

# 2017 Global Medical Trend Rates



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# Introduction

Aon Hewitt is pleased to present the results of its 2017 survey of average medical trend rates from countries 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 91 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 patterns, and cost shifting from social programs in each country covered.

This survey covers several separate themes:

- Estimated medical trend rates for 2017
- Risk factors that are expected to drive medical cost inflation in the future
- Cost elements that could be mitigated through medical plan adjustments
- Wellness and health promotion initiatives being undertaken by employers in order to deal with spiraling medical cost trends
- Employer practices around medical plan design, funding and administration
- Qualitative responses to provide greater context to medical plans globally

As a reference, we have also included the general inflation rates for 2017 published by the International Monetary Fund (IMF) which have been adopted as a proxy for the expected domestic retail inflation level in each country for 2017.

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

The global and regional medical trend rate averages reflect the following technical procedures:

- A weighting process based on country average private healthcare insurance expenditure per person
- A geometric averaging mechanism
- Due to the hyperinflation environment prevailing in Venezuela, we have left this country out of the regional and global medical trend rate averaging mechanism for 2017. We have also restated the 2016 Latin America regional average as well as the 2016 global average leaving out Venezuela in order to enhance comparability of the corresponding figures from year to year

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 be increasing over time. In this report we are covering 91 countries.

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 these medical plans is expanding (e.g., larger maximum lifetime benefits, larger allowances for maternity benefits, fewer exclusion, more procedures covered by the plan).

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

- For 2017, the global average medical trend rate of 8.2% was 5.4 percentage points higher than the average inflation rate of 2.8%<sup>1</sup>
- In 2016, the global average medical trend rate of 8.1% was 5.2 percentage points higher than the average inflation rate of 2.9%<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

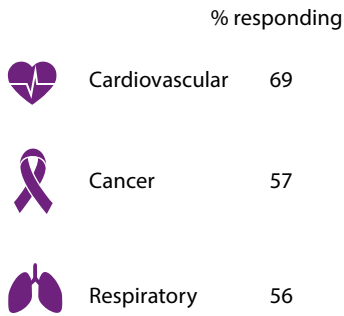
Double-digit margins between medical trend rates and domestic inflation levels were found in:



<sup>1</sup>IMF World Economic Outlook Database April 2016.

<sup>2</sup>IMF World Economic Outlook Database April 2015.

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

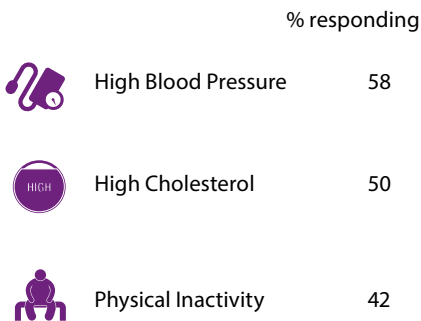


Differentials by geographic region among the primary medical conditions that were reported to generate adverse claim experience are:

United States	Canada	Asia Pacific	Europe	Latin America	Middle East/Africa
Musculoskeletal/Back	Immune System Issues	Gastrointestinal	Cardiovascular	Cardiovascular	Respiratory
Cancer	Mental Health	Cardiovascular	Cancer	Cancer	Cardiovascular
Cardiovascular	Cardiovascular	Respiratory	Musculoskeletal/Back	Respiratory	Infectious Diseases

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:



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

United States	Canada	Asia Pacific	Europe	Latin America	Middle East/Africa
Physical Inactivity	Physical Inactivity	Physical Inactivity	High Blood Pressure	High Blood Pressure	High Blood Pressure
Bad Nutrition	Obesity	High Cholesterol	Physical Inactivity	Obesity	High Cholesterol
Obesity	Ageing	High Blood Pressure	Smoking	High Cholesterol	Other




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

	% responding
 Hospital	76
 Physician Services	51
 Prescription Drugs	48

Differentials by geographic region among the cost elements are:

United States	Canada	Asia Pacific	Europe	Latin America	Middle East/Africa
Hospital	Prescription Drugs	Hospital	Hospital	Prescription Drugs	Hospital
Prescription Drugs	Administration Costs	Clinics/Labs	Physician Services	Hospital	Prescription Drugs
Physician Services	Preventative Care	Preventative Care	Clinics/Labs	Physician Services	Physician Services

