



2018 Global Medical Trends
Survey Report



Executive summary

The cost of medical care continues to rise across the globe. Insurers responding to the 2018 Willis Towers Watson Global Medical Trends Pulse Survey see no light at the end of the tunnel. While medical trend is slowing or even falling back slightly in some countries, the trend in most countries is significantly upward and above general levels of economic inflation.

Key findings

- Survey respondents expect average global medical inflation to be 7.2% in 2018, compared with an average of 6.8% in 2017. This continues to far exceed the average general inflation rate in respondent countries, which is projected at 2.5% in 2018 (International Monetary Fund weighted figures).
- As a region, Latin America is still seeing the largest medical cost rises: 11.4% in 2018 driven largely by persistent double-digit increases in Argentina, Brazil and Mexico.
- Continuing the theme of past years, more than half of health insurers globally expect the upward trend to be greater or significantly greater over the next three years.

About the survey

This is a shorter edition of our more comprehensive Global Medical Trends Survey, which we run on a biennial basis.

Willis Towers Watson's Global Medical Trends Pulse Survey was conducted in September and October 2017, and reflects responses from 201 leading medical insurers operating in 60 countries. To lessen the effect of market size and currency factors, we have weighted global trend rates, using GDP. Most participants have at least a 10% share of the group medical insurance market in their respective home countries. The U.S. marketplace, which is covered by other Willis Towers Watson research, is not included in this survey. In this survey, Americas responses are from Canadian and Latin American insurers (*Figure 1*).

