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**CONVENTION A**

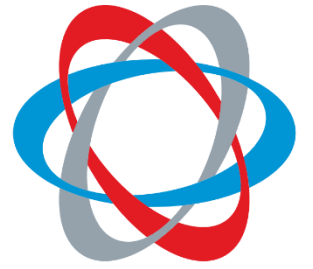
# **Risk in Private Healthcare in Italy**

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**ALESSANDRA MORGANTE**

**ATTUARIO IOA**

September 21, 2022



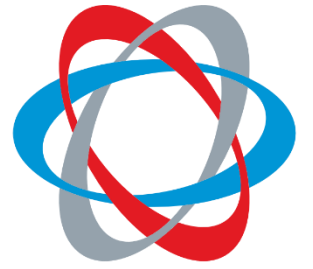
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# Agenda

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## **Risk in Private Healthcare in Italy**

1. Italian public health system (SSN)
2. Demographic and social dynamics in progress
3. Private supplementary collective healthcare
4. Actuary's role and the next challenges



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# Italian Public Health System

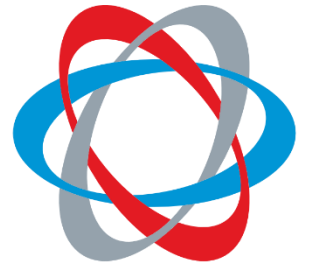
## Article 32 of Italian Constitution

The Republic protects **health** as a fundamental right of the individual and the interest of the community, and guarantees free medical care to the indigent. Nobody can be obliged to a specific health treatment except by law. The law cannot in any case violate the limits imposed by respect for the human person.

Italy was the first in Europe to recognize the right to health in its Constitution (1948)

Law N. 833/1978

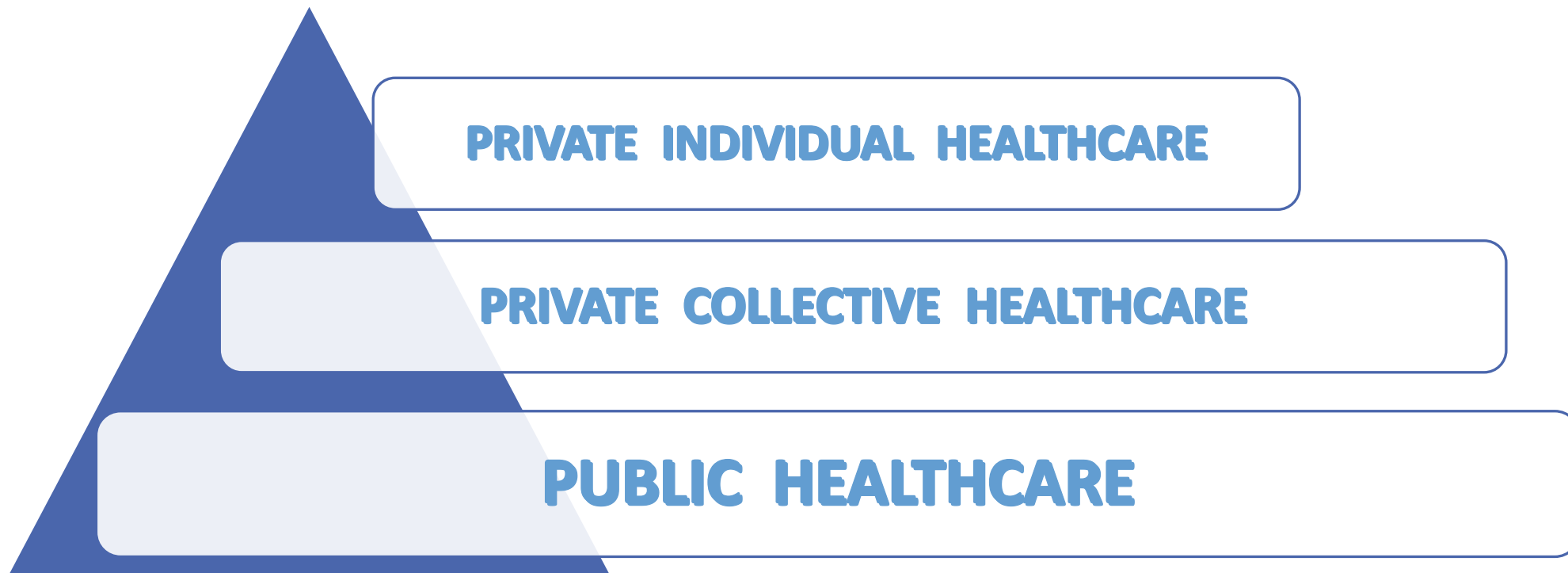
INSTITUTION OF *SERVIZIO SANITARIO NAZIONALE* (SSN)

