



Knowledge Area Review (KAR 019)

The Future of Integrated Health & Life Protection Insurance & Prevention – Product Brochure

December 2014

Executive Summary

In most geographies Health and Life insurance operate as separate protection markets. While both are assuming insurance risk against the costs associated with the deterioration of the health of an individual, the differing nature of their underlying risks (health care cost versus financial benefit cost), benefits profiles, operating economics and regulatory frameworks have kept them distinct.

Over time a small number of operators globally have emerged to participate in both health and life insurance: sharing distribution channels, claims processing and back office resources. However, integrated health and life product propositions or a truly integrated customer experience across both remains elusive (with the notable exception of some South African insurers).

As such, at this stage there is limited research in the public domain at this stage *explicitly* around prospects for future integration and convergence of health and life protection markets, products and services. *Implicitly* however, our review of the major trends shaping the future evolution of the health and life insurance industries and health care more broadly, and the rapidly emerging field of health technology-driven, human-centric ecosystems, it is not inconceivable to see health and life insurance protection as being on a collision course with significant advances in prevention being the key catalyst. Both appear to be travelling parallel paths in five areas in particular:

1. Delivering significantly enhanced outcome-oriented customer experience in response to rising consumer expectations and health-related purchasing power (e.g. keeping the wealthy healthy) and a desire for insurers to more regularly engage with customers
2. Integration of wellness programs and preventative science into product and service propositions to enhance member value (e.g. shift in life insurance from death benefits to living benefits), but also as a necessity for insurers to manage escalating benefits payments
3. End-to-end digital transformation of insurer operating models and capabilities
4. Integration of numerous and disparate health data repositories including member-generated health data (quantified self) and development of analytical engines to provide more granular pricing and risk selection
5. Downstream and upstream integration by health and life insurers to create closed loop systems to improve efficiency, diversify revenue and retain/ grow margins

Dimensions of integrated health and life insurance prevention and protection

For the purposes of this KAR, we have organized our thinking as follows

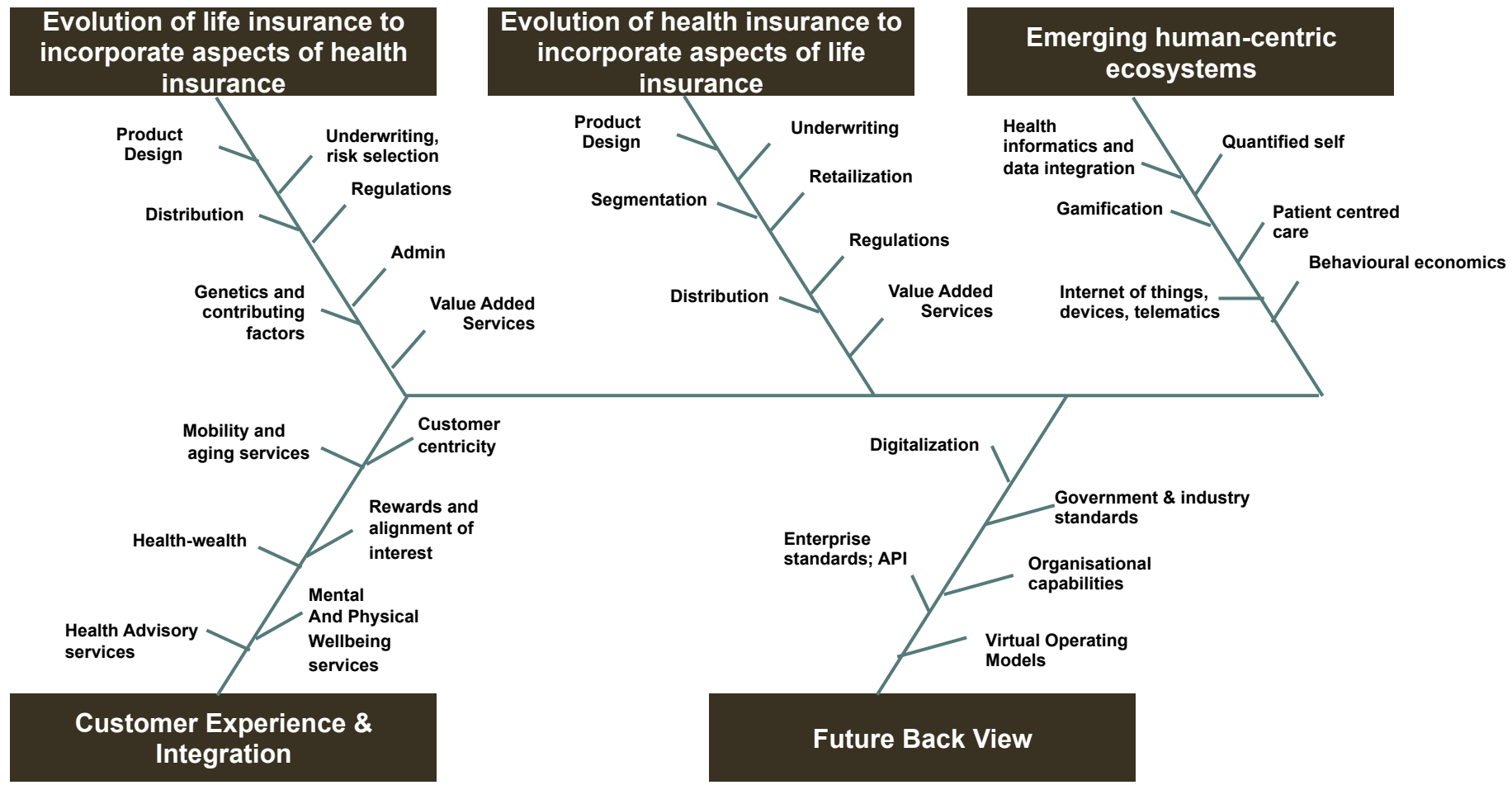
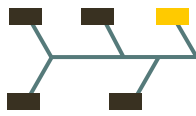