Figure 1. **Participant profile**

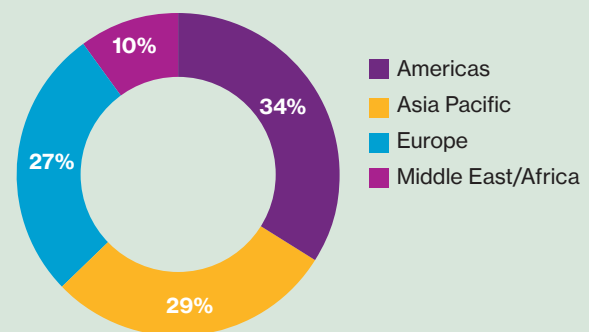


Figure 2. Global average medical trend rates by country, 2016 – 2018

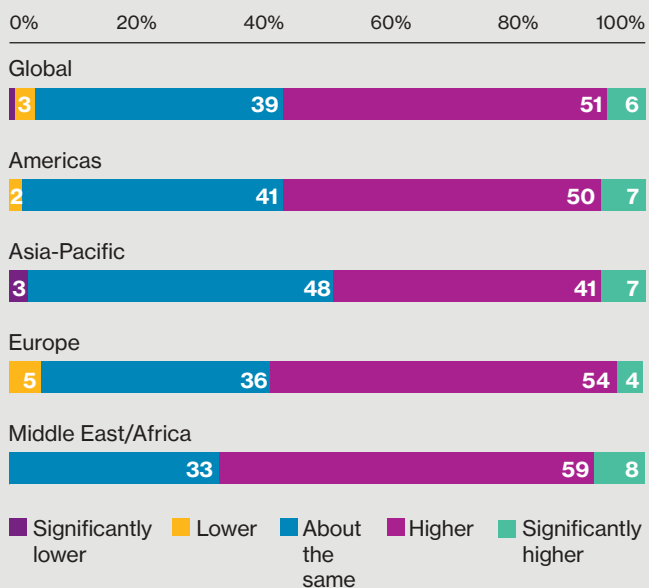
	Gross cost trend			Net cost trend (net of general inflation)		
	2016	2017	2018 (expected)	2016	2017	2018 (expected)
Asia Pacific						
Australia	6.7	6.6	7.1	5.4	4.5	4.9
China	6.6	10.7	10.6	4.6	8.9	8.2
Hong Kong	7.8	6.8	7.2	5.2	4.8	5.0
India	10.5	11.3	11.3	6.0	7.5	6.4
Malaysia	11.8	12.6	13.2	9.7	8.8	10.3
New Zealand	6.1	6.1	6.1	5.4	3.9	4.1
Philippines	7.6	7.9	8.6	5.8	4.8	5.6
Singapore	7.6	7.6	9.2	8.2	6.7	7.9
Taiwan	11.5	9.2	9.1	10.1	8.2	7.7
Thailand	8.0	10.0	8.8	7.8	9.4	7.8
Europe						
Belgium	4.4	4.4	4.6	2.6	2.1	3.2
Bulgaria	5.0	6.0	7.0	6.3	4.9	5.6
Cyprus	5.0	4.0	4.0	6.2	3.2	3.3
Czech Republic	3.0	3.0	5.0	2.3	0.7	3.2
Denmark	2.7	4.3	3.5	2.5	3.3	2.1
France	1.6	2.5	2.3	1.3	1.3	1.0
Germany	3.5	5.0	5.3	3.2	3.4	3.7
Greece	2.5	2.9	2.5	2.5	1.6	1.2
Ireland	9.0	7.5	8.0	9.2	7.1	6.5
Italy	1.5	1.6	1.8	1.6	0.2	0.6
Netherlands	5.0	2.2	4.8	4.9	0.9	3.4
Norway	3.7	2.4	4.5	0.2	0.3	2.5
Poland	1.0	2.0	4.0	1.6	0.1	1.7
Portugal	2.0	3.5	2.7	1.4	1.9	0.7
Romania	10.3	11.0	13.3	11.9	9.9	9.9
Russia	10.5	8.4	8.9	3.5	4.2	5.0
Serbia	10.0	12.0	15.0	8.9	8.6	12.0
Spain	2.7	2.5	3.1	2.9	0.5	1.6
Sweden	NR	NR	4.0	NR	NR	2.4
Turkey	10.0	10.0	11.7	2.2	-0.9	2.3
Ukraine	13.9	14.3	13.9	0.0	1.6	4.0
United Kingdom	5.0	5.0	6.0	4.3	2.4	3.4
Latin America						
Argentina	40.3	33.6	27.4	NR	6.7	9.5
Barbados and East Caribbean	7.5	9.5	10.5	6.2	4.5	4.7
Brazil	17.8	16.8	14.4	9.1	13.2	10.4
Chile	6.1	6.7	6.8	2.4	4.4	4.1
Colombia	9.4	8.5	8.4	1.9	4.2	5.1
Costa Rica	9.0	9.0	9.0	9.0	7.3	6.2
Dominican Republic	NR	NR	10.0	NR	NR	6.7
Ecuador	10.0	15.0	15.0	8.3	14.3	14.3
El Salvador	8.0	8.0	7.5	7.4	7.2	5.3
Guatemala	8.0	8.0	8.3	3.6	3.6	4.8
Honduras	6.0	6.0	6.0	3.3	2.0	2.0
Mexico	12.1	15.1	14.4	9.3	9.2	10.7

Global average medical trend rates by country, 2016 – 2018 (continued)

	Gross cost trend			Net cost trend (net of general inflation)		
	2016	2017	2018 (expected)	2016	2017	2018 (expected)
Netherland Antilles	5.0	9.0	11.0	NR	NR	NR
Nicaragua	6.0	6.0	6.0	2.5	2.0	-1.2
Panama	11.7	11.0	8.7	10.9	9.4	6.5
Peru	6.0	7.0	6.5	2.4	3.9	4.2
Trinidad and Tobago	12.0	10.0	10.0	8.9	6.8	6.8
Venezuela	233.3	466.7	633.3	-21.1	-186.0	-1715.9
Middle East and Africa						
Bahrain	5.8	6.7	6.7	3.0	5.7	3.2
Jordan	5.0	10.0	15.0	5.8	6.7	13.5
Kuwait	5.0	NR	4.0	1.5	NR	1.3
Lebanon	5.7	5.8	6.8	6.5	2.8	4.3
Oman	7.0	8.3	9.8	5.9	5.1	6.6
Qatar	5.0	5.5	5.5	2.3	4.6	0.7
Saudi Arabia	5.0	6.0	9.5	1.5	6.2	4.5
South Africa	9.9	8.8	8.8	3.6	3.4	3.4
United Arab Emirates	12.5	12.0	10.5	10.7	9.9	7.6
North America						
Canada	12.3	12.3	12.3	10.9	10.7	10.5

Note: No response is indicated by NR.

