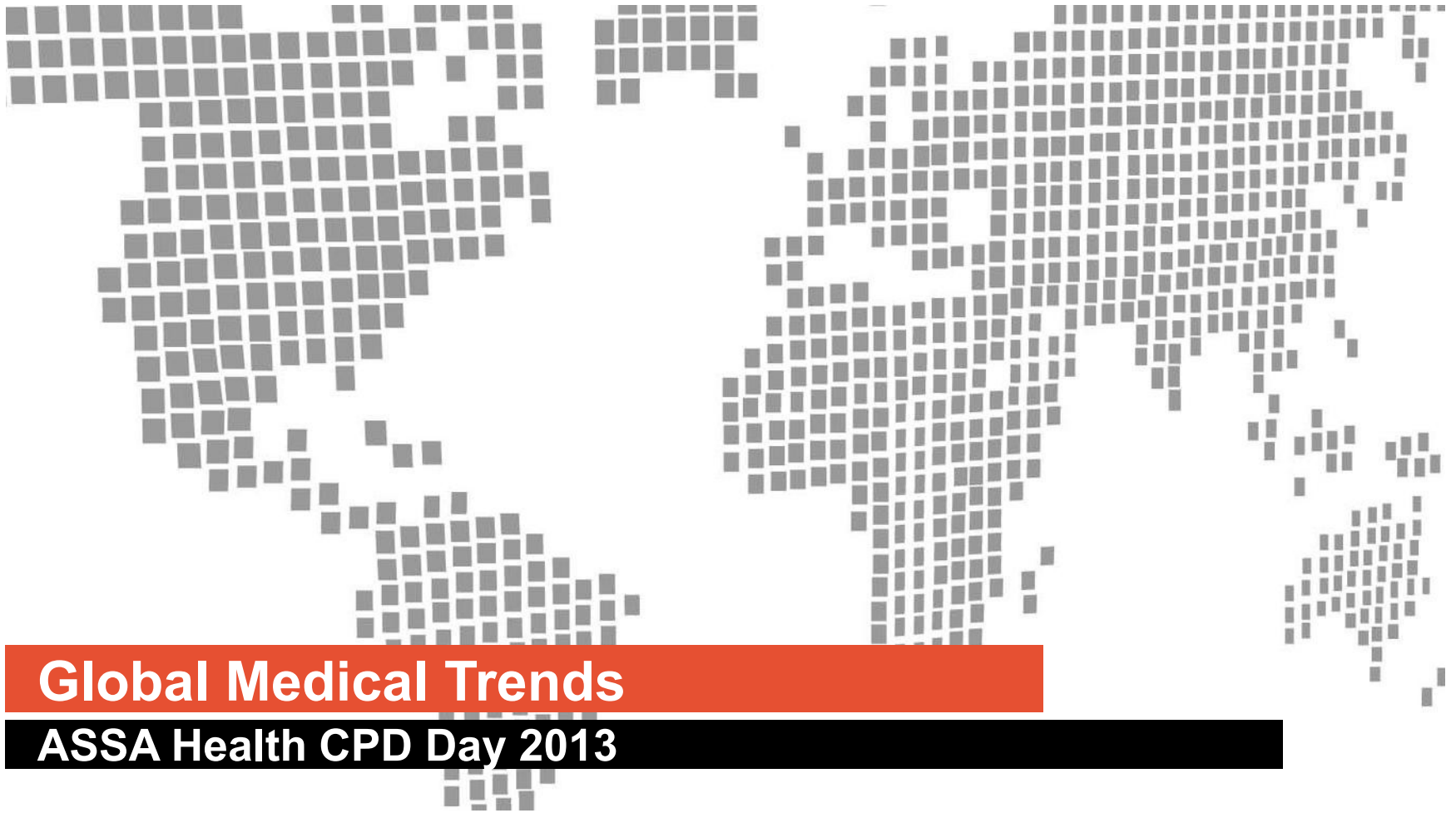




Global Medical Trends

ASSA Health CPD Day 2013

Gary Scott

Agenda



Introducing the Towers Watson Global Medical Trends Survey



Global medical inflation



Factors driving global medical costs



Tools employed to manage medical costs



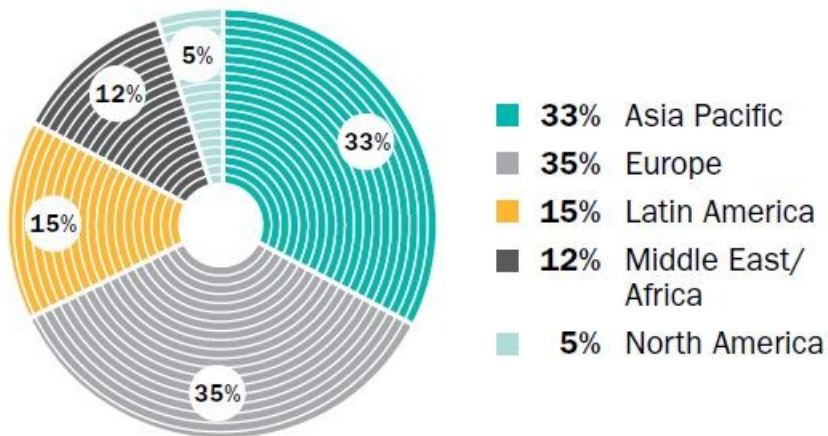
How do we compare in South Africa

The Survey

The Towers Watson Global Medical Trend Survey was completed in 2012

237 leading medical insurers participated from 48 countries

Participant profile



Key Findings

The survey results show that:

- The average medical trend is 9.8% for 2011 and projected to be at a similar level for 2012.
- Aside from Europe, all regions are continuing to experience global medical trend rates rising at double-digit levels.
- While some countries are seeing rates stabilize, a number of growth markets in the Asia Pacific region and Latin America continue to face increases above 10%.
- While traditional cost management approaches still dominate, wellness interventions are growing, with insurers increasing their wellness capabilities through in-house or partner resources.
- The prevalence of employer-sponsored health benefits continues to grow rapidly across more countries and more health insurers.

	Gross			
	2009	2010	2011	2012*
Asia Pacific	9.9%	9.6%	10.1%	10.2%
Europe	9.4%	9.0%	8.5%	8.1%
Latin America	11.6%	10.0%	10.4%	10.5%
Middle East/Africa	10.9%	9.8%	10.7%	10.0%
North America	10.8%	12.1%	11.4%	11.0%
Global	10.2%	9.6%	9.8%	9.6%

