



**The Actuarial Profession**

making financial sense of the future

# Insurable Cancers

A PMI Perspective

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# Agenda

- Why is cancer not properly covered?
- A journey back to first economic principles – supply and demand for cancer coverage
- Improving PMI cancer coverage

# Why are we so scared?

- Too costly:
  - Out of our comfort zone of “small claims”
  - Capital/reinsurance implications
- Area of fast-advancing science => unpredictable trends
- Requires more clinical knowledge/case management than elective procedures
- Uncertainty over longevity of claim
- Traditional view that NHS is best for “serious & life threatening illness”
- Hiding behind outdated chronic/acute distinction

# Four Functions of Health Insurance<sup>1</sup>

Catastrophic Coverage	Wellness Principles	Wholesale Pricing	Income Redistribution
Insurable events are: 1. Unpredictable 2. High Cost	Preventative Services: Desirable for all Low Cost, vaccines, check-ups	Bulk purchase of medical services	Transfers funds from sick to healthy
Lends itself to high excess, coinsurance	No copays, or coinsurance	Lowers prices for individuals	Desirable, but induces huge moral hazard
Limited Moral Hazard (coverage does not induce demand)	Coverage encourages use	Valuable discounts to consumers, even after member cost-sharing	
Potential for adverse selection?	Core function of managed care		

1: Professor James C. Robinson, University of California, Berkeley

# Translated to UK PMI & Cancer

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Limited Moral Hazard (coverage does not induce demand)	Coverage encourages use	Valuable discounts to consumers, even after member cost-sharing	
Potential for adverse selection? Underwriting can handle this	Core function of managed care		

# Supply Side Issues – What should Insurers provide?

- Rationale for covering all cancers established from insurer's side
- Underwriting issue to determine causality and exclude/load appropriately for pre-existing
- Legacy systems and skill mix is administrative burden, but not an excuse for lack of innovation

# Demand Side Issues – What do Customers want?

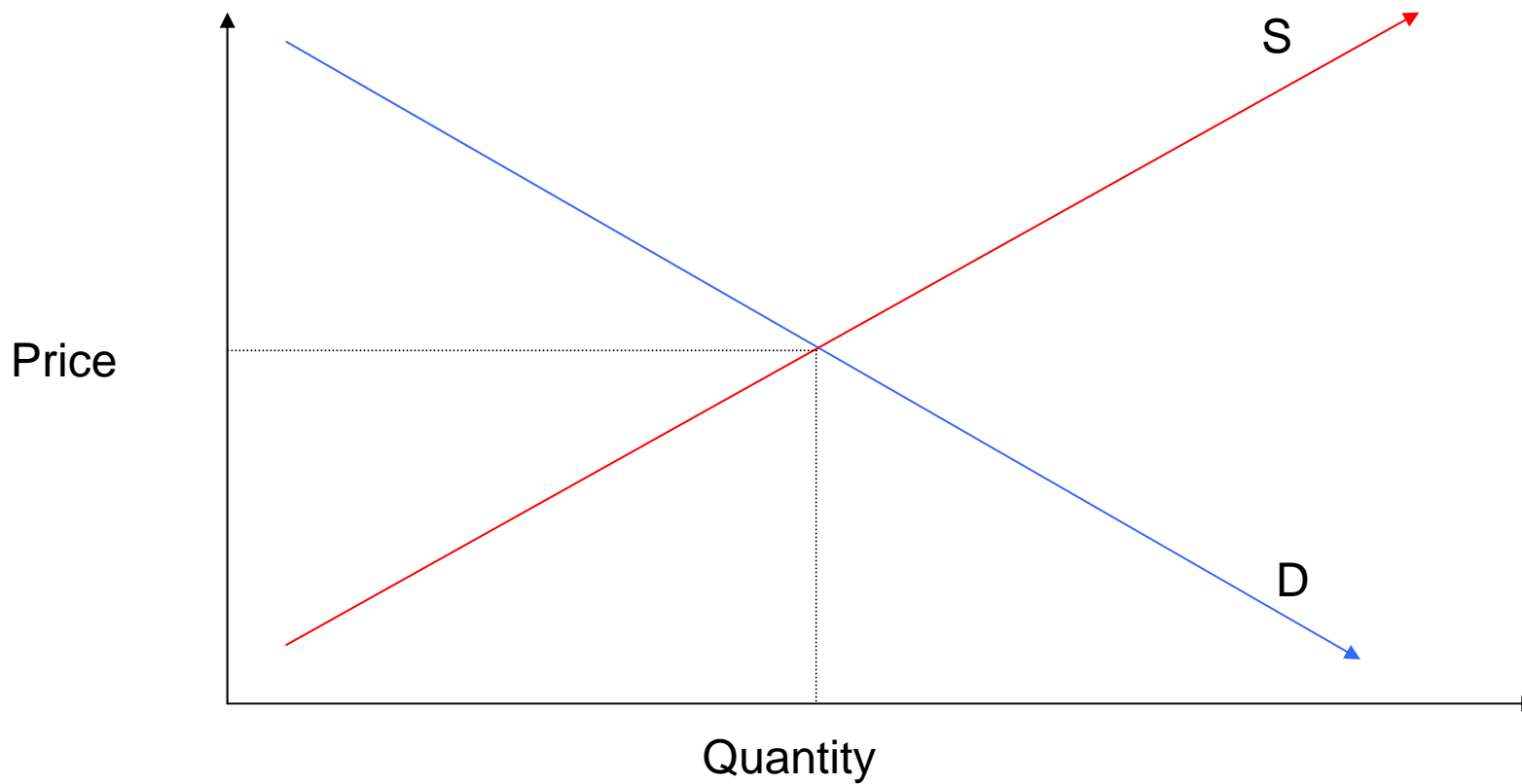
- Peace of mind:
  - Clinically – are they getting the best available care and advice in a timely manner?
  - Financially – what is their likely maximum liability if they get sick?
  - Pleasant surroundings
- Cancer is one of biggest health worries – implies demand for insurance
- Customer don't know which cancers are treated optimally in the NHS and which are not!

# Demand Side Issues - CancerBACUP Report

- Identified key failings of insurers to communicate their coverage (both to consumers and their own sales staff)
- Tales of consumers sent back to the NHS when their cancer becomes terminal/incurable
- Argued that cancer is not chronic and the phrase “active treatment” comes in for particular scorn
- Too much subjectivity is not doing insurers any favours
- Implies demand for cancer treatment



# Demand Side meets Supply Side = MARKET!



# How can PMI insurers improve cancer coverage?

- Provide comprehensive **insurance** cover
  - Subject to high, but known, excess if necessary to reduce costs
  - Bulk purchasing power to give discounts
- Provide **added-value** services
  - Opportunity for Case Management and distinguishing on “Quality of Care”:
    - Evidence-based treatments – giving better outcomes
    - Patient and Family advice

# Conclusions

- PMI should cover ALL cancers at ALL stages if cancer coverage is to be offered
  - All insurable events, subject to underwriting constraints to reduce adverse selection and appropriate (known) cost sharing
  - Customers don't know which NHS services are good and which are poor - implies customer demand for all cancer coverage
- Urgent need to clarify policy wording and communicate coverage around cancer
- Great opportunity for value-added services around case/disease management, ie:
  - Best practice guidelines
  - Advice for patients and their families