



Mobile
Health

Mobile Health in the Health Insurance Industry

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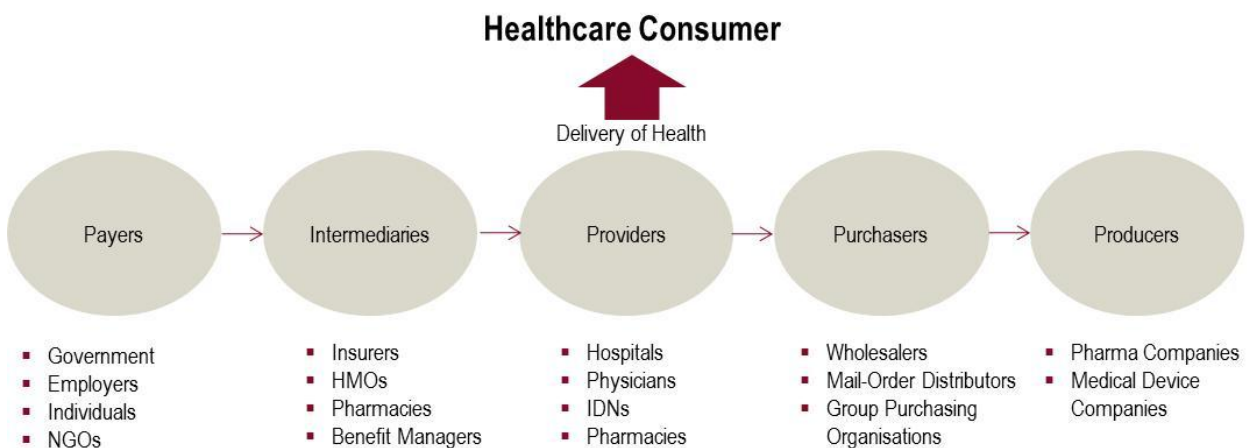
Overview

The structure of how healthcare is delivered varies greatly between countries, depending on the financing arrangements and national primary healthcare concerns. However, the basic components and stakeholders are broadly similar, as are global concerns of containing spiralling healthcare costs and improving and optimising access to care and services. This overview examines the extent to which mobile applications can support the health insurer sector. It will examine why these applications have largely not been driven by the mobile industry, and identifies the potential role for MNOs if they want to take on a larger portion of this sector.

The players supporting the health value chain

Fig 1 shows all the players within the health value chain and how funding moves from one player to the next to support the providers which deliver healthcare to the consumer.

Fig 1: Funding movement along the health value chain



Source : The Wharton School Study of the Health Value Chain, 1999

- **Payers** are the originator of funds for healthcare - ranging from individuals and employers (through premiums to insurers), to governments (which raise money from individuals through taxation).
- **Financial Intermediaries** like insurers and HMOs, receive funds from payers, and in turn allocate funds to providers. In state-run systems this is a function which is kept within the government itself.
- **Providers** have the primary responsibility to deliver healthcare to the healthcare consumer, and are funded by intermediaries. They use the funds to run the hospital and clinic system, as well as to pay organisations that purchase medical supplies and drugs from the producers.
- **Purchasers** aggregate demand for medical supplies and negotiate bulk contracts with producers. This function is sometimes played by provider or provider groups themselves.
- **Producers** are the net suppliers to the health value chain, and include suppliers of drugs, devices and medical supplies.

Differences in health systems primarily arise from where the burden of payment lies (i.e. who are the main payers), and where the responsibility of allocating healthcare dollars falls (who plays the financial intermediary role).

