Willis Towers Watson

2017 Global Medical Trends Survey Report

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Executive summary

The cost of medical care continues to rise across the globe with no light at the end of the tunnel, according to insurers responding to the 2017 Willis Towers Watson Global Medical Trends Survey. Although trend has slowed in some countries, it is still mostly above inflation. Insurers attribute the bulk of the cost to hospital/inpatient services, basic medical/outpatient services, provider and employee behavior, new medical technology and rising provider profits.

What are employers doing in response to contain cost? Most turn to traditional strategies — cost sharing with employees (e.g., coinsurance and deductibles) and cost management strategies led by contracting with provider networks and requiring preapprovals for scheduled inpatient services. However, with concern growing over affordability for employees and recognition that a healthier workforce is a more productive workforce, we are beginning to see greater investment in programs that empower employees to manage their own health with strategies like offering preventive care and well-being initiatives.

Key findings

- Average global medical trend is projected to be 7.8% (weighted by GDP per capita) in 2017, up slightly from 7.3% in 2016 and 7.5% in 2015. (To lessen the effect of market size and currency issues, we have weighted regional and global trend rates using GDP per capita as the weighting factor.)
- Latin America leads all regions on trend, largely due to high inflation, while Europe continues to have the lowest trend due to the level of coverage provided through their social security systems.

Employers continue to respond to higher costs primarily with traditional methods of cost management and cost sharing with employees.

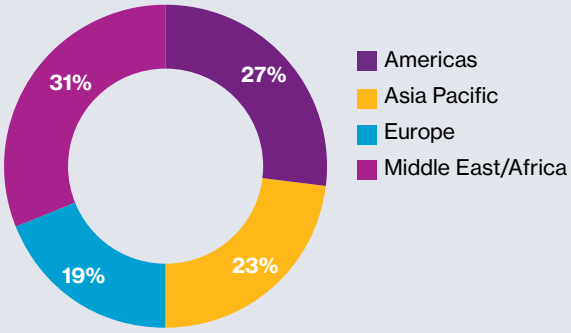
- Once again, more than half of health insurers globally expect trend to be higher or significantly higher over the next three years. The Middle East and Africa region is somewhat more optimistic, with 53% of insurers expecting trend to remain about the same level for future years without increase and 5% expecting a decline. The U.S. is expected to continue to trail global trend, although uncertainty continues to grow since the presidential election.
- Employers anticipate higher trend due to three major drivers: hospital/inpatient services and basic medical/outpatient services, including pharmacy; providers overprescribing too many services and employees seeking inappropriate care; and new medical technology and higher provider profit.
- Noncommunicable diseases, once prevalent in developed nations only, continue to increase globally, with cardiovascular disease, cancer and respiratory illness projected by all insurers worldwide to be the top three diseases for at least the next five years.
- Employers continue to respond to higher costs primarily with traditional methods of cost management and cost sharing with employees. Notably, we additionally see employers offering preventive care and empowering employees to take responsibility for their own health. Our survey data (as reported by insurers) also show well-being programs are offered by nearly half of employers in Europe and by a majority of employers in the Americas — a significant rise from last year's Global Medical Trends research. Also on the rise are health risk assessments, second medical opinions, biometric screenings, and lifestyle and health education. Moreover, these interventions are all projected to grow, some significantly, in the next year.

- High-level claim coding, which improves the likelihood that employers receive information they can use in strategic planning, is headed in the right direction, especially for larger employers. A large proportion of insurers indicate they can provide data on the top 10 health conditions to clients with over 500 covered lives. The adoption of ICD-10, which provides consistent comparisons of claims experience, continues to improve slowly. However, there is still much room for progress on the availability of data, particularly in Europe, where even aggregate statistics are rarely provided.
- With concerns about employee stress continuing to rise, the number of insurers globally that include treatment for mental health and stress in their standard medical insurance programs has improved significantly to 61%, from 50% in 2014. However, many insurers continue to exclude treatment for alcoholism and drug use (72%) and HIV/AIDS (43%).

About the survey

Willis Towers Watson's Global Medical Trends Survey was conducted in October and November 2016, and reflects responses from 231 leading medical insurers operating in 79 countries *(Figure 1)*. To lessen the effect of market size and currency issues, we have weighted regional and global trend rates in this survey report, using GDP per capita as the weighting factor. Most participants have at least a 10% share of the group medical insurance market in their country. This year, we have included a snapshot of the U.S. medical trend, drawn from other Willis Towers Watson research. For further details on this complex market, we would refer you to other specific U.S. Willis Towers Watson research.

Figure 1. **Participant profile**



Medical trend by region and country

More than half of health insurers globally expect trend to be higher or significantly higher over the next three years *(Figure 2).* The Middle East and Africa are somewhat more optimistic, with 53% of insurers expecting trend to remain about the same level for future years without increase and 5% expecting a decline.

Asia Pacific

Asia Pacific continues to ratchet upward with a weighted trend that averaged 7.1% in 2015, 7.7% in 2016 and a projected 8.6% in 2017 *(Figure 3).*

China. Once again, medical trend significantly exceeds general inflation. Given the country's modernization and higher level of private medical awareness and utilization, we expect the gross trend to continue at or above 10% in the near future.

Hong Kong. The high trend rate is mainly attributed to overprescribed medical services, including preventive and diagnostic tests covered by insurance. Where members opt to receive the services through inpatient rather than outpatient means, higher hospital and private doctor practice costs occur, leading some insurers to challenge costs and service delivery.

India. With some of the highest medical trend rates in Asia, insurers try to adjust premiums to appropriate levels and correct the historical underwriting approach that allowed medical coverage to be a loss leader subsidized by other insurance. Aided by some regulatory action, medical premiums have been on an upward trend, jumping 5% in the last three years.

Singapore. Lower medical trend in recent years can be attributed to increased market competition and possibly the introduction of Medishield Life, which may have diverted some claims from the private medical sector to this government plan.

Figure 2. **How do you expect the medical trend in your overall book of business to change over the next three years compared to current rates?**

