

# Aon Hewitt 2015 Global Medical Trend Rate

Survey Report

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## Introduction

Aon Hewitt is pleased to present the results of its 2015 survey of medical trend rates from around the world. The survey was conducted among Aon Hewitt offices that broker, administer, or otherwise advise on medical plans that are established and managed by employers in each of the 84 countries covered in this report. The survey responses reflect the medical trend expectations of the Aon professionals, clients, and carriers represented in the portfolio of Aon medical plan business in each country. The trend rates presented in this report do not include any allowances for potential employer countermeasures such as cost-containment plan amendments or the impact of any attendant employer negotiations with carriers.

Aon Hewitt has conducted this survey in order to assist multinational companies in:

- Budgeting premium costs for medical plan renewals
- Understanding the factors that are driving medical cost increases
- Devising wellness and cost-containment initiatives to respond to the challenges

The trend rate figures shown in this report represent the percentage increases in medical plan (insured and self-insured) unit costs that are anticipated to be technically required in order to address projected price inflation, technology advances in the medical field, plan utilization, and cost shifting from social programs. This survey covers three separate themes:

- Estimated medical trend rates for 2015
- Risk factors that are expected to drive medical cost inflation in the future
- Wellness and health promotion initiatives being undertaken by employers in order to deal with spiraling medical cost trends

As a reference, we have also included the general inflation rates for 2015 published by the International Monetary Fund, which have been adopted as a proxy for the expected domestic retail inflation level in each country for 2015.

The trend rate figures and risk factors in this report relate to employer-sponsored plans and their participants. The information presented is not necessarily representative of each country's health care costs as a whole, nor of the health care situation of each country's population overall.

Aon Hewitt intends to issue annual survey updates in the future. We expect that as the global demand for medical plan benefits extends to more countries, the number of participating countries in our published reports will increase. In fact, in this report we are covering 84 countries, or 15 more than the 69 countries covered in our survey last year.

We hope you will find this report useful. We welcome any feedback you may wish to provide.

## Key Highlights

The prevalence of employer-sponsored medical plans is increasing in all countries covered by the survey. Furthermore, the scope of the provisions offered by supplementary plans is expanding vertically (e.g., larger maximum lifetime benefits, larger allowances for maternity benefits) as well as horizontally (e.g., fewer exclusions, more procedures covered by the plan).

The medical trend rates continue to exceed local general inflation levels.

- In 2014, the global average medical trend rate of 10.34% was 6.11 percentage points higher than the average inflation rate of 4.23%<sup>1</sup>
- For 2015, an even wider difference of 6.15 percentage points between the average medical trend rate of 10.15% and the average general inflation rate of 4.00% is expected<sup>2</sup>
- Aon Hewitt expects further medical cost escalation due to global population aging, overall declining health, poor lifestyle habits becoming pervasive in emerging countries, continuing cost shifting from social programs, and increasing utilization of employer-sponsored plans

Double-digit margins between medical trend rates and domestic inflation levels were found in:

Asia Pacific	Europe	Latin America	Middle East/Africa
Singapore	Lithuania	Argentina	Lebanon
South Korea	Serbia	Brazil	Saudi Arabia
Vietnam		Ecuador	Sultanate of Oman
		Honduras	
		Venezuela	

The top reported conditions giving rise to adverse claim experience around the world are:

	% Responding
Cardiovascular	76
Cancer	60
Diabetes	48

Differentials by geographic region among the primary medical conditions that were reported to generate adverse claim experience are:

Asia Pacific	Canada	Europe	Latin America	Middle East/Africa
Cardiovascular	Cardiovascular	Cardiovascular	Cancer	High Blood Pressure
Gastrointestinal	Mental Health	Cancer	Cardiovascular	Cardiovascular
Cancer	Diabetes	Diabetes	Diabetes	Diabetes

<sup>1</sup> IMF World Economic Outlook Database April 2013.

<sup>2</sup> IMF World Economic Outlook Database April 2014.

Non-communicable diseases (NCDs) are the biggest contributors to the adverse experience driving high medical inflation. NCDs are directly linked to modern lifestyles, and their incidence can be significantly reduced through modification of individual behaviors. Influencing these behaviors represents both a challenge and an opportunity for employers.

The key reported global risk factors that are expected to drive future claims are:

	<b>% Responding</b>
High Blood Pressure	60
Poor Stress Management	52
High Cholesterol	48

Differentials by geographic region among the risk factors that are expected to generate future claims are:

<b>Asia Pacific</b>	<b>Canada</b>	<b>Europe</b>	<b>Latin America</b>	<b>Middle East/Africa</b>
Poor Stress Management	Physical Inactivity	High Blood Pressure	High Blood Pressure	High Blood Pressure
High Cholesterol	Obesity	Poor Stress Management	Obesity	High Cholesterol
Physical Inactivity	Aging	High Cholesterol	High Cholesterol	Physical Inactivity

The most important elements of medical plan costs around the world are:

	<b>% Responding</b>
Hospital	72
Clinics/Labs	53
Physician Services	48

Most important differentials by geographic region of medical plan costs are:

<b>Asia Pacific</b>	<b>Canada</b>	<b>Europe</b>	<b>Latin America</b>	<b>Middle East/Africa</b>
Hospital	Prescription Drugs	Clinics/Labs	Hospital	Hospital
Physician Services	Administration Costs	Hospital	Prescription Drugs	Physician Services
Clinics/Labs	Other	Physician Services	Clinics/Labs	Prescription Drugs

The most common wellness and health promotion initiatives being undertaken by progressive employers globally are:

	<b>% Responding</b>
Detection	95
Education Programs	81
Advanced Assessment Programs	79

*Note: “progressive employers” are defined as employers of choice in each territory. In other words, a group of employers that are known in each country to be successful in attracting and retaining top talent*

## Call to Action

The findings addressed in this report suggest that employers need to accelerate their efforts at helping employees to both understand their own health risks and begin to take steps to improve their health. Rising costs and the increased prevalence of chronic conditions are global phenomena—and regardless of the underlying medical insurance system, employers will experience added organizational cost and lost workforce productivity if these trends continue.

The wellness initiative summaries in this report should be useful in understanding wellness and cost mitigation efforts being undertaken by employers. However, the underlying causes of illness and risk factors vary by region and even from country to country within a region. It is therefore important to carefully target employer initiatives to the specific situation surrounding each medical plan.