Table of Contents

Section	Component	Description
1	Critical Framework:	<p>Overview of the current state and potential future evolution of integrated health and life protection and prevention markets, products and services</p> <p>For each different dimension</p> <ul style="list-style-type: none"> • The key thinking from consulting firms, journals and academia as to what constitutes best practice • Examples of this best practice across different firms and industries
	1a Evolution of life insurance to incorporate aspects of health insurance: How is life becoming more like health insurance?	
	1b Evolution of health insurance to incorporate aspects of life insurance: How is health insurance becoming more like life insurance?	
	1c Emerging human-centric ecosystems: What new human-centric ecosystems are emerging, both health and non-health?	
	1d Customer experience and integration: Where are points of convergence occurring in the customer experience across health and life protection?	
1e Future back view: What are the future organisational capabilities needed to deliver integrated health and life protection and prevention?		
2	Key Case Studies	Selection of Best Practices cases around the globe
3	Knowledge Sources	Relevant published materials for further reading



Sample 1: Health IT integration

Health ecosystems based on integration of health data will reframe the customer experience and empower customers to pursue health living

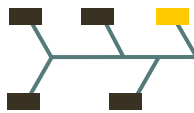
INTEGRATED HEALTH ECOSYSTEMS

- With the convergence of electronic health records, personal health records, cloud computing, health kiosks, personal genomics, mobile apps, home-based monitoring, and personally-generated data from wearable sensors (“the quantified self”), consumers will expect and demand personalized real-time access to health services
- As healthcare players utilize big-data to aid providers and payers, major consumer-product companies, such as Intuit, Apple, and Nike, as well as unknown startup tech companies, are beginning to focus on meeting consumer health needs
- Larger tech companies also hope to be trustworthy bridges between personal health data and healthcare: including Apple, Samsung and Google. All three are working on creating data platforms that will aggregate, store and share health data collected from wearable sensors. Apple’s HealthKit allows health apps to talk to one another inside Apple’s own framework, Samsung has a biometric bank call Sami, and Google is expected to announce a health-tracking platform called Google Fit
- The integration between insurer WellPoint and IBM’s Watson supercomputer, as well as Memorial Sloan-Kettering and Watson, lays a foundation for personalized “big data.” In the long run, such high-level IT integration could deliver a bigger impact than retail clinics

EXHIBIT



- Retail health and wellness lifestyle hubs
- Affordable, anytime access
- Personalized health recommendations
- Capital markets, new players fuel innovation