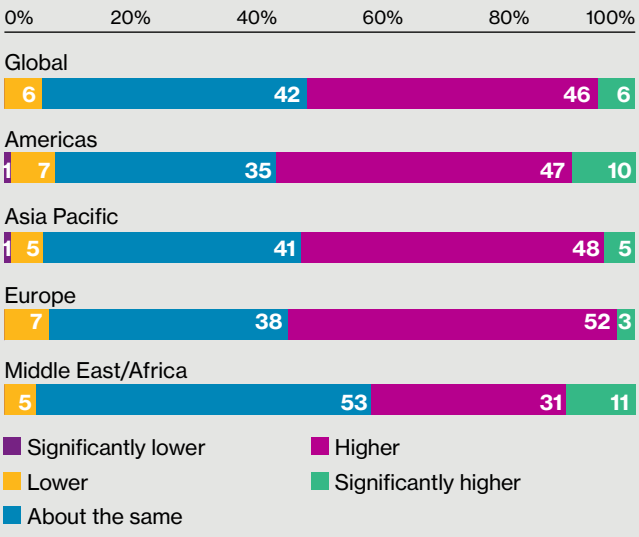


Figure 3. **Global average medical trend rates by country, 2015 – 2017**

	Gross cost trend			Net cost trend (net of general inflation)		
	2015	2016	2017	2015	2016	2017
Global* **	**7.5%**	**7.3%**	**7.8%**	**5.7%**	**5.1%**	**5.2%**
Asia Pacific	**7.1%**	**7.7%**	**8.6%**	**6.1%**	**6.6%**	**6.7%**
Australia	7.8%	6.4%	6.5%	6.2%	5.1%	4.4%
China	10.3%	10.5%	10.3%	8.8%	8.4%	8.0%
Hong Kong*	9.1%	9.1%	9.6%	6.1%	6.6%	7.0%
India	15.0%	18.0%	20.0%	10.1%	12.5%	14.8%
Indonesia	8.0%	10.0%	11.0%	1.6%	6.3%	6.8%
Malaysia	13.8%	14.0%	15.0%	11.6%	11.9%	12.0%
New Zealand	4.7%	5.7%	6.5%	4.4%	5.0%	4.9%
Philippines*	6.5%	7.0%	9.6%	5.1%	5.1%	6.2%
Singapore	7.0%	7.7%	9.0%	7.5%	8.0%	7.9%
South Korea	6.5%	7.5%	9.0%	5.8%	6.5%	7.1%
Taiwan	1.0%	6.0%	9.0%	1.3%	4.9%	7.9%
Thailand*	9.0%	11.4%	9.2%	9.9%	11.1%	7.6%
Vietnam	5.0%	5.0%	7.0%	4.4%	3.0%	3.4%
Europe	**5.0%**	**4.3%**	**4.5%**	**4.4%**	**3.5%**	**3.2%**
Belgium	6.0%	6.0%	6.0%	5.4%	3.9%	4.4%
Cyprus	3.0%	5.0%	5.0%	4.5%	6.0%	4.5%
Denmark*	9.1%	1.2%	2.0%	8.6%	0.8%	0.9%
France	2.4%	1.4%	2.0%	2.3%	1.1%	0.9%
Greece	5.0%	5.0%	5.0%	6.1%	5.1%	4.4%
Ireland	6.0%	8.0%	8.0%	6.0%	7.7%	6.8%
Italy	0.3%	0.3%	0.5%	0.2%	0.4%	0.0%
Netherlands	7.0%	5.0%	3.0%	6.8%	4.9%	2.1%
Poland	5.0%	7.5%	10.0%	5.9%	8.1%	8.9%
Portugal*	1.8%	0.9%	1.4%	1.3%	0.2%	0.3%
Russia	11.0%	9.0%	9.0%	–4.5%	1.8%	4.0%
Serbia	0.0%	10.0%	10.0%	–1.4%	8.7%	6.8%
Spain	3.6%	3.6%	2.2%	4.1%	3.9%	1.2%
Sweden	5.0%	6.0%	8.0%	4.3%	4.9%	6.6%
Switzerland	5.0%	5.0%	5.0%	6.1%	5.4%	5.0%
Turkey*	9.7%	10.2%	11.4%	2.0%	1.8%	3.2%
Ukraine	29.0%	7.0%	6.0%	–19.7%	–8.1%	–5.0%
United Kingdom*	5.0%	5.0%	5.0%	5.0%	4.3%	2.5%
Middle East/Africa	**9.0%**	**9.0%**	**9.8%**	**6.4%**	**5.5%**	**6.1%**
Algeria	NR	NR	5.0%	NR	NR	0.2%
Bahrain	10.0%	10.0%	10.0%	8.2%	6.4%	7.0%
Benin	6.5%	9.5%	11.3%	6.2%	8.9%	9.0%
Burkina Faso	20.0%	28.5%	12.5%	19.1%	26.9%	10.5%
Cameroon*	10.2%	9.7%	5.0%	7.5%	7.5%	2.8%
Congo (Republic of)	5.0%	5.0%	10.0%	3.0%	1.0%	6.3%
Cote d'Ivoire	7.0%	7.7%	6.7%	5.8%	6.7%	5.2%
Egypt	15.0%	13.0%	25.0%	4.0%	2.8%	6.8%
Gabon	11.3%	12.5%	20.0%	11.2%	10.0%	17.5%
Guinea*	18.4%	18.8%	21.8%	10.2%	10.6%	13.7%

Global average medical trend rates by country, 2015 – 2017 *(continued)*

	Gross cost trend			Net cost trend (net of general inflation)		
	2015	2016	2017	2015	2016	2017
Kenya*	9.2%	9.7%	12.6%	2.6%	3.5%	7.1%
Kuwait	8.0%	8.0%	8.0%	4.8%	4.6%	4.2%
Lebanon	4.0%	4.3%	5.7%	7.7%	5.0%	3.7%
Madagascar	7.8%	6.5%	10.0%	0.3%	–0.2%	3.1%
Mali	15.0%	20.0%	NR	13.6%	19.0%	NR
Mozambique	11.0%	15.0%	70.0%	8.6%	–1.7%	54.5%
Niger	1.3%	4.0%	7.3%	0.3%	2.4%	5.3%
Nigeria*	23.0%	24.8%	29.2%	14.0%	9.4%	12.1%
Oman	5.0%	5.0%	5.0%	4.9%	3.9%	1.9%
Qatar	8.0%	8.0%	8.0%	6.2%	5.0%	4.9%
Saudi Arabia	5.3%	4.3%	5.0%	3.1%	0.3%	3.0%
Senegal*	3.8%	5.7%	7.2%	3.7%	4.7%	5.4%
South Africa	11.0%	10.3%	9.7%	6.4%	3.9%	3.6%
Tanzania	12.5%	10.0%	7.5%	6.9%	4.8%	2.5%
Togo	6.5%	7.5%	14.0%	4.7%	5.4%	11.5%
United Arab Emirates	11.5%	9.3%	10.2%	7.4%	5.8%	7.0%
Zambia	14.0%	38.0%	25.0%	3.9%	18.9%	15.9%
Zimbabwe	12.0%	2.0%	2.0%	14.4%	3.6%	–2.6%
Latin America* **	**12.5%**	**12.4%**	**11.5%**	**6.8%**	**5.6%**	**6.1%**
Argentina	37.5%	41.5%	30.0%	–	–	6.8%
Barbados and East Caribbean	10.0%	5.0%	5.0%	11.1%	4.7%	3.0%
Bermuda	6.5%	6.5%	6.5%	–	–	–
Brazil*	16.0%	18.0%	17.0%	7.0%	9.0%	11.6%
Chile*	6.0%	7.3%	7.5%	1.6%	3.3%	4.5%
Colombia*	7.2%	8.3%	8.1%	2.3%	0.7%	4.0%
Costa Rica	11.3%	7.7%	8.7%	10.5%	7.0%	6.0%
Dominican Republic	5.5%	8.3%	9.0%	4.7%	6.0%	5.0%
Ecuador	12.0%	10.0%	15.0%	8.0%	7.6%	13.9%
El Salvador	10.0%	10.0%	8.5%	10.7%	9.0%	7.0%
Guatemala	10.0%	10.0%	10.0%	7.6%	5.5%	6.4%
Honduras	10.0%	13.0%	11.0%	6.8%	9.9%	6.9%
Mexico*	8.0%	9.7%	12.3%	5.2%	6.9%	9.0%
Nicaragua	10.0%	12.0%	13.0%	6.0%	5.8%	5.7%
Panama	15.0%	15.0%	12.0%	14.9%	14.3%	10.5%
Peru*	6.1%	6.2%	6.5%	2.6%	2.6%	4.0%
Uruguay	10.0%	10.0%	10.0%	1.3%	–0.2%	1.3%
Venezuela*	112.4%	318.4%	293.0%	–9.3%	–157.4%	–1,367.1%
North America	**8.4%**	**8.2%**	**8.6%**	**7.7%**	**6.7%**	**6.4%**
Canada*	8.2%	8.4%	9.4%	7.1%	6.8%	7.3%
United States**	8.8%	7.8%	7.5%	8.7%	6.6%	5.2%

*Countries with significant participation

**U.S. data are from various years of the Willis Towers Watson National Trend Survey.

***Due to the hyperinflationary nature of the Venezuelan economy, Venezuela has been excluded from Latin America regional and global totals. Including Venezuela, the 2017 global average trends would be 10.4% gross and –7.6% net, and Latin American average trends would be 31.3% gross and –91.9% net.

