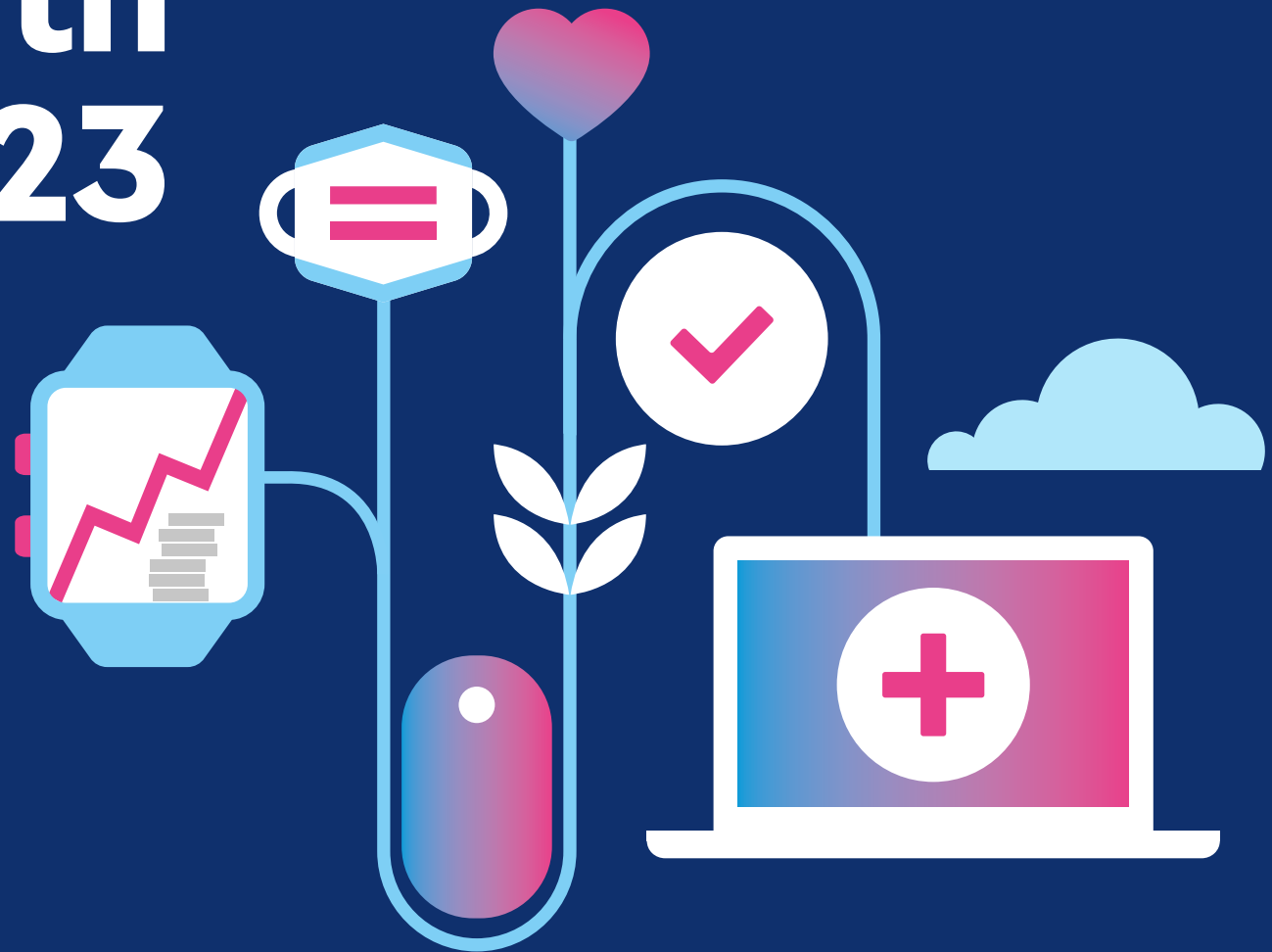


Global insurer survey report

MMB Health Trends 2023

Navigating cost trends
and using innovation
in employer-provided
healthcare



benefits that truly benefit

Although COVID-19 continues to influence employer-provided health plans, both directly and indirectly, medical trend across the globe has largely stabilized to approximate pre-pandemic rates. Meanwhile, market innovation continues to offer new opportunities for employers to consider as benefits plans are modernized.

Mercer Marsh Benefits (MMB) surveyed 226 insurers across 56 countries¹ to explore the key trends shaping employer-provided health benefits to produce our [Health Trends 2023 report](#).

These trends will be invaluable for employers designing healthcare plans to meet the needs of their businesses and employees. Insurers' practices, policy language, flexibility, willingness to innovate and access to large pools of claims data give them a key role in shaping the future of employee benefits.

¹ Fielded in August 2022.

Top trends driving employer-provided health benefits

1 Per-person medical cost increases are back to pre-pandemic levels.



2 COVID-19 continues to impact claims experience.



3 Plan modernization has begun.



4 Mental health gaps persist.



5 Plan management requires greater rigor.



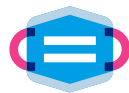
Five key trends driving the future of employer-provided healthcare

The findings of MMB's *Health Trends 2023* survey show five key trends influencing employer-provided healthcare for the future.

Trend



Per-person medical cost increases are back to pre-pandemic levels.



COVID-19 continues to impact claims experience.



Plan modernization has begun.



Mental health gaps persist.



Plan management requires greater rigor.

What it means

Plan sponsors must factor forecasted cost increases into budgets and determine how to balance empathy with economics.

Insurers say people are experiencing the effects of disrupted care alongside ongoing COVID claims.

Digital health support is rapidly evolving, but there has been limited progress on health sustainability.

Despite progress, plans continue to exclude mental health care or provide only minimal coverage. Employers are left to fill the gap in other ways.

Benefits managers must develop more robust strategies and prepare for more complex underwriting and plan design decisions.

Key finding

68%

of insurers expect plan sponsors to prioritize improvements despite forecasted double-digit medical trend rates in some markets.

55%

of insurers report an increase in later-stage diagnosis of illness due to deferred care.

1 in 2

insurers has changed or expects to change eligibility requirements and eligible expenses to make coverage more inclusive for those who identify as LGBTQ+.

16%

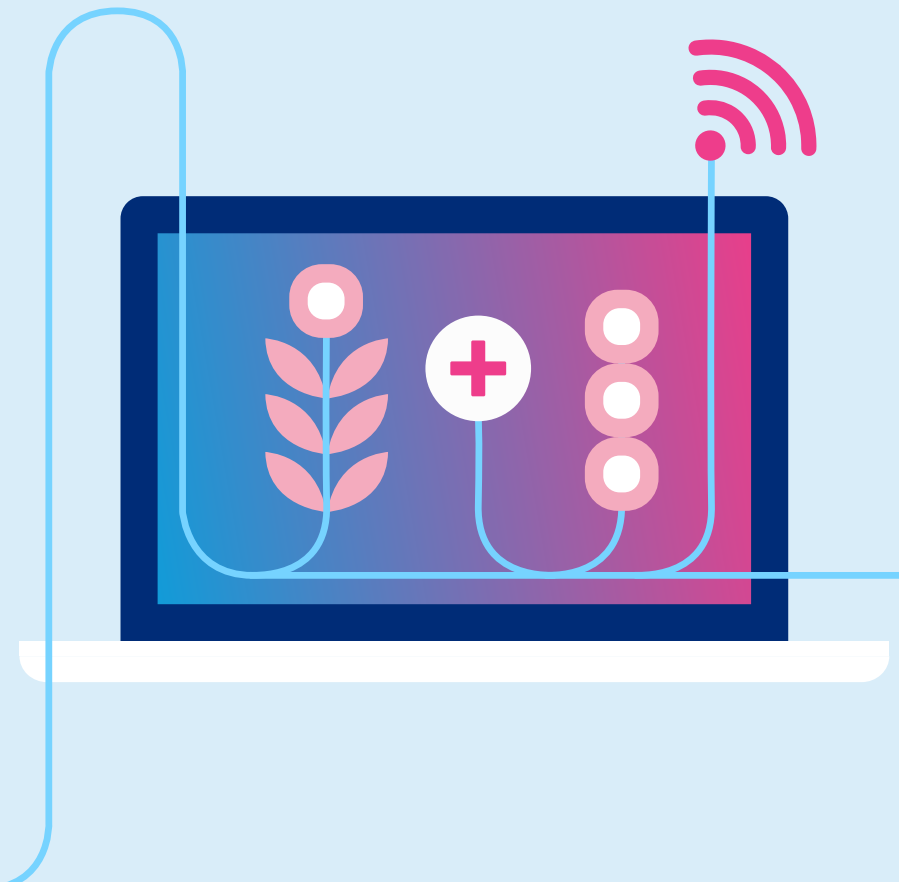
of insurers report not providing plans that cover mental health services (versus 26% in 2022).

More than 1 in 5

insurers in Asia are adjusting medical plan premiums based on COVID-19 vaccination status.

Section 1

Per-person medical cost increases are back to pre-pandemic levels



Defining 'medical trend'

Medical trend is the year-over-year cost increase for claims under a medical plan on a per-person basis, assuming no changes to the benefits provided. This rate growth is the result of a variety of factors, including:

- Medical inflation (increase in per-unit costs for the same service/supply)
- Altered treatment mix (for example, moving to more expensive treatments)
- Utilization patterns (for example, people not accessing services due to COVID-19-related restrictions)
- Regulatory changes

Medical trend rates, 2019–2023

Although the impact of COVID-19 on claims patterns varies around the world, in 2021, insurers generally saw medical trend rates return to pre-pandemic (2019) levels. This followed a drop in 2020 that resulted from lower usage of medical services because of the COVID-19 pandemic. There is extensive geographical variation, with some regions (for example, Europe, Canada, Pacific) slightly exceeding pre-pandemic levels and others (for example, Asia, the Middle East and Africa [MEA]), Latin America and the Caribbean [LAC]) coming in just below.

With the exception of the LAC region, insurers across regions also expect medical trend rates to exceed 2019 levels in 2022 and 2023, driven by factors such as increased cost of medical care, increased utilization and later-stage diagnosis of illness (which requires more costly treatment). In 2023, the rate of growth is generally expected to remain steady at 2022 levels.

Figure 1: 2019–2023 medical trend

	2019	2020	2021	2022	2023
Global	9.7%	5.7%	10.1%	12.7%	12.6%
Canada	6.9%	3.9%	7.1%	7.0%	7.0%
Asia	10.2%	3.5%	8.9%	10.7%	11.5%
Pacific	4.6%	5.2%	5.0%	5.6%	5.8%
Europe	8.0%	3.5%	10.9%	13.9%	13.8%
Middle East and Africa	11.1%	9.6%	10.2%	15.0%	13.8%
Latin America and Caribbean	13.4%	8.0%	11.1%	10.7%	11.3%

Rates for 2019, 2020 and 2021 are retrospective. Rates for 2022 and 2023 are prospective. Unweighted global averages used. See Appendix A for a list of estimated medical trend rates by market and data sources.