Figure 3. How do you expect the medical trend in your overall book of business to change over the next three years compared with current rates?



Medical trend by country

More than half of health insurers globally expect the upward cost trend to be higher or significantly higher over the next three years (Figure 3).



Asia Pacific

The rise in average medical costs in Asia Pacific is driven by China, India, Malaysia and Singapore (Figure 4).

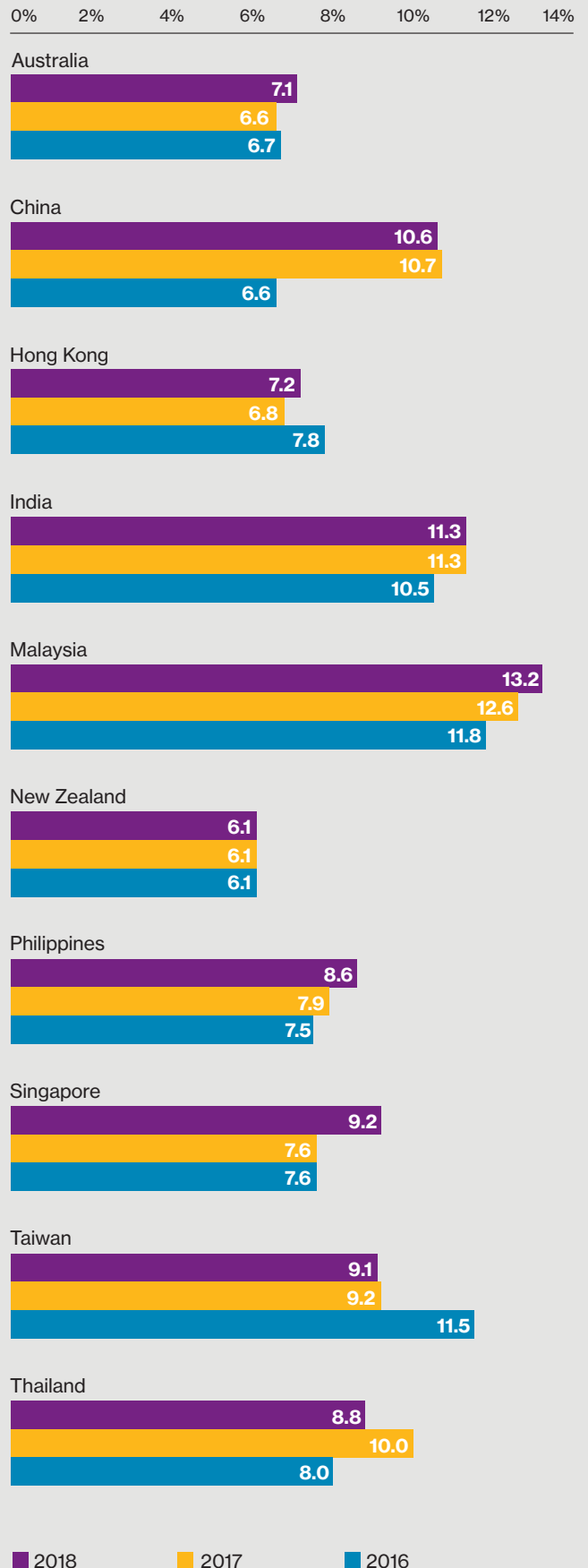
In **China**, we expect the gross trend to continue at or above 10% in the near future, attributed to increased demand for private care and heightened by easier access to private plans for the newly established wealthy middle class. There is also rapid expansion in the deployment of new medical technology, the costs of which are directly passed through to the consumer in higher charges. In addition, growing medical labor costs have resulted in the government increasing consulting fees in public hospitals.