## Survey Results

### Average Medical Trend Rate Tables

Region and Country	2014			2015		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
<b>Global</b>	4.23	10.34	6.11	4.00	10.15	6.15
<b>North America</b>	1.76	8.50	6.74	1.75	6.50	4.75
<b>Latin America and Caribbean</b>	5.81	14.35	8.54	6.25	14.58	8.33
<b>Europe</b>	1.78	5.94	4.15	1.99	6.01	4.02
<b>Middle East/Africa</b>	5.25	12.28	7.03	4.90	12.03	7.13
<b>Asia Pacific</b>	4.66	10.12	5.46	4.28	10.87	6.59

Region and Country	2014			2015		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
<b>North America (Avg.)</b>	<b>1.76</b>	<b>8.50</b>	<b>6.74</b>	<b>1.75</b>	<b>6.50</b>	<b>4.75</b>
Canada	1.81	8.00	6.19	1.90	4.00	2.10
United States	1.71	9.00	7.29	1.60	9.00	7.40
<b>Latin America and Caribbean (Avg.)</b>	<b>5.81</b>	<b>14.35</b>	<b>8.54</b>	<b>6.25</b>	<b>14.58</b>	<b>8.33</b>
Argentina	10.05	30.00	19.95	12.50	30.00	17.50
Bahamas	2.00	10.00	8.00	2.55	12.00	9.45
Bolivia	4.28	10.00	5.72	5.29	10.00	4.71
Brazil	4.73	16.12	11.39	5.54	18.09	12.55
Chile	3.00	5.00	2.00	2.93	6.00	3.07
Colombia	3.01	12.00	9.00	2.87	9.00	6.13
Costa Rica	5.00	13.00	8.00	4.50	13.00	8.50
Dominican Republic	4.75	10.00	5.25	4.25	8.00	3.75
Ecuador	4.11	15.00	10.89	2.55	17.00	14.45
El Salvador	2.40	9.00	6.60	2.60	10.00	7.40
Guatemala	4.35	12.00	7.65	4.08	12.00	7.92
Honduras	5.80	25.00	19.20	6.45	20.00	13.55
Jamaica	6.70	20.00	13.30	8.25	15.00	6.75
Mexico	3.25	9.00	5.76	3.54	9.30	5.76
Nicaragua	8.31	13.00	4.69	7.00	14.03	7.03
Panama	4.80	12.00	7.20	3.60	10.00	6.40
Peru	2.45	n/a	n/a	2.11	5.70	3.59
Puerto Rico	3.00	6.50	3.50	0.50	8.00	7.50
Trinidad and Tobago	4.00	10.00	6.00	4.00	12.00	8.00
Uruguay	8.29	n/a	n/a	8.00	12.00	4.00

Region and Country	2014			2015		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
Venezuela	27.65	35.00	7.35	37.98	55.00	17.02
<b>Europe (Avg.)</b>	<b>1.78</b>	<b>5.94</b>	<b>4.15</b>	<b>1.99</b>	<b>6.01</b>	<b>4.02</b>
Austria	1.90	2.50	0.60	1.70	3.00	1.30
Belgium	1.36	4.00	2.64	1.12	3.00	1.88
Bulgaria	1.91	3.00	1.09	0.93	8.00	7.07
Croatia	0.50	n/a	n/a	1.10	1.00	(0.10)
Cyprus	0.45	n/a	n/a	1.40	1.50	0.10
Czech Republic	1.00	n/a	n/a	1.90	5.00	3.10
Denmark	2.00	2.20	0.20	1.80	1.50	(0.30)
Finland	2.51	10.00	7.49	1.54	10.00	8.46
France	1.46	8.00	6.54	1.23	6.00	4.77
Germany	1.70	4.00	2.30	1.36	5.00	3.64
Greece	-0.44	0.00	0.44	0.35	4.00	3.65
Hungary	3.50	3.80	0.30	3.00	4.00	1.00
Ireland	1.27	10.00	8.73	1.12	9.00	7.88
Italy	1.43	3.00	1.57	1.03	3.50	2.47
Latvia	1.50	n/a	n/a	2.48	5.00	2.52
Lithuania	0.97	n/a	n/a	1.76	15.00	13.24
Norway	1.50	15.00	13.50	2.00	10.00	8.00
Poland	2.00	5.00	3.00	2.38	8.00	5.62
Portugal	1.03	4.50	3.47	1.20	4.00	2.80
Romania	2.87	5.00	2.13	3.09	5.00	1.91
Russia	6.18	9.00	2.82	5.30	12.00	6.70
Serbia	4.00	n/a	n/a	4.00	15.00	11.00
Slovakia	0.74	n/a	n/a	1.60	1.60	0.00
Slovenia	1.15	n/a	n/a	1.63	0.00	(1.63)
Spain	1.50	5.00	3.50	0.84	4.50	3.66
Sweden	0.38	n/a	n/a	1.63	4.50	2.87
Switzerland	0.20	3.00	2.80	0.50	4.00	3.50
The Netherlands	1.74	3.40	1.66	1.00	2.28	1.28
Ukraine	4.68	15.00	10.33	8.70	17.00	8.30
United Kingdom	2.50	9.25	6.75	1.90	7.75	5.85
<b>Middle East/Africa (Avg.)</b>	<b>5.25</b>	<b>12.28</b>	<b>7.03</b>	<b>4.90</b>	<b>12.03</b>	<b>7.13</b>
Angola	8.43	11.30	2.87	7.73	9.00	1.27
Bahrain	2.50	n/a	n/a	2.39	11.50	9.11
Egypt	13.66	19.50	5.85	11.17	13.00	1.83
Kenya	5.00	10.00	5.00	5.50	13.00	7.50
Kuwait	3.36	n/a	n/a	3.96	12.00	8.04
Lebanon	2.02	n/a	n/a	2.00	16.00	14.00
Qatar	3.97	14.00	10.03	3.49	10.00	6.51



