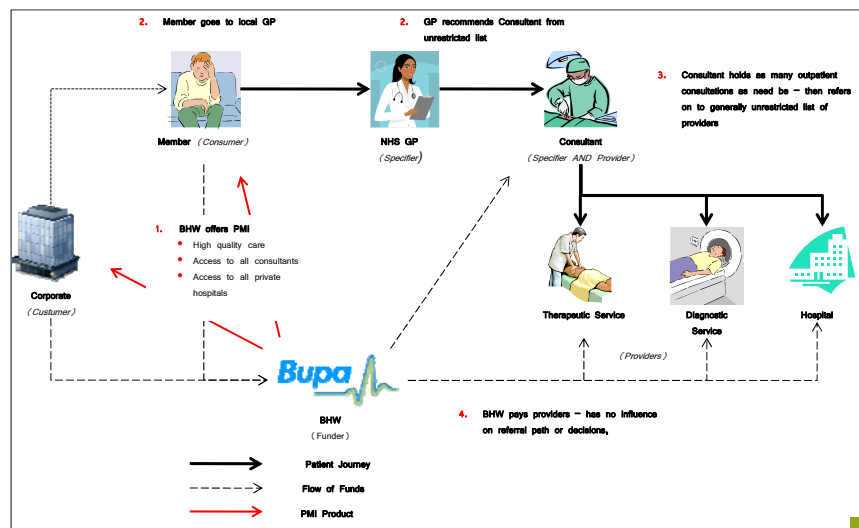


Agenda

- **The Patient Journey**
- Open Referral – the rationale
- How it Works
- Financial Considerations
- Early results

Perverse incentives and moral hazard



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Why we developed Open Referral

To help tackle several issues in the private healthcare market:

- Variation in clinical practice between specialists
- GPs referrals made without data on quality or value of specialist
- Absence of competition, leading to unsustainable cost inflation
- To tackle shortfalls
- In response to patient requests to offer guidance



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GP Referrals

Research suggests limited use of objective quality or cost data by GPs when they make referrals

- Research by Growth from Knowledge for the Office of Fair Trading shows:

'GPs accessed a range of information about privately practising consultants of which **information sent by the facilities within which consultants worked and informal social contacts were the most common.**'

'Only a small proportion of GPs believed that they should recommend a specific facility and/or Consultant to a patient who wished to be treated privately.'

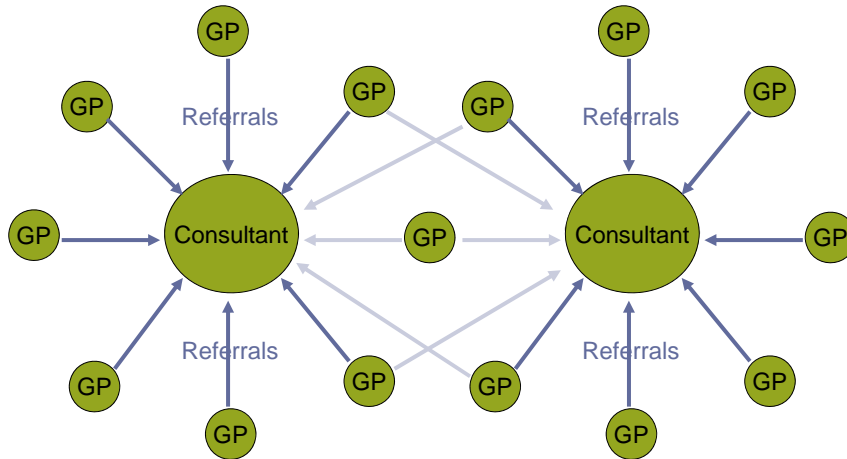
- Research commissioned by the Kings Fund in 2007 shows:

'GPs recognised that in reality, **both formal and informal information was incomplete and unreliable.**'

'One GP said he made generic referrals to a department rather than to a named consultant on the grounds that **the informal intelligence he has about individual consultants is unreliable and not evidence based.** He commented: "I know some of the consultants... by their reputation. Then again, it's all hearsay, it's all anecdotal. And I might get a feel after seven or eight years as a principal in general practice that certain clinicians or surgeons are better than others. But again, that's taken years to build up, years of hearsay. But what's the evidence behind it?"'

