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Cash Plans – What's changed and what does the future hold?

Courtney Marsh and Jennie Doyle

18 May 2018



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Agenda

1. What is a health cash plan?
2. Digitisation and the impact on claims
3. Usage of new benefits in line with modern society
4. What next for the cash plan industry

Expertise
Sponsorship
Thought leadership
Progress
Community

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Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Supporting



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What is a health cash plan?

A quick overview for those not here 10 years ago!

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Key elements of health cash plans

Designed to meet the needs of
everyday healthcare



Affordable monthly premiums



Accessible healthcare benefits



Members are **expected to claim**

- Paid out **over 595,000** claims in 2017
- **97% of total claims** were paid out in 2017
- Quick turnaround of claims - **>9 IN 10 claims paid within 2 working days**

Source: Health Shield, 2018
Based on Health Shield Claims statistics



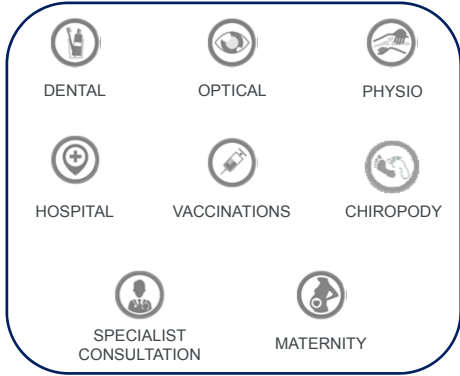
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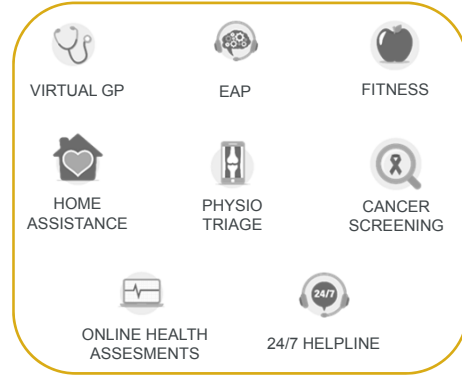
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Key elements of health cash plans

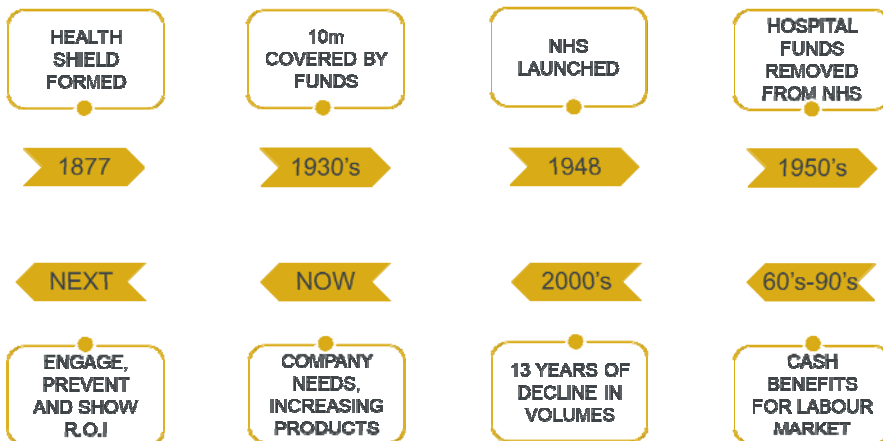
Core



Wellness

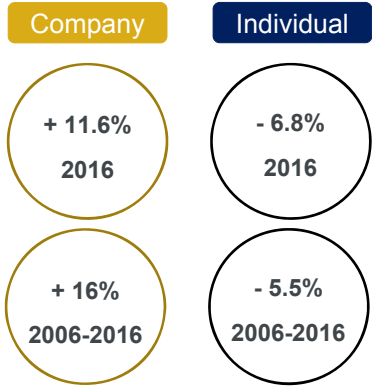
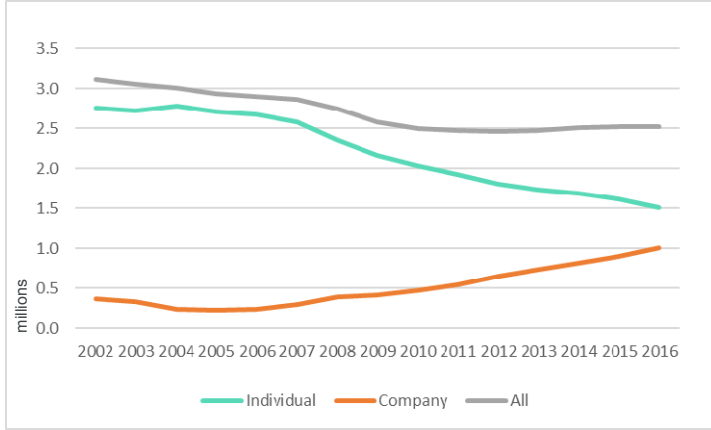