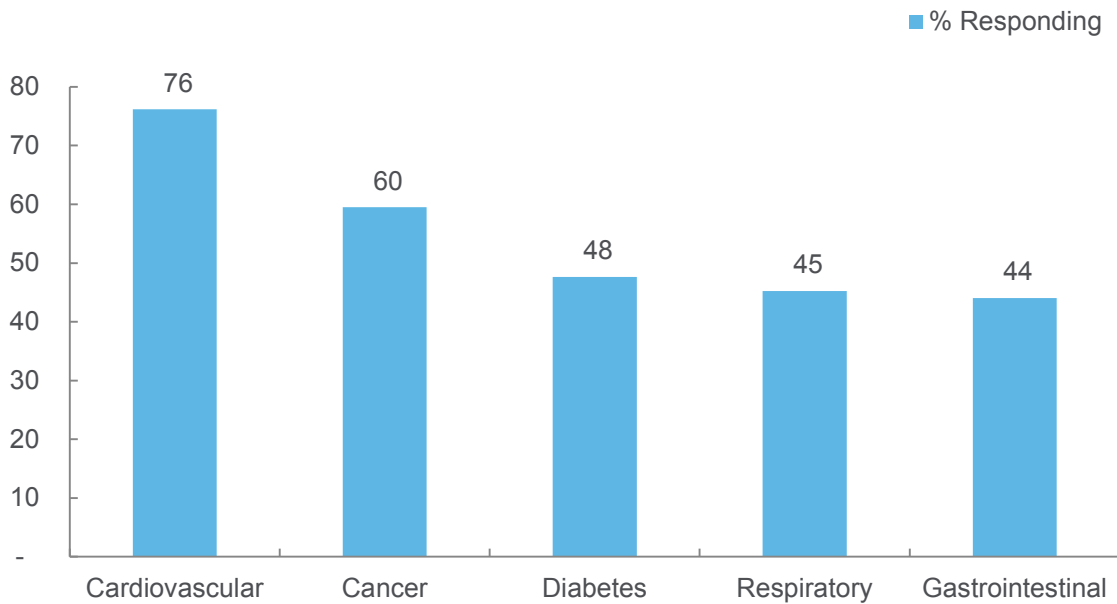
Region and Country	2014			2015		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
Saudi Arabia	3.57	11.50	7.93	3.25	17.00	13.75
South Africa	5.50	10.00	4.50	5.60	6.30	0.70
Sultanate of Oman	3.26	15.00	11.74	3.07	15.00	11.93
Tunisia	5.49	n/a	n/a	5.01	8.00	2.99
Turkey	5.30	12.00	6.70	6.53	15.00	8.47
Uganda	6.28	n/a	n/a	6.30	10.00	3.70
United Arab Emirates	1.91	12.50	10.60	2.54	12.50	9.96
<b>Asia Pacific (Avg.)</b>	<b>4.66</b>	<b>10.12</b>	<b>5.46</b>	<b>4.28</b>	<b>10.87</b>	<b>6.59</b>
Australia	2.54	7.80	5.27	2.40	7.50	5.10
Bangladesh	7.27	n/a	n/a	6.73	7.50	0.77
China	3.00	7.00	4.00	3.00	7.00	4.00
Hong Kong	3.50	9.00	5.50	3.75	8.58	4.83
India	10.71	12.00	1.29	7.53	13.00	5.47
Indonesia	5.57	15.00	9.43	5.49	15.00	9.51
Japan	2.97	3.90	0.93	1.69	4.70	3.01
Kazakhstan	6.40	5.00	(1.40)	7.52	7.83	0.31
Malaysia	2.40	11.00	8.60	3.90	12.00	8.10
New Zealand	2.23	7.00	4.77	2.23	7.60	5.37
Pakistan	8.83	n/a	n/a	9.00	18.00	9.00
Philippines	3.22	9.00	5.78	3.61	8.00	4.39
Singapore	3.44	20.00	16.56	2.57	15.00	12.43
South Korea	2.90	6.00	3.10	3.00	15.00	12.00
Taiwan	2.00	10.00	8.00	2.00	10.00	8.00
Thailand	3.43	9.10	5.67	2.10	8.00	5.90
Vietnam	8.80	20.00	11.20	6.20	20.00	13.80

**Note:** "Net" indicates net of domestic general inflation rates. The trend rate for the U.S. has been obtained from Aon Hewitt's annual Health Care Trend Surveys (July–December) for 2014 as applicable for PPO plans (prior to any plan changes for cost containment).

## Key Reported Causes of Adverse Medical Claim Experience

The figures below represent the percent of responses from Aon offices that reported the indicated cause as a contributing factor in adverse claims experience in their respective countries.

### Top Global Key Causes



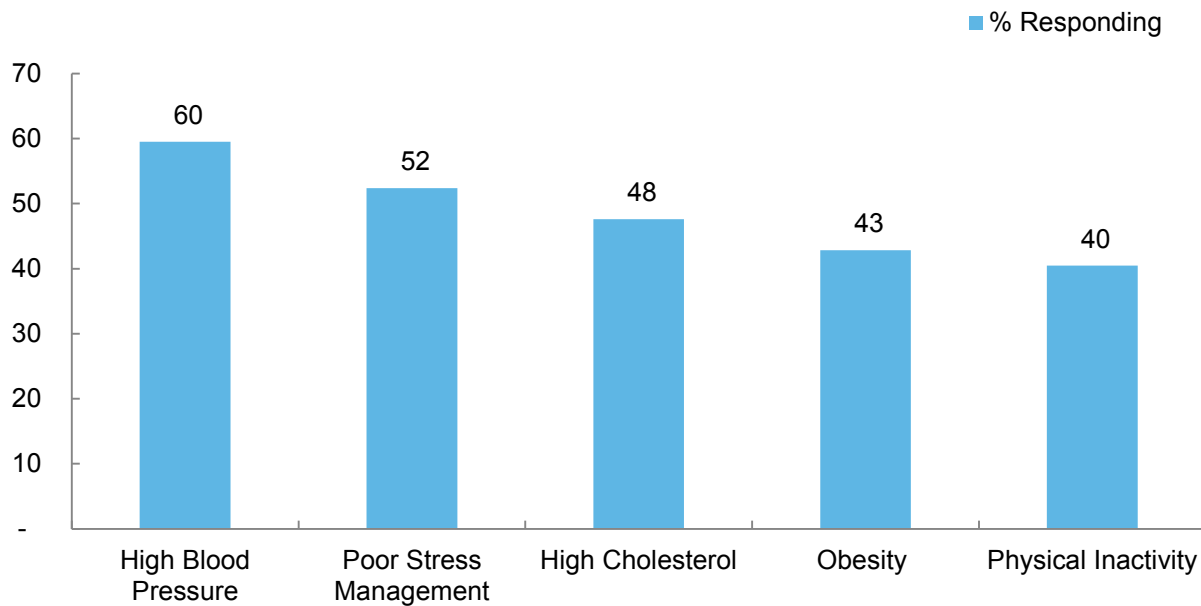
The figures below represent the percent of Aon offices reporting the leading causes per region:

	Asia Pacific (% of Responses)		Europe (% of Responses)		Latin America (% of Responses)		Middle East/Africa (% of Responses)	
1	Cardiovascular	76	Cardiovascular	83	Cancer	81	High Blood Pressure	75
2	Gastrointestinal	59	Cancer	66	Cardiovascular	71	Cardiovascular	69
3	Cancer	53	Diabetes	41	Diabetes	62	Diabetes	63
4	High Blood Pressure	53	Gastrointestinal	34	Respiratory	62	Respiratory	63
5	Respiratory	53	Musculoskeletal/Back	34	Gastrointestinal	43	Gastrointestinal	44

## Risk Factors Driving Supplementary Medical Plan Costs

The figures below represent the percent of Aon offices that reported the indicated risk as becoming a leading factor in future adverse claims experience in their respective countries.