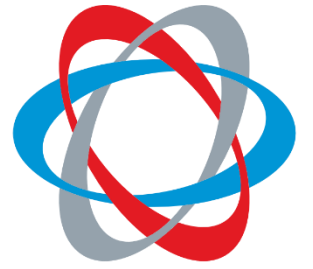


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# Italian Healthcare

Healthcare in Italy is carried out through a "three pillar" system (similar to social security system)





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# Italian Public Health System (SSN)

The three fundamental principles on which SSN is based are:

## Universality

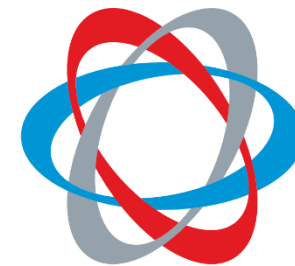
Health is understood as an individual good but above all as a community resource

## Equality

Citizens must be able to access SSN's services without any distinction of individual, social and economic conditions

## Equity

All citizens must be guaranteed equal access to benefits in relation to equal health needs



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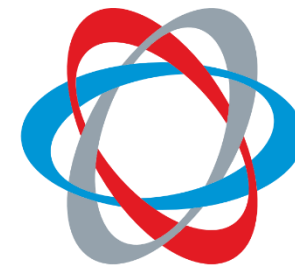
# Public healthcare expenditure in Italy

billion €

ITEM OF EXPENDITURE	YEAR 2012	YEAR 2014	YEAR 2016	YEAR 2018	YEAR 2019	YEAR 2020
HEALTH	110.4	111.0	112.5	115.4	115.4	123.5
<i>% of GDP</i>	6.8%	6.8%	6.6%	6.5%	6.5%	7.5%
LTC (1)	14	18	20	21	23	24
<i>% of GDP</i>	0.9%	1.1%	1.2%	1.2%	1.3%	1.4%

(1) Welfare expenses for pensions and social allowances, disability and attendance allowance, war pensions

Source: "The balance sheet of the Italian Social Security System" - Report n.9 Year 2022 of Itinerari Previdenziali



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# Private healthcare expenditure in Italy

billion €

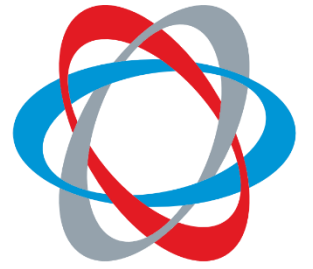
YEARS	2014	2015	2016	2017	2018	2019	2020			
ITEM OF EXPENDITURE	Private expenditure 2014-2019						Private expenditure	% of GDP	% of public expenditure	% private expenditure
Health OOP <sup>(1)</sup>	30.0	32.3	32.1	36.0	40.1	40.2	40.3	2.4%	4.3%	49.1%
Assistance LTC <sup>(2)</sup>	9.3	8.9	8.9	10.7	34.0	34.0	33.4	2.0%	3.5%	40.7%
<b>Collective mediated healthcare <sup>(3)</sup></b>	<b>4.1</b>	<b>4.3</b>	<b>3.7</b>	<b>4.9</b>	<b>4.9</b>	<b>5.2</b>	<b>5.1</b>	<b>0.3%</b>	<b>0.6%</b>	<b>6.3%</b>
Individual mediated healthcare	2.5	3.0	3.0	3.1	3.1	3.2	3.2	0.2%	0.3%	3.9%
<b>TOTAL EXPENDITURE</b>	<b>45.9</b>	<b>48.5</b>	<b>47.7</b>	<b>54.7</b>	<b>82.1</b>	<b>82.6</b>	<b>82.0</b>	<b>4.9%</b>	<b>8.7%</b>	<b>100.0%</b>

(1) Direct families' expenditure (Out Of Pocket)

(2) Since 2018, the data estimation model has been modified

(3) Spending mediated by private health funds

Source: "The balance sheet of the Italian Social Security System" - Report n.9 Year 2022 of Itinerari Previdenziali



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# Demographic and social dynamics in progress

## Lengthening of the average life

- Increased demand for long-term benefits (LTC)