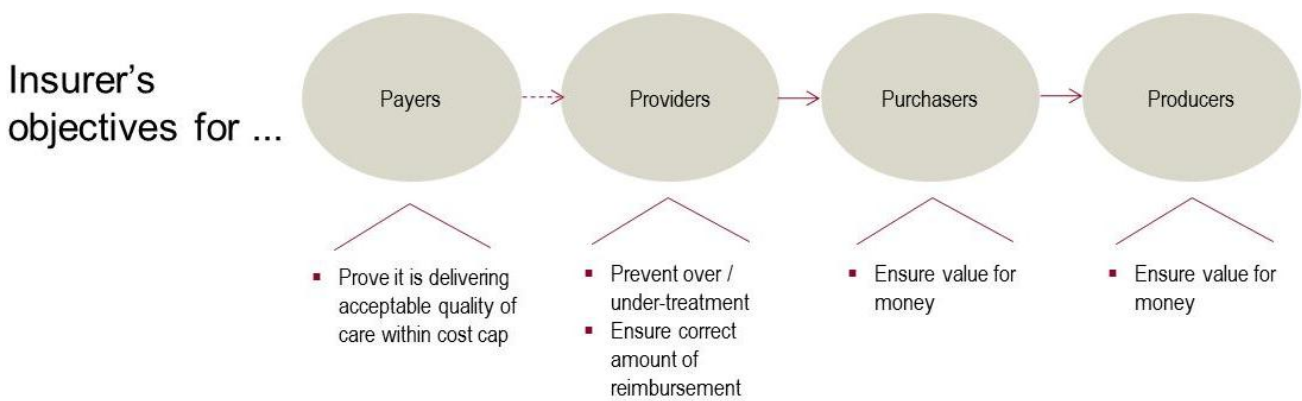
Understanding the challenges and needs of each of these players will be key in developing products and services for them. In this overview we focus on the insurer industries and the extent to which their specific concerns may or may not be addressed through the application of mobile health technology.

The healthcare insurance industry

The significance of the healthcare insurance industry depends largely on the healthcare financing regime of the country in question. One extreme is the model used in the United States, where the allocation of healthcare dollars falls on the free market, and the other a system where the government takes full ownership (the UK). Globally, the health insurance industry is worth US\$500 Billion annually.

However, whatever regime they are in, the insurer or the relevant proxy, which performs the healthcare financing allocation function, has the main objective of accurately providing reimbursement for healthcare and keeping costs down (i.e. keeping reimbursement low) for a specified amount of revenue (whether it comes from premiums or tax dollars).

Fig 2: Objectives of the healthcare insurer industry for its stakeholders



Source : GSMA analysis

Mobile health addresses key challenges in the healthcare insurance industry

Globally, healthcare insurance has been affected in recent years by underlying issues with the financial services and insurance industry itself. In addition, specific problems for the healthcare insurance industry have been:

- a) Inappropriate consumption of healthcare, leading to rising costs

When there is a standard premium, there is a natural incentive to over consume. However, this belief has also created a mechanism by which access to treatment has become difficult and procedural. This results in increasing costs and inefficiencies and waste within the system.

The mobile health value proposition:

Mobile health applications have been weaved into wellness programmes as a ubiquitous channel that can assist in monitoring health status as well as provide a means to keep the population from accessing the health system unnecessarily, either through better information or from patient specific health reminders. For the chronically sick, which typically consume the greatest amount of healthcare dollars, the same functionality can help with medication compliance and health reminders that also keep them out of the system for as long as possible.

- b) Increasing uninsured

The problems discussed above have in some countries caused an antagonistic response in the customer community, causing (where possible) a withdrawal from the insurance market, which erodes premiums and revenue.

