



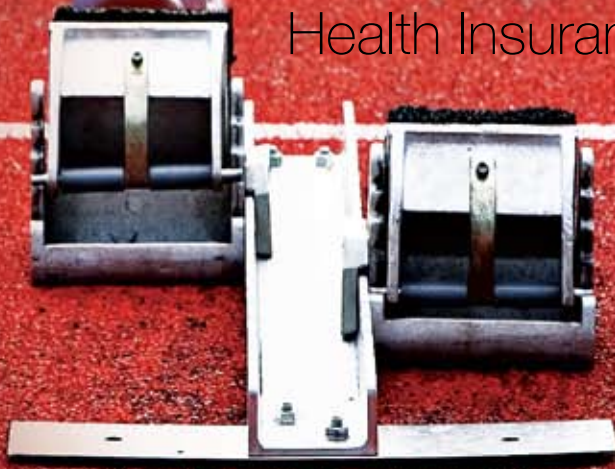
**VANTAGE**

Risk Advisory and Insurance Broking

India Report

# PERISCOPE **2 0 1 1**

Towards a smarter, more sustainable  
Health Insurance Programme



# Foreword



Over the years, Vantage has built an enviable reputation in the Employee Benefits Insurance space through its unwavering pursuit of solutions to emerging problems and also its ability to increasingly offer more value. We take special pride in knowing that we've stood by our clients at all times, working with them to derive the best value from their investments.

The Health Insurance segment has arguably seen more turbulence in the past 24 months than in the preceding decade. In the backdrop of this economic turmoil, the stakeholders of the industry, especially the employers, have had to manage more variables than they bargained for. And yet, it's heartening to note that most employers are fully committed to designing well-differentiated and meaningful benefits packages that will boost productivities and bottom-lines by creating healthier workforces, which in turn will result in a healthier society.

These and many other trends and developments have been covered in great detail in our Second Annual Employee Benefit survey titled **Periscope 2011 – Towards a smarter, more sustainable Health Insurance Programme.**

As most of us expected, premiums have continued to rise this past year, 58% of the respondents saw an increase in premium and the average increase for them has been 28% during their most recent renewal. Whilst this is lower than the increase witnessed in 2010, one can also conclude that the era of increasing premiums is not yet over. Employers have responded to this realization by introducing benefits changes that not only control costs but also infuse their employees with a sense of responsibility. It has also emerged that morbidity ratios and inflation have gone up this year, and employers need to brace for a further increase in these key parameters in the years to follow.

Meanwhile, I'm delighted to announce that this year's survey offers even more insights because it includes a component called the Trend Survey. In this:

1. We've taken significant reams of India Inc's data – pertaining to premiums, benefits and claims – and analyzed it in order to spot large and small trends.
2. We've further used our own exposure and expertise to offer our point of view on crucial developments.

I'm sure that our findings in this regard will help you take more informed decisions while designing your benefits package.

Please contact us if you need more details on this survey or any other important developments in the market. We at Vantage thank you for your time.

Warm Regards,

Arvind Laddha  
CEO



# Executive Summary



Periscope 2011 is our second annual employee benefits study. As thought leaders in this ever evolving domain, our intent is:

1. To help stakeholders understand current and future trends and issues in the corporate health insurance portfolio.
2. To help employers implement insightful and effective employee benefits solutions.

Of course, we've incorporated a few enhancements this year.

While our last report '**Rising to the New Cost Challenge**' was primarily based on inputs received from employers, we have expanded the scope of our research this year to include:

- The Trend Survey analysis which comprehensively captures the health plan data of the employers. And since a single year's data can be misleading, we've distilled clearer trends by analyzing policy data belonging to the 2008-2011 period.
- The views of some of the leading insurance companies on various aspects of the Health Insurance domain. Having the Insurers in the survey has allowed us to offer broader and deeper insights into the trends as well as the outlook going forward.

As a result, **Periscope 2011** is an amalgamation of three distinct surveys:

- The Employer Survey – Solicited employers' views to better understand what organizations offer today and what they are planning for the future.
- The Insurer Survey – Solicited the views of insurance companies to better understand various vital aspects of health insurance.

- The Trend Survey – Conducted by collating 4 years of health plan data from employers.