## Reduction of birth rates

- Aging of the population

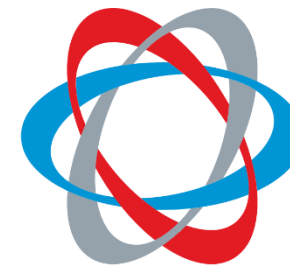
## Increase in the percentage of single-member families

- Radical transformation of the "family" and social changes starting from the 1960s

## Increase in the employment rate of women and territorial mobility of young people looking for work

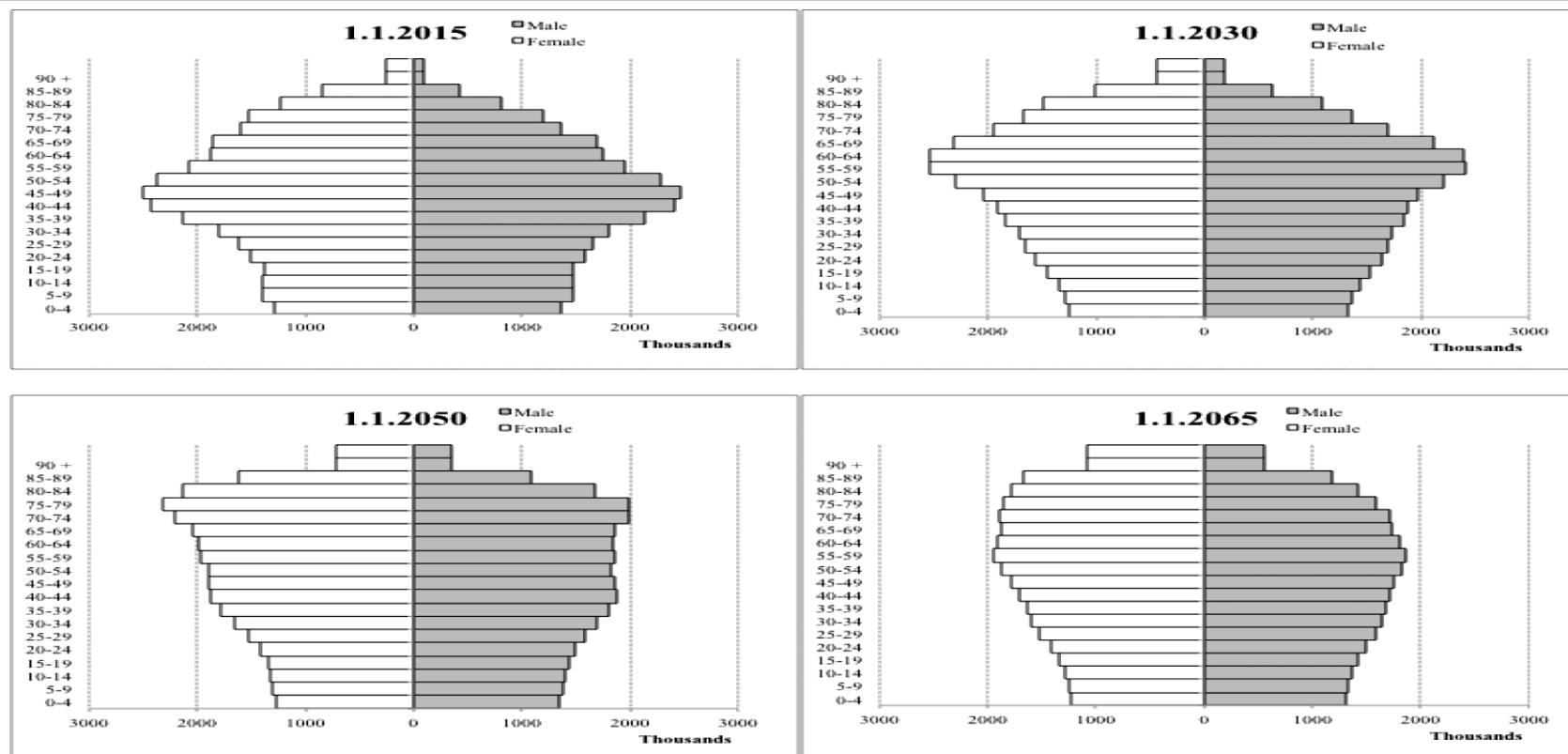
- Decrease in informal care provided within families



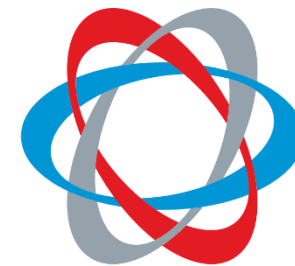


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# The aging of Italian population