The history of health cash plans



The health cash plan market – Volume

Corporate company paid schemes continue to grow significantly whilst the individual market is in decline



*Based on LaingBuisson

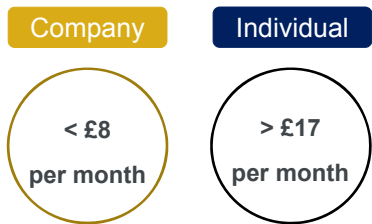
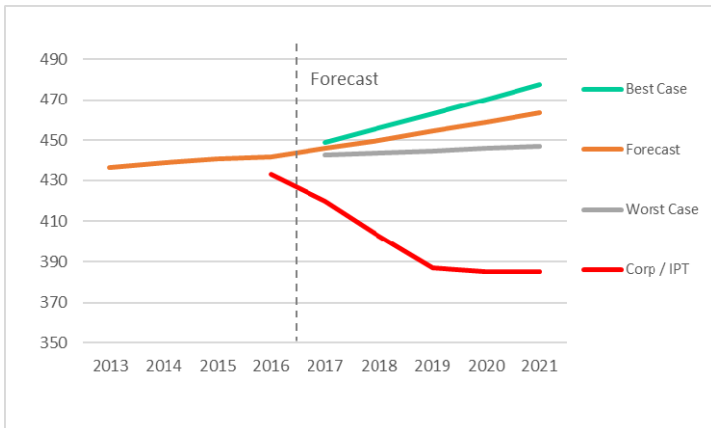


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The health cash plan market – Revenue

Revenue stands at £443m (2016), there is potential for revenues to be impacted due to growth in corporate company paid schemes and Insurance Premium Tax.



*Based on LaingBuisson historical data of premiums and Mintel growth forecasts (best at 1.6% p.a., forecast at 1% p.a. and worst at 0.25% p.a. Corp / IPT decline based on Health Shield Insights estimates

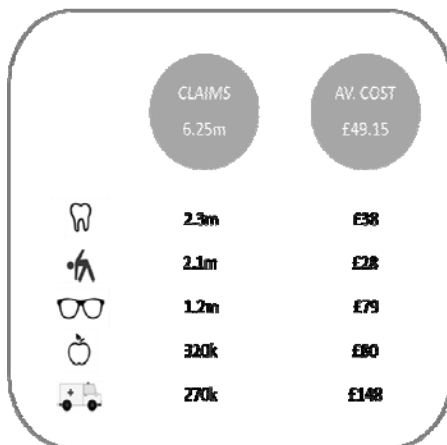


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The health cash plan market - Claims

There were 6.25m claims paid industry wide in 2016 at an average cost of £49.15 per claim. An increase on the previous year of nearly 900 claims per day across the market for providers.



- Benefits paid per contributor are £122 per year, fluctuating by just £3 over the last 5 years.
- Though dental plans are most commonly claimed in terms of volume, optical claims are highest in terms of spend, >£92m in 2017.
- Other claims at 320k have increased however do not reflect market changes as they represent pay outs
- Providers are offering many services that sit outside of pay out including Virtual GP or Benefits platforms

*Source:LaingBuisson, 2017



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Cover & claims – The gender gap...

