



Daniela Masters

Director of global health and wellness
General Employee Benefits

Spending trends and insurance strategies

Daniela Masters shares Generali Employee Benefits' observations of captives in the global healthcare industry

Can you comment on medical claims spending trends observed over the past few years, and how this is impacting healthcare captives?

Over the past few years, Generali Employee Benefits has observed an overall increase in musculoskeletal claims, respiratory illness, infectious diseases and cancer claims. These are seen in addition to diagnoses that are often comorbid with mental health conditions.

Lack of access to over-stressed and underfunded public health care systems may have delayed screenings and diagnoses. This could have contributed to the need for more costly healthcare interventions, while also increasing utilisation of private sector health plans.

Organisations are managing this volatility in claiming patterns and associated costs and their captives are weighing the integration of digital innovation within their health offerings such as telehealth and second opinion services. At the same time, they are also considering new DEI benefits that support a changing workforce and shifting cultural landscape.

The short- and long-term financial impacts of these issues is a challenge for employee benefits (EB) risk managers, as they work to balance employee needs and healthcare costs as an increasing share of overall compensation.

As we continue through this period of global geopolitical and macroeconomic uncertainty, benefits managers will need to rely heavily on data in order to develop more accurate claims spending insights, and tailored plan designs that fit market needs while managing global health risk.

How can captives use medical claims data to help guide risk management decision making?

Data, depth and quality are essential to accurate forecasting and risk management. It's important to consider not only group-specific medical

claims data, but the context in which it exists, for example medical trends and the general inflationary environment.

Group-specific medical claims data is, of course, directly impacted by the demographics of the given group, as well as plan design, provider network access or structure and negotiated discounts, and pre-authorisation requirements.

Medical trend has a further impact on plan pricing as a result of market-specific factors related to the cost of healthcare.

The factors depend on the given location, regulatory controls, access to and cost of new technology and pharmaceuticals, and local medical practice patterns.

General inflation has an additional impact, driving up health system input costs, such as staffing and supplies, which directly impacts the cost of the actual treatment itself.

Monitoring and analysing these collective spending and inflationary trends by market can help captives structure plans and pricing schemes that anticipate and respond to all factors driving the cost of healthcare.

Data must form the backbone of any healthcare captive strategy, since data fundamentally guides risk management and helps to set realistic spending and pricing expectations on an annual basis.

Has the composition of the workforce changed over time? How can global employers respond to these changes through new benefits, programmes and services?

We are seeing some changes in terms of the types of medical care consumed, top diagnoses, the use of technology to access an increasing range of healthcare services and the expectation for coverage of DEI benefits.

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- **Types of medical services and diagnoses:** Musculoskeletal claims are still an area of concern, as well as respiratory conditions, infectious diseases and cancer claims. Additional diagnostic categories where we have observed spending increases over time include maternity, digestive illnesses and treatments related to diagnoses and investigations.
- **Remote care delivery:** Many employers introduced digital health services during and after the pandemic years. These include telemedicine, remote second medical opinion, health concierge services and remote musculoskeletal (MSK) support. However, there is some concern that simplified access to care, particularly specialist care, may lead to unnecessary utilisation of services. Employers are weighing the cost-benefit of offering digital health access. They are doing this by monitoring spending patterns among their membership to better understand whether remote care actually creates plan savings, or just drives up care costs unnecessarily.
- **DEI:** An increasing share of global employers are recognising the value of DEI initiatives in building and supporting a diverse, fair and inclusive working environment. In the context of healthcare, this can mean introducing programmes, services and benefits that support but are not limited to age, gender, sexual orientation and cultural diversity. As global employers consider introducing DEI benefits for their populations across the world, it's also important that they consider the local cultural context into which such initiatives will be introduced. This is key as they should look to rely upon local insight and expertise to select and implement appropriate programmes. In addition, while a captive provides an important vehicle through which employers can cover DEI benefits, these changes need to be considered in terms of cost and risk, as well as the local regulatory environment. Close cooperation between HR, the EB team and the captive is essential.

Responding to the changing workforce, global employers are designing programmes that meet their unique needs within the limitations of a given market's regulatory environment.

Can you comment on strategies for introducing global health programmes and associated wellbeing initiatives to manage risk?

We routinely work with global HR and healthcare captive teams to apply medical claims data to support their decision making around local and global health initiatives. We encourage them to use data to inform their wellbeing strategy.

We take a broad view when discussing data findings, focusing not only on plan design but also diagnostic trends to gain a clearer view on all cost drivers.

After reviewing data insights, the captive and EB teams may choose to work with the local insurer to change the plan design itself — including a change in the scope of cover, steerage to preferred providers and changes in the pre-authorisation process — and introduce specialised health initiatives to address emerging health needs across the population. Observations may also yield information on unaddressed population health issues for conditions not normally covered under the local policy, which may impact other covered and comorbid conditions.

Mental health is one of the key areas of concern for many organisations. Therefore, we encourage a focus on psychological risk management and assessment to determine if there are any underlying mental health issues driving medical and disability costs overall.

This could result in the introduction of supplemental employee assistance programmes (EAP), new or enhanced mental health benefits and other education initiatives which can be introduced through our local partners. ■

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