Notes: Global and regional trend rates are weighted averages based on GDP per capita. No response is indicated by NR.

Europe

Europe continues to have the lowest level of gross weighted trend increases as a region. For 2017, the projected trend will remain below 5%, still way above general inflation.

France. Since the country's social security system pays for 77% of total health costs in France (all employer plans are fully integrated with social security), medical trend is heavily influenced by the government – with strong control over hospital, routine care and drug prices – and only partially by the private insurers. Medical trend in France remains low and is projected to remain low due to the government's impact on hospital and drugs costs, along with new price regulations on private insurance. The implementation of the so-called *contrat responsable* by 70% of employers has introduced a ceiling in the authorized reimbursement of specialists' fees, including hospital stays and eyeglasses. It is also intended to impact the price of medical procedures, but so far that impact is limited.

U.K. Ongoing challenges in accessing timely treatment from the state-sponsored National Health Service will continue to drive demand and cost within the private health care market. Insurers pursue improved pricing agreements and continually look to leverage their size to get more favorable pricing agreements with key hospital groups and medical providers. In addition, most now contract beneficial prices with narrow networks of high-quality clinicians and hospital groups. Providers are also actively promoting softer directional models through condition-specific self-referral pathways to facilitate speed of access and more effective intervention. Notably, the medical premium tax rate has more than doubled from 6% to 12% in less than two years, driving up the cost of private medical insurance premiums.

Middle East and Africa

In the Middle East and Africa, trend continues around 9%, with a projected rise to 9.8% in 2017.

Saudi Arabia. Medical trend remains above general inflation, which has dropped due to the economic slowdown tied to the low price of oil. In addition, prior to the downturn, new legislation was passed that doubled mandated coverage levels. We expect trend numbers for the future to be higher than reported by participating insurers.

United Arab Emirates. Similar to Saudi Arabia, a drop in overall general inflation is leading to projection of a slightly lower medical trend rate. However, medical trend continues to be in the double digits. Dubai has now completed its rollout of mandated health insurance, including a new lower coverage, lower price point plan, which may also impact medical trend.

Kenya. Overall medical trend continues to increase and is even higher in Nairobi, where increases can be 15% to 20%. To help control costs, some insurers provide premium discounts at renewal tied to plan design changes (such as copays). Traditionally, medical inflation has been about 5% above general inflation.

Nigeria. The local recession has caused a significant escalation in medical costs because Nigeria, like many African countries, is a net importer of drugs and medical equipment. Purchasing these from a dollar-deficient economy has led to increases in some medical costs as high as 20% to 40%. Insurance premiums have not experienced similar increases due to intense competition, with some insurers willing to underwrite losses on an account rather than lose it.

The Americas

On a combined Americas basis, 2017 projected trend for Latin American countries continues to far exceed Canada (9.4%) and the U.S. (7.5%), and need to be considered separately.

Latin America. With trend of 12.4% in 2016 and a slightly lower projected trend of 11.5% in 2017, Latin America continues to have the largest medical trend of any region, driven partly by high-inflationary countries, such as Argentina. Due to the hyperinflationary nature of the Venezuelan economy, Venezuela has been excluded from Latin America and global totals. Including Venezuela, the 2017 global average trends would be 10.4% gross and –7.6% net, and Latin American average trends would be 31.3% gross and –91.9% net.

Argentina. Health care coverage rates are regulated by the government (health care providers in Argentina are not formally insurance companies, but *obras sociales* or *prepagas*), which periodically allows rate increases to recognize the higher cost of care, driven by the country's general price inflation. General inflation pressures are expected to cede in 2017, which should ease potential health care cost increases as well. For the last few years, health care costs have increased at a higher rate than salaries.

Brazil. Increases in health care expenses continue due to a number of factors, including the economic downturn (GDP contraction) in the last two years, higher unemployment and, subsequently, lower participation in employer-provided health care plans. In addition, the number of claims has risen due to government expansion of minimum coverage requirements for new procedures and medicines, and the recent crisis of mosquito-borne illnesses (dengue, Zika and chikungunya). Finally, a significant reduction in the number of health care providers since 2010 has increased competition, reduced access and driven up costs.

Mexico. Lifestyle diseases and pathologies like diabetes, obesity and hypertension continue to increase utilization rates. In addition, the health system places a higher focus on the provision of medical services rather than developing preventive care and other mitigation strategies. Plus, the Mexican peso has suffered a significant depreciation in the last two years, which worsened after the recent U.S. election. With many medical devices and materials imported from the U.S., this will continue to be a major cost factor in the expansion of medical costs.

Venezuela. Hyperinflation continues as the main driver of medical trend. With the International Monetary Fund projecting 2017 inflation at 1,600%, many individuals will continue to be left out of the health care system due to their inability to pay premiums. Even more challenging, the cost of certain treatments is surging so quickly that private medical plan funding is depleted very quickly, which makes coverage irrelevant and pushes most of the cost to the individual. As a result, participation in many corporate medical plans is dropping, and in some cases, coverage for the family group is eliminated.

North America

Canada. Medical trends are expected to increase in 2017. Of particular concern to medical plans are the rise in behavioral health claims and utilization of high-cost drugs coming to market.

U.S. While medical cost increases have slowed in recent years, insurers still report trends between 7% and 9% per year, from 2015 to 2017. With costs per employee (for employer and employee) approaching $13,000 per year — 12% of typical employee pay — we see little has been done to address growing affordability concerns for employees, especially in the wake of a prolonged period of relatively stagnant wage growth. In addition, cost trends are still much higher than general medical inflation rates and have outpaced wages for much of the last few decades. As in Canada, rising pharmacy prices and utilization, especially for specialty drugs, are a key driver of health care cost trends. A dominant market trend, which has been ongoing for the last decade, has been a move toward greater point-of-care cost designs through higher deductibles. In addition, many new developments focus on achieving higher-quality care at lower costs through alternative payment and delivery models (e.g., centers of excellence and other value-based designs, expansion of telemedicine services, and increased use of data to drive care management decisions), which are dramatically changing the U.S. health care delivery system.

Employers expect their plan trend to increase 5% for both 2016 and 2017 after plan design changes, higher than the 4% rise in 2015 and much higher than the general inflation trend (about 1.5% to 2.0%). As in recent years, employers continue to make changes to their plan designs to keep employee cost increases to a minimum. But in this prolonged period of relatively stagnant wage growth, they are increasingly concerned about affordability. By 2018, more than half will make changes specifically designed to lower premium contributions for low-wage workers and out-of-pocket costs at the point of service. Likewise, most offer account-based health plans with tax-advantaged health savings accounts, and many seed these accounts to help cover increased out-of-pocket costs. At the same time, a majority of employers focus their most aggressive cost cutting on minimizing the most expensive and commonly overused procedures, adopting cost-effective options to manage pharmacy spend (especially for high-cost specialty drugs) and redefining coverage for spouses who can obtain coverage from their own employers. In addition, more employers are beginning to leverage new sources of higher-quality care at lower cost, dramatically changing the U.S. health care delivery system. These include accountable care organizations, expanded telemedicine services and, increasingly, use of data to drive care management decisions.

