

Bupa Global Rate Review

October 2019



A guide to Rate Review - October 2019

Over the past months we have undertaken the regular rates review for the Brighton portfolio which will be implemented for **October 2019**.

On this occasion we have limited changes to those with the highest legal and regulatory priority. This means the volume of changes being made are far reduced than what was implemented in 2018.





Why do we have a rate review?

The role of our rate review is to ensure our products are the best that they can be for our customers, are positioned correctly in the market, take into consideration changes in the health industry and are performing as expected for the business.

Rate review takes place once or twice a year depending on the product. The annual adjustments in premium allow for any changes in medical inflation and product offering. This ensures our standards of service are not compromised and customers continue to receive the **best possible experience and treatment at the right price.**

We are committed to controlling costs and use our position and network as one of the leading providers of global International Private Medical Plans (IPMI), our regional-based Third Party Administrators and close relationships with hospitals and doctors around the world, to achieve this throughout all stages of the customer journey.

Our pricing philosophy and approach

Bupa Global's pricing philosophy

Our ultimate aim is to provide products that reflect value for money based on accurate risk assessment, transparent costs and reasonable profits. To achieve this, we operate under the principles of treating customers fairly and adhere to all regulatory and statutory requirements.

Our approach

We set our prices based on a number of risk factors, including the customer's country of residence, age, premium payment currency and benefits, plus the increase in treatment costs globally. We also review the claiming behaviour of customers in each country. So, as well as considering the cost of treatment where a customer is resident, we look at the probability of them travelling elsewhere for treatment. We then consider their likely destination and the cost of treatment in that country.

Location

While the majority of treatment takes place in the country of residence, it also depends on location. In countries where medical facilities are less developed, customers are more likely to travel further afield. In particular, expats may want to travel to their home country to receive treatment.

For instance, we have a large number of Bupa customers in Egypt, who are generally happy to be treated locally for minor conditions and out-patient consultations but when they need treating for major conditions, they are more likely to travel to Europe.

Age

Age is another factor that affects pricing. As customers get older, they are much more likely to require treatment and make a claim. So, claims costs inevitably increase. Rather than charging younger customers more to subsidise our older customers, for most products, we simply increase our rates as customers get older - in line with the risk.



Inflation and medical inflation – its impact on premiums

What is inflation and how does it differ from medical inflation?

Inflation is the rate of increase in prices for goods and services. The Retail Price Index (RPI) looks at the prices of hundreds of things we commonly spend money on, including food, drink, cinema tickets and housing costs (such as mortgages and interest payments). It then tracks how these prices have changed over time.

Inflation rates are expressed as percentages. If RPI is 3%, this means that on average, the price of products and services we buy is 3% higher than a year earlier.

Medical inflation is the increase in cost associated with the different types, frequency and price of medical treatments. It is affected by advances in medical technology, the increased prevalence of chronic conditions (such as diabetes mellitus and heart disease) and cancers associated with ageing populations and unhealthy lifestyles.

The reason why medical inflation is significantly higher than RPI, is that it is driven by the increasing demand for healthcare and determined by the costs of meeting those demands.

As Bupa Global policies cover access to medical treatment in many countries, the medical inflation we reflect in our policies isn't just linked to trends in one country. It takes into account the trends seen across a number of countries, and is driven by the segment of customers that we cover and the fact that we do not restrict where they can access care.

Why do medical advances affect premiums?

Medicine has made huge advances in recent years, which has been great for Bupa customers because it has given them access to new treatments and technologies. The only downside is that developments in cancer drugs, radiotherapy and surgical techniques are often expensive.

Examples:

- Monoclonal antibody drugs for cancer can cost between USD 50,000 - 100,000 per patient/year
- The cost of new types of radiotherapy, which target higher doses of radiation specifically at a tumour, sparing the surrounding tissue, start at approximately USD 40,000 per patient.

These figures are based on Bupa Global's average cancer related claims, case by case.

The cost of these types of treatment inevitably has an impact on premiums. But we believe that it is important to make them available to our customers, as it allows us to deliver on our promise to help people live longer, healthier, happier lives.

Premium increases

Why has my premium increased - I have not made a claim so why should my premiums go up?

In order to treat our customers fairly, we spread our claims risk across our entire customer base. This way, individual customers are not penalised when they need to make a claim. If a customer makes a claim, it does not directly affect their premium. Bear in mind, the costs associated with treating some conditions can be significant, so adding these costs to one person's premium would be both unfair and impractical. Premiums also increase in line with inflation and medical inflation, which go up year on year.

