

Pricing and Data Quality – Needs and Challenges

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Pricing and Data Quality– Needs and Challenges

- **Health Insurance – Current Scenario – India**
- **What is Pricing??**
- **Health Insurance Pricing – Challenges**
- **Real World Data Issues**
- **Data Quality**
- **Retail Health**
- **Group Health**
- **Mass Health Schemes**
- **AA Certificate – File & Use Process – Warning!**

Health Insurance – Current Scenario – India

- Growing at an impressive rate (CAGR c23%), over last five years.
- Health Insurance is 2nd largest contributor to General insurance premiums after motor insurance.
- Over any other considerations, healthcare could also be classified as a “**social good**”, with Health Insurance as a critical component for delivery and management of such a good, e.g. Public Private Partnership (PPP) model for RSBY.
- Still at a relatively nascent stage with low penetration rate overall.
- New entrants still eyeing up to enter the Indian Health Insurance market to gain space.
- Hence, amongst others – **PRODUCT DIFFERENTIATION and PRICE** – becomes critical components to create an individual space.

What is Pricing??

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- Appropriate Price – Neither too low and nor too high.
- Appropriate pricing can help with
 - Risk Selection
 - Growth
 - Maintaining Brand value
 - Customer Value Management
 - Sustained Profits
- Appropriate Pricing usually goes a long way!!



Health Insurance Pricing – Challenges

- Mediclaim underwriting / Moratorium – Low Disclosure Rates
- Adverse selection and selective lapsing
- Moral hazard, especially from Network Providers
- Lack of resources/data/experience for to match evolving healthcare needs with product innovation (moving beyond hospitalization and looking at preventive / primary care, disease management etc.)
- Uncertain claims exposure (medical inflation, emergence of new diseases/illness patterns, changes in medical treatment procedures)
- Changing lifestyle and financial sophistication of customers
- Competitive pressures disallows to charge appropriate level of premiums
- Social Angle – could be gauged via IRDA regulations
- **Good Quality Data could be one of welcome solutions for above problems!!**