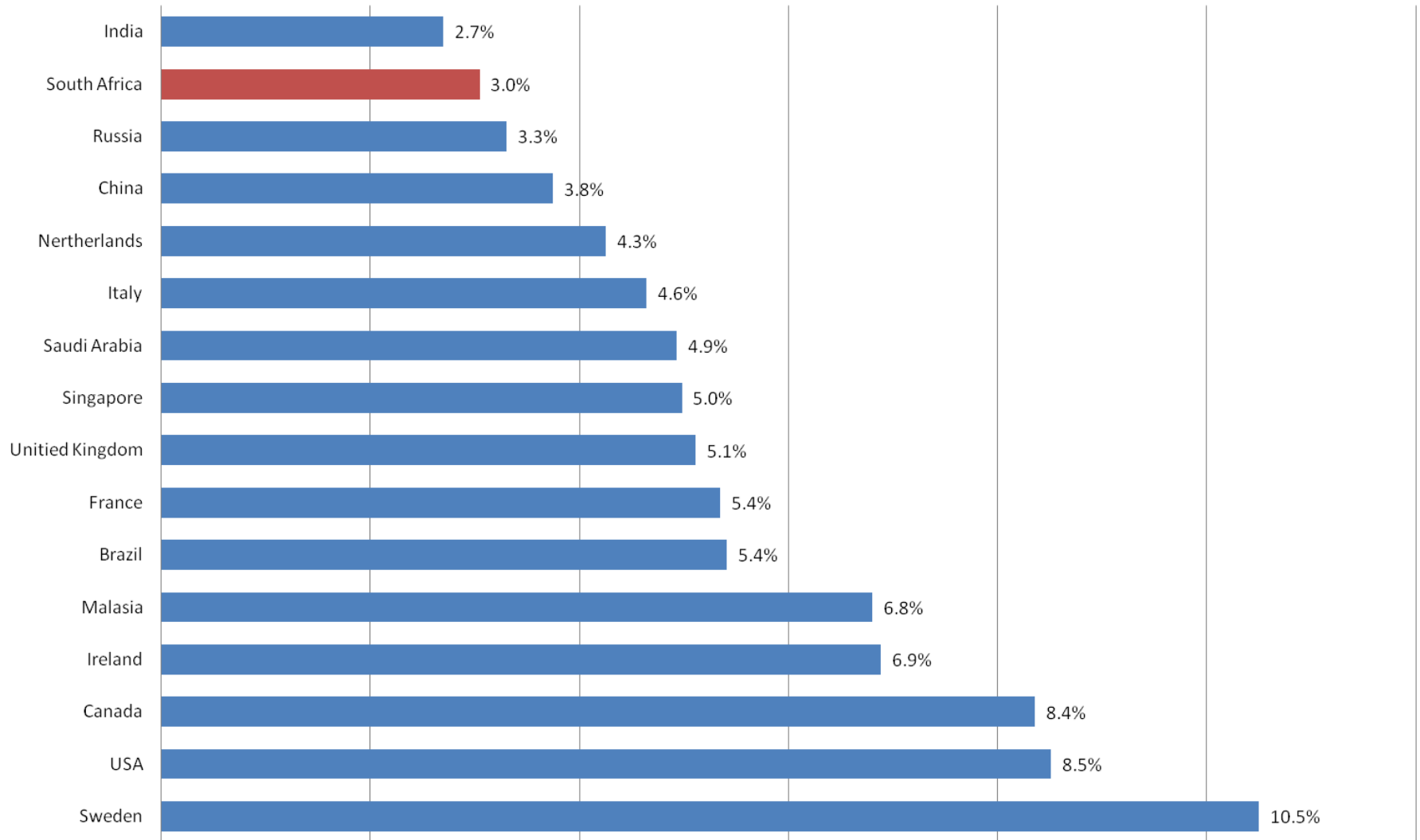
Middle East and Africa

Medical cost trends in the Middle East and Africa are relatively stable at around 11% from 2010 to 2012. In South Africa, one of the most advanced countries worldwide in the use of wellness programs, the medical trend rate dropped to just above 8% (down from 12% in 2009). Most major locations in the Middle East are experiencing gross medical trend rates around 11%, including the United Arab Emirates and Saudi Arabia. The trend in Egypt is also 11%. However, unlike other countries, when inflation is taken out of the equation, Egypt's medical trend growth is, in fact, negative.