### Top Global Risk Factors



Risk Factors	% Responding	Risk Factors	% Responding
1 High Blood Pressure	60	9 Air Pollution	14
2 Poor Stress Management	52	10 Aging	13
3 High Cholesterol	48	11 Genetics	13
4 Obesity	43	12 Lack of Health Screening	13
5 Physical Inactivity	40	13 Occupational Risks	13
6 High Blood Glucose	30	14 Unsafe Water, Sanitation, Hygiene	5
7 Smoking	29	15 Other	4
8 Bad Nutrition	19		

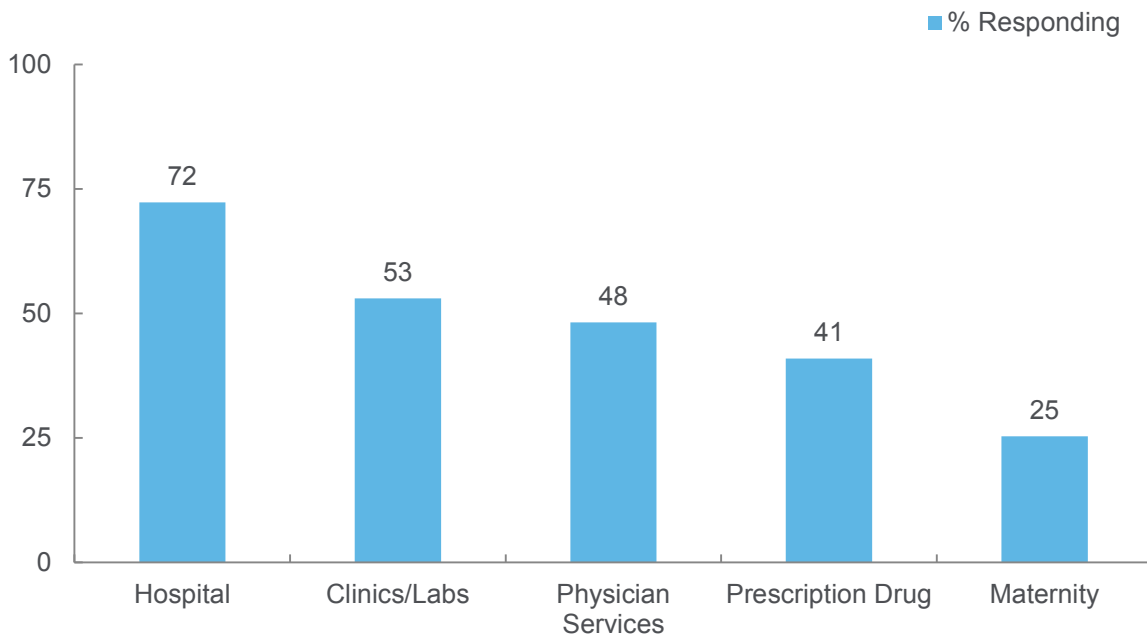
The figures below represent the percent of Aon offices reporting the indicated risk factors in their respective regions.

	<b>Asia Pacific</b>		<b>Europe</b>		<b>Latin America</b>		<b>Middle East/Africa</b>	
	<b>(% Responding)</b>		<b>(% Responding)</b>		<b>(% Responding)</b>		<b>(% Responding)</b>	
1	Poor Stress Management	59	High Blood Pressure	61	High Blood Pressure	71	High Blood Pressure	65
2	High Cholesterol	53	Poor Stress Management	57	Obesity	62	High Cholesterol	53
3	Physical Inactivity	47	High Cholesterol	43	High Cholesterol	48	Physical Inactivity	47
4	High Blood Pressure	41	Smoking	43	Poor Stress Management	48	Poor Stress Management	47
5	Obesity	35	Obesity	39	High Blood Glucose	43	High Blood Glucose	35

## Most Important Elements of Medical Plan Cost

The figures below represent the percent of responses from Aon offices that reported the indicated element as the most important element of medical plan cost in their respective countries.

### Top Global Cost Elements

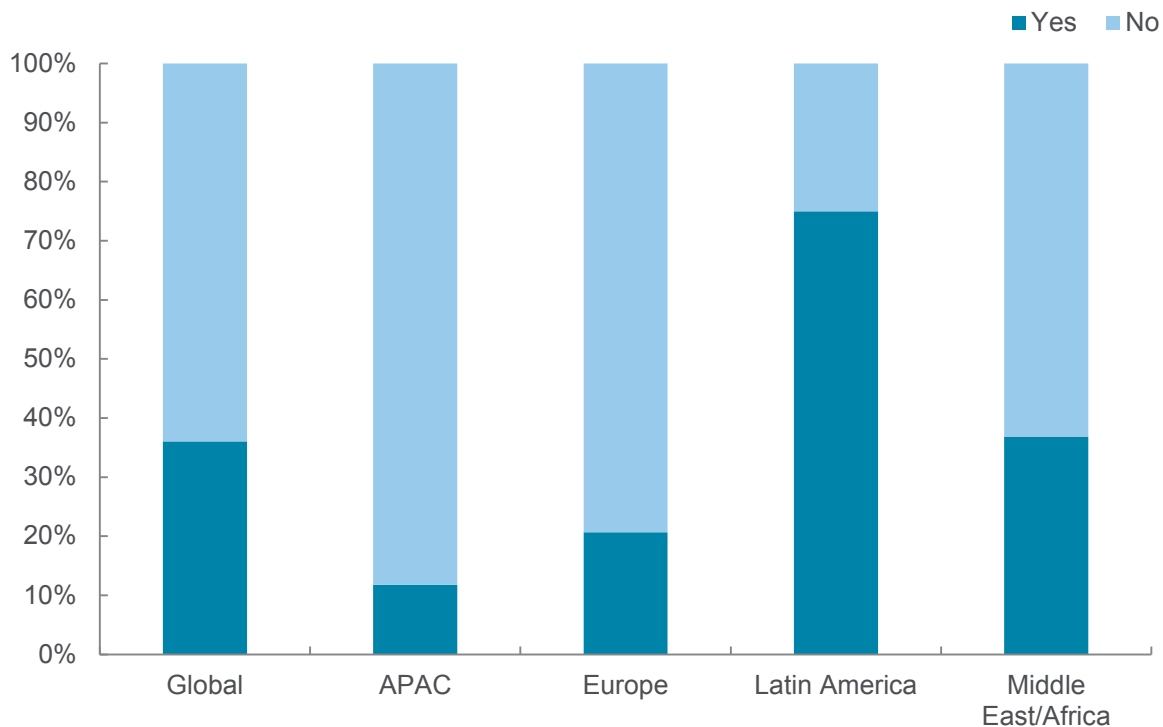


The figures below represent the percent of Aon offices reporting the indicated cost element in their respective regions.

