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Narrowing China's Health Protection Gap

By Robert Burr and David Zhang

RESEARCH BACKGROUND

According to a report from the World Bank and the World Health Organization in 2017, close to 100 million people worldwide are pushed into poverty every year due to health expenses. Swiss Re released the latest update on the Asia Health Protection Gap research. The research surveyed more than 16,000 consumers across 12 markets in Asia to investigate the causes and implications of financial stress arising from out-of-pocket health care expenditure. This study is essentially a reflection of consumer perception toward the gap between their ideal level of health care services and affordability. Markets covered by this research include mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

All across Asia, payment for medical services is viewed as the biggest challenge to households.

“Although China’s economy has been growing rapidly and people are earning higher household income, access to quality and affordable health care continues to be a challenge in the country today,” said Robert Burr, managing director and head of Life & Health Client Markets Asia at Swiss Re. “This study identifies the various factors driving the health protection gap in China and 11 other markets across Asia. Together with the government’s effort in driving better protection for the people in China, it’s time for all stakeholders to come together with a multilateral approach to build stronger societal resilience for all, especially with health care providers, insurers/reinsurers, pharmaceuticals and nonprofit organizations.”

DEFINITION OF THE HEALTH PROTECTION GAP

The gap in this report is defined as the amount of financial stress arising from unforeseen, direct out-of-pocket medical expenses,

and the estimated cost of nontreatment due to limited ability to afford. The gap could be medical expenses not covered by other payers such as insurance, social security or government, forcing people to cut back from other household spending (for example, school fees) or use personal savings or loans to fund such unforeseen expenses. Or it could be nontreatment due to lack of financial resources, potentially exposing the households to greater health risks and worsening health conditions.

KEY FINDINGS

Asia’s health protection gap increases to USD1.8 trillion (7.4 percent of regional GDP)

All across Asia, payment for medical services is viewed as the biggest challenge to households. The current health protection gap means that more than 40 million households are under financial stress due to medical expenses. The consequent emotional burden and treatment cost are even greater.

Most of the gap, near USD1.4 trillion, originates from Asia’s emerging markets, including China. According to our survey, average out-of-pocket medical expenses in emerging Asia constitute almost 18 percent of net household income. In the absence of remedial actions, we expect the health protection gap across Asia to widen in the coming years as the rates of acceleration in aging and of growth in medical inflation are higher than the growth rate of average incomes.

In recent years China’s health protection system has continued to improve, and it covers all basic protection needs. According to this survey, the share of out-of-pocket (OOP) health expenditure in China is comparable to the Asian average (10 percent), second only to Thailand (2 percent) and the Philippines (9 percent) among emerging markets. However, due to its enormous population size, relatively low gross income level and ever-increasing health protection needs driven by continued economic growth, there was still a USD805 billion health protection gap in China in 2017.

Overconfidence About One’s Health, the Prevalence of Chronic Conditions and Increasing Health and Wellness Behaviors are Some of the key Factors Affecting the Health Protection Gap

Consumers tend to be overconfident about their health status in China, which in turn leads to greater interest to purchase insurance. Fifty-one percent of respondents described themselves as healthy, 29 percent of the self-reported healthy ones exercise only once a month or less, while 27 percent are smokers.

Improving financial status is changing lifestyles in China, which has also contributed to the increasing prevalence of chronic conditions. According to the survey, 47 percent of households in China are dealing with chronic conditions, and they contribute



to 55 percent of China’s health protection gap, higher than Asia’s average of 46 percent. As a result, households with chronic conditions have higher interest to buy insurance. The health protection gap may continue to grow as the prevalence of chronic conditions aggravates with urbanization, ageing issues and economic development.

One way to tackle the health protection gap is to promote consumers’ involvement in health and wellness activities. More than 80 percent of respondents in China are engaged in health and wellness activities, and they also show a greater interest in buying insurance.

FUTURE INITIATIVES

Embracing Digital Developments Provides Opportunities for Narrowing the Gap

As one of the most digitally advanced countries, China had more than 770 million internet users in 2017. About 26 percent of respondents in China owns a wearable fitness app. As consumers have easier access to their health data and are able to analyze the data through personal health management apps, the insurance industry can seize the opportunity to enhance multipronged cooperation to develop innovative solutions. At the same time, it should promote health assessment and management among the public aimed at addressing specific health protection needs.

Multiparty Cooperation to Deal With Various Scenarios in the Health Care Sector

Insurers, governments and health-care providers should explore new ways of cooperation to effectively minimize risks by sharing market development costs (including distribution and promotion costs, as well as the cost of raising consumer awareness).

China can give the public-private cooperation model a try to complement the current health protection system, encouraging commercial insurers to provide more comprehensive and flexible medical insurance products beyond basic protection. By fully unlocking the potential of commercial institutions, the relevant government agencies will receive better support to facilitate the virtuous cycle of the social insurance system and expedite the fulfillment of the “Healthy China” goal.

“Narrowing the health-insurance gap requires collaboration among multiple stakeholders. As a key player in the health-care value chain, insurance companies should focus on providing consumers with technology-based solutions that meet the actual needs of the Chinese market, thus offering a tool to close the gap for society and consumers,” David Zhang, head of Client Markets Life & Health China, Swiss Re. ■



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