

Oman's mandatory healthcare insurance to spur investments in related sectors



(L-R): Messrs Dr Haider Al Yousuf, Ahmed Al-Mamari, Ahmed Bin Abdullah Al Khonji, Dr Mohammed Al Musalhi and Mr Hasan Al Lawati

The proposed compulsory healthcare insurance scheme in Oman is going to be applied in stages to ensure the best results and benefits to all stakeholders. Considering its wide coverage of about 2m people, the scheme is expected to boost investments in various segments related to healthcare services.

By Osama Noor

The Capital Market Authority (CMA) has not spared efforts in taking all necessary measures to develop a sound framework for implementing the compulsory healthcare insurance scheme, including the creation of a clear roadmap stating the role of the various stakeholders, said HE Abdullah Salim Al-Salmi, executive president of CMA, at the opening of the 12th Middle East Healthcare Insurance Conference in Muscat in September.

He announced that the intended scheme will be gradually implemented over five phases. "These phases are designed on varied and justified bases that included, but were not limited to, the company's grade, number of employees, and other factors. Moreover, a comprehensive evaluation and thorough examination of each phase of implementation will be conducted before moving to the next. This will hopefully ensure the safe and sound transition, effectively and with precision."

Mr Al-Salmi said minimising the cost of coverage and providing a unified health insurance policy that provides basic health coverage are the two main guidelines in the CMA's approach in implementing the scheme.

He added that the key foundations for the optimal implementation of the system include creating the required legislation, promoting healthy competition in the market, harnessing technology and encouraging innovation.

Creating a private healthcare sector that supports the public health system is the most notable desired outcome from implementing the compulsory health insurance system, said Mr Al-Salmi. "Moreover, a developed private health sector would undoubtedly catalyse the development of the private sector in Oman."

In 2017, health premiums grew by 16% y-o-y to OMR134m (\$348.5m), accounting for around 30% of the market GWP. Preliminary financial statements point to an increase of 18% in health premiums in the first half of 2018 (amounting to OMR97.7m compared to OMR82.8m in the first half of the past year).

Extending coverage

Mr Ahmed Al Mukhaini, advisor, Office of the Executive President, CMA noted



HE Abdullah Salim Al-Salmi

CONFERENCE REPORT

that implementing compulsory healthcare insurance was initially planned to cover expatriates, but was expanded to include Omanis working in the private sector, therefore expanding the target market to 2m policyholders, excluding their dependents. At present, there are around 446,000 insured persons.

He noted that the annual growth rate for health premiums has reached 23% between 2013 and 2017 and there are 16 insurers licensed to offer health insurance, out of the market's 20 providers.

Mr Al Mukhaini said private healthcare facilities in Oman need further investments and launching the compulsory healthcare programme should incentivise investments from both local and international parties.

Mr Ahmed Al Mamari, vice president, Insurance Supervision, CMA said the goal is to improve the level of healthcare services in the country. "CMA looks to benefit from other countries' experiences."

He said the CMA is working to ensure accessibility, which is a challenge considering the relatively inadequate available healthcare facilities. "Health insurance will be the incentive to increase the size of investments in the private healthcare services." He added that CMA is also keen on preserving affordability of the services and supports the efficiency of the system.

Mr Al Mamari said that a full database system for the targeted population has been created. He expects the compulsory healthcare programme to be launched by the beginning of next year, pending the creation of the basic infrastructure for a sound private healthcare services system, but priority is being given towards building a suitable groundwork to create an efficient private healthcare sector. He said the CMA's gradual approach in implementing the system is to ensure having in place a suitable legislative and regulatory environment along with an efficient system.

Implementation and strategies

Mr Al Mamari stressed that healthcare insurance is not a goal by itself, but rather the means to create a private healthcare system to support the public sector. "We will start from where others have ended."

Mr Ahmed Bin Abdullah Al Khonji, advisor for development, Minister of Health Office said it is vital to initiate the compulsory scheme by offering the basic healthcare services. Nonetheless, a big challenge in implementing healthcare insurance is covering the large areas in Oman – especially those outside Muscat. The capital enjoys the biggest concentration among all cities.

Insurance providers look forward to launching the mandatory healthcare insurance, said Mr Hasan Al Lawati, CEO, Marsh Oman. He said having the scheme will increase competitiveness of the sector and stimulate the companies' investments in various fields, including distribution and IT, to enhance the provision of services especially that the insured population will grow from around 400,000 to exceed 2m.

Concurring, Dr Mohammed Al Musalhi, director, Alrahma Medical Center said the implementation of the compulsory healthcare scheme will upgrade the whole



Mr Ahmed Al Mukhaini

private sector in Oman, not just the insurance sector.