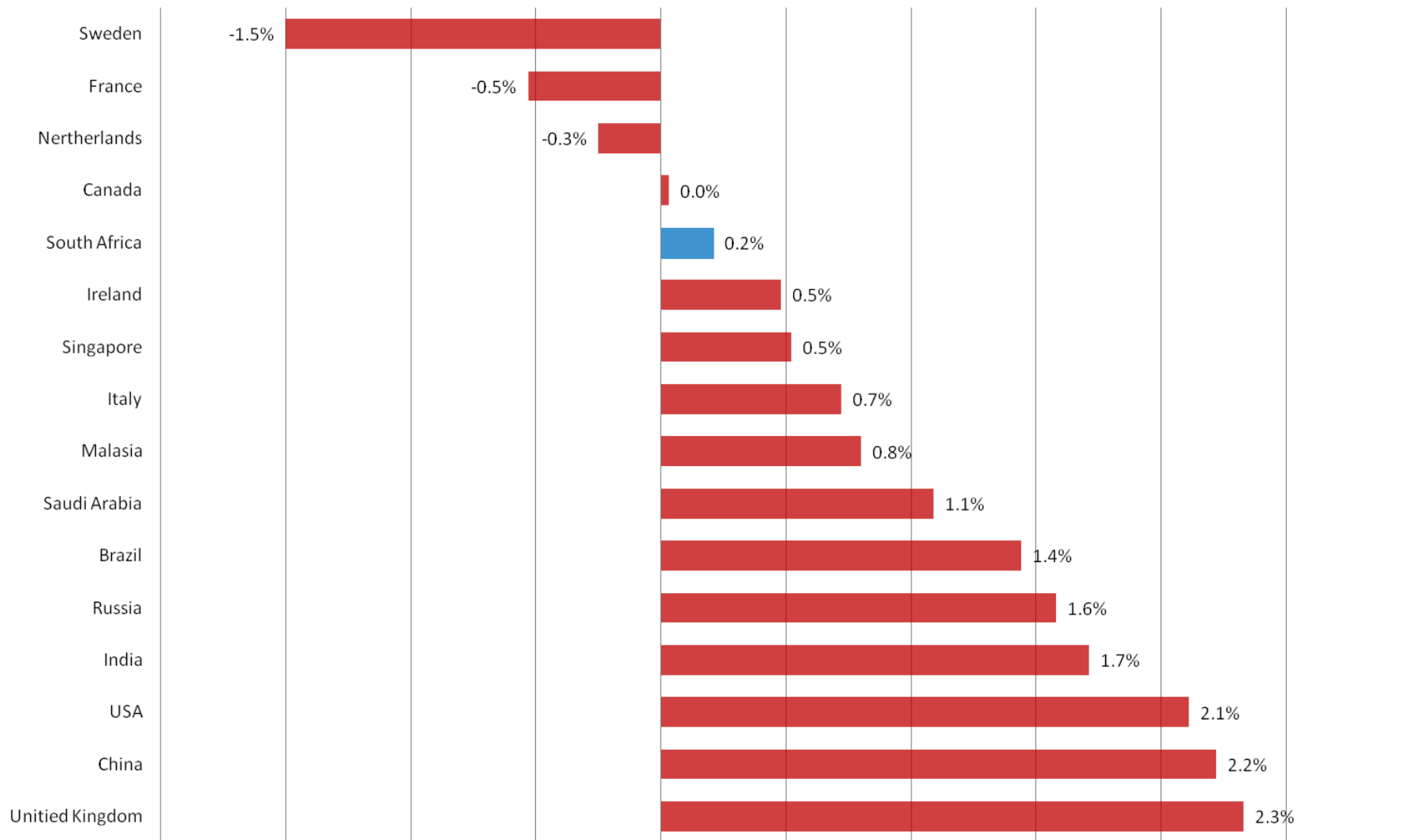
North America

North America (including Canada and the U.S.) reports a trend of 11%. However, separate Towers Watson research* indicates that leading employers in the U.S. are experiencing a much lower trend (6% to 8%). High cost pressures in the U.S. have been in place for some time, and this lower number may be the result of stronger health management initiatives finally paying off for employers. The trend in Canada appears to be dropping slightly for 2011 and 2012 — from 12.5% in 2009 to a projected level of 10.5% in 2012.