- Males remain more likely to be covered by a Health Cash Plan with 61% of Health Shield members on corporate plans being male
- This may in part reflect the traditional Cash Plan market with schemes often set up to help cover the needs of manual and physical workforces, usually dominated by a male workforce
- The gender gap is closing but slowly, 42% of new members and renewals in 2017 are female
- Females propensity to use their Cash Plan is higher with a 22% higher claims value than males



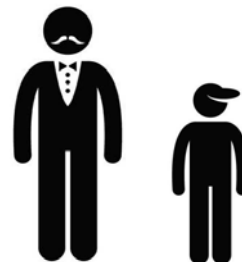
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Cover & claims – Older members benefitting...

- Older members contribute more to their Cash Plan either through top ups or voluntary schemes
- Those over 55 years of age on average pay nearly 75% of their contributions through corporate Cash Plans compared to less than 20% for under 25's
- The average value of benefits received rises with age; those over 55 claim 7 times more than those under 25 and there is a significant uplift for employees >65 years of age



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Underwriting considerations

Current

- Generally one price fits all (premiums don't rise with age)
- Most plans have an age limit of 65
- Work on guaranteed acceptance (no medical examination)
- Exclude pre-existing conditions (unless group risk)
- Corporate premiums often influenced by age and gender
- Initial waiting period
- Maximum benefit levels for products
- Many suppliers only pay contribution towards max benefit (50%-75%)
- Increasing tailoring may lead to increasing claims

Future



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Digitisation and the impact on claims

Speed equals satisfaction but what future digital opportunities exist?

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Online claiming is becoming the industry norm

Providing portals allow consumers to have a greater understanding of their benefits and balances

- Ability to make claims quickly and easily.
- Upload photographs of receipts and receive confirmation of claims details

YOUR PLAN			
	MY PRODUCTS	COVER & CLAIMS	MAKE A CLAIM
Member Name: Mr A.N Other			
Product	Allowance	Remaining	Details
Dental	£200	£144	View Details
Optical	£250	£118	View Details
Physio	£200	£160	View Details
Hospital benefits	£300	£300	
Specialist consultation	£300	£200	View Details
Health screening	£250	£250	



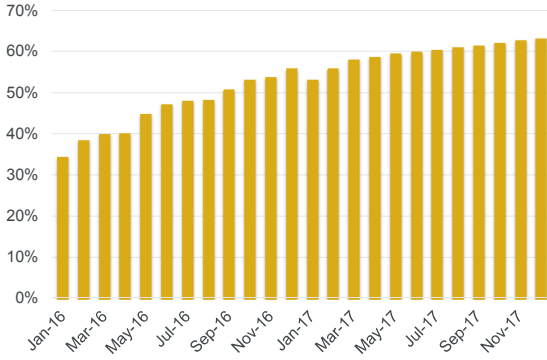
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Online claiming is becoming the industry norm

Proportion of online claims



Overview

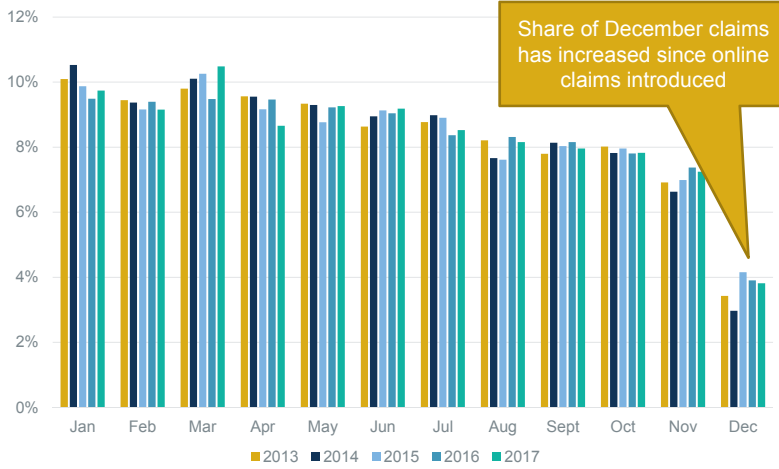
- Photograph receipt
- Upload through mobile, tablet, PC
- Confirm member details
- Over 90% paid within 2 working days
- Varies by product – demographic and industry key factors

Source: Health Shield, 2018
Based on Health Shield Claims

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Does this effect reserving and cash flow?

