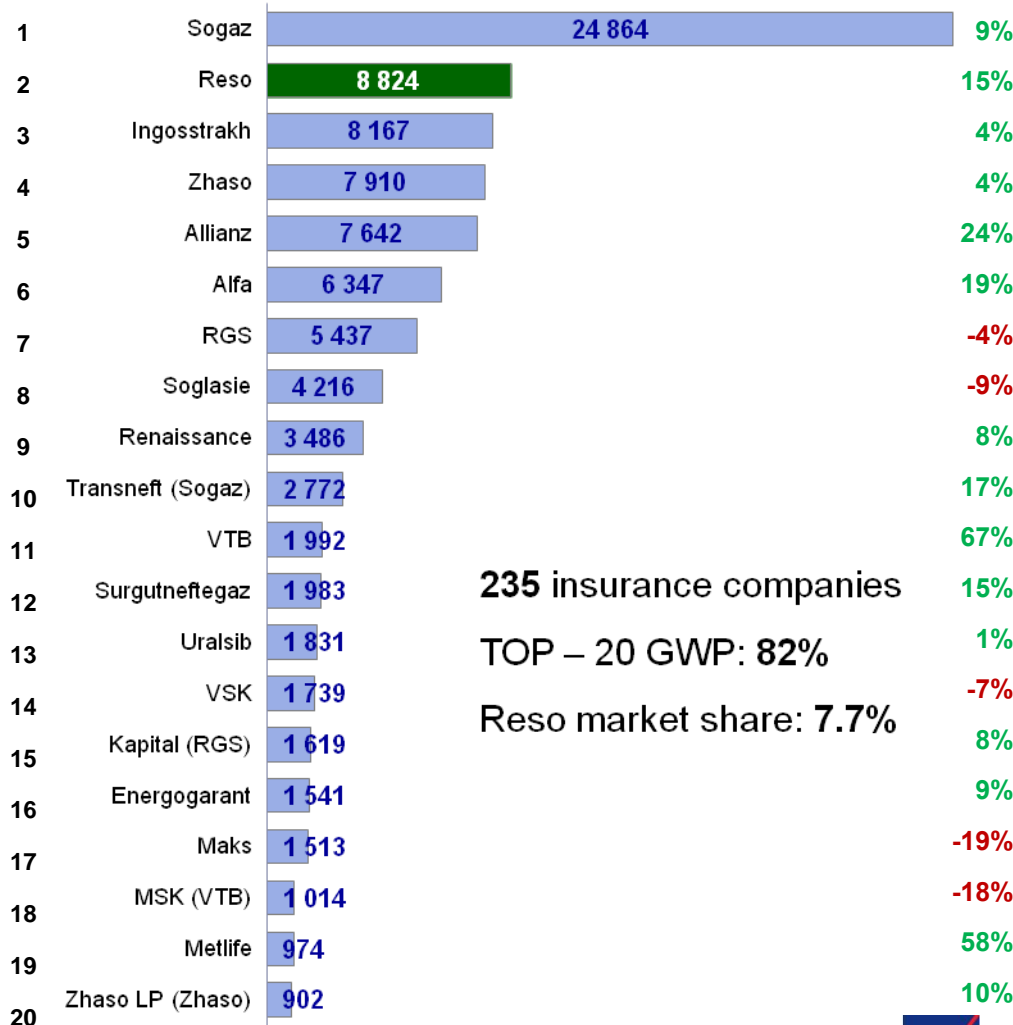


255 insurance companies

TOP – 20 GWP: 81%

Reso market share: 7.0%

2013 Total GWP: 114 966 mln RUB +5.5%



235 insurance companies

TOP – 20 GWP: 82%

Reso market share: 7.7%

Voluntary Medical Insurance (VMI)