From an age structure of the Italian population to "amphora" first (due to the progressive aging of the baby boom generations) and then "rectangular", we move in the medium and long term future to an "inverted pyramid", in view of a further and progressive imbalance in favor of the older age groups



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# The aging of Italian population

**2021**

**2065**



□ Middle age: 46.2 years

□ Life Expectancy M: 80.1 years

□ Life Expectancy F: 84.7 years

□ Elderly dependency index(\*): 33.7

□ Everage n. children x woman: 1.25



□ Middle age: 49.7 years

□ Life Expectancy M: 86.6 years

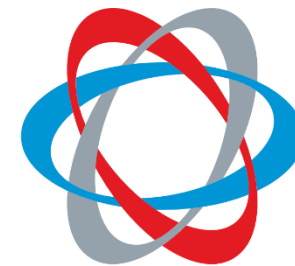
□ Life Expectancy F: 91.5 years

□ Elderly dependency index(\*): 59.7

□ Everage n. children x woman: 1.25

**(\*)** *age  $x \geq 65$  / age  $14 < x < 65$*

Source: ISTAT Annual report 2022

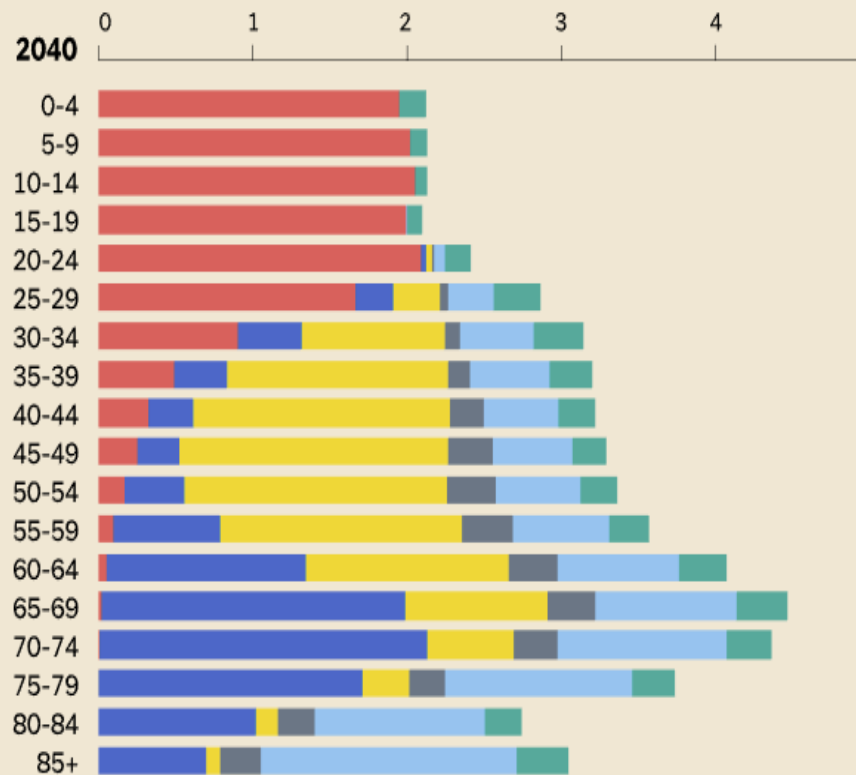
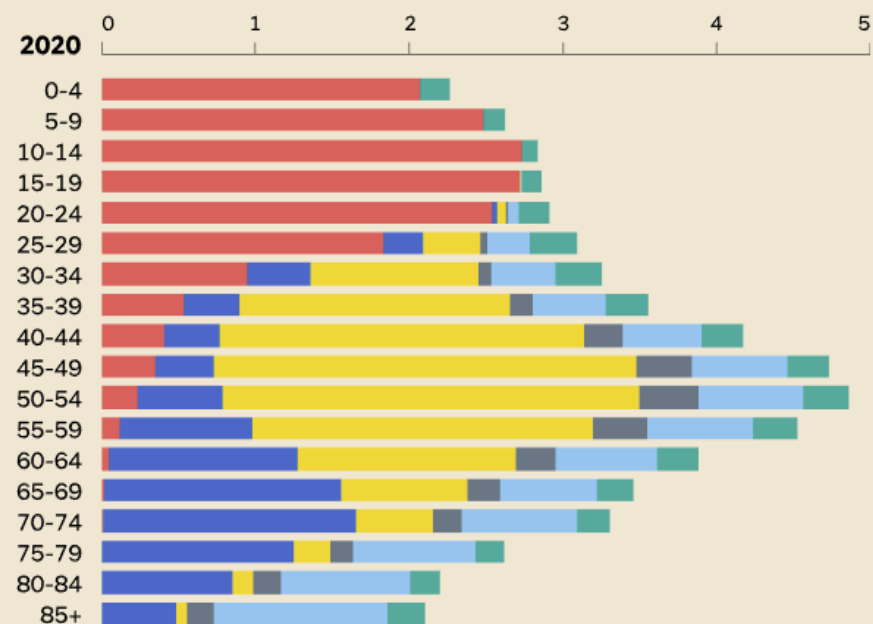