India's medical cost trend continues to be impacted by poor underwriting and pricing discipline in the past, which has led to the underpricing of medical risk. Moreover, low health awareness among the population often delays treatment resulting in the aggravation of insured members' medical conditions. When treatment occurs, private practitioners are prone to use unnecessary surgery and related procedures. There is also an increased prevalence of lifestyle disorders, which lead to chronic ailments, such as stress.

Malaysia has experienced a consistent increase in medical costs since 2016, resulting in the largest growth of all surveyed Asia Pacific countries. As in other Asian countries, there is increased use of expensive new technologies and equipment with costs being passed directly onto patients. There is also increasingly more medical tourism from middle/upper-class foreign visitors, which has driven up utilization and the prices of medical providers.

Singapore's slower medical cost trend in recent years appears to have run its course. Specialists in government hospitals are overwhelmed by the number of cases they handle, resulting in patients turning to private hospitals. Increases in chronic diseases and the wider use of new medical technologies are also contributing to the rising cost trend.

Figure 4. Average gross medical cost trends in Asia Pacific, 2016 – 2018





Europe

In Europe, the overall upward cost trend continues to be less severe than other regions, largely because of fairly benign cost movements in some of the larger economies. There are some countries with double-digit increases, but these tend to be the smaller economies (*Figure 5*).

In **France**, ongoing government measures to control medical costs are helping moderate medical trend. Such measures include reductions in hospital costs due to improved efficiency and a shift to outpatient care; greater control and management of prescription drug costs, including promoting the use of generics; and more control over compensation of health care professionals. With these measures, we are seeing the trend rate reduced from 4% to a level closer to 2%.

Italy has the flattest medical cost trend in Europe as the social security system provides full health care assistance for all citizens and allows the government to exert greater control over its different components; however, the level of services provided by the system varies from region to region. Demand for private medical care has increased in recent years as waiting times for access to public services grow. This has led to collective bargaining agreements, including mandatory medical plans for employees. Government actions have also increased demand in private care, with the capping of the annual public health spend, elimination of access to some treatments and increased patient cost share under the public system.

U.K. medical cost trend has been relatively static in 2016 and 2017; however, there is a projected increase for 2018. Several key factors are contributing to the anticipated increase: an aging insured population and workforce; challenges accessing state-sponsored health care in a timely fashion; wider availability of, and patient suitability for, complex medical treatments; medical technology advances and the associated costs; and the increasing use of high-cost treatments, in particular, the use of new generation cancer drug therapies.