Some basics

- **VMI: True insurance**
 - Not complementary to OMI, but parallel system – two-class health care;
- **Weaknesses, issues ...**
 - Coverage from first dollar, but restricted with frequent exclusions, *including*:
 - Oncology (post diagnosis);
 - Chronic illnesses;
 - HIV/AIDS;
 - TB;
 - Drug addictions;
 - Sexually transmitted diseases;
 - Psychiatry;
 - No reimbursement - direct settlement between insurer and HCP contracted by insurer;
 - Limited choice;
 - Different networks, different coverages;
 - Changing provider potentially inconvenient;
 - But larger insurers' coverages and networks in larger cities similar
 - Driven by out-patient and dental costs, frequency not severity

Driven by International EB

- **HR vs Purchasing / Sourcing**
 - Purchasing always involved;
- **Focus on Data, Reporting, Transparency**
 - Restrictions due to Health Care Infrastructure;
 - Commitment to provide data in certain granularity and frequency;
 - SLAs
- **Coverage Extensions**
 - Continued, yearly broadening of programs of leading players;
 - Oncology;
 - Drug coverage;
 - Office Doctor;
- **Pooling, captive solutions**
 - As a minimum: reporting, minimum standards etc
 - If captive, Risk Manager involved

Driven by International EB

■ Health & Wellness

- Health Check-Ups
- Prevention
 - Dental Equipment
 - Various procedures
- Health Days, Health Fairs;
- Presentations
 - Nutrition; Healthy Lifestyle; The Spine etc;

■ Structure

- Cafeteria System;
 - Choice between gym, VMI, etc
 - Introduces anti-selection;
- Co-Financing
- Co-Insurance / Deductible

No change yet in basic operational model of service delivery

■ Network-based, limited choice

- Rather than reimbursement of reasonable expenses;
- No appreciation for costs; limited cost transparency;
- No coverage outside RF; regional infrastructure differences and tied to region;
- Moving providers risky, complicated;
- Less risk-transfer than organization of service;

■ First dollar, but exclusions – deductible of what you really want

- You get what you pay for
- Just scale effect of buying through insurer

■ Reach of VMI not increasing (a few mln insureds in Russia)

Praise for deductibles / co-insurance

Economics and Behavioral Incentives work also in RF!

- **Limited resources vs topping up coverage / removing exclusions**
 - True financial protection – thus participation / self-retention
- **Taking responsibility for own health**
 - Principle of insurance
- **Creating incentives**
 - Financial incentives
 - Group vs individual
 - But pricing granularity vs solidarity (Compulsory Insurance)
- **Case and aggregate deductibles, boni**
 - Subsidizing of premiums where needed (Compulsory Insurance)
 - Fairness

Back Up

Swiss Health Care System

Compulsory Insurance dominating

■ KVG (1996)

- Compulsory Insurance, offered by 61 insurers, standardized coverage
 - Earlier voluntary, but as tax-deductible and entry-age dependent, de facto universal;
 - Reserves not transferable, hence no competition, and subsidizing of insurers;
- Premium independent of entry-age, age, gender, risk, income;
 - Depends on region (canton)
 - Creates competition between cantons in health politics
 - Full transferability, no ability to decline risks or restrict coverage
 - But flat premiums still leading to risk selection; smoothing between insurers only for age/gender structure
 - Subsidizing of low-income insureds
- Broad coverage (TCM, Homeopathic, etc), incl prevention, maternity, drugs
 - Little to no coverage for dental, LTC
 - Annual deductible and co-insurance in excess up to limit, hospital day contribution
 - Exceptions maternity, children etc

Compulsory Insurance dominating

■ KVG continued

- Premium reduction possibilities (www.priminfo.ch)
 - Higher deductible
 - HMO
 - Family doctor
 - Call Center pre-approach
 - Bonus insurance (reduction if loss-free)
 - No accident coverage

■ VVG (1908)

- Topping up KVG
 - More choice (hospitals)
 - Single and double bed room
 - More coverage abroad
 - Cash coverage