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Editorial

YOU CAN LEAD A CHANGE!

BY WILBUR LO

THE SOCIETY OF ACTUARIES (SOA) education system has a strong focus on technical and problem-solving skills; however, does it define the scope of our profession? Different people will answer differently. For me, as an actuary with more than 20 years of experience, being technically strong is never on the top of my mind. To be successful, I believe one must develop a global vision and be prepared to lead a change. I am going to share my insight with regard to health care reform in Asia—the reform needed and how we can make good things happen.

WHERE IS THE REFORM?

This is the first question in most people's minds. The spectacular growth of many economies in Asia has amazed the world. According to the World Bank, the region contributed 40 percent of global gross domestic product (GDP) growth in 2013. Along with the growth are changes in socioeconomic status, which indirectly impacted the population's risk factors for diseases and their expectations regarding health care services.

For me, changes mean opportunity; the ability to spot a trend and lead the changes is one of the most valuable qualities.

WHY IS HEALTH CARE REFORM NEEDED?

Needs change with a country's development, and needs again drive reform; the following are reasons for health care reform.

1. **Changes in population structures.** The portion of the population over 65 years old is constantly increasing. Currently, the above-65 population in Hong Kong, Singapore, Taiwan and Korea represents 10 percent of total population, and it is expected to increase to 20 percent by 2025. In other developing economic zones, the above-65 population is expected to increase by 2 to 5 percent in the next 10 years.[1] As we all know, the prevalence of non-communicable diseases increases with age. The progressively aging population will result in a corresponding increase in health care expenditure.
2. **Urbanization** increased from 26 percent in 1990, to 33 percent in 2009[2] in Southeast Asia, according to the World Health Organization (WHO). Urbanization reduces the option for physical activity and increases exposure to air pollutants, which negatively impact the population's health.
3. **Globalization** brought processed food and diets high in total energy, fats, salt and sugars. Unhealthy diet, together with insufficient physical activity and harmful use of alcohol, are responsible for most non-communicable diseases in the region.
4. **Inflated health care expenditure.** With technological advancement and diffusion of advanced technology in routine care, health care expenditure is expected to rise in the coming decades. Health care financing is thus an important topic in all health care reforms.

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5. **Shift of focus.** An increase in education level, a by-product of economic growth, has shifted the population and local government's focus from medication to disease prevention and primary care. This again reinforced the need for health care reform.

HOW CAN WE LEARN FROM PAST REFORMS?

Singapore and Taiwan are two of the early movers in Asia. They adopted different health care programs. Though not perfect, the programs have satisfied the countries' needs in health care, and at the same time provided insights to other developing countries.

Singapore is a pioneer in health care reform. Instead of traditional form "risk pooling" insurance, Singapore introduced the nationwide Medical Saving Account (MSA) in 1984. MSA is made up of three pillars: MediSave, MediShield and Medifund. MediSave is the core part of MSA, in which everyone gainfully employed puts aside a certain percentage of income for future medical expenses for themselves and their families. MediShield is a form of low-cost catastrophic insurance that protects the insured from excessive medical expense incurred by chronic disease or critical illnesses. Cost-sharing mechanisms such as copayments and high deductibles are incorporated to limit overutilization and maintain affordable premiums. Finally, Medifund is a means-tested safety net to protect the low-income groups.

The system of saving accounts encourages a high degree of cost consciousness; compared to countries with similar living standards and standards of health care systems, the share of health expenditure per GDP is only 4.6 percent, compared to 17.9 percent in the United States, 11.1 percent in Germany, and 9.3 percent in Great Britain. MSA is highly recognized; countries like South Africa and the United States have incorporated medical savings accounts on commercial insurance—that encourages a higher degree of cost awareness. Long-term care insurance, "ElderShield," was introduced in Singapore in 2002 to supplement MSA.

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Taiwan, on the other hand, opted for social health insurance, known as National Health Insurance. It was introduced in 1995, covering a wide range of medical services including certain inpatient and outpatient services with a small deductible. The Establishment of Medical Care Network project sought to distribute medical resources more evenly and promote equality in medical treatment. Accompanying the social health insurance program is the vision of "A Healthy Taiwan," which promotes medical education, health care and disease

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prevention, as well as food, drug and cosmetic management and insurance affairs. Taiwan's health system has an environment with minimal barriers to health care and is an ideal condition for testing the vertical equity hypothesis: "People with greater health needs should receive more health care than those with lesser needs."

Neither the medical savings account nor social insurance programs satisfy the needs of all citizens; this provides a unique opportunity to private health insurers. To profit from this gap, one has to keep an eye on the development, understand the risk behind, and more importantly, be ready to present and execute one's ideas.

WHAT OPPORTUNITIES ARE OUT THERE?

The majority of Asian countries are developing their own health care systems; consequently, there is much room for private insurance to fit in, especially for large countries like China.

China has made great progress in health care reform in the last decades. The country has achieved nearly universal coverage under three insurance programs, known as "Urban Employee Basic Medical Insurance," "Urban Resident Basic Medical Insurance" and "New Rural Cooperative Medical System." The achievement is remarkable in the pathway of reform, yet uncompleted.

Currently, China is seeking ways to reduce the out-of-pocket payment for patients with chronic diseases or major critical illnesses; promote equality in health care services; and reduce the burden on class "A" hospitals. No single solution can meet the needs of 1.3 billion citizens; this environment provides unique opportunities for private health insurers.

The **Japanese** health care system is famous for its universal access, high efficiency and effectiveness. Several mechanisms are employed to limit spending on public health care, which include high copayments and control over types of medical treatment and prices of all procedures, drugs and devices.

Notwithstanding all the merits of the Japanese health care system, the system is now facing a number of challenges from the aging population, dissatisfaction with quality of health care, imbalances of service, inequality in premium payments, and the burden of copayment on the population. The country is now looking for changes with three main goals: "cost control," "quality improvement" and "equality."

Hong Kong has retained a public health service, operating alongside a largely fee-for-service private health care sector. However, shifts in population structure and technological advancement, together with the demand on health care services from mainland Chinese have drastically increased government expenditure on health care services. A series of health care consultations were launched since 1997 with the aim of easing government burden on health care service, and at the same time maintaining or improving the quality of health care services. However, no consensus or concrete reform plans have yet been introduced.

None of the problems mentioned can be solved easily. To be a successful player in these markets, one must take a proactive role in identifying the opportunity and incorporating the implications of economic, social, regulatory, geopolitical and business changes into designing and delivering actuarial solutions.

If you aim higher than an actuarial analyst, I would recommend the following: First, open your eyes and develop a global vision; second, apply your knowledge on the real situation; third, learn from past experience; and finally, be ready to initiate, innovate and influence others. A

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END NOTES

1. AXCO Report, Report of Life Insurance from AXCO Insurance Service Ltd., Updated March 2014.
2. Action Plan for the Prevention and Control of Noncommunicable Diseases in South-East Asia, 2013–2020, WHO.