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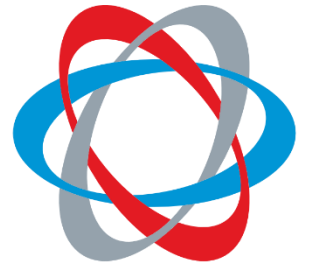
# The transformation of the "family"

## POPOLAZIONE PER POSIZIONE FAMILIARE

Anni 2020 e 2040, scenario mediano, valori assoluti in milioni



Fonte: Istat



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# Social and demographic changes

## *Demographic dynamics*

- progressive aging of population:
  - lengthening of the average life
  - reduction of birth rates



Increased demand for long-term social and health care benefits

## *Social trends*

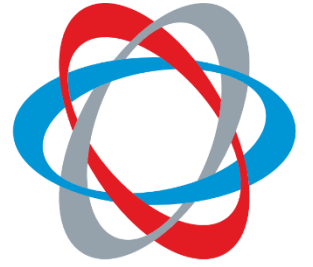
- increasing % single-member families
- increasing employment rate of women
- territorial mobility of young people looking for work



Decrease in informal care provided within families

All these factors contribute to increasing the demand for health care: despite the existence of a mature national healthcare system, as a result of the policies to reduce health expenditure, the aging of the population and socio-demographic changes, Italian private spending is high, but often not linked to a private health insurance system, which in Italy is not yet mature.

## II PILLAR: private supplementary collective healthcare

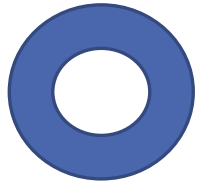


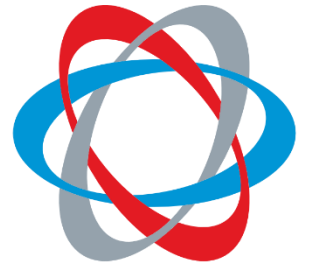
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### II PILLAR

Concerns the services intermediated by the supplementary healthcare private Funds registered in the Registry held by the Ministry of Health and supervised by it.

This system operates in the absence of an organic regulatory framework and also for this reason the realities existing in Italy are very varied.



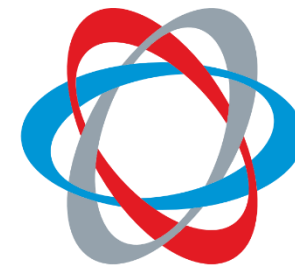


## II PILLAR: private supplementary collective healthcare

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### FORMS OF ASSISTANCE

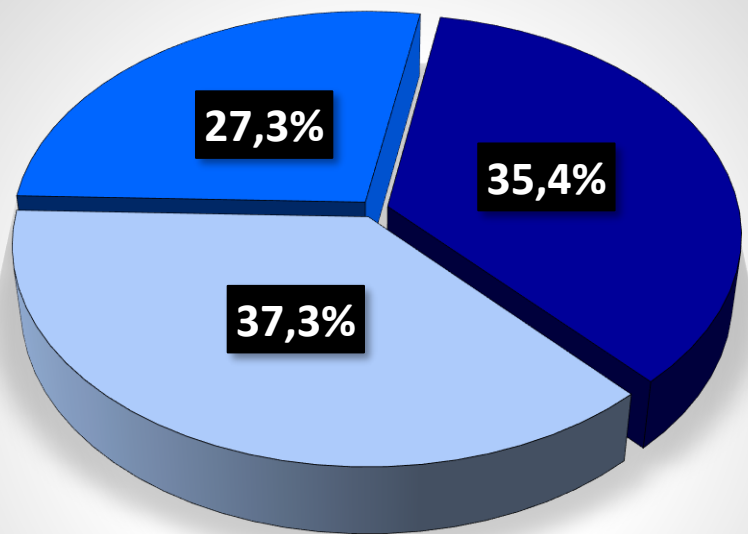
- **ADDITIONAL (or complementary):** relate to benefits not contemplated or not included in public coverage (for example, those excluded by Lea).
- **ADDITIVE (or supplementary):** ensure the coverage gaps of public insurance (for example, tickets and paid rooms). In this case, the service (diagnostic assessment or hospitalization, surgery) is part of the public coverage, but there is a residual cost (ticket) or expense for the accompanying or ancillary services compared to the public service (public hospitalization but paid room) which remains the responsibility of the user.
- **SUBSTITUTIVE (or duplicative):** they guarantee private benefits that replace public insurance. The private system need not be perfectly duplicative; in fact, it can only concern part of the services.