Six years after Congress passed the Affordable Care Act in order to expand health care coverage to those not covered by employer plans or other insurance, employers' long-term commitment to providing benefits to employees continues to rebound in 2016. However, the surprise election results have led to greater uncertainty about the future.

What's driving cost?

As in previous years, insurers across all regions tie global rising medical costs primarily to three major factors, although their degree of impact can vary from country to country and region to region:

- **Hospital/Inpatient services and basic medical/outpatient services.** Most insurers expect the bulk of cost increase to come from these two categories of services. Over 50% of insurers in every region, except Europe (43%), expect basic medical/outpatient services to generate moderate to significant increases. Asia Pacific leads other regions on hospital/inpatient, with 92% expecting these services to drive cost increases. Close behind these two big service categories, insurers tie cost trend to increased costs for pharmacy (especially in the Americas, where 71% of insurers expect moderate to significant increases), maternity (except in Europe) and dental care *(Figure 4).*
- **Provider and employee behavior.** 74% of insurers are most concerned about providers driving up costs by overprescribing or recommending too many services, followed by employees seeking inappropriate care *(Figure 5).*
- **New medical technology and higher provider profits.** When it comes to external factors, 63% of insurers attribute rising medical costs to the higher cost of new medical technologies, compared to 58% last year, and 40% to the profit motives of providers, down just slightly from 44% last year *(Figure 6).* Numerous other industry and environmental factors contribute to rising trend, notably limited or poor networks (25%), changes in workforce demographics (24%), the economic environment (23%) and poor information on provider costs (22%).

Figure 4. **How do you expect costs related to the following service categories to change over the next five years?**

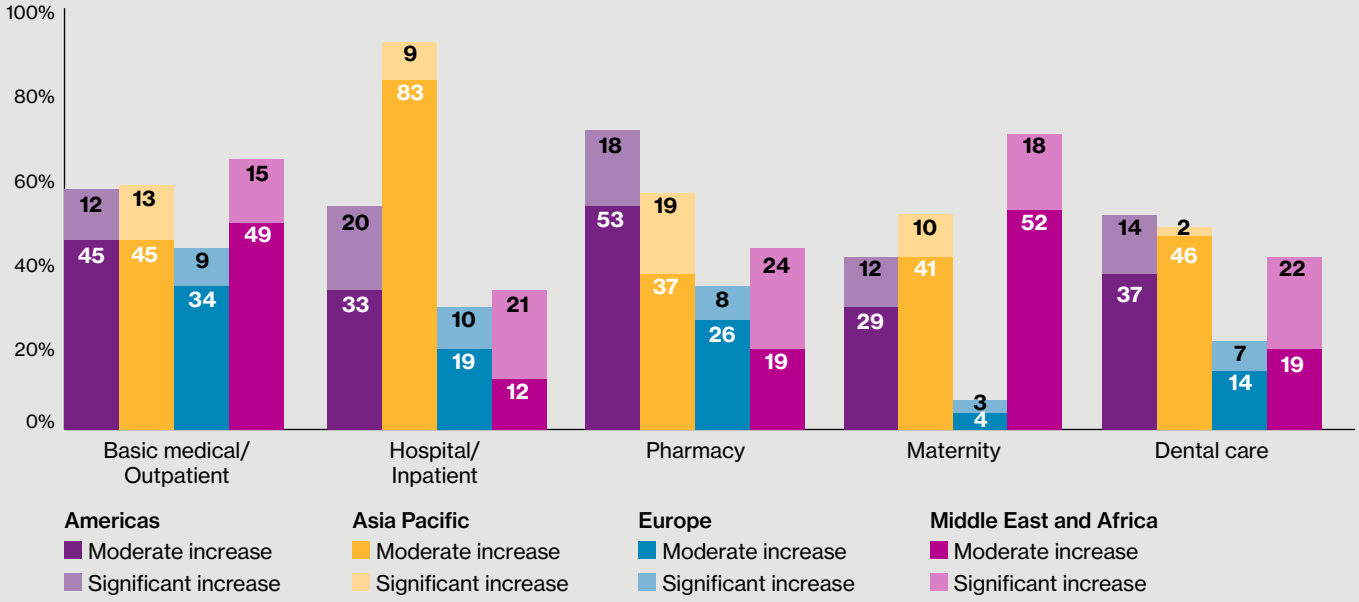


Figure 5. **What are the three most significant employee/provider behaviors driving medical costs per person?**

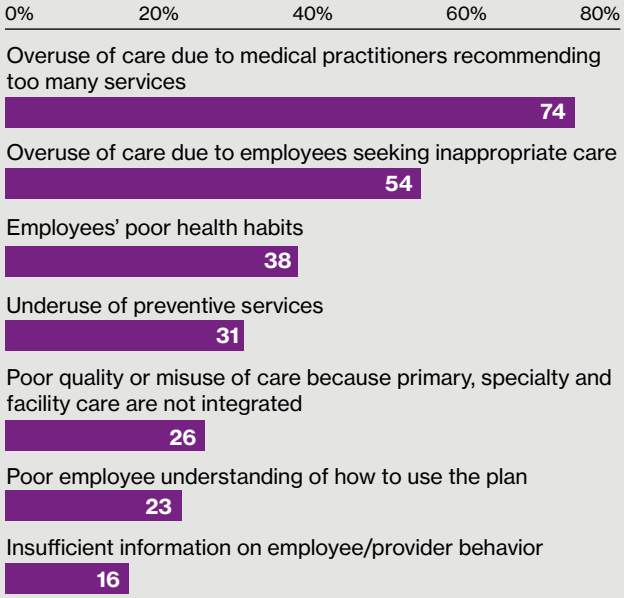
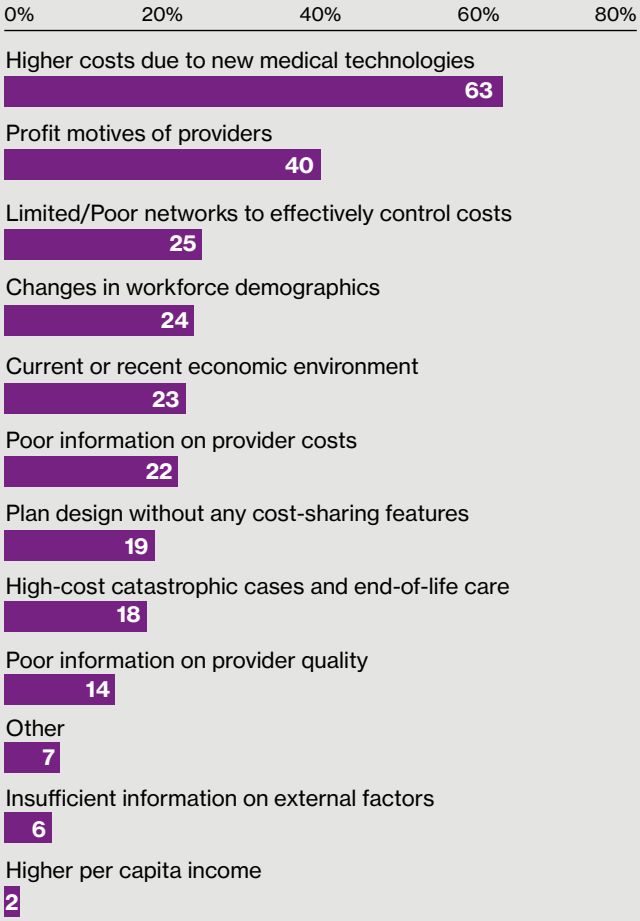