	Asia Pacific (% of Responses)		Europe (% of Responses)		Latin America (% of Responses)		Middle East/Africa (% of Responses)	
1	Physician Services	65	Hospital	56	Hospital	86	Physician Services	53
2	Clinics/Labs	59	Physician Services	41	Clinics/Labs	48	Prescription Drugs	47
3	Prescription Drugs	35	Preventive Care	33	Physician Services	43	Clinics/Labs	41
4	Administration Costs	18	Dental	30	Maternity	33	Maternity	35
5	Maternity	18	Maternity	19	Administration Costs	5	Dental	29

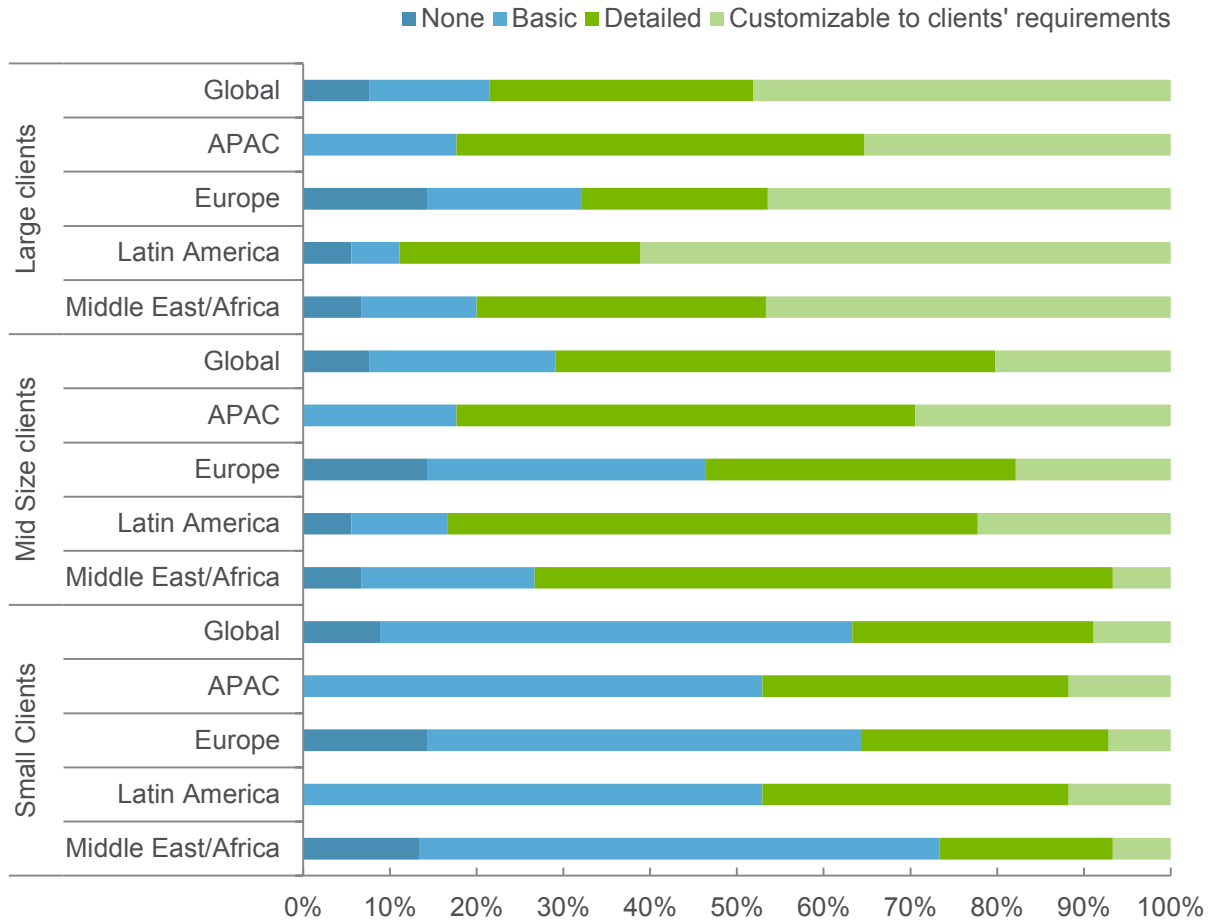
### Medical Plan Employee Cost Sharing

The figures below represent the percent of Aon offices reporting employee cost sharing in the medical plan in their respective regions.



## Levels of Claims Information Available from Carriers

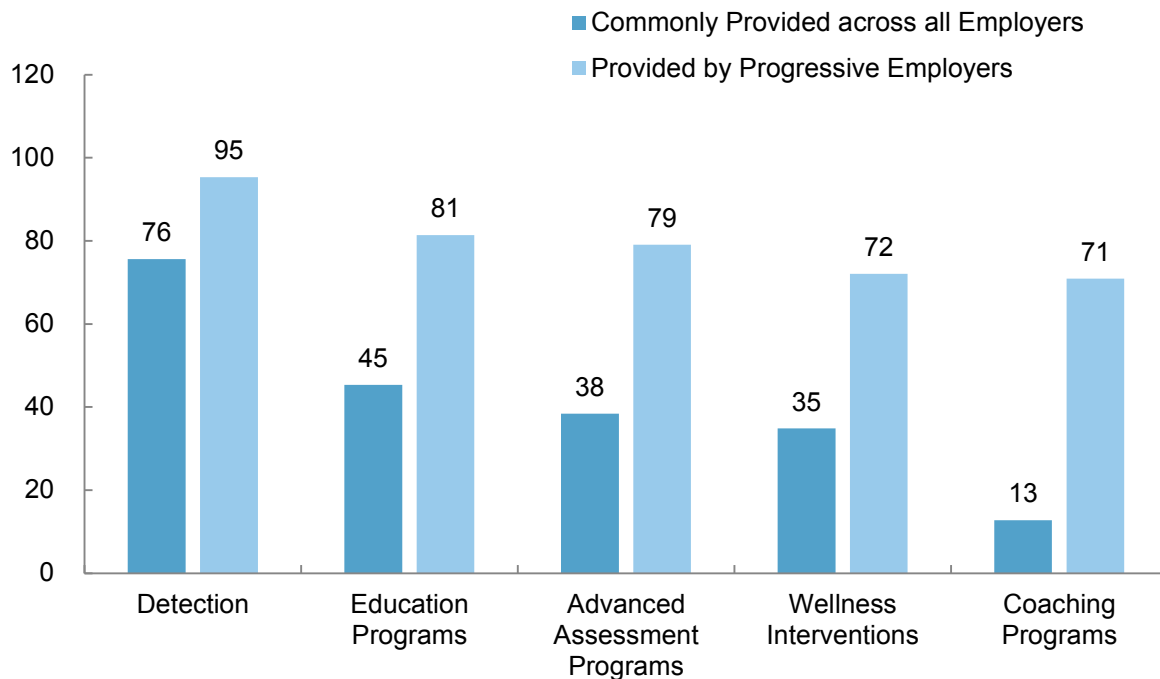
The figures below represent the claims information available by client size reported by Aon offices in their respective regions.