Figure 5. Average gross medical cost trends in Europe, 2016 – 2018

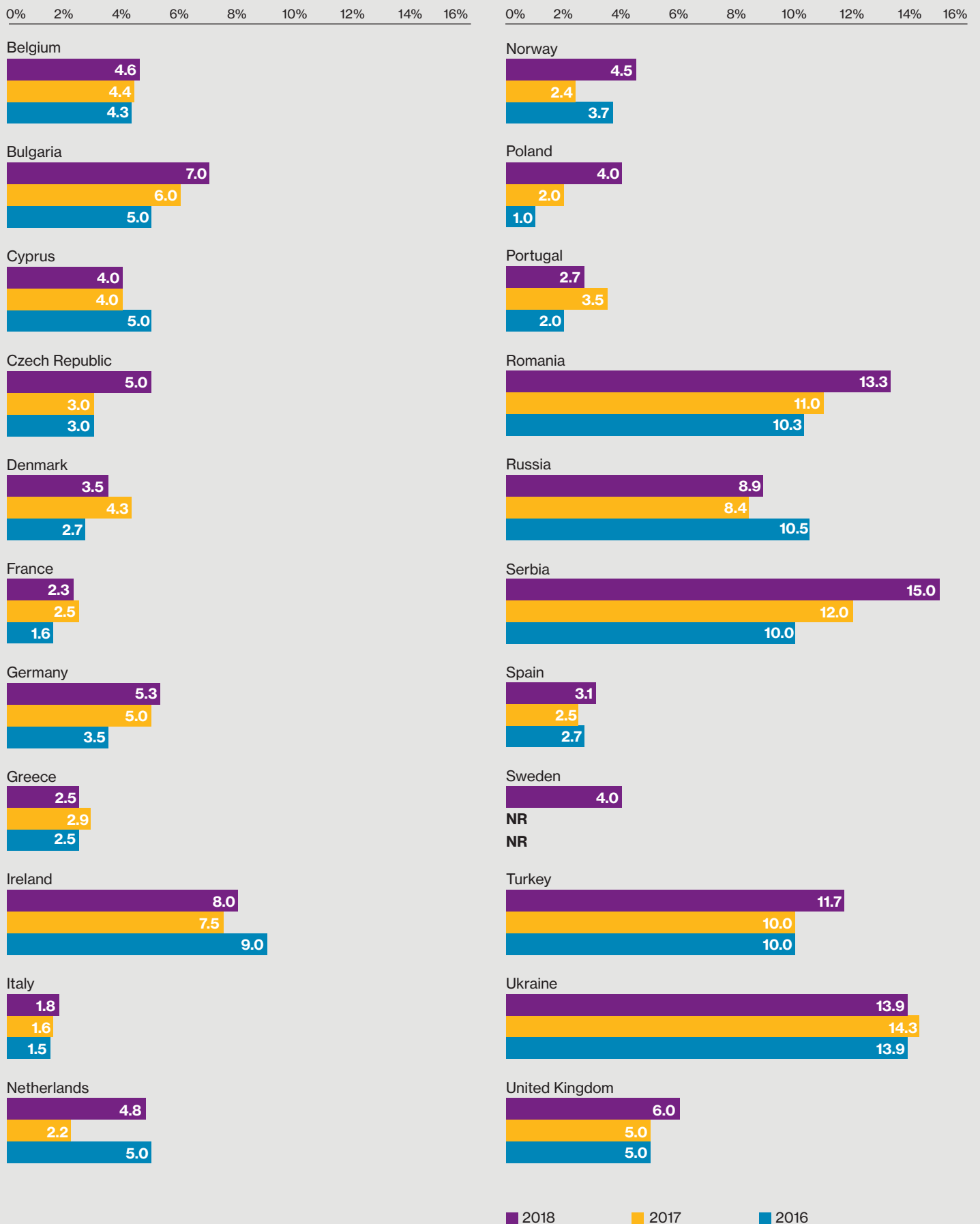
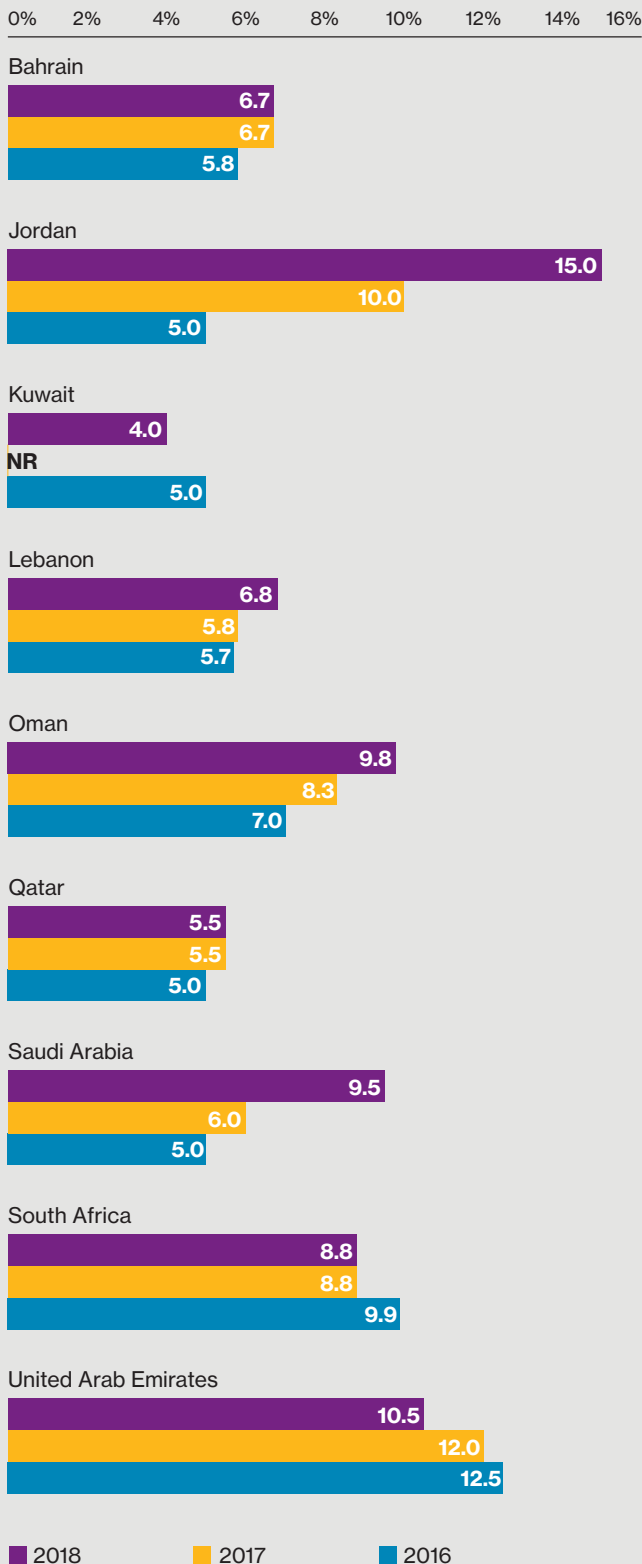