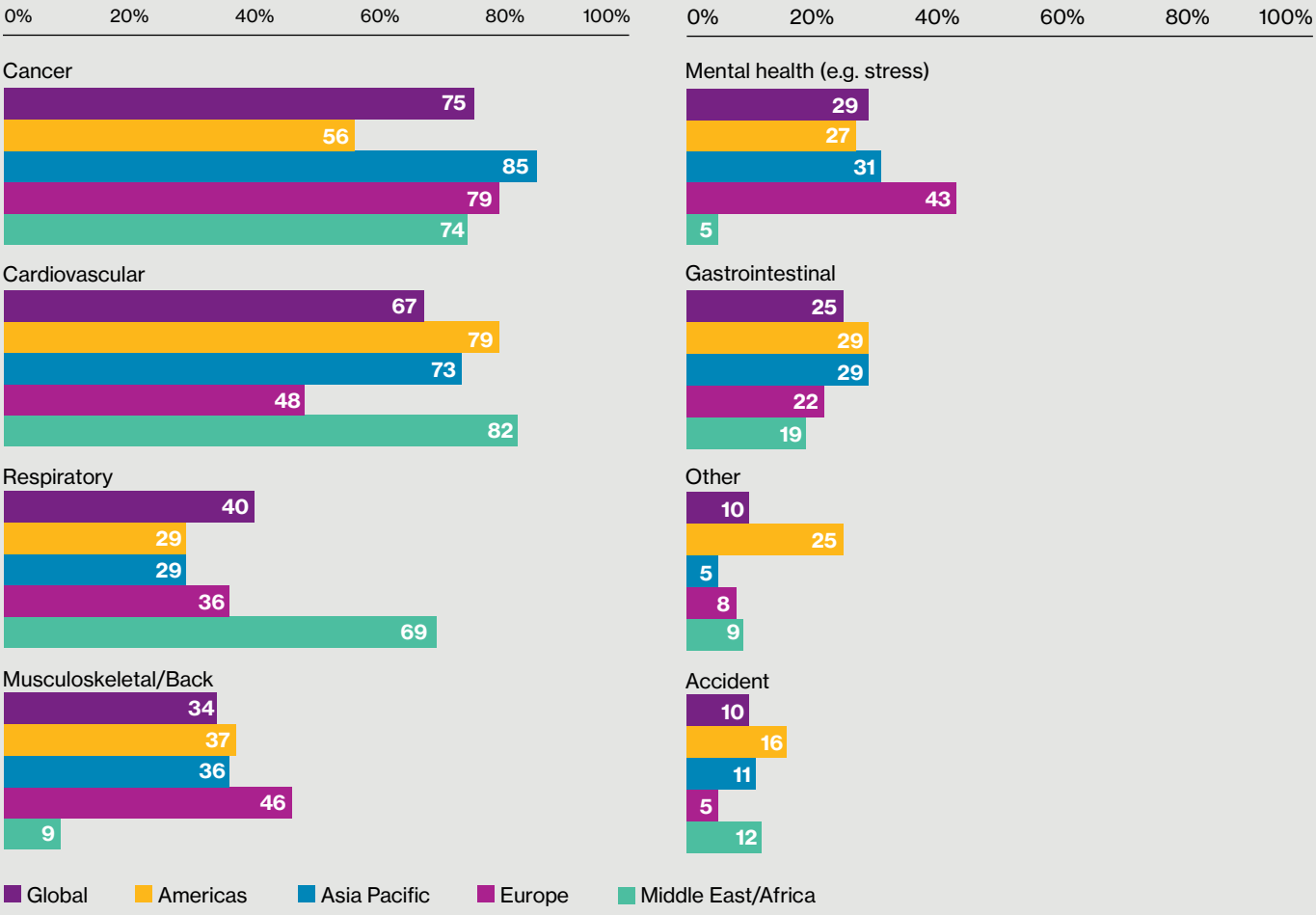
Figure 6. **What are the three most significant external factors driving medical costs per person?**



Top three diseases globally

The burden of noncommunicable diseases is heaviest in high-income countries, where infectious diseases have been nearly eradicated due to economic development and improvement in medical care. Increasingly, however, noncommunicable diseases are growing at the fastest rate in low-income and middle-income countries due to aging population, urbanization and the globalization of risk factors. Since 2014, the top three diseases reported by insurers worldwide — all noncommunicable — are cardiovascular disease, cancer and respiratory illness, with no change expected by insurers for the next five years *(Figure 7).* Back in 2012, respiratory pushed gastrointestinal disease out of the top three into fourth place, and it's projected to slip even further behind musculoskeletal/back disorders and mental health. Claims for cardiovascular disease have significantly increased in prevalence in the Middle East and Africa over the last five years. While we know diabetes is growing, it is difficult to evaluate its impact in this report since its treatment (largely outpatient) doesn't show up as an insurance claim in many countries.

Figure 7. **Which do you expect will be the top three conditions (excluding maternity) over the next five years?**



Managing medical trend: cost sharing and cost management

Insurance plan design strategies, such as coinsurance and annual deductibles, remain the top cost-sharing approaches *(Figure 8).*

These strategies also are an effective way to drive employees to become more savvy consumers of health services by requiring them to pay for a portion of their health care. Insurers identified member coinsurance as the most typical cost-sharing approach in all regions, especially in the Americas, where 75% say it is typical or very typical of all plans. The Americas region is also the leader in the use of annual deductibles (82%), the second-most typical cost-sharing approach globally, as well as annual out-of-pocket expense limits (64%) and premium cost sharing (67%). Along with direct education, these design features can be a powerful cost-mitigation tool. In the U.S., where most private insurance is provided by self-insured employers and cost sharing has been a commonplace intervention for years, there is growing concern about affordability and efforts to lower premium contributions for lower-wage employees and out-of-pocket cost at the point of service.

Figure 8. **How typical are the following cost-sharing approaches for the medical products you offer?**