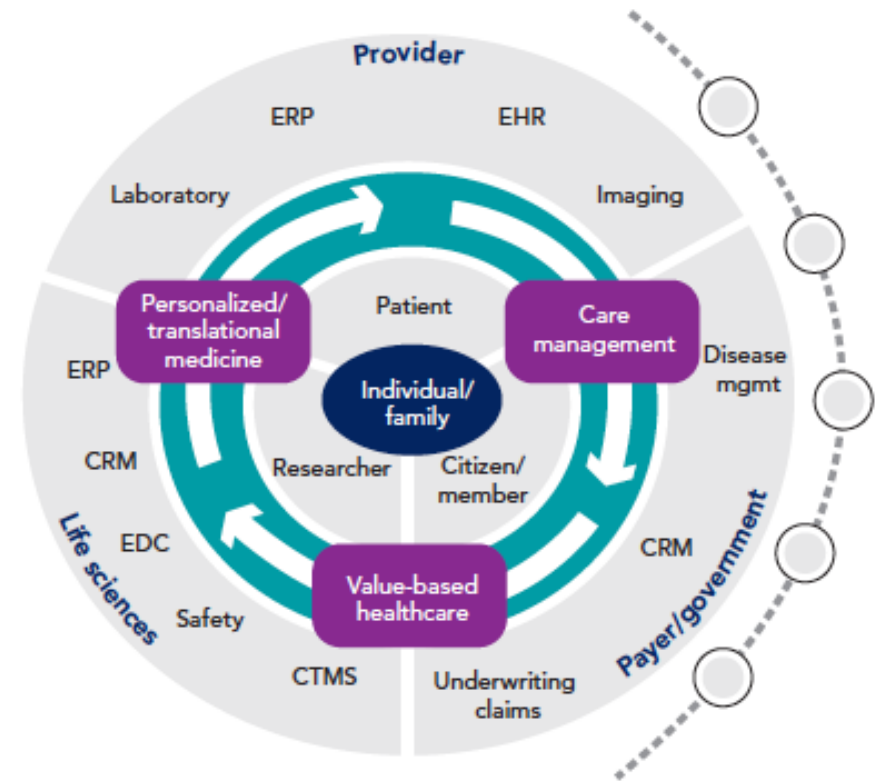
Sample 2: Growth in Prevention science

Continued breakthroughs in scientific research related to prevention and personalized medicine will spur even further evolution of the health and wellbeing marketplace

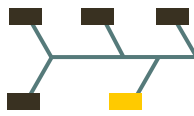
MOVING FROM ONE-SIZE FITS ALL TO PERSONALIZED MEDICINE ...

- Advances in basic science, disease prevention, predictive and preventative diagnostics, gene therapy, and stem cells will lead to game-changing personalization of medical advice and treatment, ultimately “inverting” the currently healthcare paradigm from repair toward earlier intervention, prevention and wellness
- Genomic medicine will make exception management far more robust as further analysis of individuals’ genes and proteins will determine which drugs will or will not be effective and what side effects might be expected
 - Oliver Wyman predict the cost of genome sequencing to decline from \$6,000 today to cost less than \$100 in ten years and be available at a retail kiosk
- Emerging field of microbiomics promises to personalize nutrition just as the study of proteins will help personalize drugs
- “Medicine will shift from being heavily trafficked on the treatment side to the prevention side, rooted in science-based predictions” (Dr David Agus, The End of Illness”)

... WILL REQUIRE DATA INTEGRATION AND COLLABORATION ACROSS THE HEALTH SUPPLY CHAIN



CRM = customer relationship management; CTMS = clinical trial management system; EDC = electronic data capture; ERP = enterprise resource planning.
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Sample 3: Leading a “Digical” transformation in insurance distribution

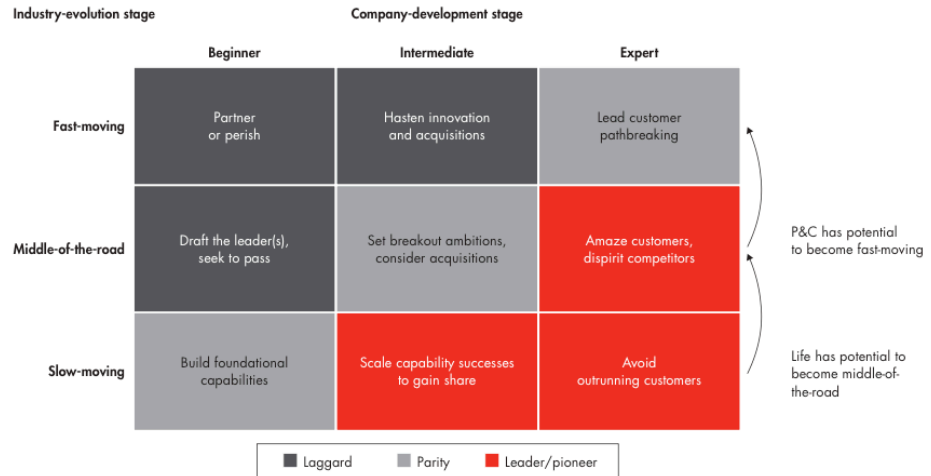
Insurers are looking for strategies to fuse the best of both digital and physical worlds