The methods most commonly reported for mitigating the increase in costs of a medical plan are:

	% responding
 Cost Sharing	64
 Provider Networks	57
 Plan Changes	51

The cost-mitigation methods most commonly reported by geographic region are:

United States	Canada	Asia Pacific	Europe	Latin America	Middle East/Africa
Plan Changes	Medical Services Pre-approval requirement	Cost Sharing	Provider Networks	Provider Networks	Cost Sharing
Provider Networks	Provider Networks	Service Limits	Plan Changes	Cost Sharing	Service Limits
Cost Sharing	Plan Changes	Provider Networks	Cost Sharing	Service Limits	Provider Networks

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

Wellness Programs	Commonly Provided across all Employers %	Provided by Progressive Employers %
Detection	65	85
Education Programs	43	75
Coaching Programs	13	77

**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 in 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 greatly by region, country, company sector, etc. 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 & Country	2016			2017		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
Global	2.9	8.1	5.2	2.8	8.2	5.4
North America	1.5	6.0	4.4	1.6	6.3	4.7
Latin America & Caribbean	6.4	13.6	7.2	6.0	14.2	8.2
Europe	1.6	5.9	4.2	1.6	5.7	4.1
Middle East & Africa	6.3	11.6	5.3	6.7	14.3	7.6
Asia	3.2	9.4	6.3	2.9	8.9	6.0

Region & Country	2016			2017		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
North America (Avg)	1.5	6.0	4.4	1.6	6.3	4.7
Canada	2.0	8.0	6.0	1.9	8.0	6.1
United States	1.5	5.7	4.2	1.5	6.0	4.5
Latin America & Caribbean (Avg)	6.4	13.6	7.2	6.0	14.2	8.2
Argentina	23.2	30.0	6.8	19.9	30.0	10.1
Bahamas	1.6	15.0	13.4	1.1	10.0	8.9
Bolivia	5.0	8.0	3.0	5.0	12.5	7.5
Brazil	5.9	16.7	10.8	6.1	17.2	11.0
Chile	3.0	5.0	2.0	3.0	6.0	3.0
Colombia	3.0	6.0	3.0	3.4	9.3	5.9
Costa Rica	4.0	14.0	10.0	3.0	14.0	11.0
Dominican Republic	3.5	8.0	4.5	4.0	6.0	2.0
Ecuador	3.0	15.0	12.0	3.0	16.0	13.0
El Salvador	1.7	10.0	8.3	1.9	10.0	8.1
Guatemala	3.0	12.0	9.0	3.8	15.0	11.2
Honduras	5.1	15.0	9.9	3.4	15.0	11.6
Jamaica	7.1	12.0	4.9	5.9	5.0	(0.9)
Mexico	3.0	9.7	6.7	3.0	10.3	7.2
Nicaragua	7.0	13.0	6.0	6.8	11.6	4.8