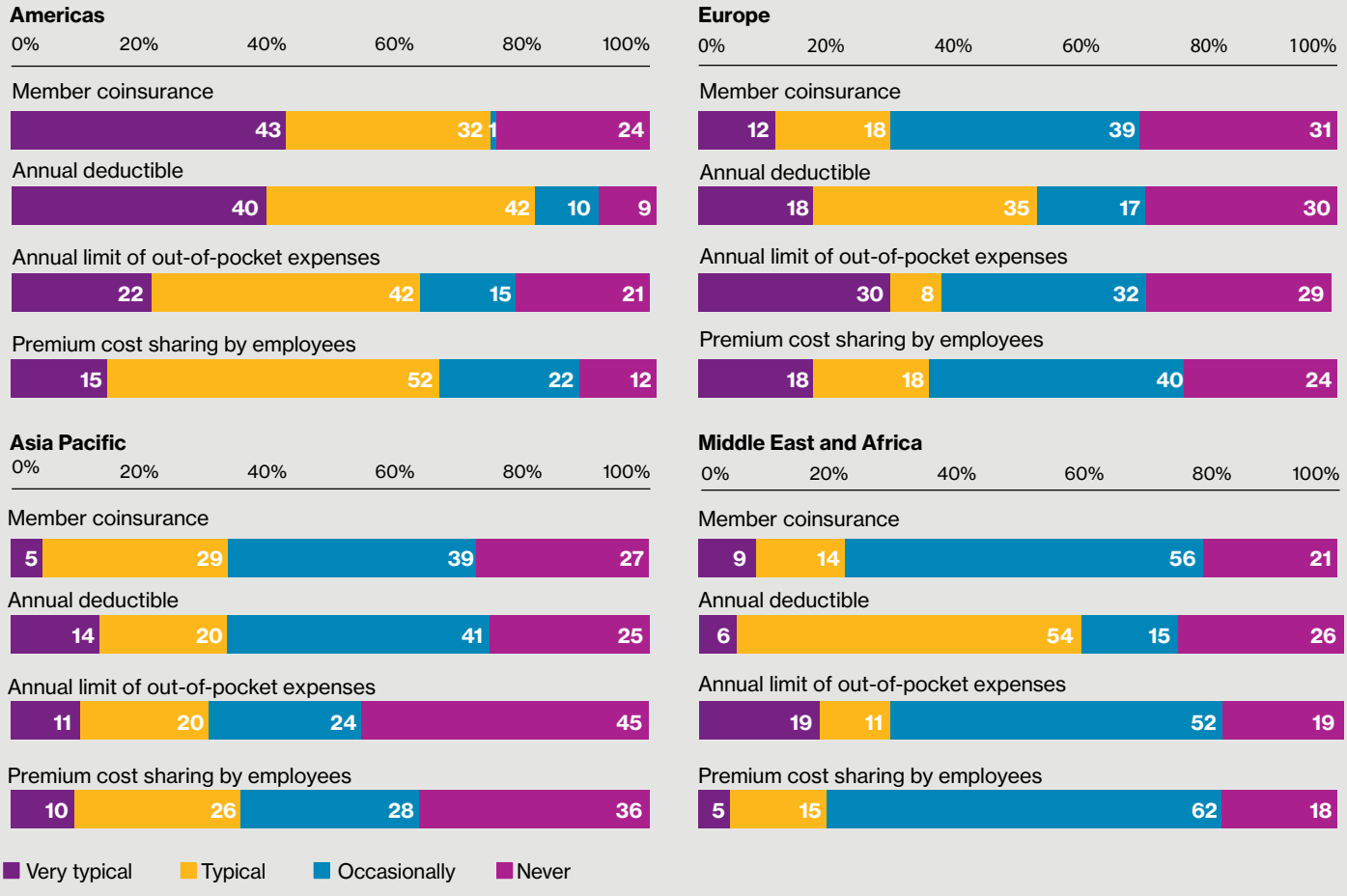
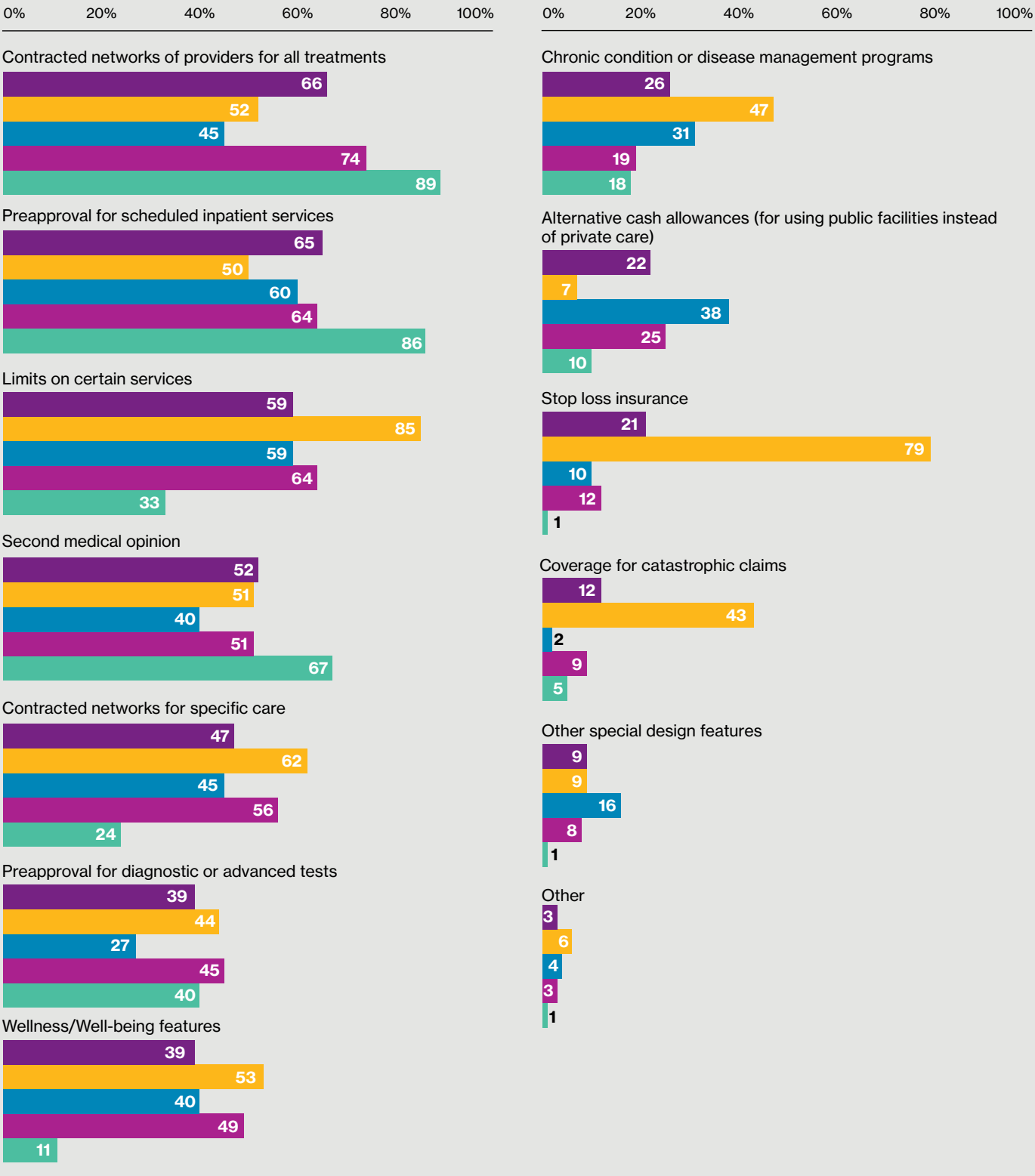


Figure 9. **What are the most effective tools you employ for managing medical costs?**