Medical inflation net of general inflation

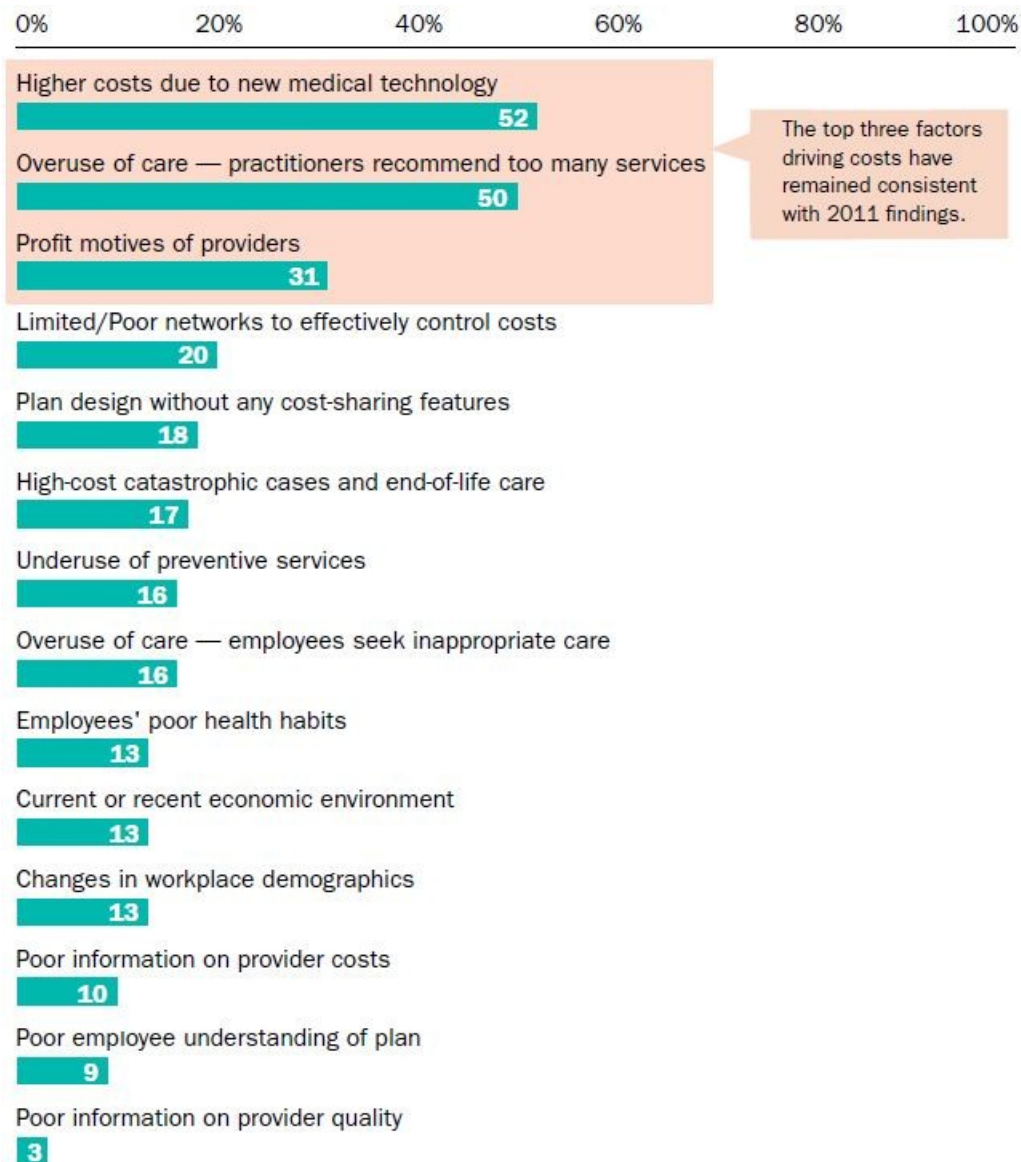


Medical inflation outlook



What's Driving Medical Cost Increases?

A variety of factors can contribute to shifts in health care cost trends. While some are more specific to certain markets and regions than others, many are experienced universally. The top three cost drivers have remained consistent with 2011 findings —



	Asia Pacific	Europe	Latin America	Middle East/Africa	North America
1	Cardiovascular	Cardiovascular	Cancer	Cardiovascular	Gastrointestinal
2	Gastrointestinal	Musculoskeletal	Cardiovascular	Cancer	Cardiovascular
3	Cancer/Respiratory	Cancer	Gastrointestinal	Respiratory	Musculoskeletal