## Average Medical Trend Rate Tables

Region & Country	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
Panama	2.0	14.0	12.0	2.0	14.0	12.0
Peru	2.0	6.0	4.0	2.5	8.0	5.5
Puerto Rico	3.0	8.0	5.0	1.2	7.5	6.3
Trinidad and Tobago	5.7	15.0	9.3	4.7	18.0	13.3
Uruguay	7.5	9.0	1.5	8.0	8.0	0.0
Venezuela	83.7	120.0	36.3	1,642.8	600.0	(1,042.8)
<b>Europe (Avg)</b>	<b>1.6</b>	<b>5.9</b>	<b>4.2</b>	<b>1.6</b>	<b>5.7</b>	<b>4.1</b>
Austria	1.5	2.5	1.0	1.8	2.2	0.4
Belgium	0.9	3.0	2.1	1.1	2.4	1.2
Bulgaria	0.6	10.0	9.4	1.2	10.0	8.8
Croatia	0.9	1.1	0.2	1.3	1.2	(0.1)
Cyprus	0.3	1.4	1.1	0.3	1.5	1.2
Czech Republic	1.3	4.0	2.7	2.2	3.0	0.8
Denmark	1.6	1.5	(0.1)	1.4	1.5	0.1
Finland	1.6	10.0	8.4	1.4	10.0	8.6
France	0.8	3.0	2.2	1.1	4.5	3.4
Germany	1.3	8.5	7.2	1.4	8.0	6.6
Greece	0.3	7.0	6.7	0.6	4.0	3.4
Hungary	2.3	2.0	(0.3)	2.4	2.2	(0.2)
Ireland	1.5	5.0	3.5	1.4	6.0	4.6
Italy	0.8	4.0	3.2	0.7	4.0	3.3
Latvia	1.7	5.0	3.3	1.5	3.0	1.5
Lithuania	2.0	15.0	13.0	1.9	15.0	13.1
Norway	2.3	10.0	7.8	2.5	8.0	5.5
Poland	1.2	5.0	3.8	1.3	5.0	3.7
Portugal	1.3	4.0	2.7	1.2	4.0	2.8
Romania	2.4	5.0	2.6	3.1	5.0	1.9
Russia	9.8	15.0	5.2	6.5	15.0	8.5
Serbia	4.0	15.0	11.0	3.1	10.0	6.9
Slovakia	1.4	1.4	(0.0)	1.7	1.5	(0.2)
Slovenia	n/a	n/a	n/a	1.3	0.7	(0.6)
Spain	0.7	4.6	3.9	1.0	4.5	3.5
Sweden	1.6	4.5	2.9	N/A	N/A	N/A
Switzerland	(0.4)	4.0	4.4	(0.1)	4.0	4.1
The Netherlands	0.9	3.0	2.1	0.7	3.6	2.9
Ukraine	10.6	14.0	3.4	11.0	13.0	2.0

## Average Medical Trend Rate Tables

Region & Country	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
United Kingdom	1.9	9.3	7.4	1.9	8.0	6.1
Middle East & Africa (Avg)	6.3	11.6	5.3	6.7	14.3	7.6
Angola	8.5	15.0	6.6	15.2	20.0	4.8
Bahrain	1.5	11.5	10.0	5.0	10.0	5.0
Democratic Republic of the Congo	3.5	5.0	1.5	2.5	4.0	1.5
Egypt	10.5	14.0	3.5	9.5	17.0	7.5
Ethiopia	n/a	n/a	n/a	11.6	15.0	3.4
Ghana	10.2	15.0	4.8	8.9	17.0	8.1
Ivory Coast	2.5	5.0	2.5	0.0	3.0	3.0
Kenya	5.5	10.0	4.5	6.0	12.5	6.5
Kuwait	3.6	12.0	8.4	3.5	10.0	6.5
Lebanon	2.8	15.0	12.3	2.0	15.0	13.0
Malawi	10.0	11.0	1.0	13.9	25.0	11.1
Morocco	2.0	0.0	(2.0)	2.0	0.0	(2.0)
Nigeria	10.7	12.0	1.3	12.4	23.0	10.6
Qatar	2.7	10.0	7.3	5.8	11.0	5.3
Saudi Arabia	2.5	12.0	9.5	1.0	14.0	13.0
Senegal	1.4	5.0	3.6	1.2	2.7	1.5
South Africa	5.6	9.5	3.9	6.3	10.3	4.0
Sultanate of Oman	2.6	14.5	11.9	2.8	5.0	2.2
Tunisia	n/a	n/a	n/a	3.9	8.3	4.4
Turkey	6.5	12.0	5.5	8.8	13.0	4.2
Uganda	4.8	10.0	5.2	5.9	20.0	14.1
United Arab Emirates	2.3	12.0	9.7	2.7	12.0	9.3
Zimbabwe	0.0	0.0	(0.0)	N/A	N/A	N/A
Asia (Avg)	3.2	9.4	6.3	2.9	8.9	6.0
Australia	2.3	6.0	3.7	2.4	6.9	4.4
Bangladesh	6.5	7.3	0.8	6.9	7.5	0.6
China	1.5	7.0	5.5	2.0	5.0	3.0
Hong Kong	3.4	7.5	4.1	2.6	5.0	2.4
India	5.7	12.5	6.8	5.3	12.0	6.7
Indonesia	5.8	15.0	9.2	4.0	15.0	11.0
Japan	0.9	2.2	1.3	1.2	3.3	2.1
Kazakhstan	5.5	7.0	1.5	9.3	7.5	(1.8)
Malaysia	3.0	14.0	11.0	2.9	15.0	12.1
New Zealand	2.1	5.6	3.5	1.9	5.0	3.1