Claims paid by year end as a % of total paid in year



Share of December claims has increased since online claims introduced

Overview

- Less delay in claims
- Incurred But Not Paid (IBNP) reduced from 12.4% to 10.9%
- Caused cash flow increase in 2015 and 2016 but is now settling down
- Also caused overall propensity to claim to increase

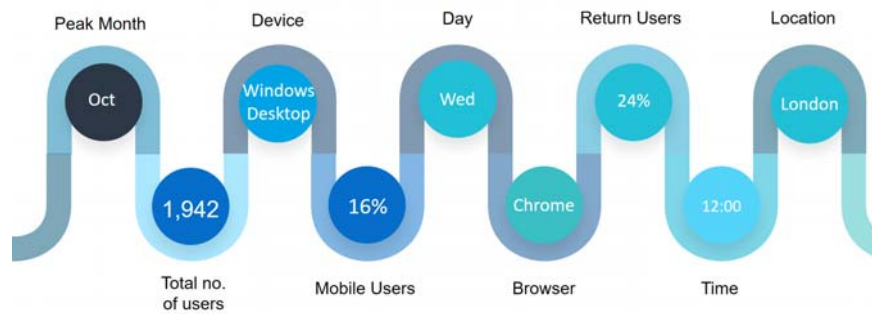
Source: Health Shield, 2018
Based on Health Shield Claims

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Is further digitisation possible?

With new products provided in the digital environment there is potential to improve efficiencies and demonstrate usage and ROI to individuals and companies

Virtual GP service – simple analytics:



- Data is key - Use behavioural modelling scoring to service products and messages at an individual level via relevant digital interfaces.

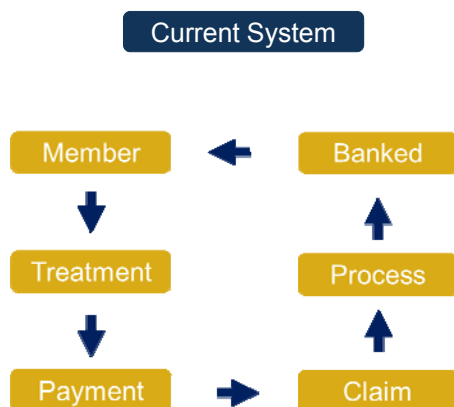


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Is further digitisation possible?



- Creates potential barrier to claim as member has to pay up front and claim back
- IBNP potential
- Manual processing of claims
- Does control costs



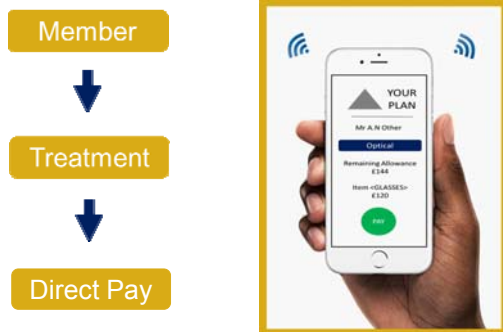
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Is further digitisation possible?

The Future?



- Barrier disappears so claims likely to increase
- Potential for upsell and cross-sell
- Need to create a network of suppliers – though this may become a new barrier
- Potential for fraudulent activity if processes are not controlled