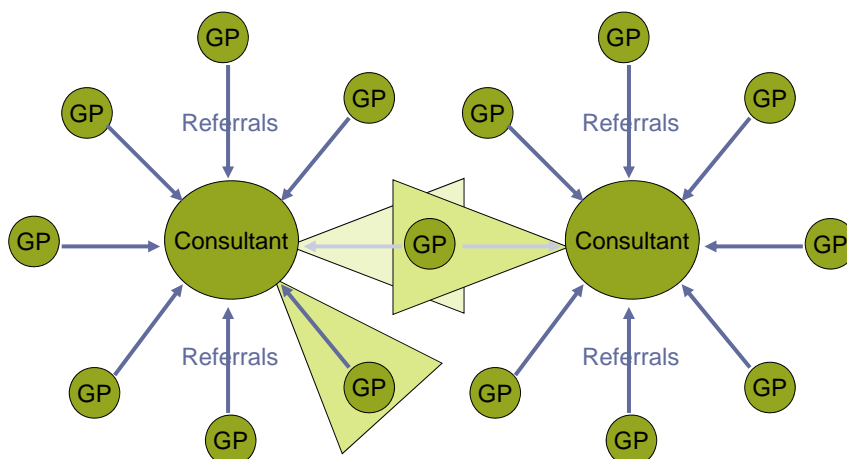
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The Information Mismatch – As Is



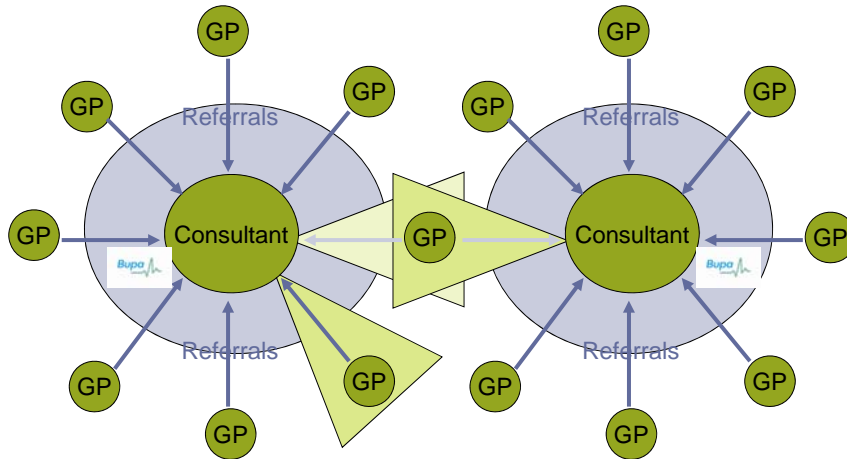
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The Information Mismatch – GP knowledge



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The Information Mismatch – Insurer Knowledge



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Why can the Insurer deliver Open Referral

- Unparalleled level of information to assess both specialists and hospitals.
- Leading in-house analytical capability.
- Focus not just on hospitals but also the consultants, who are the key determinants of quality and value of care.
- Significant experience in guiding patients, with tens of thousands now successfully guided.



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Agenda

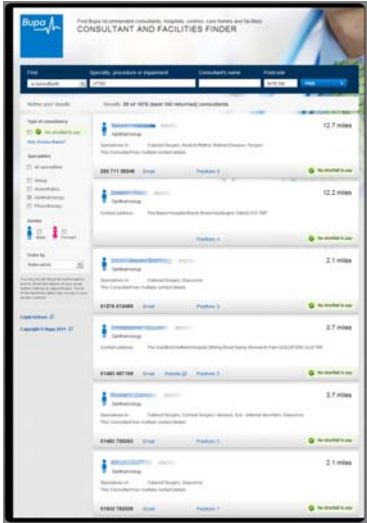
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Drivers of Consultant and/or Hospital Recommendation



- 01** Quality
- 02** Customer experience
- 03** Convenience
- 04** No shortfalls
- 05** Clinician requirement
- 06** Value

Consultant Details



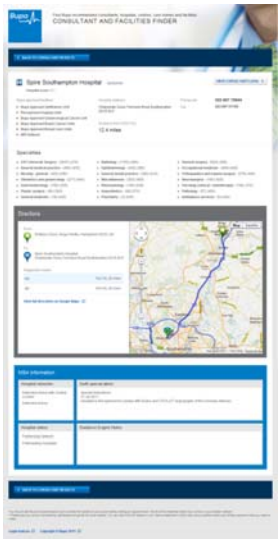
Comprehensive data held on each consultant's practice including:

- procedures performed with Bupa over past 12 months
- impairments treated

Information on consultant's practice location and Google Maps enables easy planning of best location to pre-authorise treatment, making it more convenient for the member.