0% 20% 40% 60% 80%

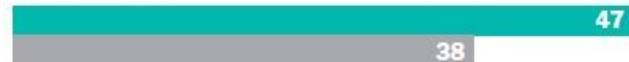
Cardiovascular



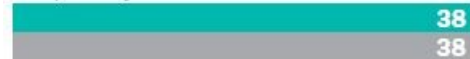
Cancer



Gastrointestinal



Respiratory



Musculoskeletal/Back



Accident



Mental health



Substance abuse

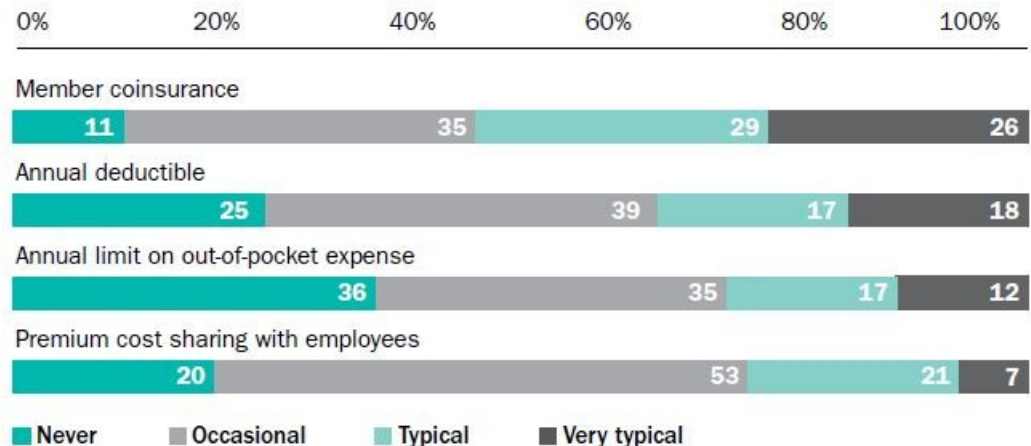
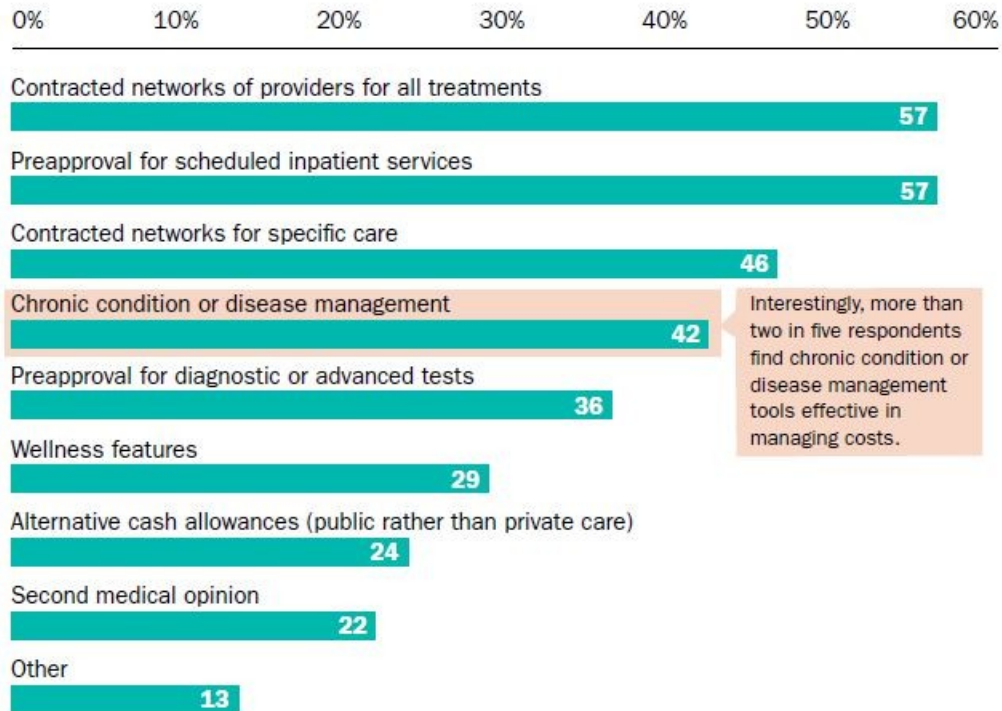