## Global Wellness and Health Promotion Initiatives

The figures below represent the percent of responses from Aon offices that reported the indicated wellness program as commonly provided among the indicated employer groups in their respective countries.

### Wellness Programs Reported as Commonly Provided (% Responding)



### Detection (% Responding)

	All Employers	Progressive Employers
Physical Check-ups	50	90
Vision Screening	43	76
Mammograms	37	73
Hearing Screening	28	53

### Education (% Responding)

	All Employers	Progressive Employers
Communication Materials on Wellness	36	67
Informational Web Service	34	63
Wellness Kits	27	69
Fitness Education	14	56

**Advanced Assessments (% Responding)**

	All Employers	Progressive Employers
Heart Health	26	66
Advanced Check-ups	15	57
Nutrition	14	50
Substance Use	12	31
Level of Fitness	8	41

**Wellness Interventions (% Responding)**

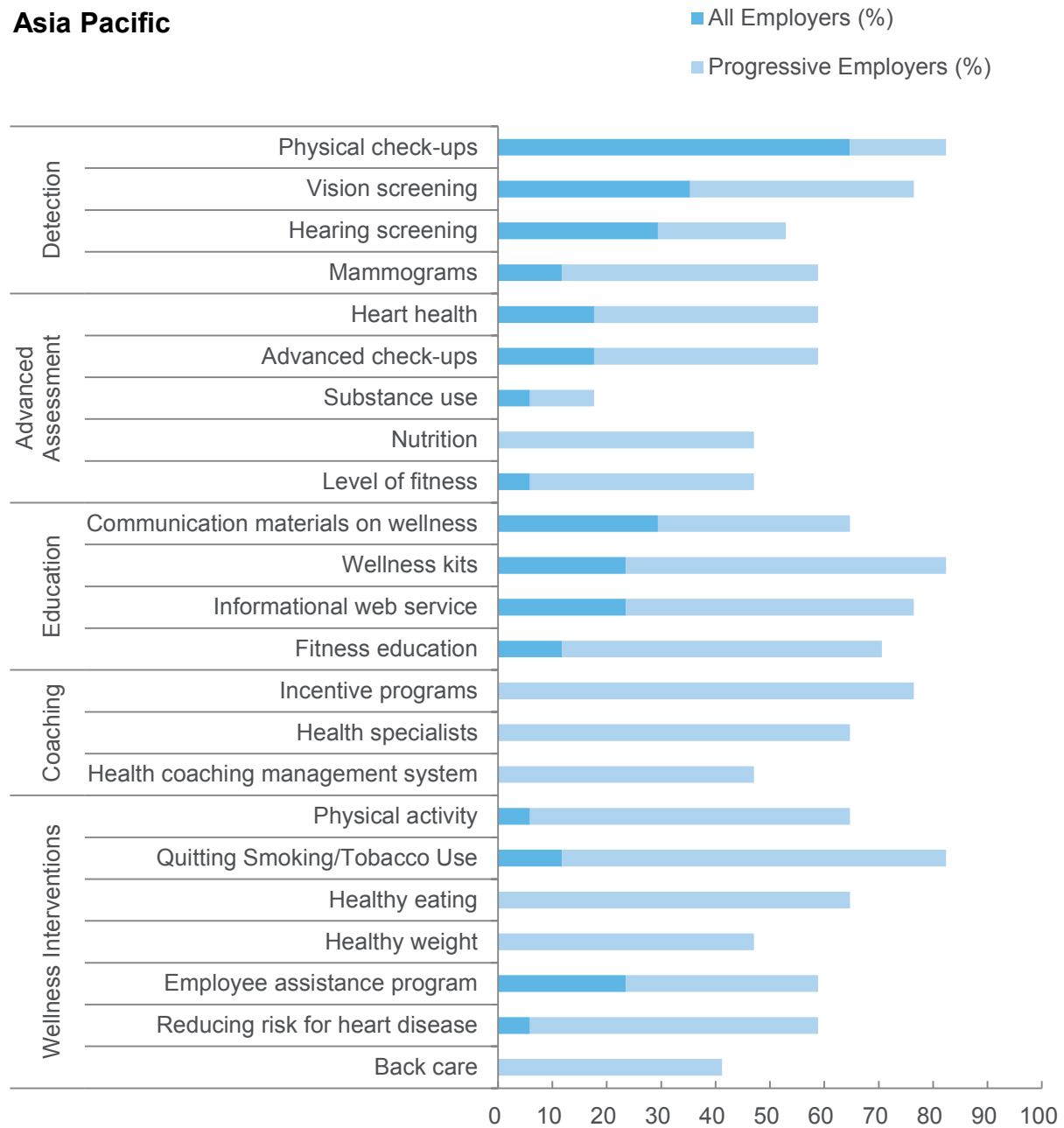
	All Employers	Progressive Employers
Quitting Smoking/Tobacco Use	21	55
Employee Assistance Program	16	48
Physical Activity	15	50
Healthy Weight	14	40
Back Care	14	41
Healthy Eating	13	50
Reducing Risk for Heart Disease	13	50