Dr Haidar Al Yousuf, managing director, Al-Futtaim Health Group said increasing awareness towards the importance of healthcare insurance and understanding the system's means of operating to create a stronger commitment among the public is a gradual process that requires perseverance and patience. He also said the application of electronic data system should not be compromised to ensure the efficient implementation of the scheme.



Dr Haidar Al Yousuf

Global trends

Medical care is becoming increasingly less affordable because of the increase in the cost and price of healthcare services, where medical inflation is around 2% above living inflation, said Mr Laurent Pochat-Cottilloux, global head of health, reinsurance partnerships, AXA.

He noted that there are three mega trends which drive the need for universal healthcare plans. The first is healthcare is becoming ever more complex, expensive and personalised. The second trend is that people, on average, are getting richer and older with time. Thirdly, "We are more interconnected... everything and everyone is more and more globally interconnected."

Therefore, providers need to work effectively on matching their products to market needs. "Big companies are trying to localise their offerings to meet the demands of local markets. At the same time, local insurers are trying to develop their plans to offer big clients (products that) respond to their needs," said Mr Pochat-Cottilloux.

Mr Robin Ali, head of practice at The Consilient Consultancy discussed the dangers of alliances between non-healthcare companies and their impact on payers, providers, patients and policymakers.

He said the possible disruption could mean redesign benefits and pricing, as well as reducing premium revenues for payers. For providers, it would lead to increased bilateral agreements with employers. As for patients, it is questioned if it is going to improve the quality of and access to care, as well as reduce cost.



Mr Laurent Pochat-Cottilloux



Mr Robin Ali

The Saudi experience

In Saudi Arabia, medical insurance controls the largest share of businesses, 52% of the market GWP. Mr Mohammad Salman Al Hussain, secretary general of the Cooperative Health Insurance Council (CHIC) said after 12 years of launching the compulsory healthcare insurance scheme, the kingdom's experience continues to develop. "Protecting policyholders is a main element in the CHIC's strategy. We



Mr Mohammad Salman Al Hussain

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(L-R): Messrs S Venkatachalam, Vineet Jaiswal, Murtadha Al Jamalani, Dr Saif AlJaibegi, Dr Dennis Sebastian and Mr Ihab Alameh

always seek the continuous development of the healthcare market. We are moving to a medical system which is zero tolerant to mistakes. At the beginning of 2018, we required every healthcare provider to provide quality assurance certificate.”

He noted that the secretariat general of the Council has enjoyed flexibility in issuing the necessary regulations, which is a main factor in organising the market.

Mr Al Hussain noted that implementation has been conducted gradually, but the CHIC had a strategy in place to reach a full coverage of population. He revealed that a special company is to be established to manage the provision of healthcare services to the local Saudi population of around 22m.

Capacity is the biggest challenge, he said. “And that is the main reason for us to approach the public healthcare system to be included in the provision of healthcare insurance services.”

Future plans include facing the concentration of medical insurance, he added, noting that three insurers currently control 80% of the health insurance business.

Regional updates

Mr Scott Davies, director/cyber champion MENA, Aon (DIFC) Gulf said it is important to adopt a risk-based strategy and a holistic approach to cyber security, risk and insurance management. He said insurance is eventually an act of transferring risk, and there needs to be cyber security management and not from IT perspective only.

Dr Dennis Sebastian, regional director, health, RGA said despite being neighbouring markets, each of the GCC markets has its own specificities and should use its own framework. For example, he said the loss ratio for Saudi Arabia is much better than it is for the UAE. However, in general, the cost of regulation and administration should be reasonable and appropriate.

Insurance markets in the GCC remain underpenetrated, said Mr Sachin Sahni, credit analyst, financial services, S&P Global Rating. “Therefore, there is much potential in the region.” Regulations on health and motor in the UAE have boosted growth where the insurance sector registered 13% growth against flat growth for Saudi and Oman, he said.

He added that Oman’s insurance industry has a

promising future despite the subdued growth rates in the past period. “With compulsory healthcare insurance scheme, it is expected for growth in Oman to pick up.”

Creating better market conduct

Mr S Venkatachalam, CEO, National Life and General Insurance Company SAOG (NLGIC) said insurers in Oman have the necessary experience, infrastructure and ability to serve in the implementation of compulsory healthcare insurance.

He said his company has already started training stakeholders (such as clinics) to be prepared for the online dealings in handling claims.

Mr Venkatachalam urged providers to develop better relationships with various stakeholders, including banks. For insurers, he stressed the importance of preserving healthy competition.

Mr Ihab Alameh, head of business development & client relations, Munich Re said industry players have much to do to streamline the service to policyholders. “The value is to put the patient in the centre and provide better healthcare to build a healthier society. It starts with healthcare providers integrating practices. Also it is time to rethink about the way payers are paying the providers and how services can be bundled. Healthcare cannot be segmented or fragmented.”