Global medical trend versus general inflation

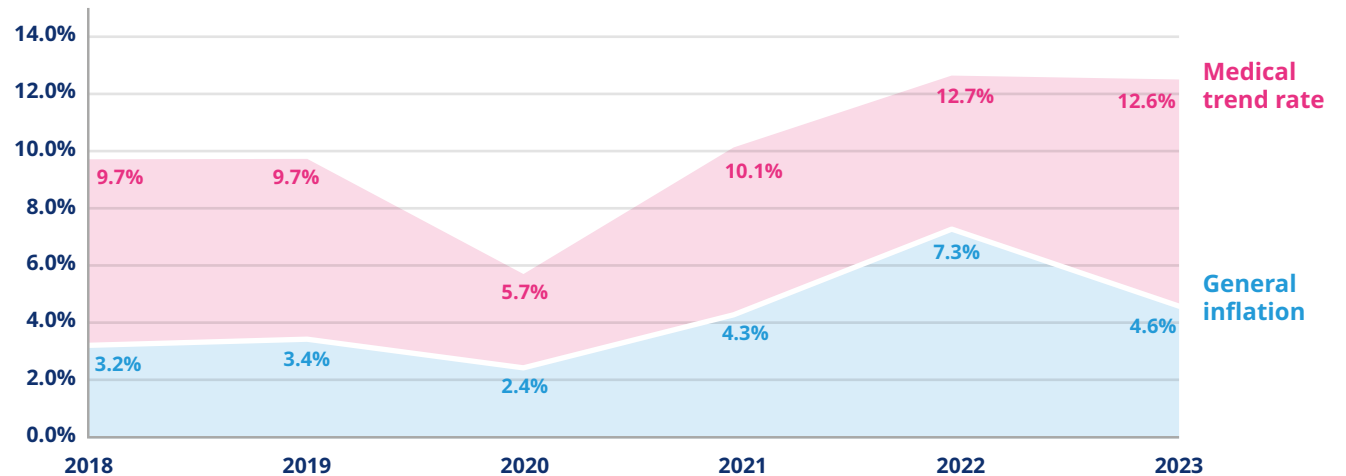
Soaring inflation rates in the general economy have been a source of concern for individuals and employers alike, with low-paid workers particularly hard-hit. As employers plan their 2023 benefits offerings, including medical insurance and well-being programs, the impact of inflation will inevitably be an important factor.

Global inflation has not affected medical trend to the same extent as energy or food prices. It is likely that changes in claims utilization, such as late diagnosis as a result of the pandemic, are having a material impact on medical trend.

Ambiguity in future cost levels abounds in many parts of the world due to economic uncertainty. Because it is particularly difficult to accurately predict medical trend rates in Argentina and Venezuela due to hyperinflation in those countries, they have been excluded from this analysis.

In Turkey, a nation seeing significant rates of inflation (60.5% as of July 2022), medical trend is forecasted to be 72.5% in 2022. Undoubtedly, inflation plays a key role, but other factors, such as legislative changes, claims utilization and advancements in technology, continue to drive medical claim costs.

Figure 2: Medical trend rates versus general inflation²



US health update

To capture developments in the US health landscape, which are outside the scope of this survey, Mercer conducts an annual [National Survey of Employer-Sponsored Health Plans](#) in the US. The survey found that employers expect health benefit cost per employee to rise 5.6% on average in 2023,³ which is less than US inflation — currently about 9%.⁴ Due to multiyear insurer contracts with providers, it's likely that the full impact of inflation will not be felt immediately but rather will be phased in over the

next few years as contracts are renegotiated. Even with sharper cost increases on the horizon, most employers are looking to enhance their benefits to improve attraction and retention of talent, with 84% of large employers rating this as an important strategy. In line with this sentiment, employers are also aware of how healthcare costs impact their employees and families, particularly with inflation adding financial stress for many. Only 36% of employers are looking to cut costs in 2023 by increasing deductibles or copays.

² Mercer. *National Survey of Employer-Sponsored Health Plans 2022*. Available at <https://www.mercer.us/what-we-do/health-and-benefits/strategy-and-transformation/mercero-national-survey-benefit-trends.html>

³ Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993–2022.

⁴ Rates for 2018, 2019, 2020 and 2021 are retrospective. Rates for 2022 and 2023 are prospective. Unweighted global averages used for medical trend. See appendix A for additional detail including inflation data sources.

Impact of economic trends on employer plan design

When the survey was fielded in August 2022, globally, 68% of insurers expected employers (over the next year) to prioritize plan improvements that address attraction, retention and engagement, as opposed to medical plan cost management/containment.

Insurers' believe that, globally, less than one-third (32%) of plan sponsors will reduce coverage to manage costs. This view is likely influenced by wider workplace trends, including talent shortages, workforce transformation and changing employee expectations.

Employers are wise to balance economics and empathy when reviewing plan design. They must keep in mind the hardship felt by many employees in the face of inflation. In a tight labor market, an employer may also see an opportunity to differentiate through benefits in lieu of salary increases. On the other hand, they must acknowledge that a recession is likely on the horizon or underway already.

The focus on prioritizing competitive, valued benefits is particularly significant in Asia and Europe, where the perceived gap between anticipated plan improvements and appetite to reduce plan coverage to manage costs is widest.

Figure 3: Based on your experience with recent medical plan renewals, which of the following objectives do you think most employer plan sponsors will prioritize over the next year?

	Global	Asia	Europe	Latin America and the Caribbean	Middle East and Africa
Making plan improvements to help address attraction, retention and engagement	68%	73%	73%	58%	56%
Reducing plan coverage to manage cost	32%	27%	27%	42%	44%





Employer actions

1

Continue to engage stakeholders (including the C-suite) on whether to prioritize plan design competitiveness and differentiation to help address talent attraction, retention and engagement challenges versus cost containment.

2

Be aware that inflation in the wider economy may further affect medical trend rates, and plan for a higher-inflation environment. Keep a close eye on medical and hospital pricing, and plan for increases in medical trend costs that reflect increased usage patterns and later diagnosis following COVID-19 lockdowns.

3

Prioritize the benefits and programs that are most favored by each segment of employees, assessed through widespread, formal employee listening activities.

4

Create an intentional strategy to manage plan costs over the long term, including recurring plan review to identify high-value solutions.

Figure 4: Benefits cost-containment pillars

Three elements of a truly effective health and benefits cost-containment strategy



Section 2

COVID-19 continues to impact claims experience



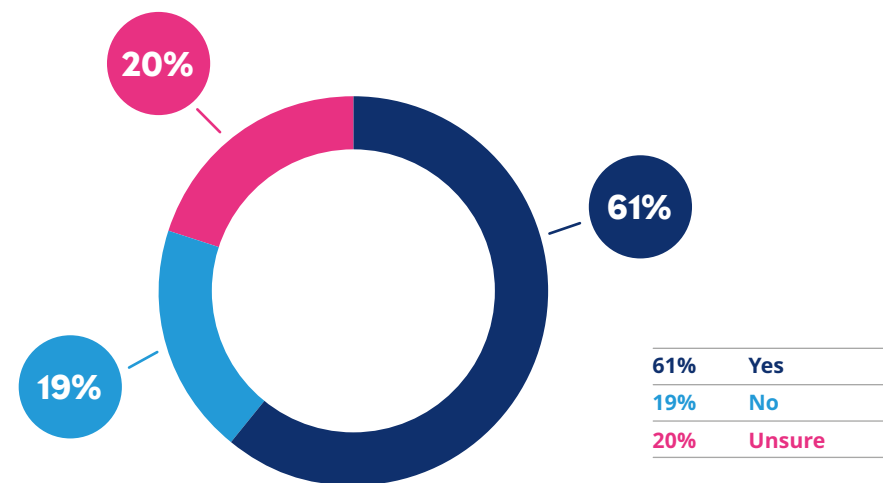


The long-term effects of lockdown and COVID-19

The effects of COVID-19 continue to impact medical insurance claims, even though public life has reopened in most regions. Pandemic risk remains a considerable business risk. MMB’s [2022 People Risk⁵](#) research highlights that the pandemic was ranked number 4 out of 25 risks by HR and risk managers. The pandemic was ranked the number-one risk in Mexico and South Africa and the number-two risk in Brazil, Hong Kong, China and Malaysia.

Lockdowns and infection fears during the pandemic meant that medical diagnosis and treatment for many conditions were disrupted. The after-effects of those delays are being felt in both the volume and costs of claims in 2022. More than three in five insurers (61%) globally say claims patterns have changed in 2022, and 55% of insurers globally report seeing more later-stage illness diagnoses in claims due to deferred care.

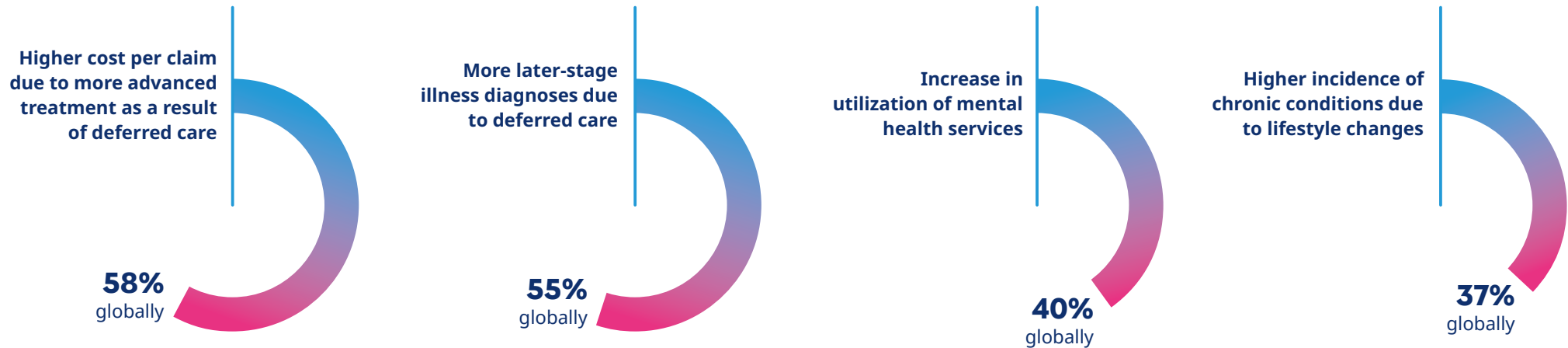
Figure 5: In 2022, have you experienced changes in group medical plan claims patterns due to deferred care during the pandemic?



⁵ Mercer. *People Risk Report 2022*, available at <https://www.mercer.ca/en/our-thinking/health/mmb-people-risk-management-for-workforce-and-business-resilience.html>

All regions saw similar patterns in the way the pandemic influenced claims in 2022:

Figure 6: How has the pandemic manifested itself in current (2022) claims experience?



Late diagnosis increases claim costs

Globally and in every region except the Middle East and Africa (MEA), insurers reported cancer as the top cause of claim costs in 2021 (the most recent year for which insurers have a full year’s worth of claims experience) as well as one of the three most frequent causes of claims. Although the claim cost pattern is consistent with pre-pandemic years, insurers are reporting that deferred care and diagnosis has increased the

volume of claims, with more diagnoses being made at a later stage, further driving up costs. This is supported by external research as well.^{6,7}

The cost of COVID-19 claims continues to be a significant factor in Latin America and Caribbean (LAC), but this has become less prominent in all other regions.

⁶ Maringe C, Spicer J, Morris M et al. “The Impact of the COVID-19 Pandemic on Cancer Deaths Due to Delays in Diagnosis in England, UK: a National, Population-Based, Modelling Study,” *The Lancet Oncology*, Volume 21, Issue 8 (August 2020), pp. 1023–1034, available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7417808/>.

⁷ McGarvey N, Gitlin M, Fadli E and Chung KC. *Increased Healthcare Costs by Later Stage Cancer Diagnosis*, 2022, available at <https://bmhealthservres.biomedcentral.com/articles/10.1186/s12913-022-08457-6>.



Figure 7: Based on (dollar) amount claimed, what were the top causes of claims cost in 2021 based on your book of group or overall business?