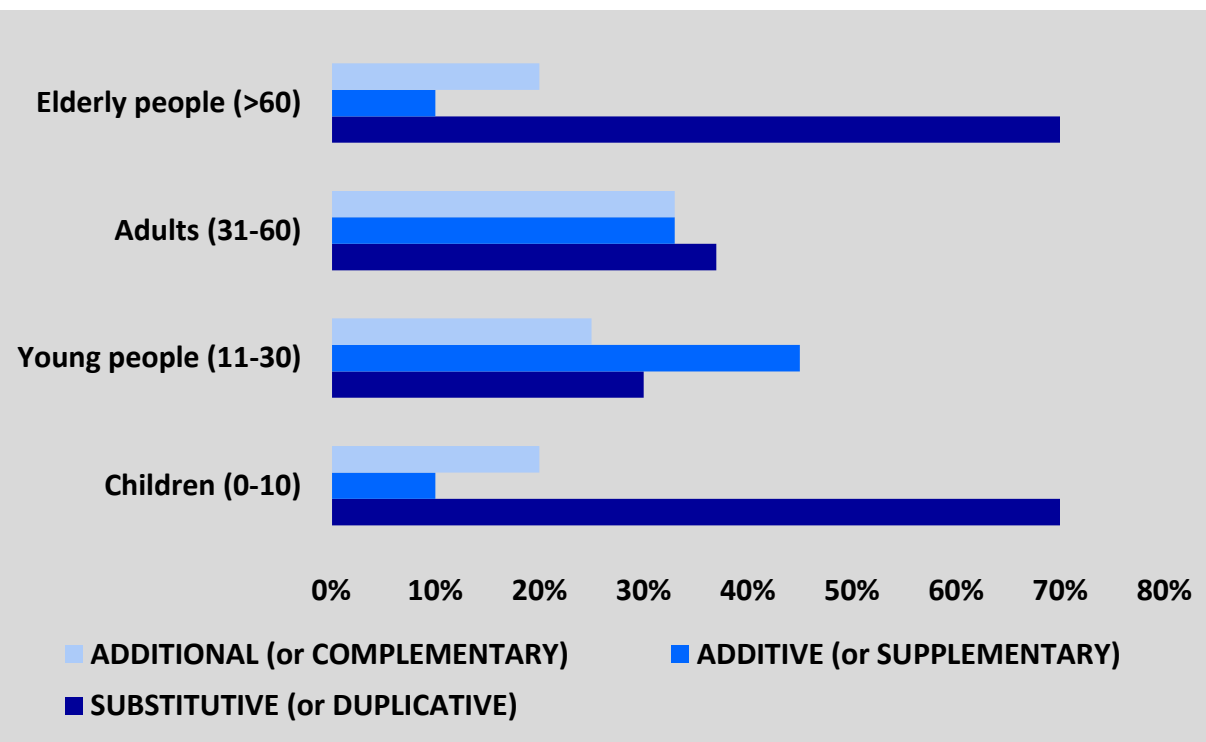
## II PILLAR: private supplementary collective healthcare

### PRIVATE HEALTH EXPENDITURE BY FUNCTION

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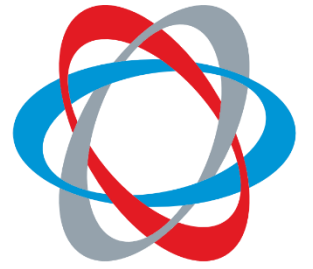


■ SUBSTITUTIVE (or DUPLICATIVE)      □ ADDITIONAL (or COMPLEMENTARY)  
■ ADDITIVE (or SUPPLEMENTARY)