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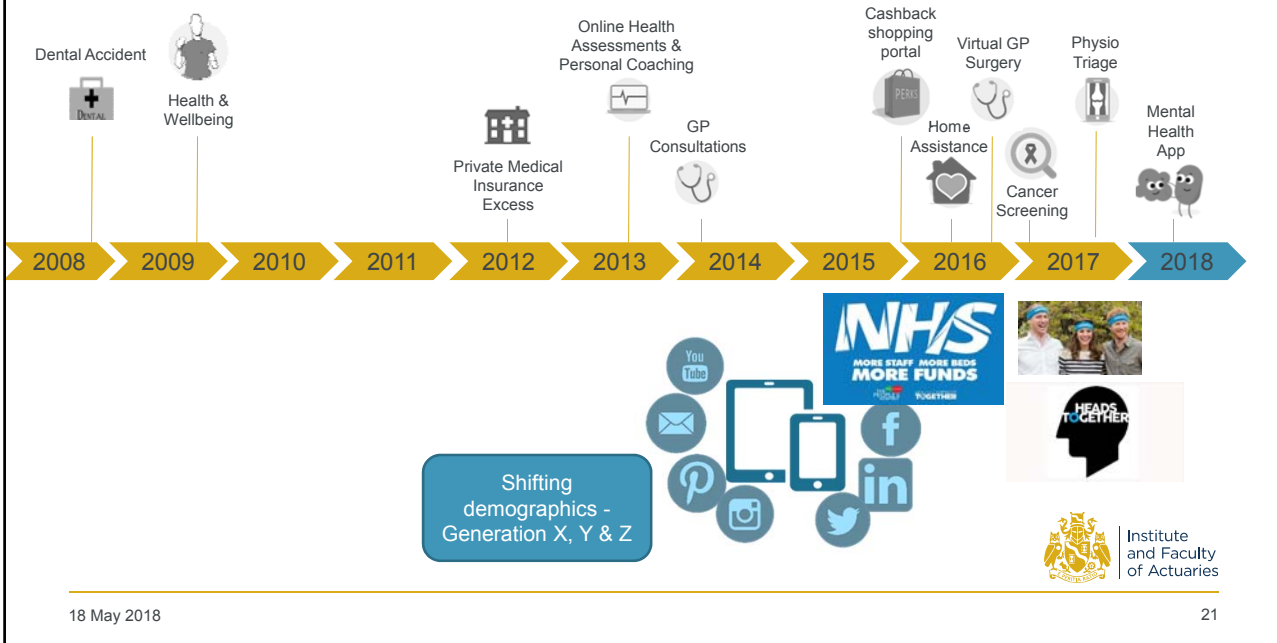
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Usage of new benefits in line with modern society

How the market has grown and adapted

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Benefits have changed in the last 10 years...

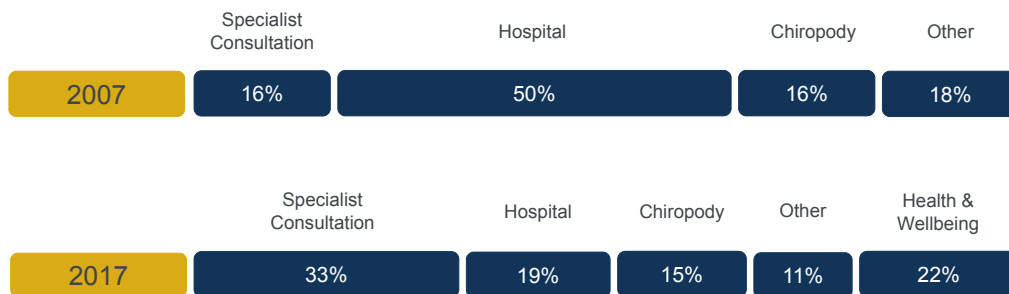


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Going beyond traditional cash plan benefits...

The vast majority of claims in the health cash plan market today are similar to 10 years ago, with dental, optical and physio/practitioner treatments dominating. Beyond these offerings, there have been changes:



Source: Health Shield, 2018
Based on Health Shield Claims statistics, proportion of paid claims



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Going beyond traditional cash plan benefits (2)...

The claims highlighted previously are claims that are 'paid', wellbeing services are increasingly providing a service as opposed to a cash benefit:



VIRTUAL GP

>2,000
users last year

250 working days
potentially lost if not
using the service



EAP

>26,000 users last
year

>5.5k advice &
counselling calls

>2,700 face to face
counselling sessions

Source: Health Shield, 2018



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Changing needs in the workplace...

Employer

- Absence is costing UK businesses >£12.8bn per year
- The workplace is less about physical exertion – 70% of employers say their staff do a mentally demanding job
- Nearly 3 in 4 organisations rely on early intervention by line managers to reduce absence
- More than 8 in 10 offering employee benefits believe they are an effective retention tool
- 69% do not calculate R.O.I for their healthcare benefits spend
- Nearly 2 in 3 employees prioritise passion over pay favouring a job they love over financial reward

Employee

- Only 15% of people think they are unhealthy but 63% of adults are over-weight or obese
- Less than half of employees feel able to 'switch off' from work when they get home
- 12.5 million working days lost due to work-related stress, depression or anxiety in 2016/17
- Just 3 in 10 UK workers feel that their employer provides enough mental health support
- Less than half feel that their manager understands their needs



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Where next for the cash plan industry?