**Coaching (% Responding)**

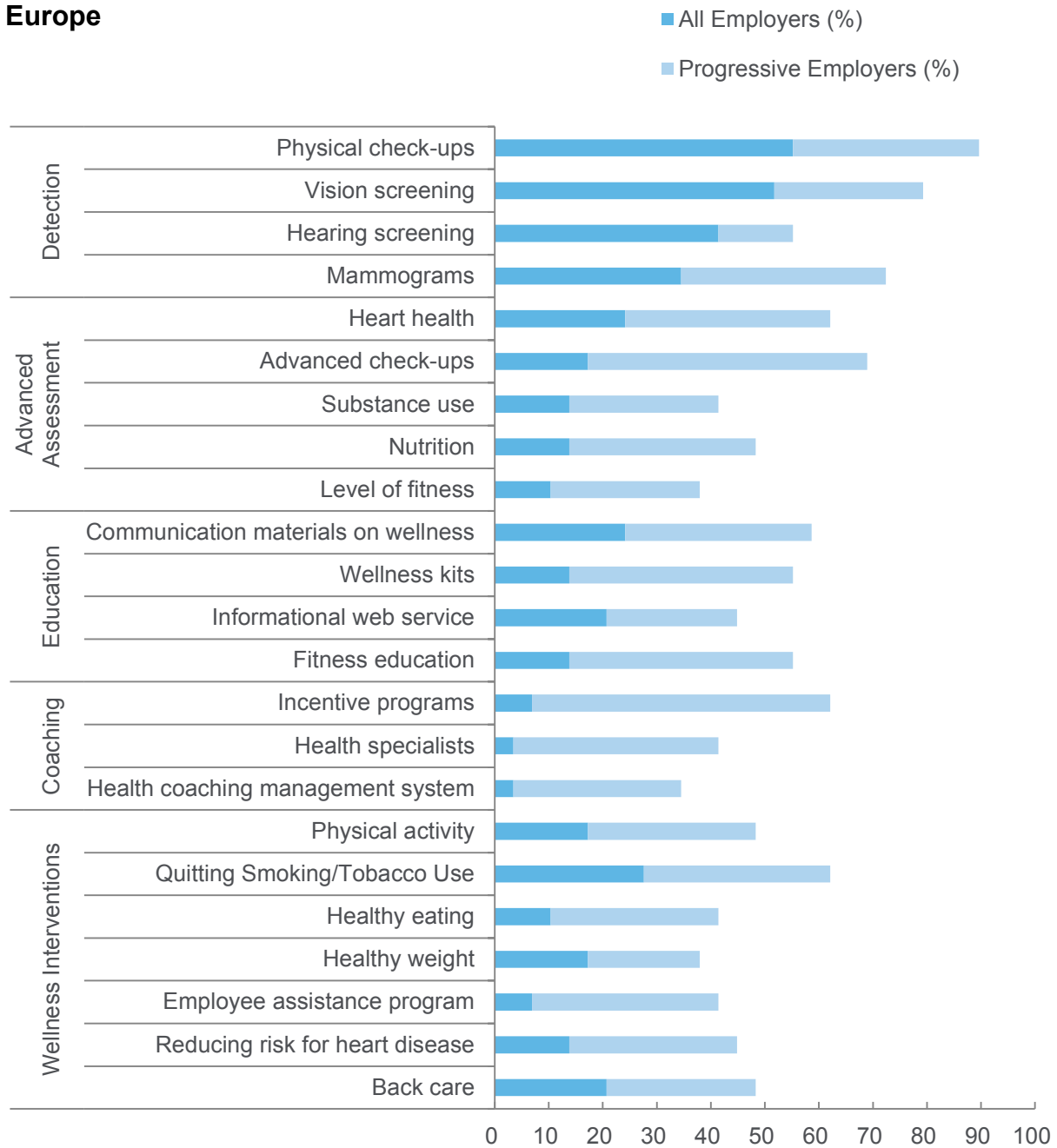
	All Employers	Progressive Employers
Health Coaching Management System	6	42
Incentive Programs	5	62
Health Specialists	5	55