	Global	Asia	Europe	Latin America and the Caribbean	Middle East and Africa
1	Cancer	Cancer	Cancer	Cancer	Respiratory conditions
2	Diseases of the circulatory system	Diseases of the circulatory system	Diseases of the circulatory system	COVID-19	Diseases of the circulatory system
3	COVID-19	Respiratory conditions	Osteomuscular diseases	Diseases of the circulatory system	Endocrine and metabolic diseases
4	Respiratory conditions	Gastrointestinal diseases	Gastrointestinal diseases	Gastrointestinal diseases	Infectious diseases
5	Gastro-intestinal diseases	COVID-19	Mental conditions	Osteomuscular diseases	Cancer





Frequency of claims is also shaped by care disruption

Figure 8: Based on (frequency) incidence of claims, what were the top three causes of claims in 2021 based on your book of group or overall business?

	Global	Asia	Europe	Latin America and the Caribbean	Middle East and Africa
1	Diseases of the circulatory system	Respiratory conditions	Diseases of the circulatory system	COVID-19	Respiratory conditions
2	Respiratory conditions	Diseases of the circulatory system	Cancer	Cancer	Diseases of the circulatory system
3	Cancer	Gastrointestinal diseases	Osteomuscular diseases	Diseases of the circulatory system	Endocrine and metabolic diseases

Over the last year, cancer increased from the number five spot globally to the number three spot.

In Europe, the number of insurers identifying cancer as one of the top three most frequent causes of claims increased from 27% in 2020 to 41% in 2021.

The LAC region experienced an increase in claims related to accidents and conditions derived from violence, with 23% of insurers citing this as one of their most frequent causes of 2021 claims.

Claims for COVID-19 continue

Although vaccination has helped to reduce the severity of COVID-19 in some regions and parts of the population, the virus continues to feature in the top three causes of claims by frequency, even though prominence appears to be gradually reducing in most regions.

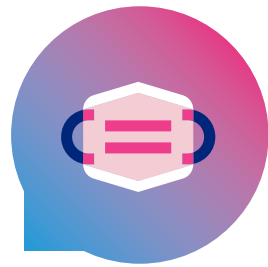
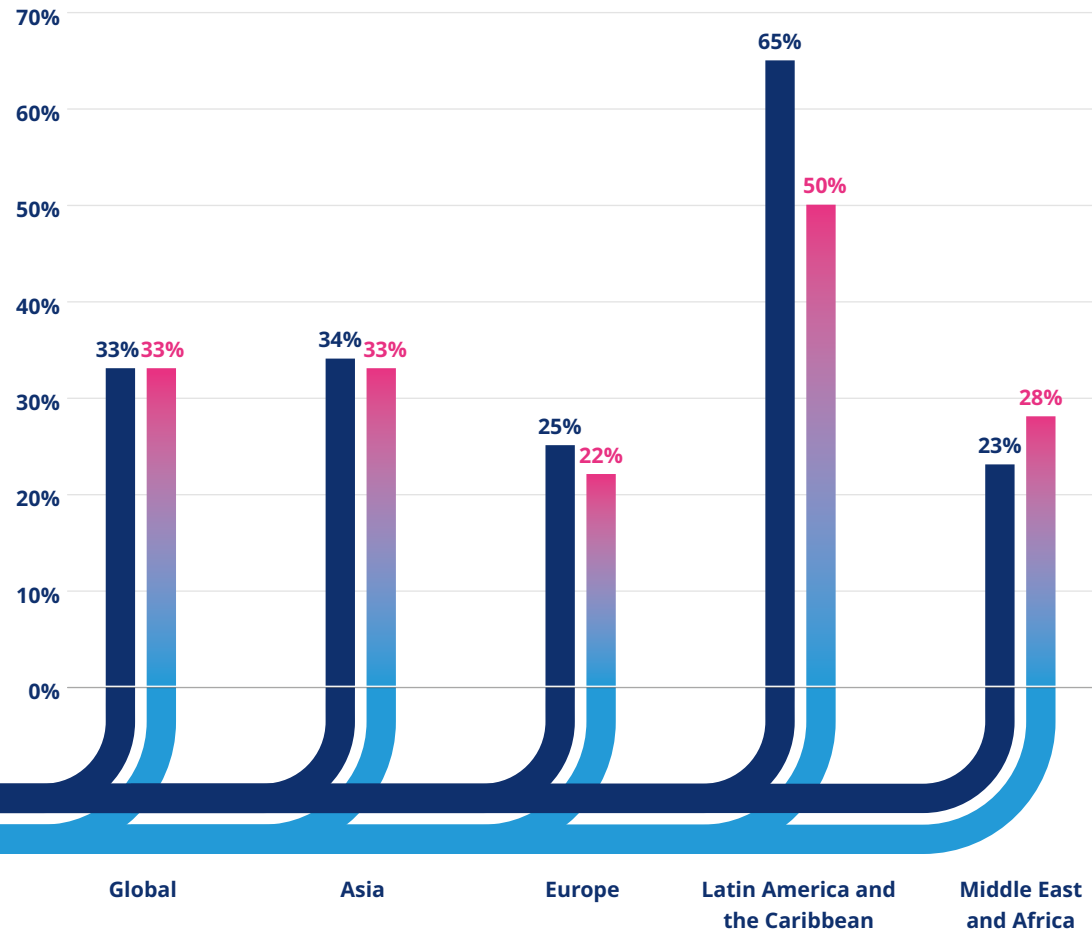


Figure 9: COVID-19 claims frequency

Percentage of insurers citing COVID-19 as one of their top three causes of claims

2020
2021





Employer actions

1

Promote the importance of early diagnosis and regular screening, especially for cancer, as medical services return to normal in some regions.

2

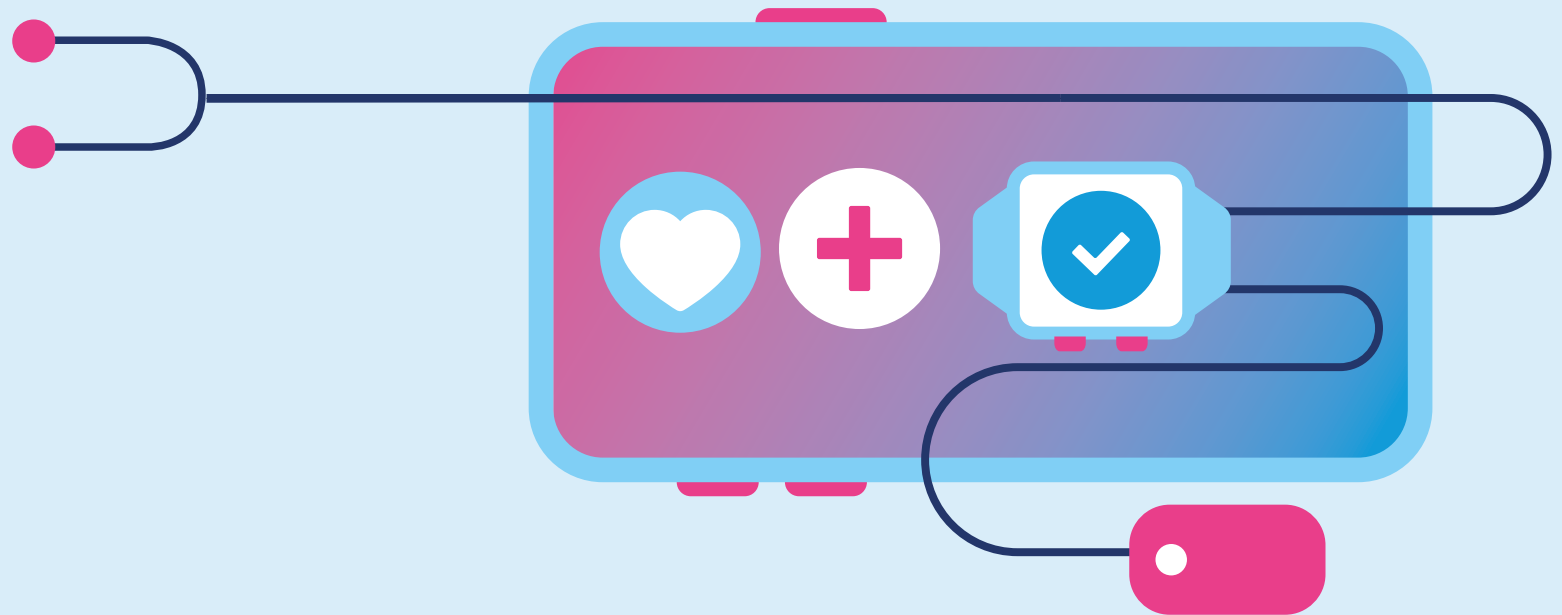
Provide workplaces, benefits and tools that allow employees and families to manage their health and well-being.

3

Continue to encourage working practices that minimize the spread of COVID-19.

Section 3

Plan modernization has begun



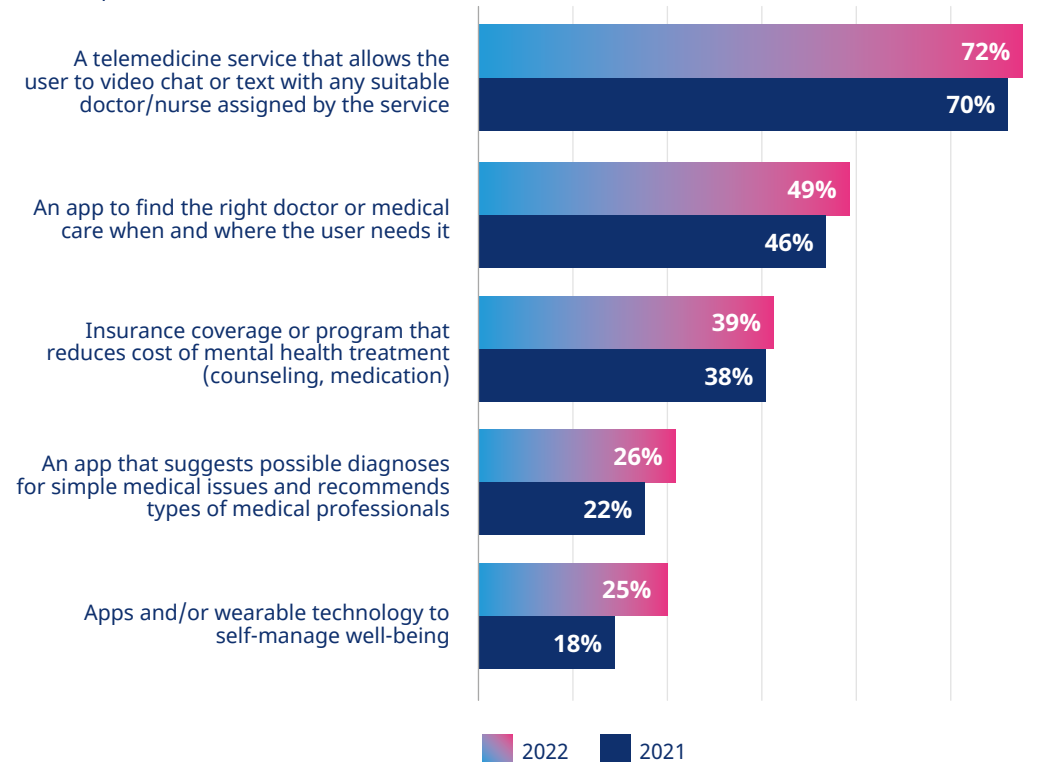
Insurer innovation is one silver lining of COVID-19

COVID-19 has had significant short- and long-term impacts on people’s lives, health risks, costs and diagnoses. However, it has also driven insurer innovation and plan modernization.

This is most evident in the increasing prevalence of new digital tools and services to support well-being and diagnosis, though the increase in 2022 was modest compared to 2021.