All three surveys focused on four areas of prime importance to the employers with respect to the health insurance benefit provided to the employees:

1. Benefits
2. Claims
3. Premiums &
4. Insurance Partners.

**So we've classified our key findings also into these different focus areas and presented them hereunder:**

## BENEFITS LANDSCAPE

- Not surprisingly, the most important objective behind changes made to benefits has been to **contain costs**. However, employers also stressed that it is equally important to make the employees more responsible towards usage of the health benefits. In a nutshell, benefits changes are driven primarily by cost concerns and a desire to infuse employees with a sense of responsibility.
- **Room rental restriction** is the most popular risk control measure with 87% of the employers adopting this restriction in the policy in 2011. Co-payment on claims is the second-most popular risk control measure and it has been adopted by 45% of the employers.
- Cost sharing measures seem to be gaining popularity amongst employers with co-pay/deductible and premium contribution by employees emerging as the most common change **planned for 2012 or later**.

- While employers believe that the benefits of voluntary parents policy have been well - communicated and that their employees have embraced it as a positive step, the data shows a significant disconnect. Employers, on an average, believe that 42% of their employees have opted for this benefit whereas the actual average enrollment, as revealed through our data analysis, is significantly lower at 19%.
- **Communication** has predictably emerged as an important aspect of benefits changes. To be able to make the desired changes, there is a need for an effective communication strategy and unambiguous messaging that resonates with all the employees, irrespective of the stage of life they are in. Communication must engage, not alienate, them. They must feel like participants of change instead of feeling disempowered by change.

## CLAIMS REALITY CHECK

- **Cashless claims have risen 26%** over the two year period between 2008 and 2010 while re-imburement claims have gone up 9% in the same period. This represents an annualized increase of approx. 10% in average claim size for these 2 years.
- Data analysis suggests that the morbidity ratio for parents in case of voluntary cover is the highest at 16% in 2010. This is nearly twice the morbidity ratio for policies where parental coverage is funded by the employer.
- The impact of restrictions like co-payment on claims has been taken into consideration during the claims analysis and changes have been made to the data accordingly in order to simulate a steady state.
- The survey analysis suggests an upward trend in the average claim size with the increasing sum insured.
- Insurance companies believe that a surge in Health Insurance claims has impacted their bottom lines and is therefore of paramount concern to them. They further are of the view that overpricing by the hospitals has had a significant impact on this rise.
- As employers realize the importance of managing the rising costs of claims, they seem to understand and value the importance of employee education. 60% of the surveyed employers are seeking to control claims through employee awareness. 50% of the Employers surveyed are looking at implementing Health & Wellness initiatives to encourage employees to take better care of their health.

- Employers feel that the service providers are best-equipped to control claims by negotiating competitive package rates with the hospitals. Another effective methodology, they say, is conducting claims audit in a rigorous and thorough manner.

## PREMIUM

- 58% of the respondents saw an increase in the premium this year and the average increase for them has been 28%. While this number is still alarming, it is lower than the 40% increase in premium they experienced last year as revealed in our last year report.
- A third (33%) of the Insurers believes that the employers may consider self-insurance in next 2-3 years.

## INSURANCE PARTNERS

- Majority of the surveyed employers have indicated that they are either highly or moderately satisfied with their current insurance partners. This explains why fewer employers are changing their Insurance companies and TPAs.
- A wide network of empanelled hospitals has been considered the most important parameter by the employers for engaging a TPA. While competitive pricing is rated the most important consideration for them for selecting an insurance company.
- Employers have rated good service as the most important consideration while engaging a broker.

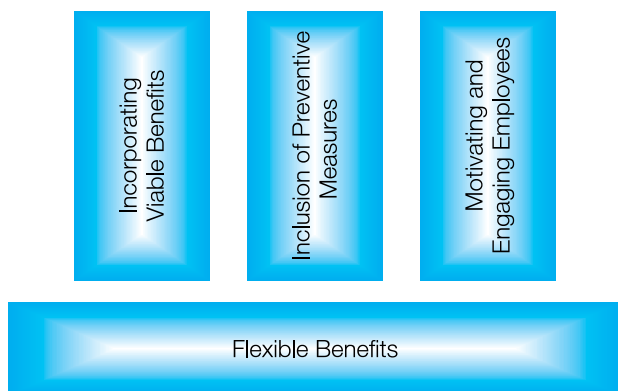
## THE ROAD AHEAD

We believe that for Health Insurance programs to remain viable, employers must continue to develop and implement strategies that control cost and utilization while not diluting the primary objective of these programs: employee welfare and morale. Employers further need to include preventive measures as a part of the policy benefits – this will encourage patients to receive treatment for a disease in the less expensive outpatient setting, instead of waiting until treatment is possible only via expensive inpatient care.

The nature of a benefits package can be quite confusing to the average employee. Therefore, changes in the benefits structure are usually even more confusing. In our experience, effective communication can alter the perception of benefits being offered, ensuring that they are understood & valued instead of being overlooked by the employees. Let us also suggest that employers consider providing employees with

more personalized plan choices that empower them to select the plan that best meets their needs and the needs of their families. In this model, the employee cannot but value the enormity of the benefits being offered.