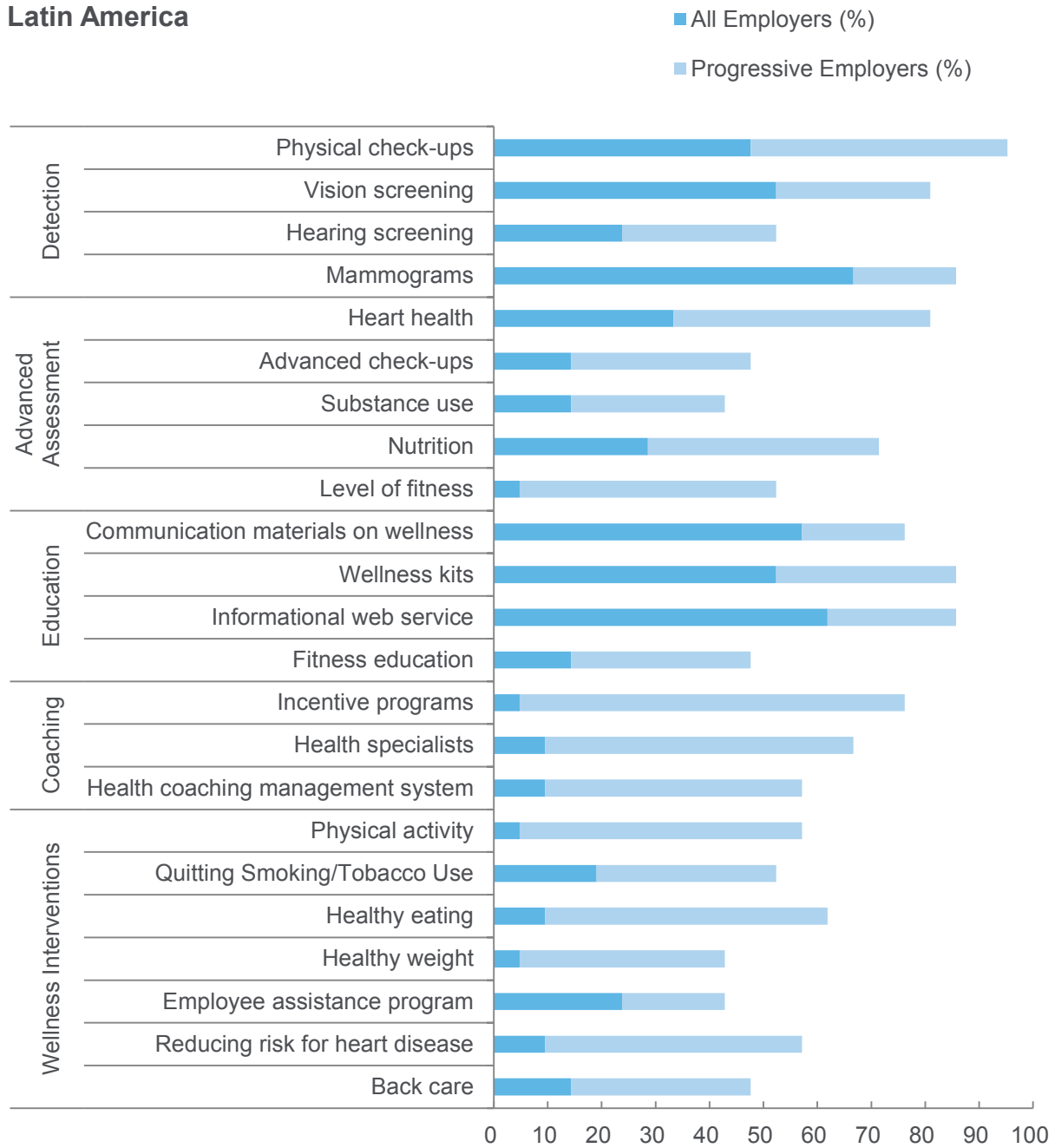
## Asia Pacific



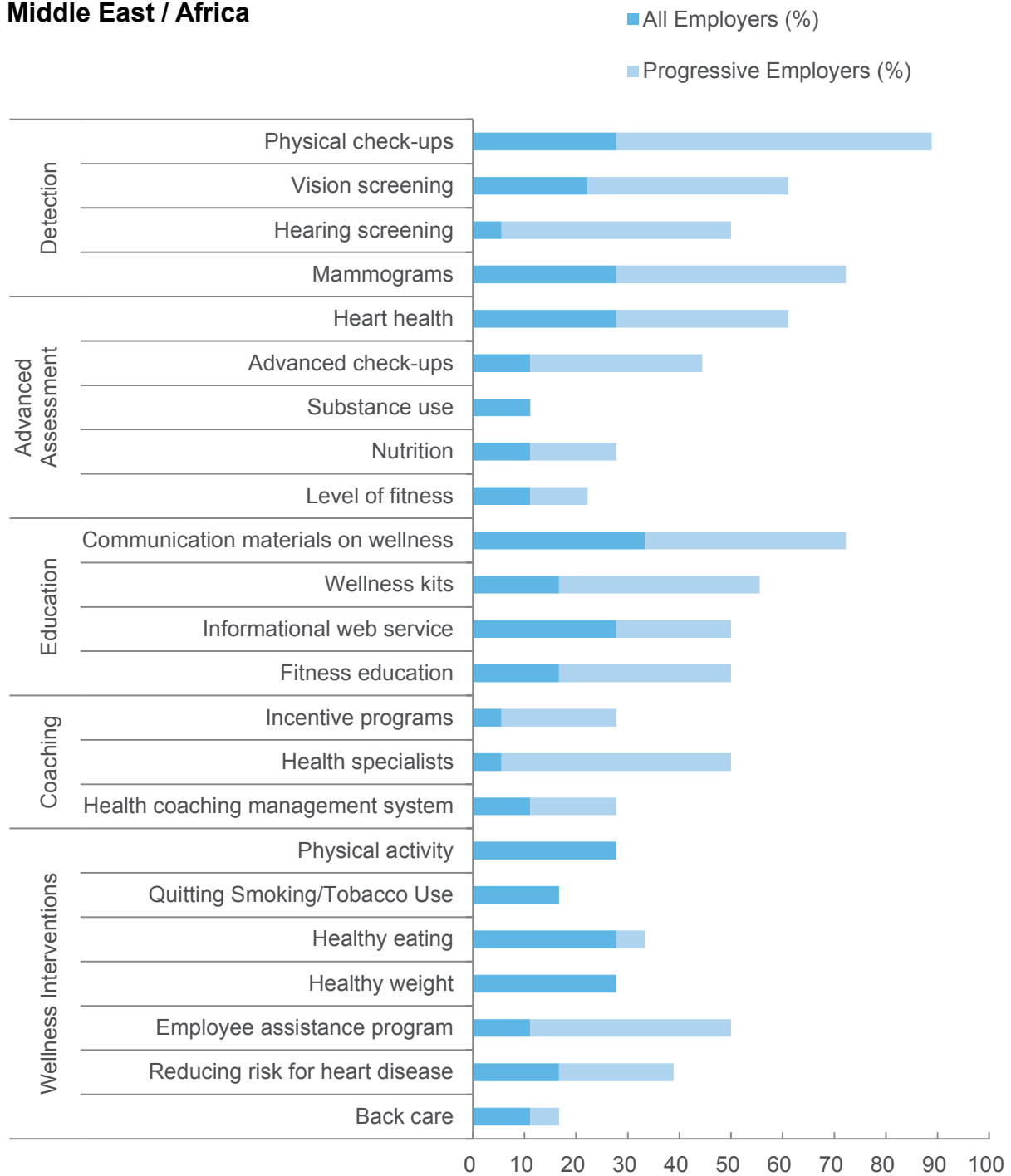
## Europe



## Latin America



### Middle East / Africa



## Appendix

### Trend Rate Overview

The trend rates shown in this report represent national averages and are the predicted increase in premium costs. Trend increases for a specific company may vary significantly from these trend rates due to regional cost variations, company plan design, company demographics, and other factors. In addition, insured rate increases may be higher or lower than these trend rates based on an insurance company's profitability, the plan's claims-loss ratio, the plan design, insured demographics, and other factors. It is important to note that these trend rates might not be appropriate for other purposes.

Medical trend rate is defined as percentage of change in the cost of health care prior to any cost-containment measure undertaken by plan sponsors.

The components of health care trend that we have considered include:

- **Price inflation.** This is the projected annual change in the domestic retail consumer price index of the health care element in each country. In the absence of information on projected inflation for the medical plan component in any given country, we have used the change in the overall consumer price index.
- **Leveraging impact on fixed-amount elements of plan design.** This is the additional cost added to a health plan due to the leveraging effect of increasing expected claims on unchanging deductibles, copays, or out-of-pocket maximums.
- **Utilization.** This component reflects an increase in the demand for medical care services in response to factors such as increased access to medical services, plan design, participant age, and new medical technology and services.
- **Technology advances.** This reflects the change in cost due to new procedures, information, experience, and equipment replacing older techniques.
- **Cost shifting.** This reflects a provider of medical services such as a government social health care program transferring its cost to private-sector supplementary plans.

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## About Aon Hewitt

Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 30,000 professionals in 90 countries serving more than 20,000 clients worldwide. For more information on Aon Hewitt, please visit [aonhewitt.com](http://aonhewitt.com).

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