Telemedicine services, such as video chat with a physician, became an essential part of insurers’ offerings during the pandemic. MMB’s 2022 figures show that insurers have persisted with these services, suggesting telemedicine is here to stay. This aligns with MMB’s *Health on Demand 2021*⁸ findings, which showed that even among those using telemedicine for the first time during the pandemic, the great majority (77%) intended to keep using the services.

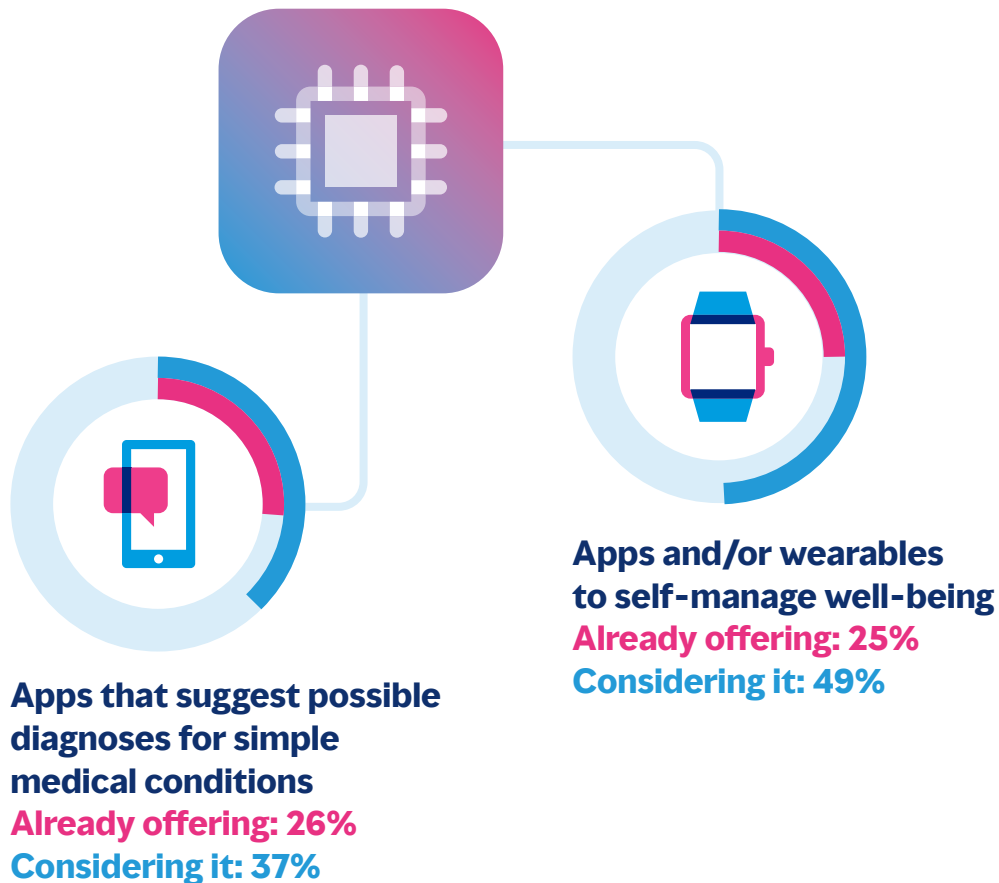
Figure 10: Which of the following solutions and services does your typical employer-sponsored group benefits plan cover or provide to members?



⁸ Mercer. *Health on Demand 2021*, available at <https://www.mercer.ca/en/our-thinking/health/mmb-2021-health-on-demand.html>

Figure 11: In response to the changing benefits landscape, what actions are you taking? Building well-being into health plans.

Insurers plan to extend their digital portfolios



We expect a focus on well-being to continue. Our [Global Talent Trends 2022](#)⁹ research showed that one in three employees would forgo a pay raise for additional well-being benefits for themselves or their family. This sentiment is shared by organizations as well, with the C-suite stating that its second-highest-ranked initiative for talent ROI is delivering on total well-being strategies (mental, social, physical, financial).

Is home testing the next frontier for remote healthcare?

Although digital tools have extended the scope of remote healthcare for those with access to them, insurers are currently less engaged with home testing, which also has potential to support remote treatment and diagnostics of a wider range of conditions.

As employees in most regions will now be familiar with COVID-19 self-testing, they may be more accepting of home test kits for other conditions.

Around one-third (32%) of insurers globally are considering use of home testing for common conditions; for 60%, this is not currently part of their future planning. It will be important to watch this space as new at-home testing product offerings emerge.

Insurers are responding to a more diverse workforce

Insurers' future plans show that although many are making changes to their policies and operations that reflect shifts in workplace practices, attitudes and demographics, change is not universal. More than half of insurers are either already implementing changes to communications, offering eligibility for part-time or flexible working, and providing inclusivity training for member services teams or plan to do so in the future.

⁹ Mercer. *Global Talent Trends 2022 study*, available at <https://www.mercer.ca/en/our-thinking/career/global-talent-hr-trends.html>.

Figure 12: In response to the changing benefits landscape, what actions are you taking? Inclusive benefit practices.

Ensuring member communications incorporate universal design

(that is, making sure content is accessible and inclusive for all, including those with disabilities)

28% made changes in the past year or changes that will go into effect next year.

27% are considering future changes.

Providing regular trainings for your member services teams to increase cultural competency and inclusion

32% made changes in the past year or changes that will go into effect next year.

26% are considering future changes.

Changing eligibility requirements to allow coverage for portions of the workforce who may not be permanent full time

29% made changes in the past year or changes that will go into effect next year.

26% are considering future changes.

However, almost half (49%) of insurers have no plans to offer new benefits and products for employees who work from home full time (for example, proactive musculoskeletal programs, including ergonomic support).

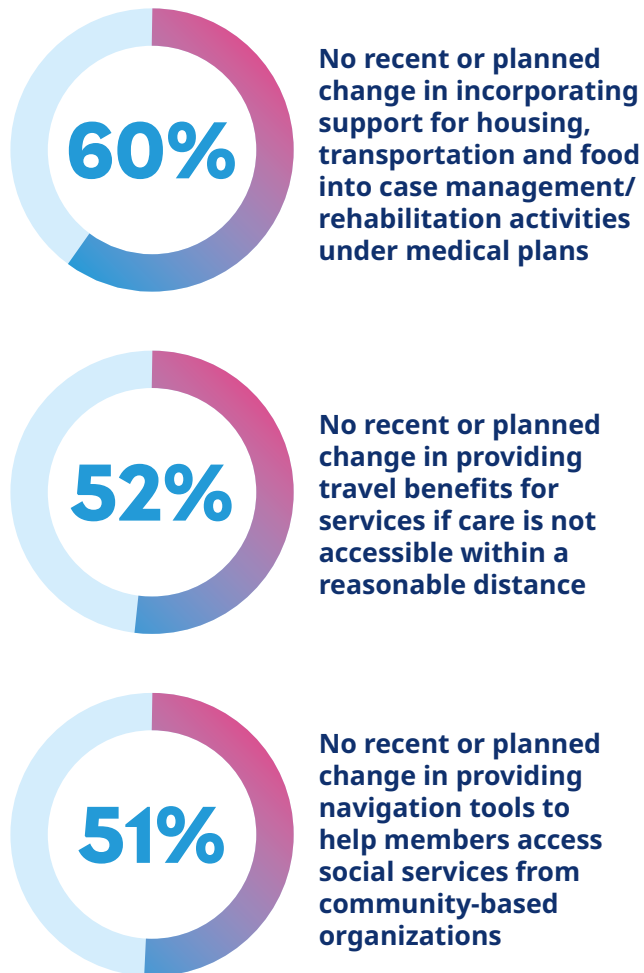


Levelling up health insurance: There's still work to do

For some claimants, social factors, such as additional costs associated with treatment, can have a material effect on their ability to make a full recovery.

The majority of insurers are not considering any change to policies for incorporating housing, transportation and food into case management or rehabilitation or providing travel benefits that could improve claimants' overall health or access to treatment.

Figure 13: In response to the changing benefits landscape, what actions are you taking? Social interventions to improve health equity.



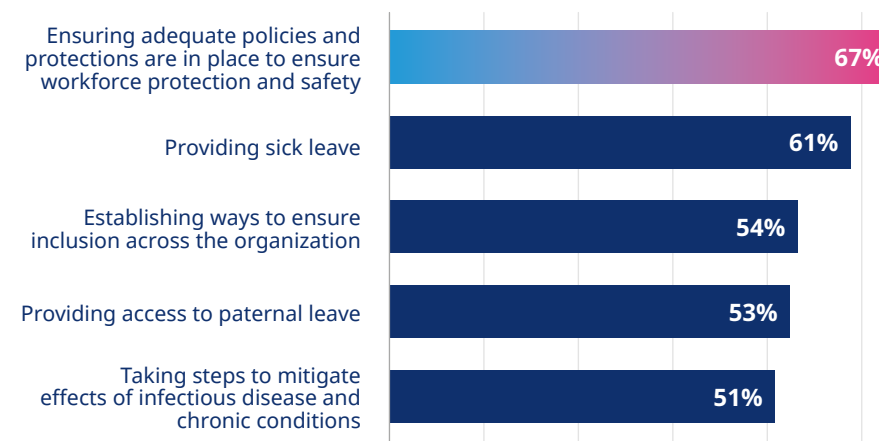
Insurers' own ESG credentials are mixed

Greater focus on environmental, social and governance (ESG) factors in business supply chains means many organizations are looking at how they can evolve business practices to better align with nonfinancial goals that help advance prosperous and healthy societies. Marsh, assisted by Cranfield University, analyzed keywords in the risk sections of annual reports for a set of companies listed on the world's four leading stock exchanges to gain insight into how businesses evaluate ESG risks. These results point to a concentration across the listed companies analyzed on the environmental aspect of ESG evaluation and less attention to its social

and governance facets.¹⁰ Given the role they can play in helping to make quality healthcare accessible and affordable to all, insurers are in a unique position to lead by example and enhance supports for the full workforce.

When it comes to insurers' own employment practices, seeing strong emphasis on both employee health and safety (67%) and inclusion across the organization (54%) in our survey is promising. COVID-19's ongoing influence is evident in more than half (51%) of insurers taking steps to mitigate the effects of infectious disease and chronic conditions.

Figure 14: Is your organization taking any of the following steps to advance 'social' progress within its environmental, social and governance (ESG) goals for its own employees? (top five responses)



There are some key areas for improvement; for example, just 30% offer access to childcare, although 53% provide access to paternal leave.

¹⁰ Marsh. *Evaluating ESG and Pandemic Risk Trends*, 2022, available at <https://www.marsh.com/tn/risks/climate-change-sustainability/insights/evaluating-esg-and-pandemic-risk-reporting-trends.html>.



Employer actions

1

Explore insurers' plans for future use of digital healthcare and how this will integrate with their wider care and well-being offerings. Understand and resolve any duplicate services offered by other providers (such as competing telemedicine services) as well as gaps in the benefits portfolio.

2

Assess whether insurers' offerings are inclusive and meet the needs of all the insured workforce; for example, lower-paid workers included on policies.

3

Seek to understand insurers' ESG credentials as part of business supply chains, and provide feedback on areas where there is a mismatch between insurers' values and those of the organization.

Section 4

Mental health gaps persist



Mental health is now a major claims risk

One of the most significant attitude shifts of recent years has been greater awareness of mental health as an organizational risk and a driver of claims. Insurers have also increased coverage of mental health conditions.

In 2021, mental conditions were one of the top five causes of claims cost in Europe — the first time MMB has seen this as a top-five issue in any region. This shift could reflect the mental and emotional burden of COVID-19 as well as greater awareness in both the workplace and society of the significance of mental well-being.