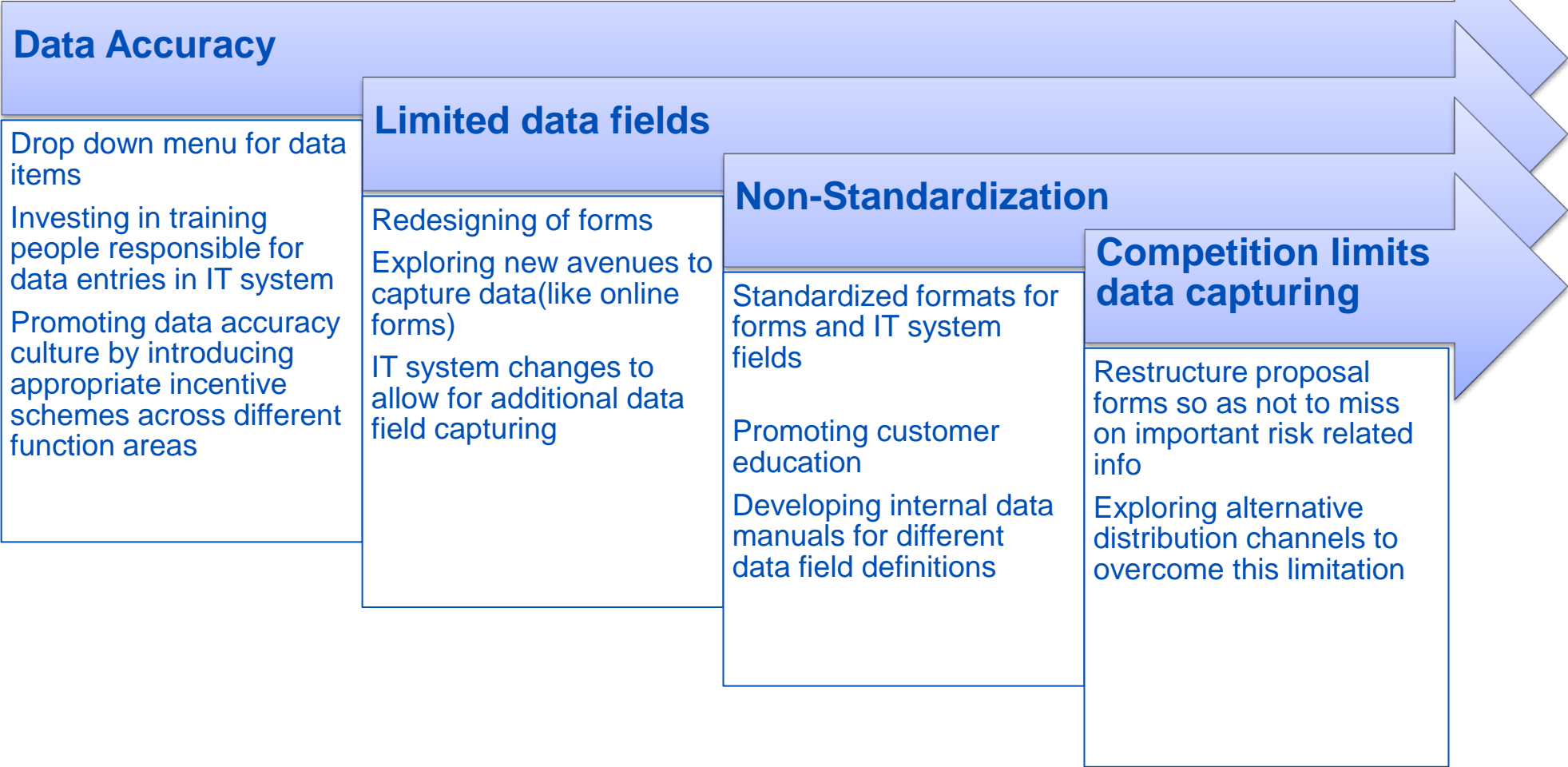
Real World Data Issues

- As per the “Health Insurance Data Analysis Report 2011-12”, published by Insurance Information Bureau of India (IIB)
 - Only 39% of the total claims have valid diagnosis codes (ICD-10).
 - Only 44% of total claim records have correctly filled in Pin codes for hospital.
 - For 22% of the claims, gender is not specified
 - Around 24% of the claims have incorrect information about age and/or gender of claimants
 - By amount, 22% of the claims paid have no stay information in a hospital
 - Etc...

Data Quality

- **Good Quality Data**
 - **Credible**, based on sufficient volumes
 - **Relevant**, for the population under consideration
 - **Accurate**, in terms of information provided
 - **Granular**, available at sufficient level of detail
 - **Up to date**, for known and recent changes

Retail Health



Group Health

Data Custody with TPAs

Regular validation checks could be introduced to identify data anomalies

Modify/restructure existing service level agreements

Data Accuracy

Develop internal processes to validate data received from TPAs

Develop system facilities to store past quotations offered to the same clients

Competition & efficient data capturing

Arrange forums where all stakeholders can participate to discuss their respective issues and challenges to find possible solutions

Promote sharing of industry data and experience through right platform so as to align interests of all parties

Fraudulent claims

Promote standardized data capturing and sharing fraudulent claims information across industry

Develop internal fraud identification frameworks

Develop predictive modeling expertise internally

Mass Health Schemes

Data Reliability

Validation processes need to be implemented to ensure data accuracy obtained from different sources

Lack of desired level of detail

System up-gradation to allow/facilitate capturing of desired level of details
Training of data entry staff
Introducing incentive schemes

Obsolete/Out of date data

Specify a minimum time interval for updating public available information
Resources management to support it

Fraudulent claims

Customer education
Punishment/penalty to be imposed on defaulters

AA Certificate – File and Use Process

- Certificate by the Appointed Actuary as part of the File and Use process, states
 - “The rates, terms and conditions of the above mentioned product are determined on a technically sound basis and are sustainable on the basis of information and claims experience available in records of the insurer.”
 - “An adequate system has been put in place for collection of data on premiums and claims based on every rating factor that will enable review of rates and terms of cover from time to time. It is planned that the rates, terms and conditions of cover based on emerging experience.”

To all potential Appointed Actuaries here, are we ready to sign!!

Thanks