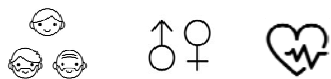
Solvency 2 and the health and wellbeing space

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So what does this mean for the cash plan industry?

Digitisation and the changes in benefits used and provided suggests we will move away from the traditional insured and paid for services to a more personalised, engaging experience:

Present



- Age, gender and health demographics only tell a small part of the picture and are likely to be reduced in determining individual needs
- Behaviours and Attitudes are likely to give many more indicators on lifestyle, exercise, nutrition etc. to enable engagement and preventative or support products and services

Future



- Moments can be key both in pro-active measures and in terms of support, access to additional services at point of need may increase and be even more crucial to the consumer



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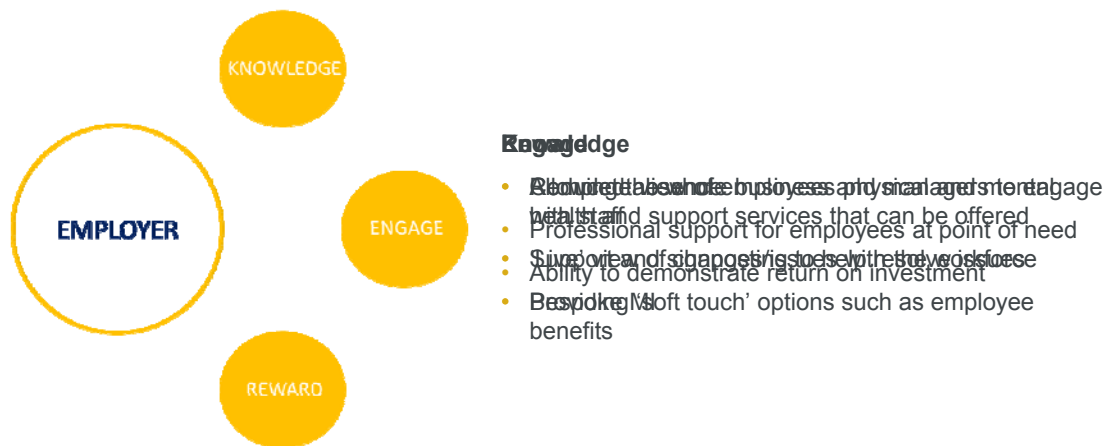
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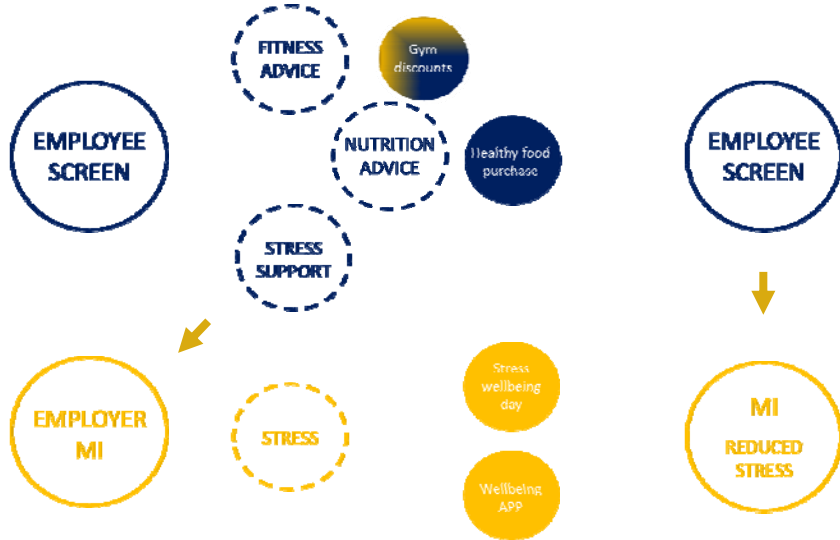
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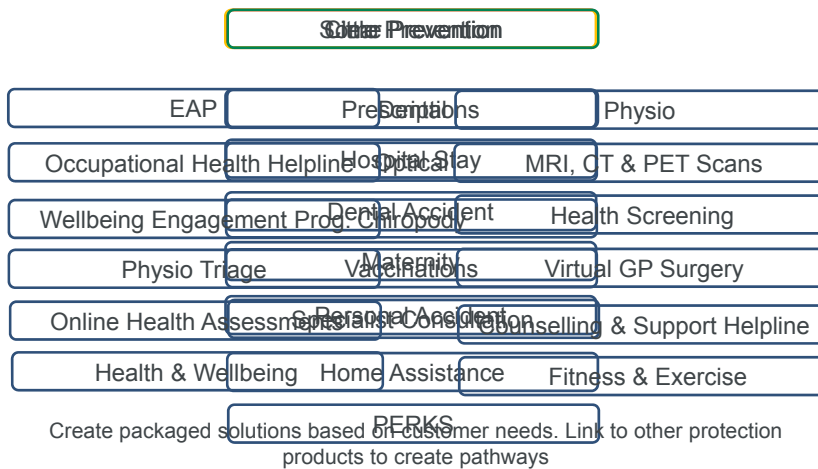