Also of note is that the Canadian Life and Health Insurance Association (CLHIA) reported aggregate paid claims for mental health had increased 75% between 2019 and 2021.¹¹

In addition, emotional or mental risk is now one of the top three influences on employer-sponsored group medical costs in every region except Asia and MEA and the third-largest risk globally.

Insurers have responded with increased support for mental health prevention, management and treatment in line with this trend. In MMB’s 2021 findings, 26% of insurers globally offered no support for mental health. In 2022, that figure has fallen to just 16%. However, that still represents nearly one in five insurers globally with no provision for mental health support.

¹¹ Canadian Life and Health Insurance Association Inc. “Canadians Received a Record \$113 Billion in Life and Health Insurance Benefits, 2021 Data Shows,” 2022, available at https://www.clhia.ca/web/CLHIA_LP4W_LND_Webstation.nsf/page/87ADD7069A39DAA7852588BB0069E21D!OpenDocument.

Figure 15: On a scale from 1 to 5, with 5 being the most significant, how much do the following risk factors influence employer-sponsored group medical costs?

	Global	Asia	Europe	Latin America and the Caribbean	Middle East and Africa
1	Metabolic and cardiovascular risk	Metabolic and cardiovascular risk	Metabolic and cardiovascular risk	Metabolic and cardiovascular risk	Endemic infectious diseases
2	Endemic infectious diseases	Occupational risk	Emotional or mental risks	Emotional or mental risks	Metabolic and cardiovascular risk
3	Emotional or mental risks	Endemic infectious diseases	Occupational risk	Endemic infectious diseases	Environmental risk
4	Occupational risk	Tobacco smoke	Endemic infectious diseases	Tobacco smoke	Emotional or mental risks
5	Tobacco smoke	Emotional or mental risks	Tobacco smoke	Dietary risk	Childhood and maternal undernutrition

Mental health gaps persist

Although the headline trend of more support for mental health is encouraging, in practice, the scope of insurers' offerings is often still limited.

Although two-thirds of insurers globally say they cover psychological and/or psychiatric counseling sessions, in practice, two-thirds of those cover 10 sessions or fewer.

Assuming one session per week, this means plans only cover around 20% of a year's claims — which will be insufficient for many claimants.

Figure 16: What are you doing to provide access to mental health prevention, management and treatment as part of your insured medical plans? (top five offerings globally)

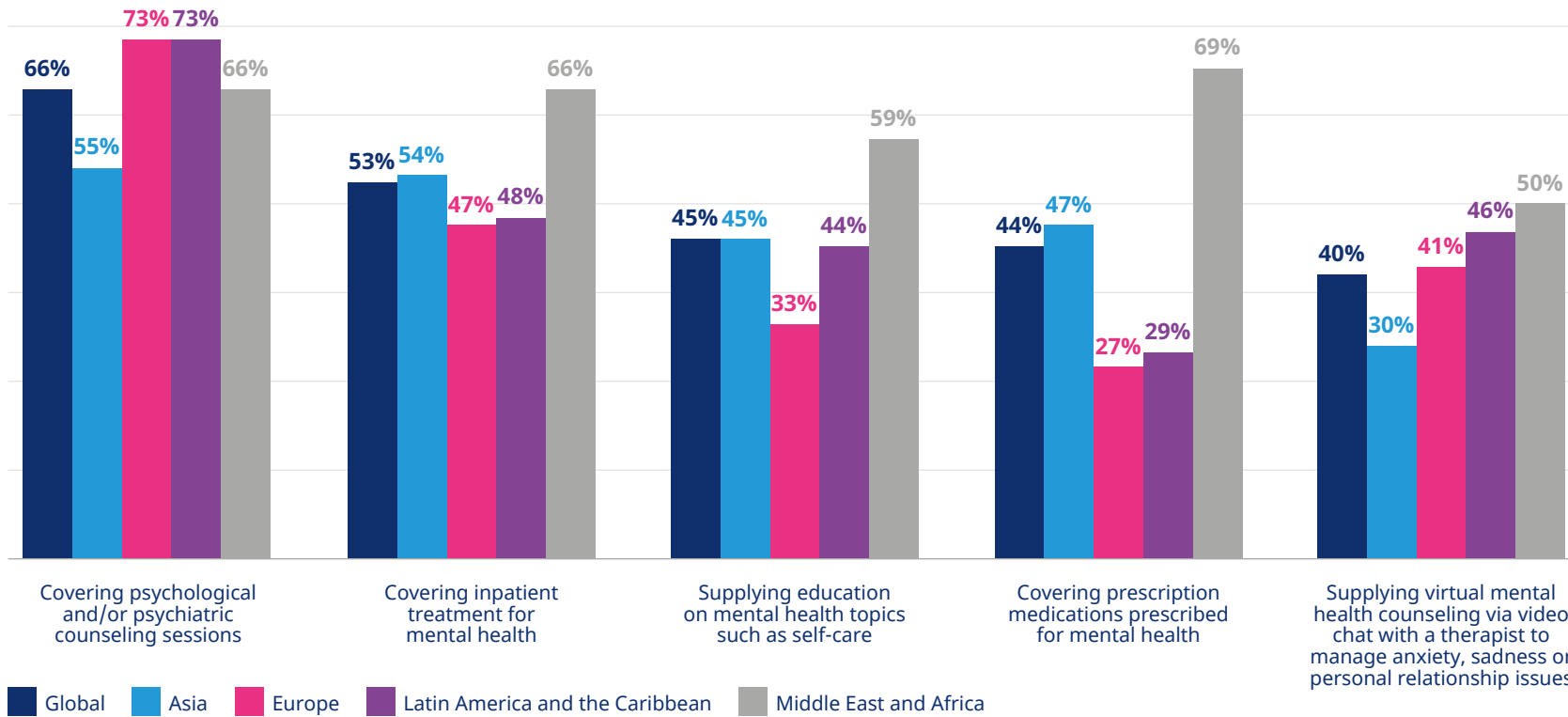




Figure 17: How many one-hour counseling sessions does a typical plan cover in a year?

	Global	Asia	Europe	Latin America and the Caribbean	Middle East and Africa
Less than 5	32%	44%	39%	17%	10%
5-10	29%	31%	36%	23%	14%
10 or fewer	61%	75%	75%	40%	24%
11-20	11%	6%	8%	9%	38%
More than 20	12%	4%	11%	29%	10%
Unlimited	16%	15%	6%	23%	29%

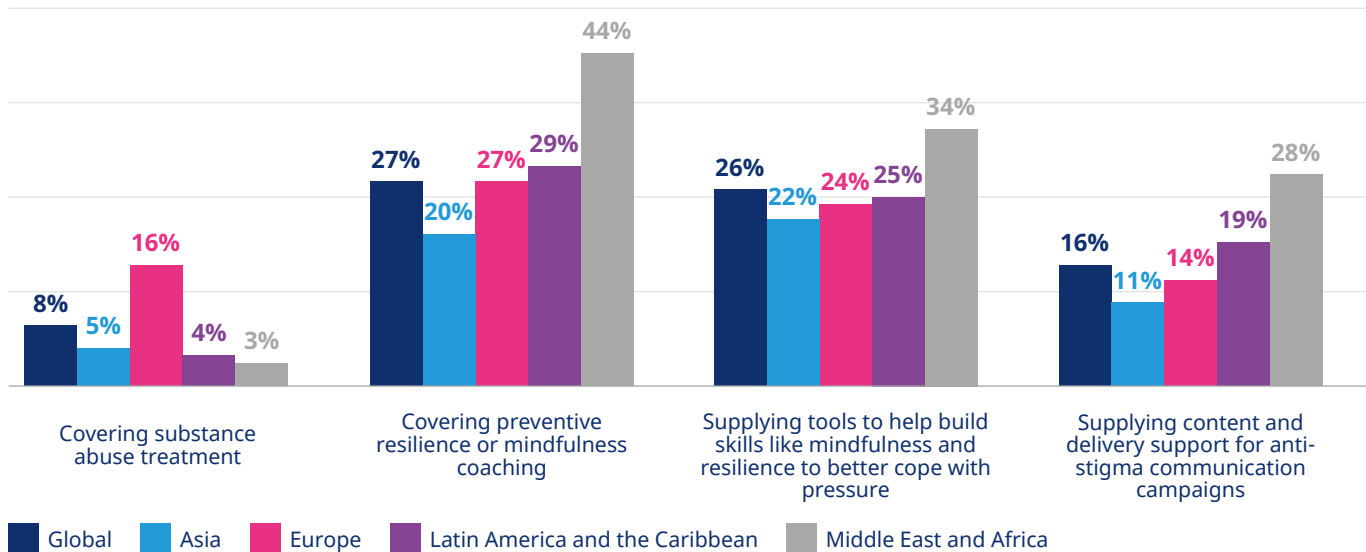
There is also variance in what mental health coverage includes across regions. Just 55% of Asian insurers will cover any counseling sessions at all, compared to 73% in Europe. However, European insurers' counseling provision is the most limited, with only 6% offering unlimited sessions, compared to 29% in MEA and 16% globally.

Reactive general treatment outstrips preventive support and support for special populations

At present, mental health support is predominantly focused on reactive treatment rather than prevention or management. Around half of insurers globally cover inpatient treatment costs. Offering preventive tools to help build skills like mindfulness and resilience to cope better with pressure and preventative coaching is only supported by around one-quarter of insurers globally, although in MEA it is better supported (44% of insurers address mindfulness and resilience coaching).

Substance use support is also limited across all regions, with less than one in 10 providers covering it. This is an aspect of mental health support that will have resonance in many workforces and could be a future area of focus for insurers and employers alike.

Figure 18: What are you doing to provide access to mental health prevention, management and treatment as part of your insured medical plans?



Technology and mental health support

We are now seeing significant use of telemedicine, including video chat, for healthcare in general, but this is still a minority offering for mental health support.

Just 40% of insurers globally offer virtual mental health counseling.

72% of insurers say they use some form of telemedicine for general health.

Insurers in the Middle East and Africa are most likely to use virtual counseling tools, with 50% of insurers offering it.



Employer actions

1

Evaluate levels of coverage for mental health support, especially counseling sessions, to make sure they are adequate for claimants' needs.

2

Supplement insurer offerings with noninsured programs and supports. Explore opportunities to support mental well-being practices that can help with prevention of ill health as well as reactive treatment.

3

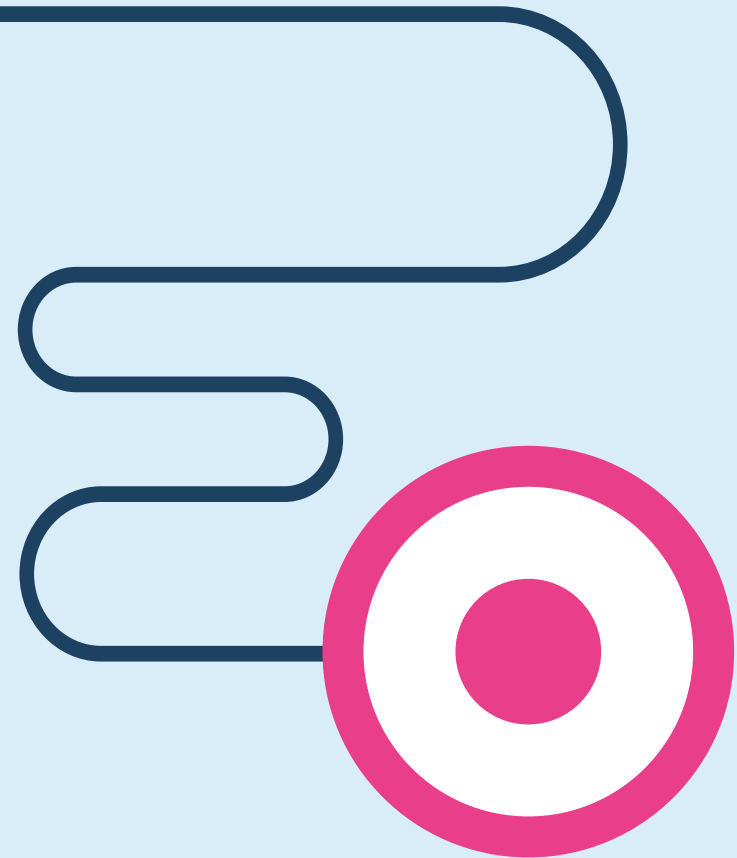
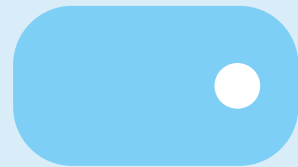
Understand whether remote telemedicine support extends to mental health services.