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Hospital Details



Hospital search information includes:

- specialities that the hospital has provided in the past year
- participation in different Bupa networks, eg breast cancer, MRI
- patient-specific travel route and drive-time on Google Maps

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Pricing Considerations

Price Drivers

- Demographics and shifts therein (age, dependant and gender mix)
- Location and access to consultants and hospitals
- Burden of disease
- Volatility of experience eg high cost cancer events, epidemics etc

Savings and Measurement

- To date, Open Referral, have generated savings which vary per client.
- Variance in member compliance (particularly early on) and continuation of care requirements introduces additional complexity in predicting savings.
- Process of selecting consultants and hospitals will evolve as initial view of quality and compliant consultants and hospitals improves.
- Achieving optimal cost savings “a process” rather than “big bang”.
- As more traction is achieved on Open Referrals, Bupa's scale efficiency in provider negotiations will increase and further savings realised

Impact Model (Indicative) Assumptions

- Split costs into matrix by different claim categories (MSK, cancer etc) and different services (hospital, consultants etc)
- Projected savings impact is calculated as the INCREMENTAL change to 'normal' medical inflation

o Impact of OR in Year 1:

- o On MSK claims costs – 3.5% (max 5.5% ; min 2%)
- o On Cancer claims costs – 1% (max 2% ; min 1%) (reduced influence over patient journey)
- o On Other claims costs – 2% (max 3.5% ; min 1%)

o Impact of OR in Year 2:

- o Removal of Continuity of Care requirements – 33% uplift in savings realised
- o Further savings on consultant costs – 2% (max 3% ; min 1%)
- o Further savings on hospital costs due to improved negotiations – 2% (max 2.5% ; min 1%)
- o Improved health outcomes - 0% (max 1% ; min 0%) as it will take time for outcomes to improve but we expect that at a minimum there will be no deterioration in outcomes

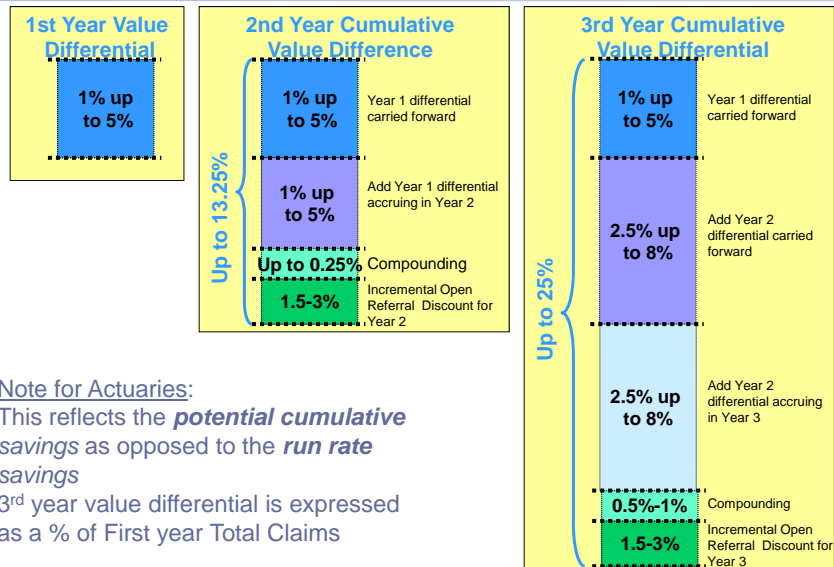
o Impact of OR in Year 3:

- o Further savings on consultant costs – 2.5% (max 5% ; min 1.5%)
- o Further savings on hospital costs due to improved negotiations – 2.25% (max 4% ; min 1%)
- o Improved health outcomes - 1% (max 3% ; min 0%)

Model (Indicative) Outputs

- Savings realised will vary from client to client based on own cost matrix
- First year pricing differentials are 1% to 5% based on risk factors and ability to generate the savings
- The experience rating process will carry through Y1 savings into Y2 but further incremental expectations will be factored into Y2 and beyond pricing

Model (Indicative) Outputs - Value Realisation



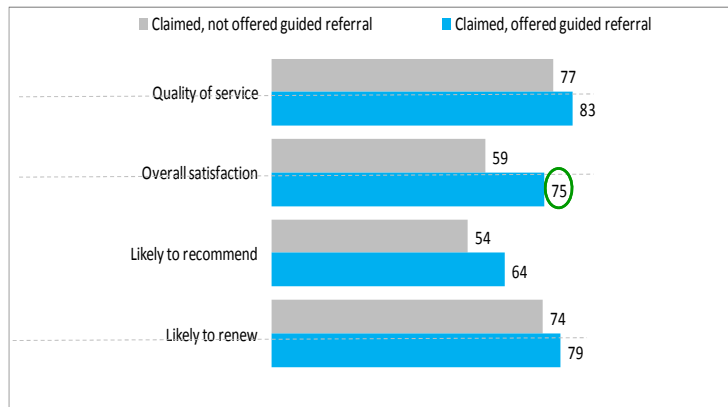
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Customer Satisfaction metric suggests that our Referral process delivering significantly more satisfied customers



A 27% uplift in overall customer satisfaction
Significantly high take up from Corporate customers where offered at renewal

Source: HI Customer Satisfaction Dec 2011, Ipsos Mori for Customer & Healthcare Insight

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Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

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

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