Figure 6. Average gross medical cost trends in Middle East and Africa, 2016 – 2018



Middle East and Africa

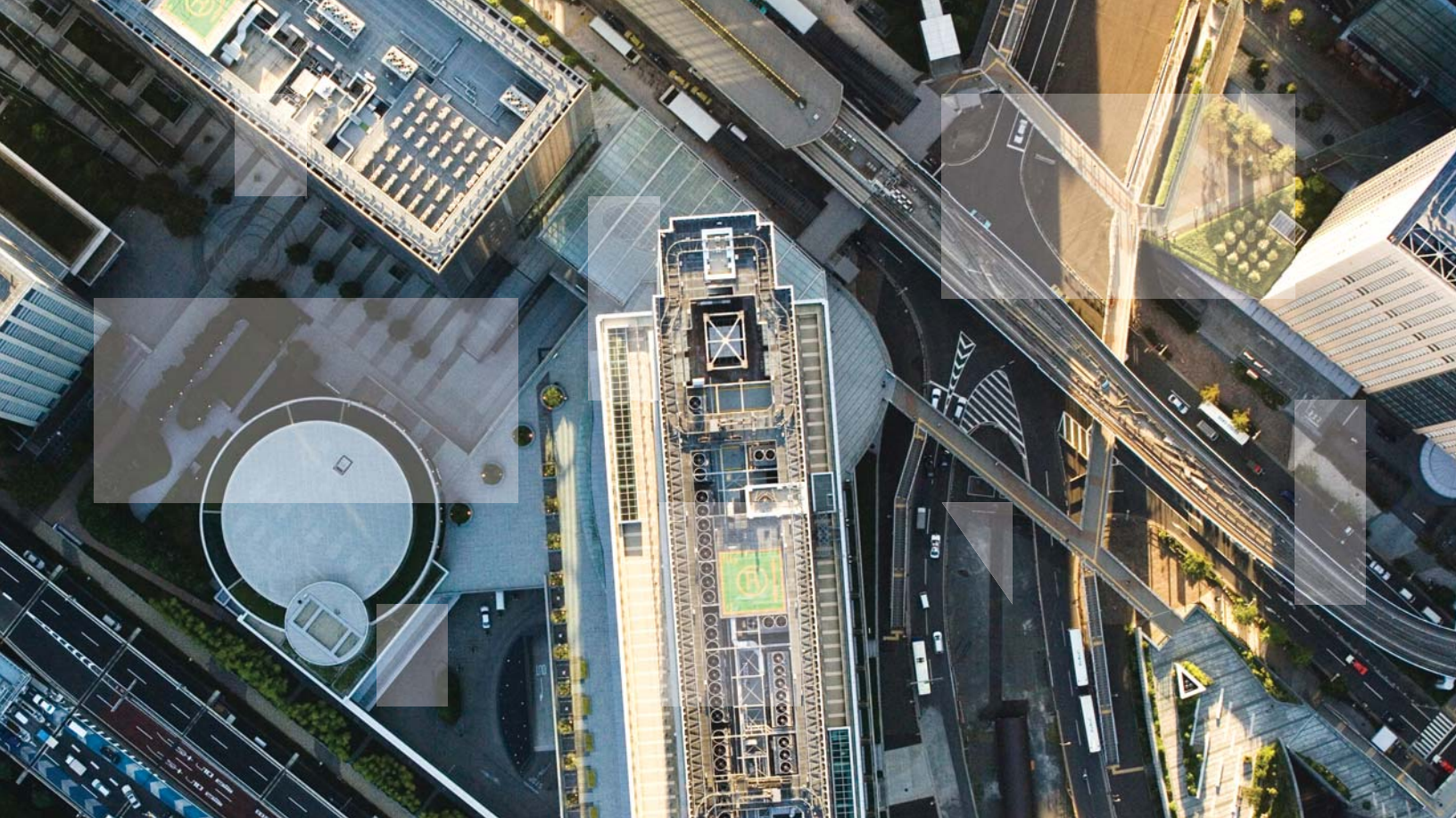
For the Middle East and Africa, we focus on the largest private medical markets in this region: the United Arab Emirates (U.A.E.) and South Africa (Figure 6).