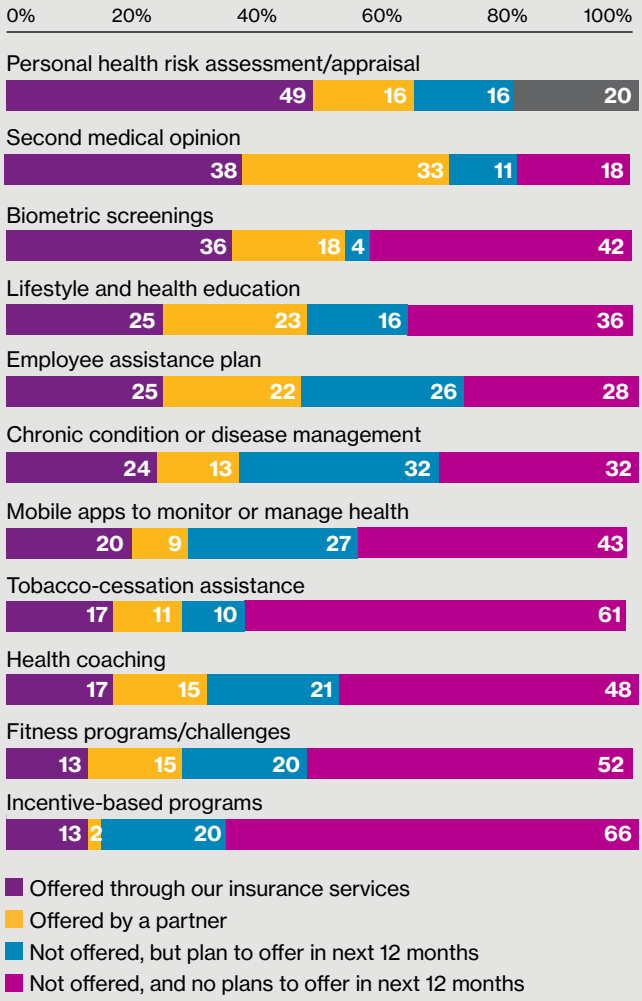
Insurers' top two cost management methods in 2016 were using contracted networks of providers, 66% globally versus 57% last year, and preapprovals for scheduled inpatient services, 65% versus 56% globally; Middle East/Africa leads on both with 89% and 86%, respectively. The higher prevalence of self-insurance in North America means that use of stop loss insurance and catastrophic coverage is much more prevalent in the Americas as a tool (79%) *(Figure 9).*

Other cost management strategies include contracted networks, limits on certain services, preapprovals and second medical opinions to combat the overuse and abuse of services.

In addition to these strategies, employers empower employees to manage their own health with strategies like offering preventive care and well-being initiatives — a strategy that has taken hold in the U.S. (75%), is now approaching half in Europe (49% versus 44% last year) and is employed by the majority of insurers in the Americas (53%), up significantly from 44% last year.

To help with the demand side of the equation, the percentage of respondents that offer health promotion features, either directly or through a partner, continues to grow. More than half offer personal health risk assessments (65%, with an additional 16% reporting they plan to offer in the next year), second medical opinion (71%, with an additional 11% planning it) and biometric screenings (54%, expected to grow to 58%). Notable is the number of insurers offering lifestyle and health education (48%), which is expected to grow to over 60% next year *(Figure 10).*

Figure 10. **Do you offer any of the following wellness or well-being features as part of or separate from your medical products?**



High-level claim coding holds steady

Use of commonly accepted high-level claim-coding systems, such as ICD-9 and 10, makes it easier for multinational employers to get consistent claim data reporting and facilitate data management globally, and we would like to see faster adoption to help them compare data from different countries. Instead, growth has remained fairly static over the last three years *(Figure 11).*

More encouraging is the improvement in the types of claim data insurers now provide, especially for larger clients. For those with more than 500 lives covered, nearly three-quarters (74%) provide data identified by the top 10 medical conditions *(Figure 12),* about the same as last year, and 70% provide high-level claim data (ICD-9 and 10), a significant increase from 59% last year.

Medical insurance program exclusions

Despite the high levels of stress worldwide, 31% of insurers exclude treatment for mental health and stress from their standard medical insurance programs *(Figure 13)*. However, that's an improvement from our survey in 2014, when more than 50% excluded it.

Nevertheless, we continue to see high numbers of participants continuing to exclude HIV/AIDS (43%) and treatment for alcoholism and drug use (72%). In the area of participation control, most insurance plans exclude parents (64%), retirees (49%), and children 23 years of age and over (35%).

More encouraging is the improvement in the types of claim data insurers now provide, especially for larger clients.