For the compulsory healthcare insurance to succeed, there has to be a proper relationship between the private and public sectors, said Mr Murtadha Al Jamalani, chairman, Financial & Insurance Sectors Committee, Oman Chamber of Commerce & Industry (OCCI).

He added that the private sector (employers) could be a challenge since they will be the ones paying. Nevertheless, the goal is to provide insurance coverage for the whole population. “For the coming phase, insurers and healthcare providers should cooperate to offer first-class services. And we need a vigilant regulatory body following up to ensure that profitability is not at the expense of policyholders.”

Greater role for technology

Dr Saif AlJaibegi, CEO, Middle East & Africa, Optum, UnitedHealth Group said technology should play a key role in the provision of healthcare insurance services. His company is a health services and innovation operator that uses technology to improve the performance of health systems.

In future, the use of technology will help ensure the well-being of communities. “What we do today is similar to what insurers do. We are delivering the capacities.”



Mr Scott Davies



Mr Sachin Sahni

He said regulatory and supervisory follow-up is important to ensure effectiveness of implementing the systems.

New technology is changing the market where it is enabling the creation of new products and services, but also opening the door for new competition represented in software-based companies, said Mr Aftab Hasan, CEO, Arya Insurance Brokerage Company (AIBC) and chairman, Risk Exchange (DIFC) Limited UAE.



Mr Aftab Hasan

He added that the market will continue to evolve, and this should prompt operators to resort to trust and confidence, re-evaluate the means of doing business and resolve to work jointly with integrity and professionalism. "We want to see a viable, healthy insurance sector where customers have genuine choice from companies and individuals they can trust." He added that putting the customer at the heart of the business is the best means to accomplish this goal.

Emergence of telehealth in the region

The implementation of telehealth in regional primary healthcare and the distribution of healthcare and services via telecommunications benefit all stakeholders, said Mr Charlie Barlow, founder and CEO, Health at Hand. He added that 90% of all working consultations could be done through video. "Telehealth can safely treat people remotely." Based on the UAE market, the average cost of a walking clinic is AED345, while the average additional cost is 1.25% to that cost, around AED750. There is thus significant cost savings and more importantly significant savings in terms of convenience. We are not helping the affluent classes only, but also the blue-collared workers – who can access the system. It is a win-win situation if implemented, he said.



Mr Charlie Barlow

Predictive analytics in healthcare

As data becomes more available and technology tools are less expensive than they used to be, the industry has the necessary tools to analyse and make more precise decisions for the future, said Dr Sven Rohte, chief commercial officer, National Health Insurance, Company – Daman.

He said predictive and advanced analytics are powerful techniques to improve bottom lines and gain competitive advantage. They will also change the industry as they offer to personalise healthcare with customised engagement models and interventions to specific needs.

It is estimated that 10% of claims are lost in waste, abuse and fraud (WAF) said Mr Kiril Milev, managing director, Netccetera Middle East, Dubai, UAE.



Dr Sven Rohte



Mr Kiril Milev

Recommendations

Following the conclusion of the two-day event, Mr Al-Mamari presented the following recommendations which were forged upon the discussions and deliberations taken at the sessions:

- Oman looks to learn from the experiences of other countries in implementing compulsory healthcare insurance, especially those from neighbouring markets;
- The plan is to implement healthcare scheme in Oman gradually over phases and constantly evaluate each stage to ensure sound practice;
- Using technology is essential to enhance healthcare coverage and minimise the costs;
- Technology and innovation are key to develop the best means of delivering and managing healthcare services;
- Oman to woo investors to consider investing in the emerging sectors of healthcare, health insurance and technology in the sultanate; and
- Stakeholders should think of building long-term relationships in order to ensure sustainability of the healthcare and healthcare insurance services.

Technological disruption in offering various levels of healthcare is possible and technology can be brought into new business models. For example, an AI-powered risk classification system for the detection of WAF in healthcare claims in the GCC can be introduced, he said.

Micro for greater coverage

Mr Chalapathi Srinivasan, executive director, Joie De Vivre International Insurance Brokerage presented various models for the provision of healthcare insurance services, including microinsurance and health management organisation (HMO) as a way to reach the goal of universal health insurance.

Aside from the commercial and universal healthcare plans, micro health insurance stands out for providing protection of low-income people at low premiums and low coverage. It also helps the population that is typically ignored by mainstream commercial enterprises. One major advantage presented from real cases is that microinsurance services cover people who used to be uninsured.

The 12th Middle East Healthcare Insurance Conference is organised by *Middle East Insurance Review (MEIR)* with the cooperation and support of the CMA, and carries the theme 'Evolution Strategies to Make Compulsory Health Insurance Sustainable and Successful'. Held for the second time in Muscat, the event is sponsored by National Life & General Insurance Co of Oman and Oman Reinsurance Co. Around 200 delegates from the local market and abroad attended the conference. 



Mr Chalapathi Srinivasan