4

Consider how design and management of work impacts health.

Section 5

**Plan
management
requires
greater rigor**



Expectations of benefits plan managers increasing

We saw in our [People Risk](#) research how administration and fiduciary risk has risen to the number-two risk out of 25 people risks globally, behind only cybersecurity/data privacy.¹² This highlights increased regulatory and ESG pressure on businesses to make sure retirement plans, benefits, executive compensation and investment funds are prudently managed. As benefits increase in strategic importance and the C-suite becomes more involved in plan design, delivery and financing, we expect the onus on benefits plan managers to create well-articulated multiyear benefits strategies linked to business objectives will be greater. In addition, other factors are driving the need for more robust plan management, as outlined below.

Changes to coverage and exclusions need close attention

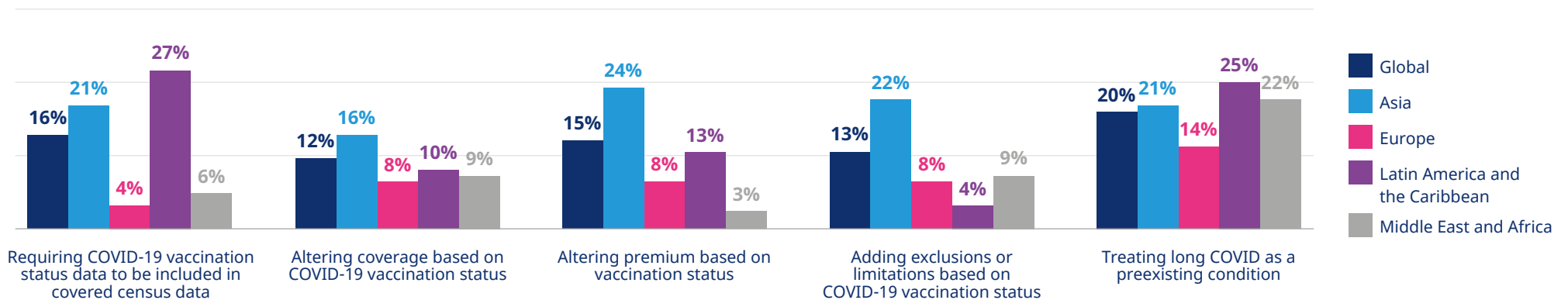
The longer-term impact of COVID-19 on administrative practices is now becoming clear. Globally, around one in five insurers has made changes to its underwriting requirements due to COVID-19.

There are notable differences at the regional level, with insurers in Asia putting more emphasis on altering premiums and exclusions based on vaccination status.

The heavy impact of COVID-19 on mortality rates in Latin America and Caribbean (LAC) markets, such as Mexico, Brazil, Colombia and Peru, is a likely driver behind the requirement from more than a quarter (27%) of insurers in LAC that employers provide COVID-19 vaccination status as part of census data (for example, when providing a quotation). This additional data requirement creates complexity for employers.

Globally, one-fifth of insurers are now treating long COVID as a preexisting condition, potentially excluding coverage for individuals' claims related to the condition. That rises to one-quarter in LAC, although there are differences within this region.

Figure 19: Are you making any of the following changes to your group medical insurance policies because of COVID-19?



¹² Mercer. *People Risk Report 2022*, available at <https://www.mercer.ca/en/our-thinking/health/mmb-people-risk-management-for-workforce-and-business-resilience.html>.

The importance of regular plan design reviews

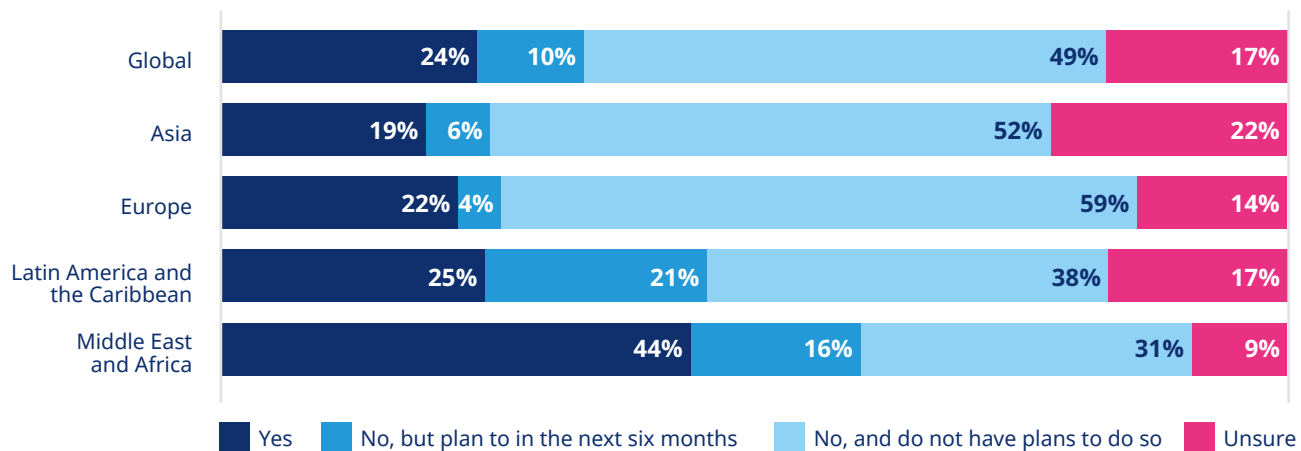
Although projected trend for 2023 is close to 2022 levels, there is considerable uncertainty. Around half of insurers globally have not automatically adjusted deductibles (excesses) and co-payments in line with inflation and have no plans to do so at present.

Therefore, it's important for employers to work proactively with their advisors to make sure certain plan design features are kept in line with inflation.

For example, the original intent of deductibles and co-pays may be eroding. Reviewing these annually helps avoid steep changes in the future if plan cost controls become misaligned with medical trend.

Expense sub-limits and annual/lifetime maximums can unintentionally shift costs onto employees, making care unaffordable. It is therefore important to review plan design annually, keeping the concept of employee affordability front of mind.

Figure 20: Has your company automatically adjusted deductibles/excesses and/or co-payments in line with inflation for group medical insurance?



COVID-19 reshapes life insurance pricing

Just over half (55%) of insurers globally say they have increased their life insurance premium rates by at least 1%, with almost one-quarter (23%) increasing it by more than 10%.

This trend is particularly notable in Latin American and Middle Eastern/African markets, where 42% and 54%, respectively, say typical premium rates have increased by 10% or more.

Mortality due to COVID-19 is likely the main reason for these increases. Globally, 57% of insurers say higher claims rates have driven higher premium rates. About one in four insurers (26%) from the survey are also updating mortality tables as a result of COVID-19.

Figure 21: As compared to pre-pandemic, how has your typical life insurance premium rate (\$1/\$1,000 of coverage) changed?