■ ADDITIVE (or SUPPLEMENTARY)      □ ADDITIONAL (or COMPLEMENTARY)  
■ SUBSTITUTIVE (or DUPLICATIVE)

Source: IX Rapporto RBM Salute-CENSIS 2019-2020



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# Supplementary health private Funds

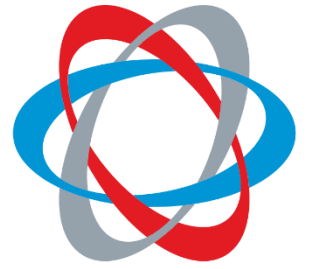
Private Health Funds for employees of companies, born thanks to Collective Labor Agreements

Open Health Funds, or collective policies, set up in the form of autonomous and separate assets or in the form of insurance policies

Mutual Aid Companies (companies specifically regulated in Italy) for the sole purpose of helping members

"DOC" Health Funds, to which all citizens can subscribe, but which only offer services not offered by the SSN (additional or complementary benefits)



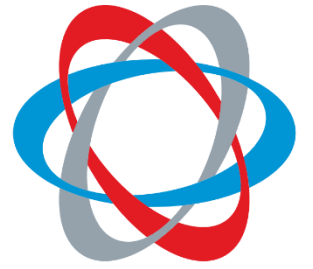


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# Supplementary health private Funds

## The development of II Pillar is also due to:

- **deductibility of the premium paid** (in compliance with the legal constraint of 20% of tied services in dentistry, non self-sufficiency, social health benefits and health services of social relevance)
- **economic benefits:** the supplementary health Funds are based on mutuality and often also on solidarity between members therefore, with the same benefits, the contribution is considerably lower than the third pillar policies
- **other advantages:** the supplementary health Funds are non-profit, a feature that allows these structures to favor members by abolishing forms of selection based on age, sex and health risks, with contributions that often are not subject to commercial uploads



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# Management models

## SELF-INSURED FUNDS

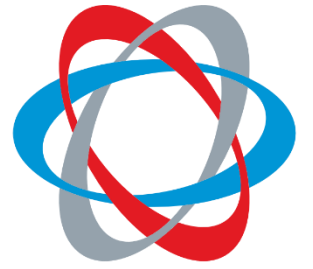
They ensure their own health coverage: the risk is managed directly and entirely by the Fund

## INSURED / CONVENTIONED FUNDS

They totally transfer the health risk to external subjects (insurance companies, mutual aid companies, other funds) to which part of the contributions net of expenses is transferred

## MIXED FUNDS

They directly manage part of the health risks and transfer the remainder to external parties (insurance companies, mutual aid companies, other funds)

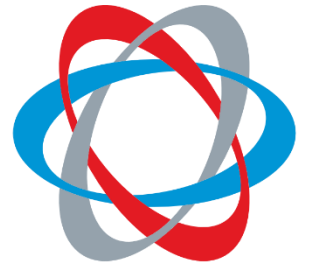


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# Self-insured model

## Self-insured Funds have to:

- manage health risk
- structure a capillary monitoring of all risks to ensure sustainability
- quantify liabilities (importance of technical-actuarial valuations)
- translate the "strategic" objective into a financial objective
- identify the strategic asset allocation
- choose between direct or delegated management of resources

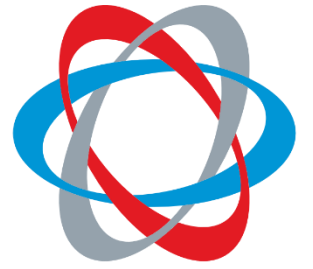


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# Insured model

## Insured Funds have to:

- provide for the selection of the insurance partner
- punctually define the contents of the insurance agreement
- identify the profit sharing mechanisms and the technical parameters of the agreement
- evaluate the insurance agreements received in response to the selection (for this purpose the support of an Actuary is appropriate)
- verify that the insurance management agreement contains exact provisions on the outsourcer obligations



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# The verification phase in the Self-insured Funds

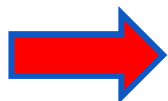
**Risk linked to the functioning of the model:  
SUSTAINABILITY**

**It is essential to analyze the stability from both an *ex ante* and *ex post* perspective by:**

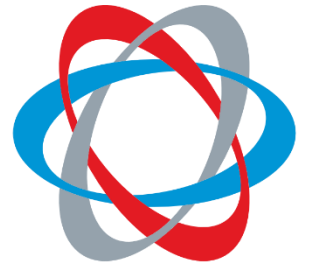
management-administrative controls

technical-actuarial controls (sustainability and pricing)

financial controls



**IMPORTANCE OF DATA MANAGEMENT**



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# The verification phase in the Insured Funds