Can you explain how Foreign Exchange (FX) rates impact on my premium?

Bupa accepts premium payments in three main currencies: GBP, USD and EUR. But this does not mean that a customer is restricted to where they can claim (subject to policy restrictions) and the currency of that claim.

As a general rule, we accept claims in all different currencies and always try to absorb any FX risk. But in some instances, if a currency is weakened or strengthened significantly, it can have an impact on future premiums. This is because it effectively changes the cost of purchasing treatment.

Why does Bupa not offer a 'no claims' discount?

Although a 'no claims discount' may seem attractive, our concern is that it may discourage customers from seeking treatment when it is in their best interests. We believe it's important that customers see a doctor when they need to, without worrying about the expense (which is why we do not penalise customers for making a claim). Early intervention can also help to prevent more complex (and costly) treatment in the future. So as well as the obvious health benefits, it can help to control costs and keep premiums manageable.

Health assessments also play an important role in keeping people healthy. They help customers to understand more about their general health, identify future health risks and access practical medical advice on how to become healthier.

Health screening tests often detect conditions such as cervical and colorectal cancer, high blood pressure and high cholesterol at an early stage. With this in mind, we encourage screening for specific conditions, where there is evidence that early detection and treatment could lead to better health outcomes. We provide health screening and wellness benefits (subject to a waiting period of 10 months) on all our Global Health Plans as well as genetic cancer screening on our Ultimate Global Health Plan.

Bupa is a 'non-profit' provident organisation, but your Reports & Accounts show that your senior executives have very generous remuneration packages – surely this is being paid for by my premium increase?

Our status, as a company 'limited by guarantee' (LBG) with no shareholders, means we can reinvest our profits to provide more and better healthcare solutions for current and future customers.

The aim of our remuneration policy is to motivate management to deliver strong and sustainable business performance aligned with our purpose: helping people live longer, healthier, happier lives. We want to make sure that we are not only rewarding people for delivering great customer outcomes, but also putting in place reward structures that attract and motivate the very best people. Our policy is intended to deliver long-term success, by offering a competitive level and mix of remuneration in line with companies of a similar scale and complexity to Bupa.

In 2017, we introduced a key change in the way we measure performance for both the Management Bonus Scheme (MBS) and the Long Term Incentive Plan (LTIP). The objective of this is to ensure we use measures based on reinforcing the sustainable long-term financial strength of Bupa, enabling us to deliver on our purpose.

Age, gender and lifestyle

What percentage of the increase does my age account for?

On average, age increases can affect premiums by 3% to 8%. Other factors that cause subscriptions to increase include medical inflation, currency exchange rates, the cost of servicing the plan, changes to plan benefits and changes to the cost of eligible treatment.

I've lost weight and lead a healthy lifestyle, why doesn't my premium reflect this?

Although we actively encourage customers to lose weight and lead a healthy lifestyle, it doesn't necessarily reduce their chance of making a claim. Instead, we tend to find that fitter people who do a lot of exercise are more likely to claim for minor treatments such as physiotherapy. They may also develop joint/muscle problems which may require treatment. Our experience also shows that people who are more aware of their health, are more likely to seek treatment and utilise their plan.

Why am I paying for coverage that includes maternity when I am a man and/or older than 55?

EU regulation states that we cannot price our products based on gender. But we do alter our pricing based on age, which means we take into account the fact that someone aged 55 is less likely to claim for maternity benefits than someone in their 20s/30s.



How are Bupa Global managing costs moving forward?

What is Bupa doing to control escalating costs?

We work hard every day to manage costs and get the best possible deal for our customers. Using our position as one of the leading international private health insurance providers, we have built up a global network of hospitals, clinics and medical providers that provide good quality, cost-effective care. We also carry out quality assessments on hospitals, case manage patient care and regularly review clinical outcomes to help keep cover affordable, without compromising on quality.

Our evidence-based funding policy means that we provide access to new treatments and technologies, as long as there is good evidence that they are safe and effective.

We have an extensive global network of participating hospitals and clinics that offer direct settlement, and have relationships with Service Partners in 50 different countries. These networks and relationships allow us to negotiate significantly better rates for our members.

We also ask customers to pre-authorise their in-patient treatment with us whenever possible. This allows us to work directly with hospitals on a case-by-case basis and provide guarantees of payment. The closer we work with hospitals and doctors, the easier it is to build relationships and combat medical inflation.