KEY INSIGHTS

- But digital tools and processes do not replace everything physical
- Insurance customers still benefit from talking with an agent or a claims representative when dealing with complex products or transactions
- Customers have woven together their digital and physical worlds so tightly and seamlessly that they can't fathom why companies wouldn't do the same
- A strong Digical offering—one that fuses the best of digital and physical worlds—results in greater customer loyalty and advocacy. A customer who uses both digital and physical channels gives her insurance carrier a much higher Net Promoter Score (Bain's measure of loyalty), on average, than does a customer who uses only digital channels
- Four questions to anchor a balanced, pragmatic approach towards Digical:
 - How much of our business do we need to digitize?
 - What's the right pace for our Digical transformation program?
 - Should our digital offerings be separate from or integrated with the core business?
 - How can we reduce the risks inherent in a transformation?

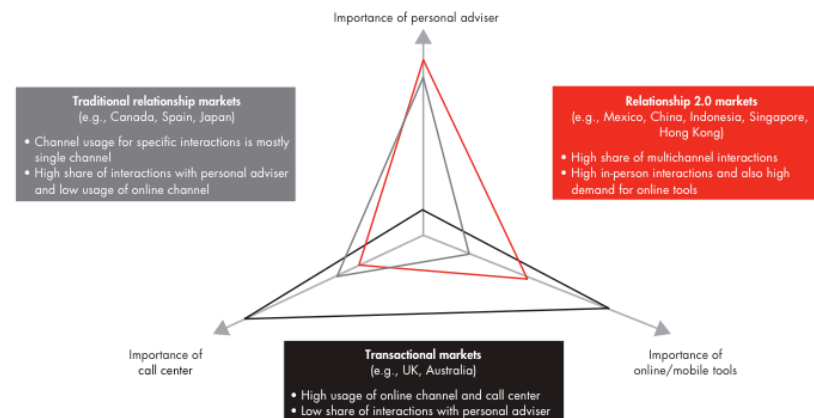
INSURER DIGITAL DIAGNOSTIC

Figure 3: An insurer's next steps depend on its situation



Source: Bain & Company

Figure 32: Three models of channel usage dominate insurance markets



Source: Bain & Company analysis based on Bain/Research Now and Bain/SSI global NPS surveys, 2013-2014

Sample 4: Health Insurance: Oscar

Health insurer that leverage the Affordable Care Act offering unlimited access to Telemedicine



OSCAR DEMOGRAPHIC

I am single with no kids.
I make \$50,000 per year.
My ZIP code is 10012.

Pick plans to compare	Secure <small>(only people under 30)</small> \$218/MO covers 1 adult	Bronze Edge \$330/MO covers 1 adult	Bronze \$340/MO covers 1 adult	Bronze Edge + \$365/MO covers 1 adult
Doctor Visits Most plans come with free primary care visits for adults.	3 Free visits <small>See details</small>	1 Free visits <small>See details</small>	0 Free visits <small>See details</small>	2 Free visits <small>See details</small>
Drugs Prescription costs can add up fast. Most plans make generic drugs free.	\$0 Generic <small>See details</small>	\$0 Generic <small>See details</small>	\$10 Generic <small>See details</small>	\$0 Generic <small>See details</small>
Doctor Helpline Just click and a doctor will call within one hour. It's free and unlimited.	✓	✓	✓	✓



KEY POINTS

- Health insurer deliberately catering toward digital natives offering different plans according to income ranges and family size
- Debuted as the U.S. government unveiled new health insurance exchanges where consumers can pick and choose plans; it is a participant of the Obamacare Exchange
- Offers a web- and mobile-friendly aesthetic designed to make the insurance experience smoother for plan members
- Users are able to consult with doctors for problems like the flu over a **video chat through tele-doctors** at any time of the day
- The site offers a good search functionality for specialists
- **Collects metrics** on medical professionals for performance reviews and uses them for customer recommendations as well
- Using Oscar's web front end, consumers can see whether individual doctors predominantly treat patients in their twenties or thirties, what language the doctors speak, and other metrics
- Provides some other unique benefits: access to free generic drugs and a complete medical history—doctor's visits, X-ray results, prescriptions—that members can look up online

Benefit packages are designed to be similar to cellphone plans. For instance, every family member enrolled in a silver plan is entitled to three physician visits a year without incurring additional cost

- Oscar can be purchased on New York's health insurance exchange, New York State of Health, the organized marketplace for New Yorkers to shop, compare and enroll in health insurance coverage
- Raised \$40 million from Thrive Capital, Founders Fund, General Catalyst and Khosla Ventures



Internal Consulting Group

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