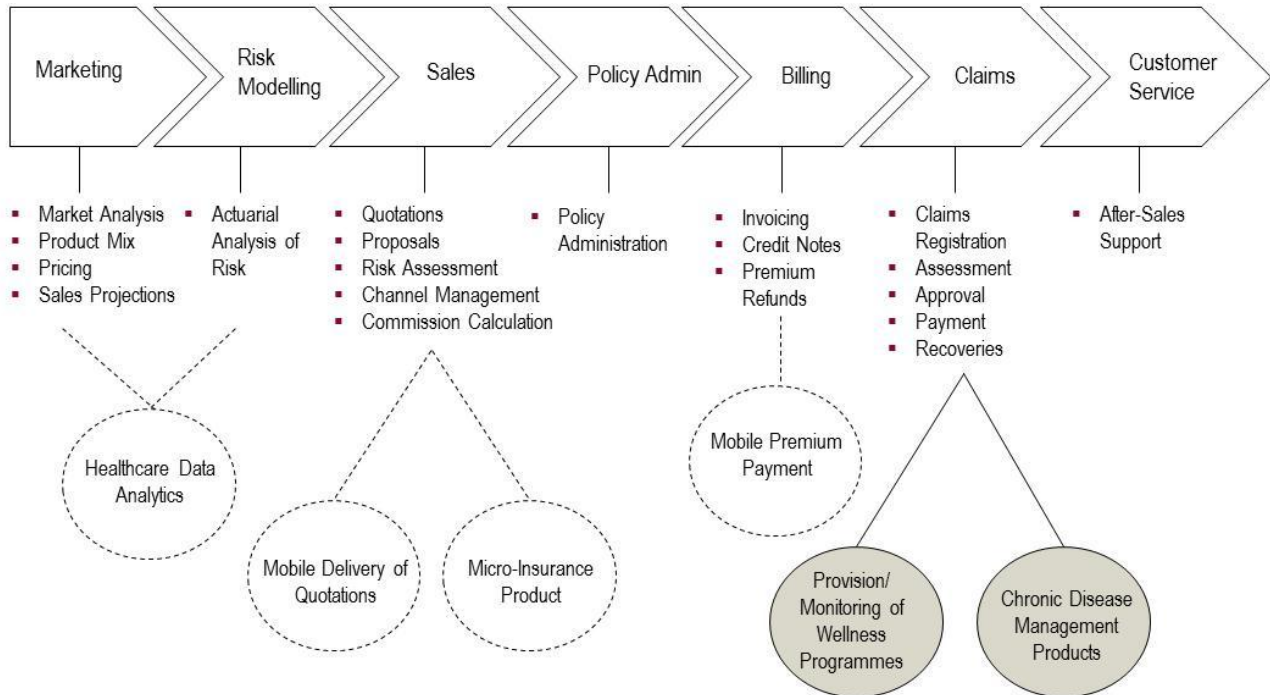
The mobile health value proposition:

By definition, the mobile channel (potentially) creates a new conduit for acquiring and managing consumers. If a suitably structured product can be developed, it may capture a brand new segment of the uninsured and allow the insurer to make up for the erosion of “lives” covered in other areas.

Mobile health supporting the healthcare insurance value chain

Opportunities in this market are still in their infancy, with some pilots being carried out by insurers and healthcare organisations to test out the value proposition described above. Fig 3 shows some typical initiatives that have been implemented to date.

Fig 3: Mobile health solutions supporting parts of the healthcare insurer value chain (current applications in grey, new applications in white)



Source : GSMA Analysis

The above shows that there is significant opportunity for mobile health to support various functions within the insurance industry itself.

Role for MNOs in mobile health solutions supporting the health insurance industry

Similar to pharmaceutical companies, participation by mobile network operators has been sporadic, primarily due to both the content and the underlying business models, which are owned and managed by the healthcare organisations. This has led to little or no leveraging of what MNOs can bring to the table besides basic infrastructure provision.

In this case, however, there are two potential areas where MNOs can play a greater role based on increased leverage and extension of existing capabilities:

- Typically, MNOs possess a customer base that is larger than most individual healthcare insurers, and also (depending on circumstance) may possess a brand that can be leveraged. These assets, combined with existing account management and distribution capabilities, provide MNOs with an unparalleled opportunity to partner with healthcare insurers, which can provide the product development and underwriting capabilities.
- Similar to pharmaceutical companies, MNOs already possess personal data for their customers and fairly sophisticated data management capabilities underlying this dataset. This can be extended to include patient specific health data, depending on an MNO's appetite for risk and the regulatory environment. The ability to manage health data is not only of commercial value to insurers as they try to manage and track the health of their customers, but to other parties as well.

MNOs will need to offer a value proposition to the insurance industry that leverages both the MNO's current capabilities and assets and possibly involves investing in new ones.

CONCLUSION

This overview of mobile health in the health insurance industry reveals key opportunities and challenges that MNOs should consider when exploring products and services for the insurer markets. In summary,

- The healthcare insurance industry as a new net corporate customer base presents MNOs with a potentially significant revenue stream.
- Mobile health applications have the opportunity to address key business challenges for insurers, both as a means to improve health for their members (and hence reducing claims) as well as creating a brand new distribution platform for new health insurance products.
- MNOs are not playing an active role in driving these mobile health opportunities at the moment. The extent to which MNOs can play a meaningful role in each sector beyond infrastructure provision depends on the degree to which MNOs wish to extend their current core capabilities and asset base. This will be case specific and dependent on an appetite for risk and the regulatory environment.