**Risk linked to the functioning of the model:  
OUTSOURCING**

**It is essential to carefully monitor the efficiency and effectiveness of the insurance agreement by:**

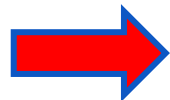
monitoring of claims trends by amount and number

periodic monitoring through technical indicators

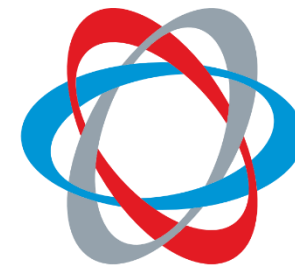
quality check of the service offered (administrative services and call centers)

assessment of the degree of satisfaction of members

**DATA ARE MANAGED BY THE OUTSOURCER BUT THE OWNERSHIP IS OF THE FUND**



**THE IMPORTANCE OF BEING ABLE TO HAVE THEM**

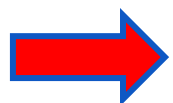


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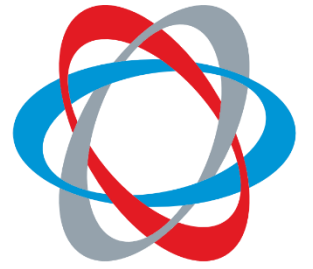
# Actuary's role

## In Self-insured / Mixed management

- identifies and profiles the expected community
- builds the technical hypothesis
- determines the contributions
- draws up the technical balance sheet
- determines the provisions of a technical nature
- carries out sensitivity, experience and stress tests
- evaluates the impact of regulatory or tariff changes
- calculates technical-statistical and management indicators for periodic monitoring



**THE ACTUARY IS A FUNDAMENTAL AND INTEGRAL PART  
IN EACH MANAGEMENT AND MONITORING PROCESS OF THE FUNDS**

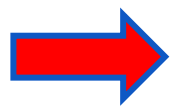


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# Actuary's role

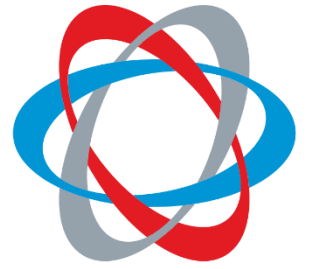
## In Insured management

- supports the Fund in formulation of the health plan and in choosing the Insurance Company
- provides its technical contribution in all verification activities
- prepares feasibility plans in case of transition (total or partial) from insured to self-insured management
- evaluates the impact of regulatory or tariff changes
- calculates technical-statistical and management indicators for periodic monitoring



**THE SUPPORT OF THE ACTUARY IS APPROPRIATE  
IN EACH MANAGEMENT AND MONITORING PROCESS OF THE FUNDS**





# Challenges for Actuary in Supplementary Health Funds

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## Actuarial technical support

- management sustainability
- adequacy and efficiency of benefits

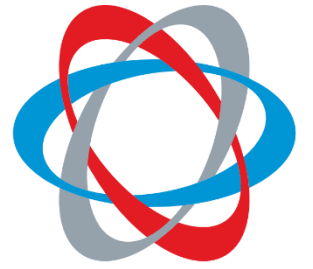
## Governant support

- knowledge of the prospective trends of the fundamental quantities
- efficiency and effectiveness of policy decisions

In 2012 the Professional Association of Italian Actuaries has issued:  
*“Application rules of actuarial principles and Guidelines for valuations”* for Supplementary Health private Funds

**THE ACTUARY HELPS TO TAKE INFORMED DECISIONS**

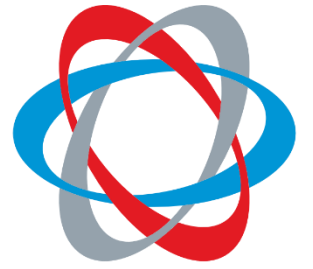
# Challenges for Actuary in Supplementary Health Funds



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## CRITICAL ISSUES

- 1. actuarial culture not yet satisfactory**
- 2. not full awareness of the usefulness of actuarial assessments**
- 3. missing database of information on healthcare at national level**
- 4. great inhomogeneity in the classification of the benefits offered by the different healthcare Funds**



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Thank you very much for your attention