The three main pillars to build a sustainable plan design are depicted in the diagram below.



As inflationary healthcare costs have been the top concern for employers in this realm, we recommend that they proactively concern themselves with the 'Wellness' of the employees. A well-designed and comprehensive Wellness program can help manage spiraling medical costs, improve productivity and thereby have a positive impact on an organization's bottom line.

Here are some points for setting a Wellness program in motion.



It's also become amply evident that other stakeholders want the TPAs to use their knowledge and accessibility to negotiate competitive standard packaged rates for different ailments. Having done that, they can also ensure that the hospitals adhere to these rates while not compromising on the quality of care offered to the patients. Insurers/ TPAs could also look at incentivizing those hospitals that consistently deliver on these parameters.

By working on the concept of pre-admission certification and utilization review in India in the near future, we believe that TPAs will be able to manage the cost even more effectively.

We believe that **Self-funded** employee healthcare insurance plans is an alternative model that can allow employers to reduce and manage their healthcare costs and improve their cash-flow while still delivering the health coverage they desire for their workforce.

However, there are certain hurdles like taxation & regulatory issues etc. in implementing self-insurance plans effectively in India currently.

Our recommendations have been made keeping both the short and long term view in mind and some of these recommendations may be implementable only in the longer term as the eco-system evolves.





# Demographic Profile



## Overview of the Employer Survey

The Employer Survey results are based on a national survey of 180 employers. Respondents include HR/Finance/ Procurement leaders, Benefits Managers, Analysts and Administrators.

**Given below is a breakdown of survey respondents by industry segment:**

Industry	Respondents
IT/ITES/BPO	47%
Manufacturing	12%
Finance/Insurance/Banking	7%
Consulting	6%
Healthcare	4%
Advertising/Broadcasting and Media	3%
Retail	3%
Logistics	2%
Construction	2%
Power/Energy	2%
Manpower outsourcing and staffing	1%
Others	11%

## Overview of the Insurer Survey

12 General Insurance companies in India, representing both the public and private sectors, responded to our invitation to participate in the Insurer Survey. The respondents include senior underwriters for the health portfolio from these insurance companies.

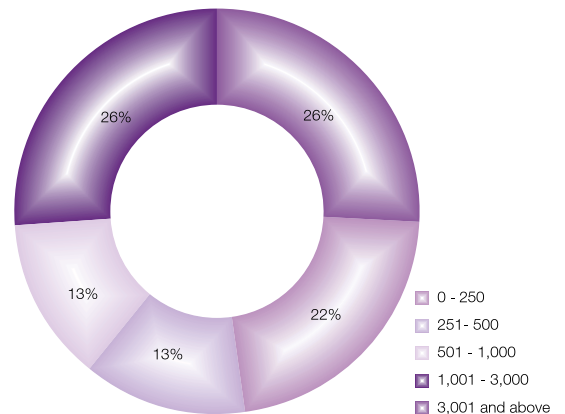
## Overview of the Trend Survey

105 employers, representing nearly 490,000 employees, were incorporated into our trend analysis. Various policy-related information like benefit details, premium, claims and member demography of the participant companies have been considered for the analysis.

The respondents of the survey represented a variety of industry groups. A majority of them (59%) belong to the IT/ITES/BPO sector, followed by consulting firms (10%). The participating respondents also belonged to other sectors like financial services, manufacturing, advertising and media, retail etc.

**Below is a breakdown of survey respondents by employee headcount:**

## Employee Headcount



# About Vantage

We are known in the industry for our client focus and customisation, knowledge and most importantly our capability in delivering complete end-to-end solutions. Founded in 2004, we feel fortunate to count the following in our achievements:

- Today we partner over 250 leading Employers from varied sectors including IT-ITES, Banking & Financial Services, Construction, Energy, Hospitality, Advertising & Media and service over 700,000 lives in India.
- Our clients belong to the top ten players of IT, BPO, Consulting and Insurance industry.
- With a PAN India presence across 6 locations, we have shown a growth of over 40% per year since inception.
- Amongst the Top five Employee Benefit Insurance Brokers in India

Additionally, committed to emerge as a thought leader in the Industry we deliver the following–

- Annual Employee Benefit Insurance surveys providing insightful and effective Employee Benefits Solutions
- Regular release of newsletters on Insurance market updates and various health topics.
- Engage in Employee Benefits Communication for better policy awareness.
- We also engage in Health and Wellness programs for improving health culture.

## Disclaimer

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**VANTAGE**  
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