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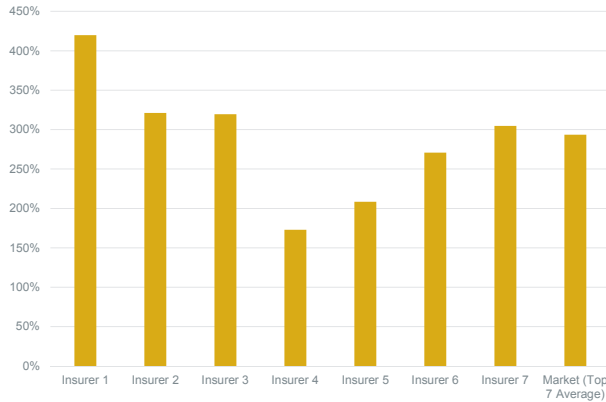
Customer Pathways

Heat Map for Income Protection – can a health cash plan help prevent a claim or reduce severity?



SCR Coverage is high across the industry

Own Funds / SCR



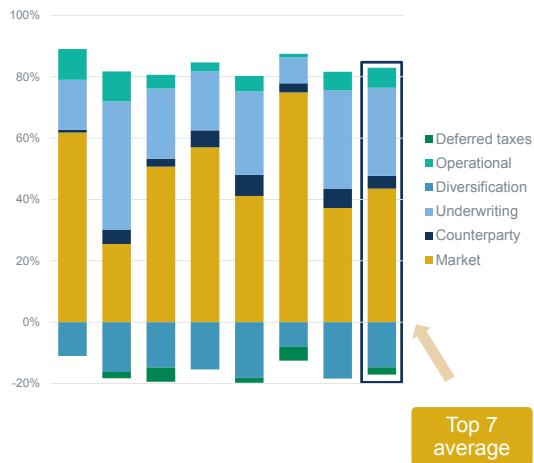
Overview

- Almost a 3 times coverage of SCR across the top 7 cash plan providers
- Allows riskier investment strategies than a typical general insurer
- Therefore, SCR coverage could be increased further by de-risking investment portfolios



SCR is dominated by market risk capital

Top 7 cash plan insurers SCR breakdown



Overview

- High market risk capital driven by large SCR coverage position
- Market risk represents 19% of assets held
- Underwriting risk represents on average 16% of premium



So what does this mean for the cash plan industry?

M&A activity

- Lots of relatively small players with high regulatory burden

Diversification

- Generally monoline providers – have the capital to move into other insurance products

Product Development

- Also have the capital to invest in non-insurance products with health & wellbeing space being the most likely



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Questions



Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

Sources:

Health Shield, Exploring Wellbeing Needs in the Workplace, 2017; Health Shield Insights, 2018; Employee Benefits Healthcare Research in association with Health Shield, September 2017; Health and Safety Executive, 2017; YouGov, 2017; CIPD Employee Outlook, Spring 2017; Mintel, 2017 and Employee Benefits, Benefits Research, May 2017; Laing Buisson, 2017



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