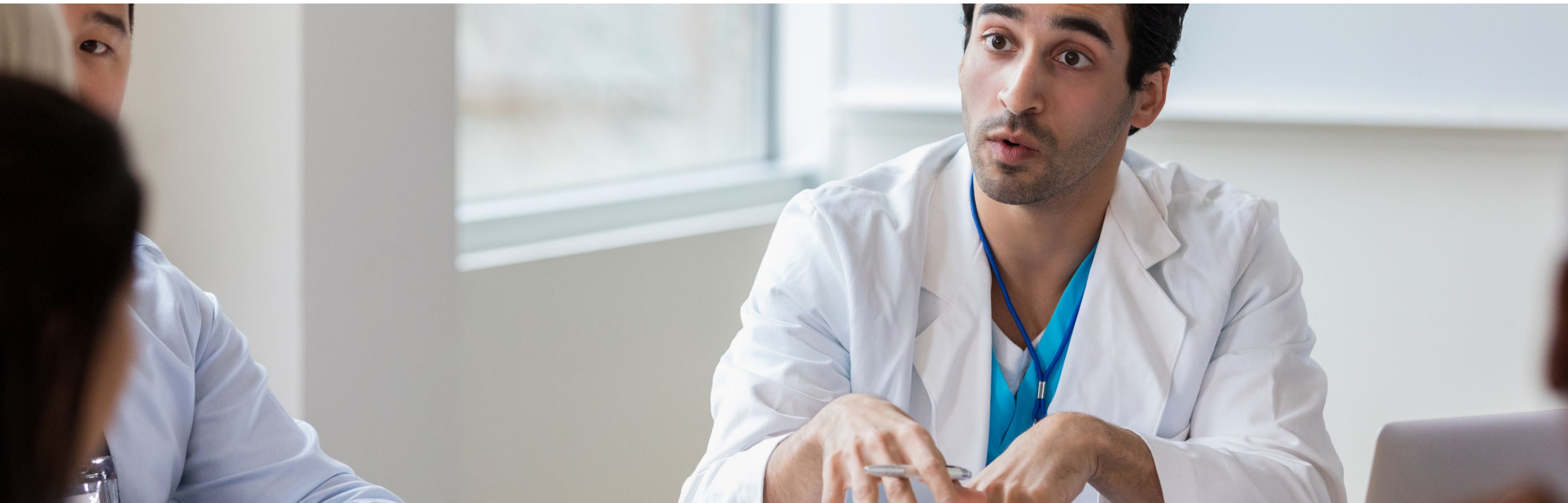
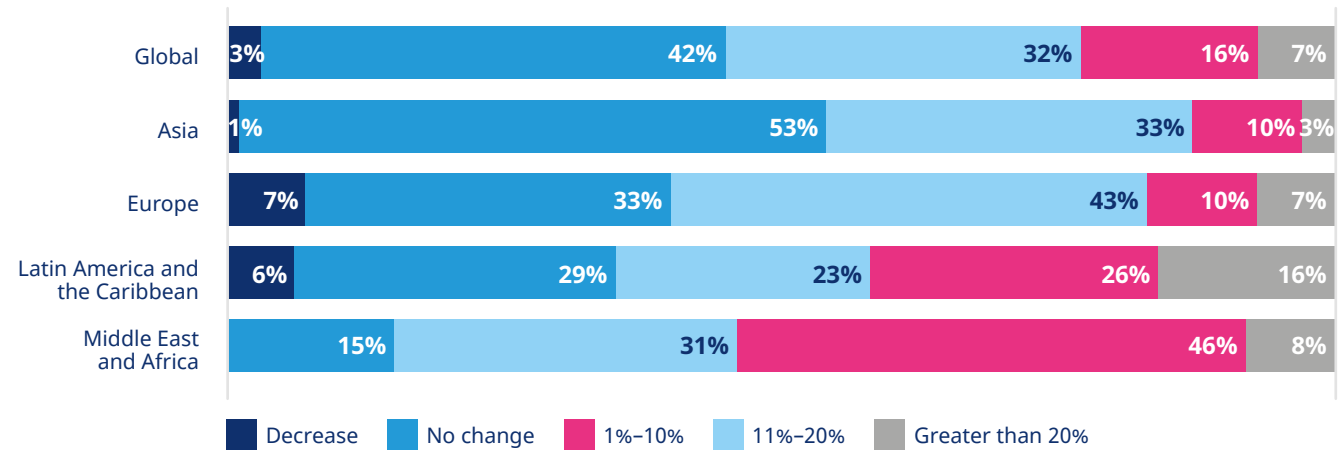
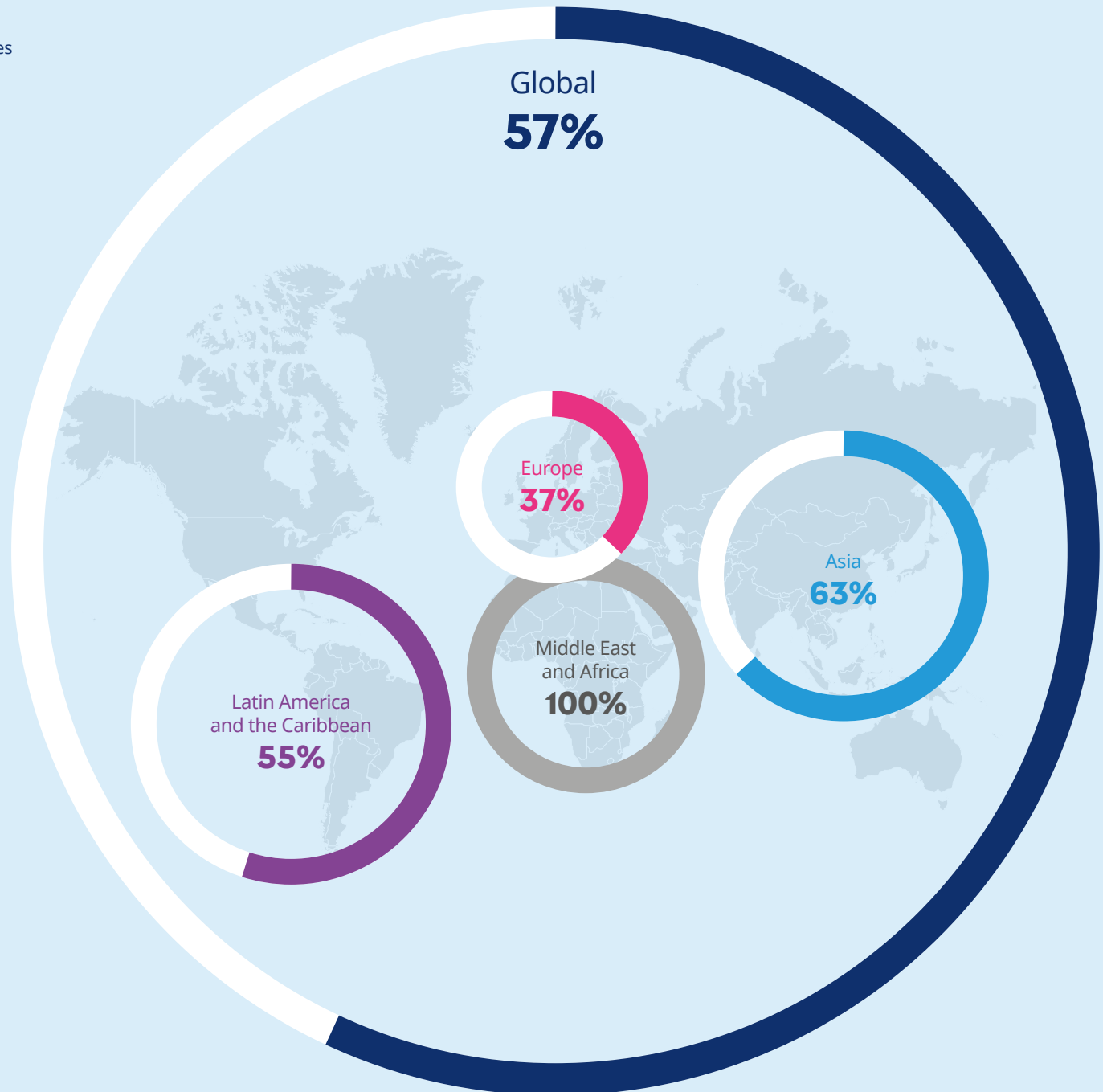


Figure 22: Claims incidence and life insurance rate changes

Percentage of insurers saying higher incidence of claims drove 2022 life insurance rate changes





Employer actions

1

Be aware of new insurer requirements for identifying COVID-19 vaccination status. Work with your advisor to make sure you have a process in place to support data collection if needed, and address the impact of insurers identifying long COVID as a preexisting condition.

2

Be proactive with insurers, and adjust plan details regularly to ensure they remain sufficient given the impact of year-on-year inflation.

3

Anticipate increases in the cost of life insurance coverage as a result of COVID-19. This is particularly acute in LAC and MEA, where increases of more than 10% are expected.

Conclusion

COVID-19 is still shaping health insurer policies globally, with variations at the regional level. Both global trends and local variations will affect plan sponsors, which will also need to monitor the future impact of high inflation on medical trends.

Balancing economics and empathy will be at the heart of annual benefits reviews and renewals. Here, it will be important to recognize the interconnectedness of different factors impacting both employee health and costs.

Delayed diagnoses — of cancer and other conditions, such as endocrine and metabolic disease — as a result of COVID-19 will have long-term implications, particularly as later-stage diagnosis increases treatment costs.

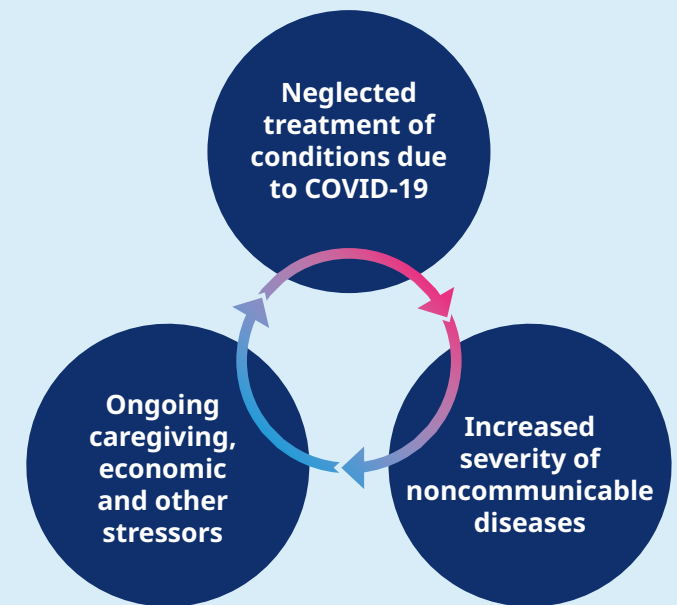
New requirements for vaccination status to be included in census data, especially in Latin America and the Caribbean (LAC) and Asia, will require a different approach to information-gathering from sponsors and advisors.

To date, general inflation has not impacted medical trends to the same extent as energy and food prices.

However, if inflation remains high, it will inevitably have an effect on medical trend values. Plan sponsors should prepare for this while expecting to retain a high-quality healthcare offering that will attract and retain staff.

A more positive outcome of COVID-19 has been increased use of digital tools to support and monitor healthcare remotely, and these now look to be permanently embedded in insurers' offerings. Employers will need to explore how digital services dovetail with other aspects of coverage in the insurer's offering and consider the quality and value digital tools provide for employees.

There is still a disparity between coverage for physical and mental health conditions globally. Plan sponsors should question insurers on the extent of services such as psychological and psychiatric counseling to ensure they offer sufficient depth to be of genuine benefit.



If you only do five things ...

-  Plan for future inflation-related cost increases, but maintain a balance against the value of health insurance as an attraction and retention tool.
-  Ask insurers in-depth questions about the true extent of their support for mental health conditions.
-  Explore the functionality and quality of [digital services](#) offered by insurers, and understand how these fit within the benefits portfolio.
-  Promote early health screening and diagnosis for chronic conditions to help manage future claims costs.
-  Be aware of changing insurer requirements related to their underwriting practices (for example, COVID-19 vaccination data), and develop an effective plan to meet them.

Do you know if your benefits programs will support your workforce now and into the future?

Find out what the *Health Trends* survey can tell you about addressing the critical gaps in your health and benefits programs in your organization.

Reach out to one of our specialists to have a conversation around the actions that are right for your employees and your business.



Appendix A

Mercer Marsh Benefits 2021–2023 estimated medical trend summary¹³

Country/Region	2021 estimated medical trend rate	2021 estimated inflation rate ¹⁴	2022 forecast medical trend rate	2022 forecast inflation rate ¹⁴	2023 forecast medical trend rate	2023 forecast inflation rate ¹⁴
Global — with US	10.0%	4.3%	12.5%	7.3%	12.5%	4.6%
Global — without US	10.1%	4.3%	12.7%	7.3%	12.6%	4.6%
North America	6.7%	4.0%	5.7%	6.7%	6.3%	2.6%
Canada	7.1%	3.4%	7.0%	5.6%	7.0%	2.4%
United States¹⁵	6.3%	4.7%	4.4%	7.7%	5.6%	2.9%
Asia	8.9%	2.3%	10.7%	3.4%	11.5%	2.8%
China	10.4%	0.9%	10.0%	2.1%	10.0%	1.8%
Hong Kong	5.8%	1.6%	6.0%	1.9%	7.5%	2.1%
India	15.0%	5.5%	12.0%	6.1%	12.0%	4.8%
Indonesia	7.7%	1.6%	12.3%	3.3%	13.6%	3.3%

¹³ **Important notices:** This document does not constitute or form part of any offer or solicitation or invitation to sell by either Marsh or Mercer to provide any regulated services or products in any country in which either Marsh or Mercer has not been authorized or licensed to provide such regulated services or products. You accept this document on the understanding and agreement that it does not form the basis of any contract, and Mercer and Marsh shall have no liability in respect of any reliance on, or decisions based on, the content of this document. The availability, nature and provider of any services or products, as described herein, and applicable terms and conditions may therefore vary in certain countries as a result of applicable legal and regulatory restrictions and requirements. Please consult your Marsh or Mercer consultants regarding any restrictions that may be applicable to the ability of Marsh or Mercer to provide regulated services or products to you in your country.

The data reflected in the below table were gathered in August 2022 from 226 insurers. Local teams in each country peer reviewed the medical trend rates submitted by insurers using their own internal book-of-business data, country-specific insurer surveys and subjective assessments. The review resulted in MMB changing some of the estimated rates from the raw insurer responses.

Global trend rates are unweighted averages.

¹⁴ Inflation rates are sourced from the International Monetary Fund, World Economic Outlook Database, July 2022. Inflation rate information is strictly for general reference purpose; Marsh and Mercer give no guarantees as to their accuracy and will not accept liability for decisions based on them.

¹⁵ US rates come from the National Survey of Employer Sponsored Health Plans report.