The **U.A.E.** continues to see double-digit increases in medical costs; however, we are seeing signs of some slowing of the upward trend in projections for 2018. Mandatory medical insurance is now fully implemented in Dubai and Abu Dhabi, and health authorities (DHA and HAAD) are putting initiatives in place to monitor and intervene in areas of wastage (e.g., fraud, abuse). They are also managing supply-side costs (e.g., hospitals, clinics, pharmacies). Health insurers are following suit with similar measures, which is having an impact on market pricing.

Health care supply continues to advance with a growing number of international brands in the market. This drives inflation related to complex, expensive medical treatments, but it also suppresses it in relation to routine treatments contributing to greater competition and innovative practices, such as telemedicine.

There has been a concerted push for wellness initiatives to control and manage lifestyle illnesses, including the use of smart technology (e.g., wearables, telemedicine and patient portals) and claims management programs.

In the largest African medical market of South Africa, the upward medical cost trend is slightly reduced from prior years. This is mainly due to medical scheme increases in South Africa linked to the Consumer Price Index (CPI). At midyear 2017, the annual core inflation rate in **South Africa** was 4.6%, the lowest in five years.



The Americas

The rise in average medical costs in The Americas is driven by Argentina, Brazil, Mexico and Venezuela (*Figure 7*, next page).

In **Argentina**, health care coverage premium rates are regulated by the government (health care providers in Argentina are not formal insurance companies, but rather obras sociales or prepagas). The government periodically allows rate increases to recognize the higher cost of care and the country's general price inflation; however, the government has introduced measures to drive down the high rate of general inflation, which is reflected in 2017 trend numbers and the projected 2018 rate.