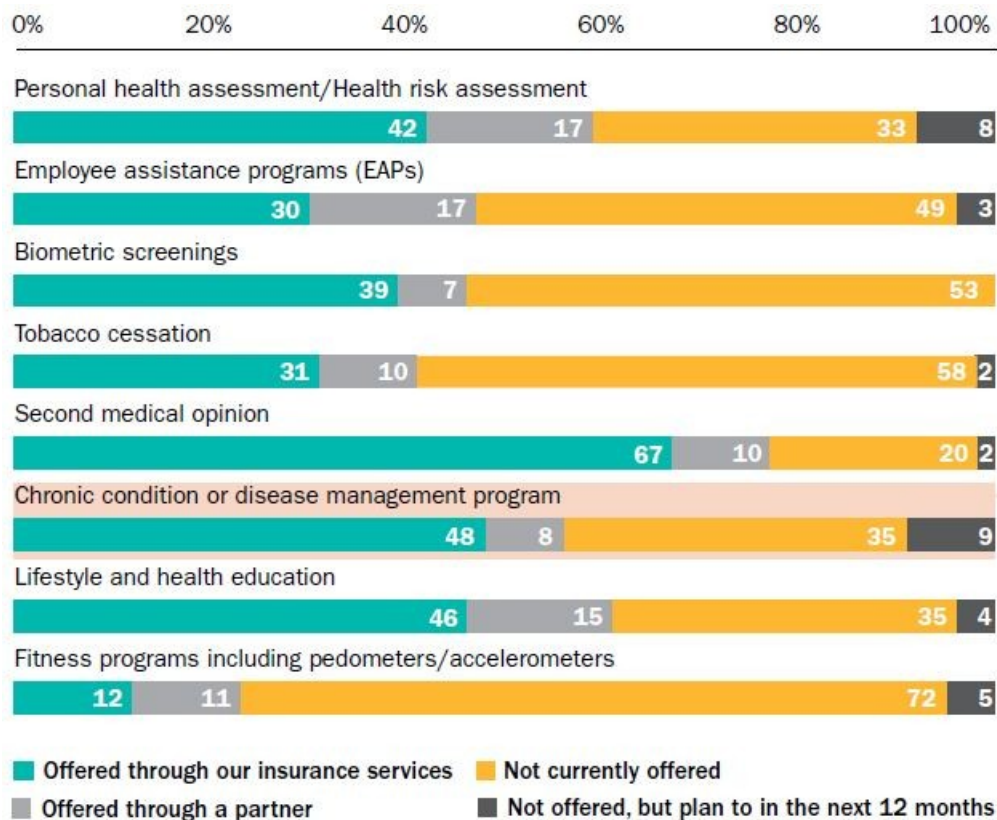
Other



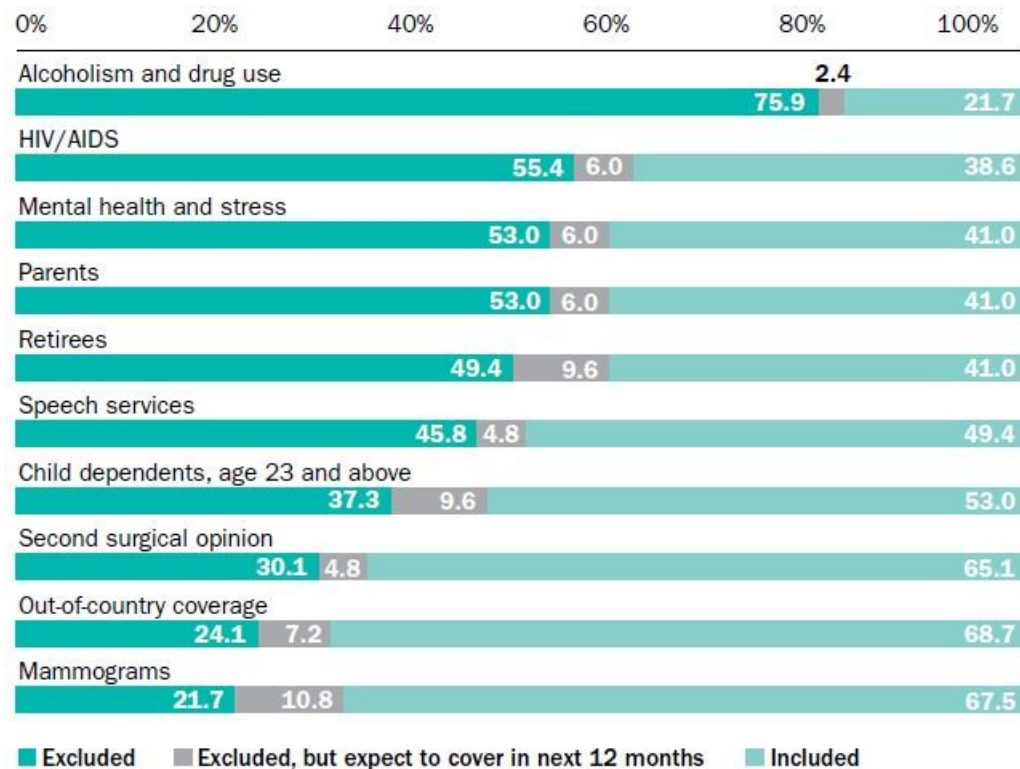
■ Now ■ In five years

Almost three-quarters of insurers said that in five years, cancer would be the top medical claim driver.





Over a third still do not offer chronic condition or disease management programs.



Questions...

About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.