Country/Region	2021 estimated medical trend rate	2021 estimated inflation rate ¹⁴	2022 forecast medical trend rate	2022 forecast inflation rate ¹⁴	2023 forecast medical trend rate	2023 forecast inflation rate ¹⁴
Malaysia	11.0%	2.5%	12.0%	3.0%	13.0%	2.4%
Philippines	9.0%	3.9%	12.0%	4.3%	13.0%	3.7%
Singapore	9.0%	2.3%	10.0%	3.5%	10.0%	2.0%
South Korea	7.0%	2.5%	8.0%	4.0%	8.0%	2.4%
Taiwan	3.9%	1.8%	12.0%	2.3%	15.8%	2.2%
Thailand	9.6%	1.2%	8.9%	3.5%	8.5%	2.8%
Vietnam	10.0%	1.9%	15.0%	3.8%	15.0%	3.2%
Pacific	5.0%	3.4%	5.6%	4.9%	5.8%	3.1%
Australia	2.7%	2.8%	2.7%	3.9%	2.5%	2.7%
New Zealand	7.2%	3.9%	8.5%	5.9%	9.0%	3.5%
Europe	10.9%	4.1%	13.9%	9.7%	13.8%	5.0%
Belgium	3.5%	3.2%	5.0%	8.0%	5.0%	1.3%
Bulgaria	9.5%	2.8%	19.0%	11.0%	25.0%	3.3%
Denmark	15.0%	1.9%	13.2%	3.8%	10.5%	2.1%
France	12.1%	2.1%	1.5%	4.1%	2.6%	1.8%
Greece	5.0%	0.6%	7.5%	4.5%	7.5%	1.3%
Hungary	20.0%	5.1%	20.0%	10.3%	15.5%	6.4%
Ireland	16.0%	2.4%	8.0%	5.7%	9.0%	2.7%
Italy	5.0%	1.9%	8.0%	5.3%	6.0%	2.5%
Latvia	10.0%	3.2%	17.5%	10.0%	10.0%	3.9%

Country/Region	2021 estimated medical trend rate	2021 estimated inflation rate ¹⁴	2022 forecast medical trend rate	2022 forecast inflation rate ¹⁴	2023 forecast medical trend rate	2023 forecast inflation rate ¹⁴
Lithuania	12.0%	4.6%	15.0%	13.3%	15.0%	4.3%
Netherlands	0.5%	2.8%	4.5%	5.2%	6.5%	2.3%
Norway	8.0%	3.5%	8.0%	3.5%	10.0%	1.8%
Poland	11.8%	5.1%	13.0%	8.9%	15.0%	10.3%
Portugal	7.0%	0.9%	9.5%	4.0%	15.0%	1.5%
Romania	16.0%	5.0%	21.0%	9.3%	21.0%	4.0%
Spain	6.0%	3.1%	6.6%	5.3%	7.0%	1.3%
Sweden	2.2%	2.7%	3.0%	4.8%	5.5%	2.2%
Turkey	17.5%	19.6%	72.5%	60.5%	50.0%	37.2%
Ukraine	12.0%	9.4%	17.0%	-	26.0%	-
United Kingdom	29.2%	2.6%	9.0%	7.4%	13.9%	5.3%
Middle East and Africa	10.2%	5.9%	15.0%	8.0%	13.8%	6.2%
Bahrain	7.0%	-0.6%	8.5%	3.5%	9.5%	2.9%
Egypt	19.0%	4.5%	20.0%	7.5%	20.0%	11.0%
Kenya	10.0%	6.1%	16.0%	7.2%	12.5%	7.1%
Angola	7.0%	25.8%	53.9%	23.9%	43.9%	13.2%
Ghana	10.0%	10.0%	10.0%	16.3%	10.0%	13.0%
Mauritius	7.0%	4.0%	12.0%	8.4%	8.0%	5.7%
Oman	20.0%	1.5%	25.0%	3.7%	27.5%	2.2%
Uganda	18.0%	2.2%	8.0%	6.1%	10.0%	4.1%

Country/Region	2021 estimated medical trend rate	2021 estimated inflation rate ¹⁴	2022 forecast medical trend rate	2022 forecast inflation rate ¹⁴	2023 forecast medical trend rate	2023 forecast inflation rate ¹⁴
Morocco	2.5%	1.4%	2.5%	4.4%	2.5%	2.3%
Nigeria	17.0%	17.0%	20.0%	16.1%	16.0%	13.1%
Qatar	3.0%	2.3%	4.0%	3.5%	5.0%	3.2%
Saudi Arabia	12.0%	3.1%	17.0%	2.5%	12.0%	2.0%
South Africa	2.9%	4.5%	5.7%	5.7%	8.1%	4.6%
United Arab Emirates	7.0%	0.2%	7.5%	3.7%	8.0%	2.8%
Latin America and Caribbean¹⁶	11.1%	4.8%	10.7%	6.4%	11.3%	4.1%
Brazil	10.4%	8.3%	15.3%	8.2%	15.8%	5.1%
Chile	7.3%	4.5%	7.3%	7.5%	8.2%	4.5%
Colombia	6.5%	3.5%	8.5%	7.7%	10.0%	4.2%
Dominican Republic	15.5%	8.2%	11.4%	8.4%	12.5%	5.0%
Mexico	16.9%	5.7%	15.8%	6.8%	16.0%	3.9%
Panama	11.3%	1.6%	11.0%	3.1%	10.0%	3.4%
Peru	14.5%	4.0%	9.8%	5.5%	11.1%	3.6%
Puerto Rico	6.5%	2.3%	6.5%	4.4%	7.0%	3.3%

¹⁶ Argentina and Venezuela are not included in the table due to current socioeconomic conditions.

Appendix B

Top causes of claims by dollar amount claimed and frequency

Based on (dollar) amount claimed, what were the top three causes of claims cost in 2021 based on your book of group or overall business?

	Global	Asia	Europe	Latin America and Caribbean	Middle East and Africa
Cancer	61%	62%	57%	79%	31%
Diseases of the circulatory system	45%	46%	53%	44%	41%
COVID-19	30%	28%	14%	58%	25%
Respiratory conditions	27%	38%	16%	0%	56%
Gastrointestinal diseases	24%	33%	22%	25%	6%
Osteomuscular diseases	20%	14%	35%	21%	9%
Endocrine and metabolic diseases	16%	10%	16%	10%	41%
Accidents, conditions derived from violence	14%	21%	16%	6%	3%
Obstetrics and pregnancy	11%	6%	10%	10%	28%
Infectious diseases	10%	9%	4%	6%	34%

Based on (frequency) incidence of claims, what were the top three causes of claims in 2021 based on your book of group or overall business?

	Global	Asia	Europe	Latin America and Caribbean	Middle East and Africa
Diseases of the circulatory system	42%	41%	45%	40%	50%
Respiratory conditions	34%	52%	18%	2%	59%
Cancer	34%	30%	41%	42%	19%
COVID-19	33%	33%	22%	50%	28%
Gastrointestinal diseases	30%	39%	27%	31%	9%
Osteomuscular diseases	21%	13%	39%	21%	13%
Endocrine and metabolic diseases	19%	17%	14%	13%	38%
Accidents, conditions derived from violence	17%	21%	12%	23%	6%
Skin diseases	15%	15%	20%	17%	3%
Infectious diseases	13%	11%	2%	13%	38%

Appendix C

Participating insurers¹⁷

We would like to thank all the insurer respondents for participating in this research. We are very grateful to them for sharing their important perspectives, insights and outlooks.

Country	Insurer
Argentina	ASE
Belgium	DKV Belgium Sa/Nv
Brazil	Seguros Unimed Unimed Fesp
Canada	Equitable Life Of Canada Green Shield Canada Medavie Blue Cross RBC Life Insurance Company The Manufacturer's Life Insurance Co.
Chile	Bupa Consortio Metlife Chile Seguros

Country	Insurer
China	AIA Life Insurance Company GBG Insurance Limited Generali China Life Insurance Co., Ltd ICBC-AXA Life Insurance Company Msh China Enterprise Services Co.,Ltd Ping An Annuity Insurance Company, Ltd. Pingan Health Insurance Company Taiping Pension Co.,Ltd
Colombia	Allianz AXA Colpatria Colmedica Medicina Prepagada Coomeva Medicina Prepagada Liberty Seguros Medplus Pan American Life
Dominican Republic	Grupo Yunen Humano Seguros Worldwide
Egypt	AXA Egypt
France	Groupama Gan Vie

¹⁷ Only participants that indicated on the survey that their company names could be published are listed here. Names are printed as they were reported in the survey response.

Country	Insurer
Ghana	Acacia Health Insurance Glico Healthcare Limited
Greece	Generali Hellas Groupama Phoinix Nn Hellas Ii
Hong Kong	AIA International Limited AXA China Region Insurance Co. Ltd. Bupa Asia Limited Cigna Worldwide General Insurance Company FWD Manulife Sun Life Hong Kong Limited
Hungary	Allianz Hungária Zrt. Groupama Biztosító Zrt. Union Vienna Insurance Group Biztosító Zrt.
India	Bajaj Allianz General Insurance Company Limited ICICI Lombard General Insurance Company Ltd. SBI General Insurance Co. Ltd. Tata Aig General Insurance Company Limited
Indonesia	Pt Asuransi Astra Buana
Ireland	Laya Healthcare Ltd
Italy	Generali Italia Poste Assicura Zurich Insurance PLC
Kenya	Liberty Health
Lesotho	Liberty Health
Malawi	Liberty Health

Country	Insurer
Malaysia	AIA BHD Allianz Life Insurance Malaysia Berhad Ammetlife Insurance Berhad AXA Affin General Insurance Berhad MCIS Life Syarikat Takaful Malaysia Keluarga Berhad Tokio Marine Life Insurance Malaysia BHD.
Mauritius	African Employee Benefits
Mexico	AXA Seguros Grupo Nacional Provincial Mapfre Metlife Mexico Seguros Atlas, S.A. Seguros Monterrey New York Life Zurich
Mozambique	Liberty Health
New Zealand	Southern Cross Health Society
Nigeria	AXA Mansard Health Liberty Health Total Health Trust Ltd
Norway	If Skadeforsikring Nuf Tryg Forsikring
Oman	National Life & General Insurance Company Saog Oman Qatar Insurance Company Saog Oman United Insurance Company
Panama	Assa Compañía De Seguros, S.A. Internacional De Seguros Pan-American Life Insurance De Panamá S.A.

Country	Insurer
Peru	Health Vp Mapfre Peru Pacífico Salud
Philippines	First Life Financial Co., Inc. Generali Life Assurance Philippines, Inc Insular Health Care Inc Maxicare Healthcare Corporation Medicard Philippines Inc Pacific Cross Philippines Philhealthcare, Inc. The Insular Life Assurance Co., Ltd.
Poland	Cm Enel-Med SA Lux Med Sp. Z O.O. / Lmg Försäkrings Ab S.A. Signal Iduna Polska Tu Sa Towarzystwo Ubezpiecze Zdrowie Sa
Qatar	Doha Insurance Group Qpsc
Romania	Signal Iduna Asigurare Si Reasigurare Sa
Saudi Arabia	Saudi Enaya
Singapore	HSBC Life (Singapore) Pte. Ltd. Raffles Health Insurance Singapore Life Ltd The Great Eastern Life Assurance Co Ltd
Spain	AXA Seguros Generales Cigna Segurcaixa Adeslas
Taiwan, Province of China	AIA International Limited Taiwan Branch Fubon Life Insurance Co.,Ltd.

Country	Insurer
Tanzania, United Republic of	Strategis Insurance Tanzania Limited
Thailand	Allianz Ayudhya Assurance Pcl. Generali Life Assurance (Thailand) Public Company Limited Krungthai-AXA Life Insurance Pcl. Muang Thai Life Assurance Pcl. Tokio Marine Life Insurance (Thailand) Pcl
Uganda	Liberty Health Prudential Assurance Uganda
Ukraine	Jsic Ingo
United Arab Emirates	Abu Dhabi National Insurance Company Gig Gulf B.S.C (C) Now Health International Oman Insurance Company Qatar Insurance Company
United Kingdom	Allianz Partners, Health Aviva PLC AXA Health British United Provident Association Limited
Venezuela	Humanitas Administradora De Riesgos Sa Mercantil Seguros Seguros Venezuela
Vietnam	Bao Long Insurance Corporation
Zambia	Liberty Health