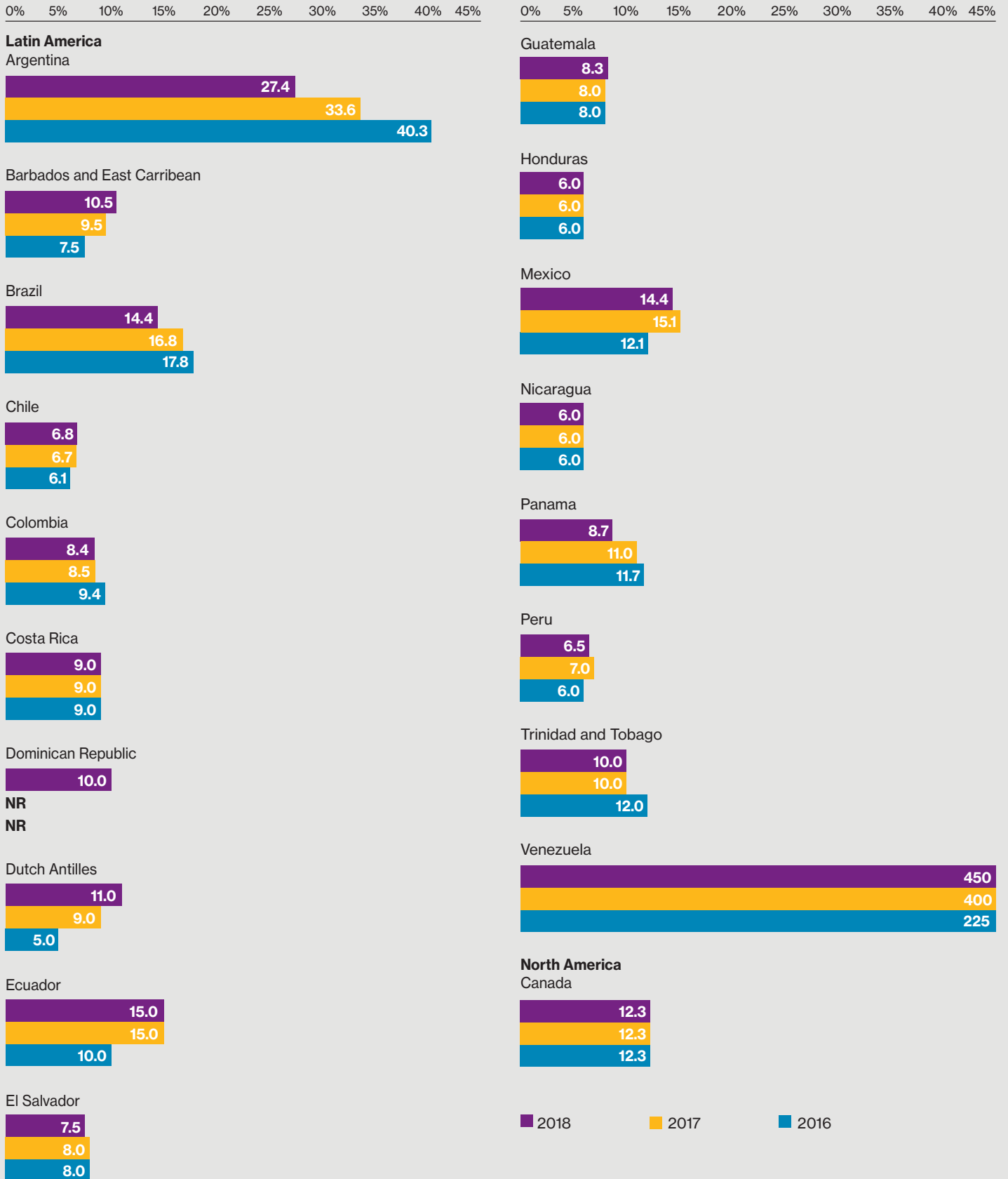
Brazil continues to see double-digit increases in medical costs attributed to several factors. The consolidation of medical carriers has reduced market competition with about 80% of insured members served by only 20% of carriers. Several medical procedures were also added to the mandatory list of coverage by the regulatory agency (ANS) increasing insurance loss ratios. At the same time,

there has been an increase in appeals by beneficiaries to obtain medical treatments that are not covered by private plans. Finally, advances have been made with new medical technologies in diagnosis and treatments, but costs for equipment are high combined with the impact of a weakened exchange rate for imported equipment.

After a small spike in 2017, medical cost inflation in **Mexico** for 2018 is expected to be lower, mostly due to the improvement in the level of general inflation. Other factors that influence medical cost trend include the increase in lifestyle diseases and their related pathologies, highlighting an opportunity for greater emphasis on prevention measures.

Uncontrolled hyperinflation in Venezuela's economy remains the greatest concern and factor in medical cost trends. The difficulties for local currency denominated medical plans are extreme, where rapid currency devaluation means the depletion of benefit levels. As a result, participation in many corporate medical plans continues to drop.

Figure 7. Average gross medical cost trends in The Americas, 2016 – 2018





About Willis Towers Watson

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