Figure 11. **What claim-coding system do you use to adjudicate medical claims?**

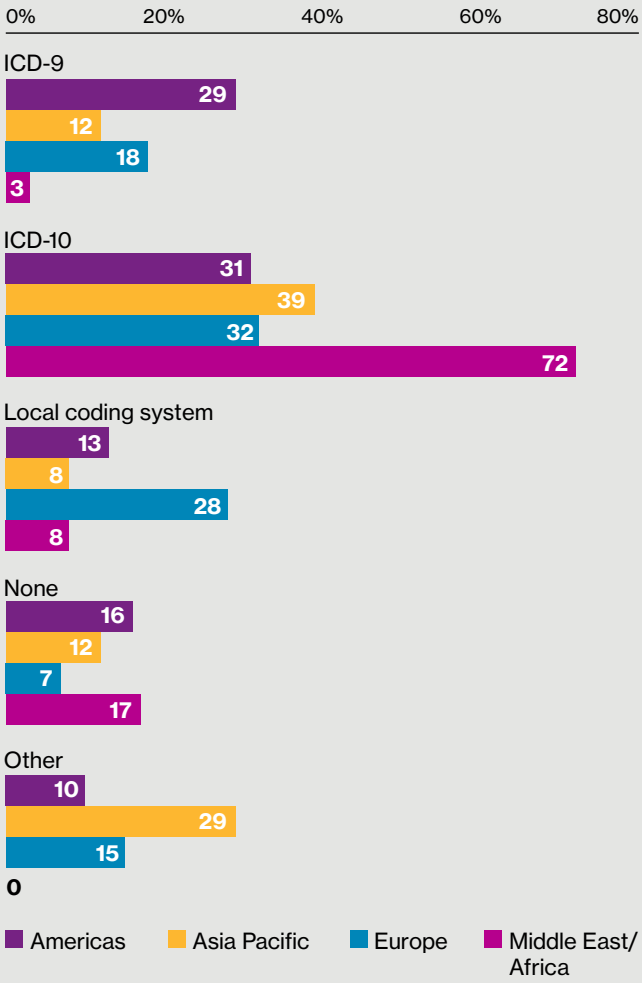


Figure 12. **What type of claim data do you make available to your clients?**

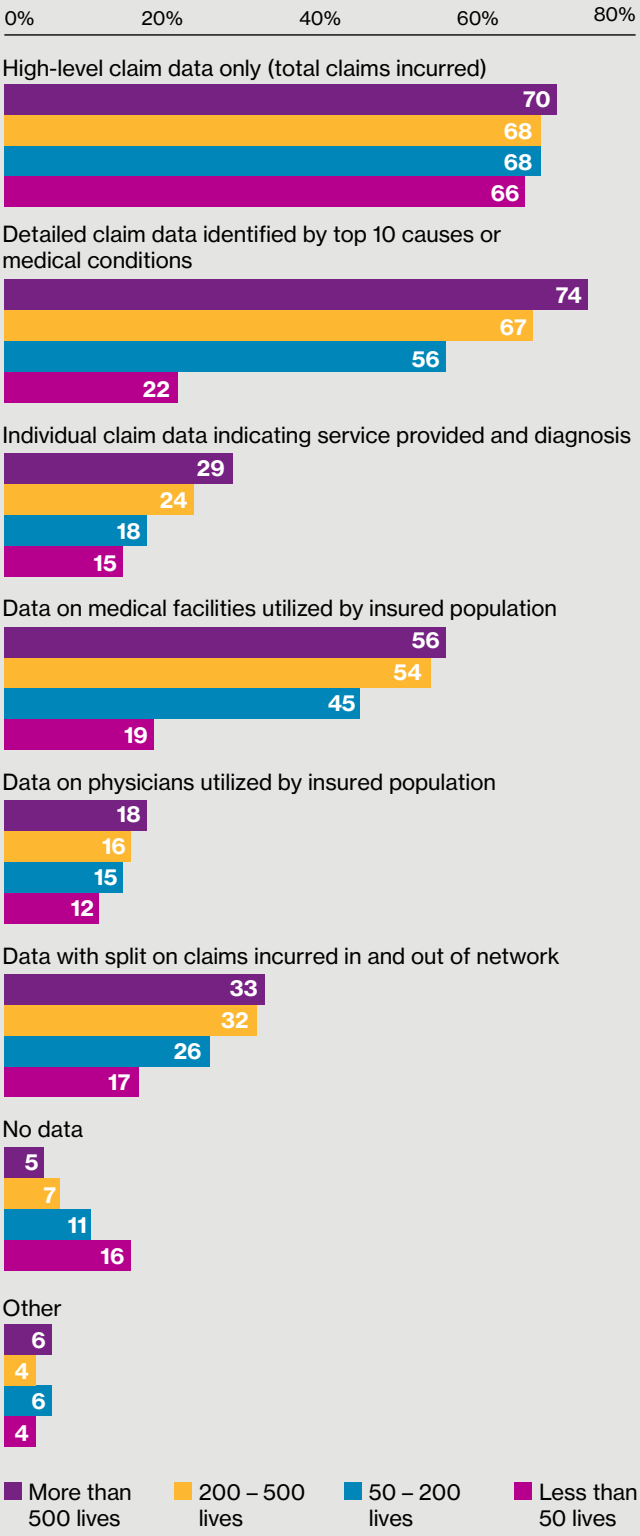
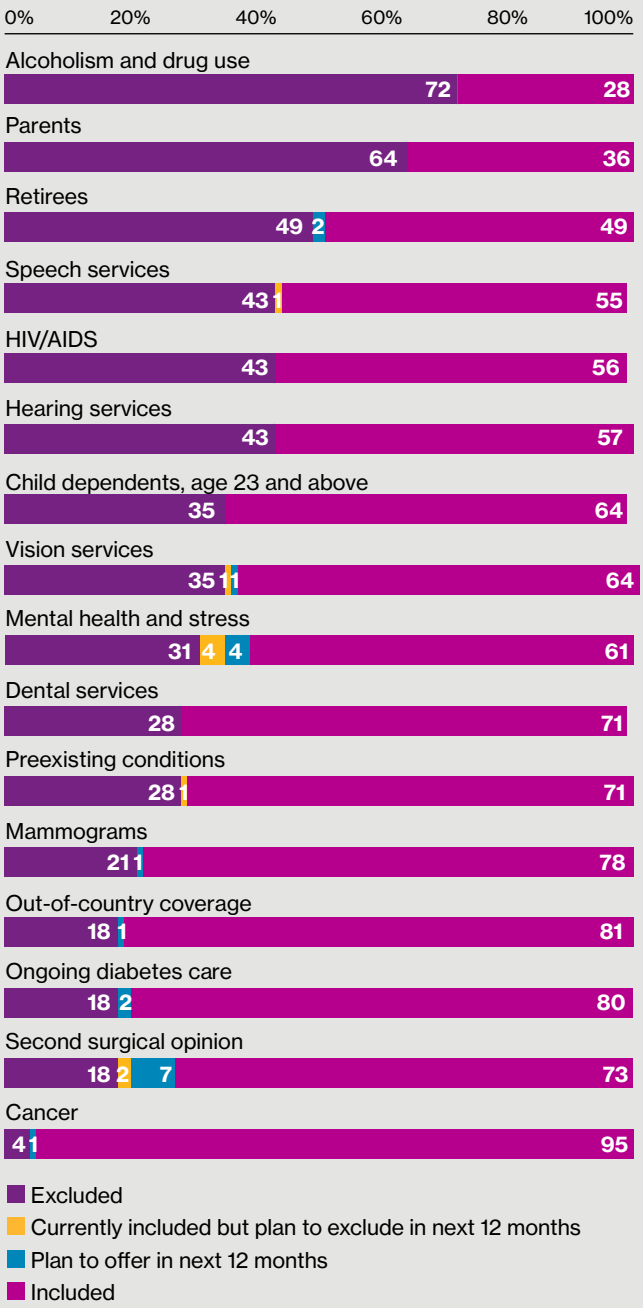


Figure 13. **Do your standard (typical) medical insurance programs exclude any of the following?**



Conclusion and next steps

Medical insurance is highly influenced by external (e.g., economics, technology, health conditions) and intrinsic (e.g., plan design, insured member behavior, service and control of delivery) factors. Insurance companies and employers can control only what's in their reach, leveraging adequate metrics and innovative approaches.

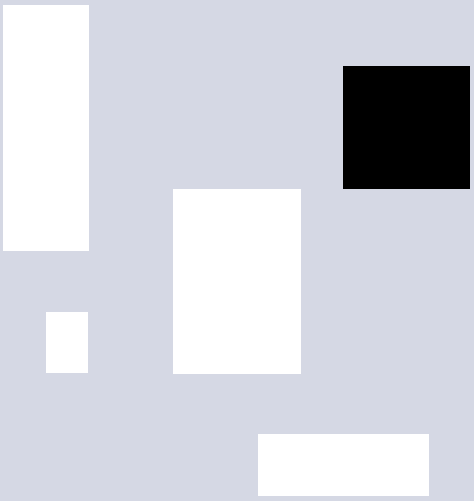
While insurance companies worldwide have made progress gaining control of ever-increasing medical cost and utilization, there are still significant opportunities for clients to leverage in balancing medical trend and improving employee health. Employer access to consistent employee health data is key, and with insurers' shift to the use of a globally consistent coding system such as ICD-10, they can help immensely in this area. In addition, there is significant room to make detailed claim data (e.g., data identifying the top 10 medical conditions) readily available to clients, which will allow them to make the most informed decisions about health benefits, well-being programs and progress toward a culture of health with employees and their families.

While the more traditional methods of cost management prevail, notably coinsurance and controlled networks, insurers are increasing their offering of health promotion and well-being programs with an emphasis on personal responsibility supported by biometric screenings, lifestyle education and employee assistance programs. These initiatives hold great promise for addressing two of the three major diseases globally (cardiovascular and respiratory disease), as well as other diseases that arise from lifestyle choices such as smoking, poor eating habits and lack of regular exercise. While respondents' health promotion program offerings continue to grow globally, there is still an opportunity for insurers to work more closely with employers to better understand employee population health risks and employees' preferred ways of using these programs while providing enhanced metrics and standardized reporting.

Insurers that can develop new and more effective ways to work with employers — by creating benefit programs that meet ever-changing needs, providing useful and timely data, and working closely with them to incorporate well-being activities into their health programs — will gain competitive advantage.

At the same time, employers can take the initiative beyond what insurers can achieve. To remain competitive and appeal to a multigenerational workforce, employers can make changes to position benefits as a core part of their employee value proposition and look at their health care subsidies more holistically in a Total Rewards context. Strategies to consider include:

- **Understand your population's health.** Dig into the claim data and use them to inform your future strategy. Utilize any onsite medical services where you may have more control over how the services are provided and access to data. If an insurer doesn't provide you with detailed plan data or the necessary tools to complete an analysis, seek niche providers that can offer health risk assessments or biometric screenings.
- **Put employees at the center of your health care strategy.** Enhance the member experience by providing employees options and more choice with decision support, improved employee communications and education around their health and plan provisions, and by expanding well-being programs to address financial issues (including cost of care) as well as physical, emotional and social issues.
- **Look at the cost of health care holistically.** Focus not only on high-cost insurance claims (usually for noncommunicable diseases), but also claims that may be lower cost or may not even show up in major medical plans (such as those for infectious disease or diabetes, which are usually handled on an outpatient basis). This can impact productivity even higher through absence and presenteeism.



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