## Average Medical Trend Rate Tables

Region & Country	2016			2017		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
Pakistan	4.5	16.5	12.0	5.0	16.2	11.2
Philippines	2.8	8.0	5.2	3.4	8.0	4.6
Singapore	1.7	15.0	13.3	1.3	10.0	8.7
South Korea	2.5	6.0	3.5	2.2	13.0	10.8
Taiwan	1.3	10.0	8.7	1.1	8.2	7.1
Thailand	2.4	8.0	5.6	2.5	8.0	5.5
Vietnam	3.3	20.0	16.8	2.3	20.0	17.7
Global	2.9	8.1	5.2	2.8	8.2	5.4

### Notes:

"Net" indicates medical trend rates net of domestic general inflation rates.

The 2017 medical trend rate for the U.S. was obtained from Aon Hewitt's Health Value Initiative database as applicable to PPO plans, and adjusted to reflect expected increases prior to any plan, program, or carrier changes for cost containment.






Venezuela has been excluded from Region and Global averages in both 2016 and 2017 figures. The 2016 average figures published last year have been restated accordingly.

# Most Important Elements of Medical Plan Cost

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

## Top Global Cost Elements

The methods most commonly reported for mitigating the increase in costs of a medical plan are:

	% responding
 Hospital	76
 Physician Services	51
 Prescription Drugs	48
 Clinics/Labs	44
 Maternity	24






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

	Asia Pacific (% Responses)	Europe (% Responses)	Latin America (% Responses)	Middle East/Africa (% Responses)			
Hospital	88	Hospital	59	Prescription Drugs	85	Hospital	91
Clinics/Labs	59	Physician Services	45	Hospital	80	Prescription Drugs	59
Physician Services	59	Clinics/Labs	45	Physician Services	50	Physician Services	55
Maternity	29	Dental	34	Clinics/Labs	45	Clinics/Labs	36
Vision	29	Preventive Care	31	Maternity	25	Maternity	36

# Key Reported Conditions Driving Adverse Medical Claim Experience

The figures below represent the percentages of responses from Aon Non-US offices that reported the indicated medical condition as a contributing factor in adverse claims experience in their respective countries.

## Top Global Medical Conditions Behind Medical Plan Costs

		% responding
	Cardiovascular	69
	Cancer	57
	Respiratory	56
	Gastrointestinal	47
	Diabetes	40

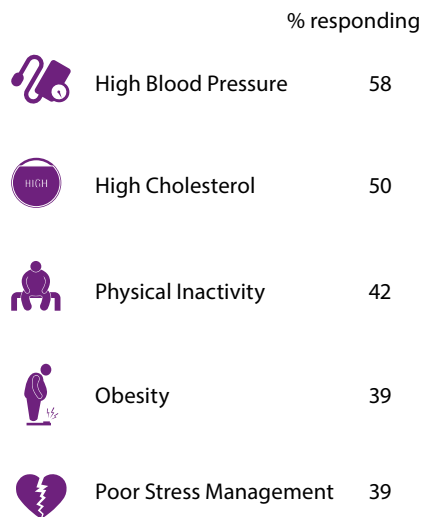
The leading conditions per region as reported by Aon offices were:

	Asia Pacific (% Responses)	Europe (% Responses)	Latin America (% Responses)	Middle East/Africa (% Responses)
Gastrointestinal	71	Cardiovascular 86	Cardiovascular 100	Respiratory 73
Cardiovascular	71	Cancer 68	Cancer 80	Cardiovascular 68
Respiratory	59	Musculoskeletal/Back 43	Respiratory 65	Infectious Diseases 59
Cancer	53	Respiratory 32	Diabetes 55	Diabetes 55
Musculoskeletal/Back	47	Gastrointestinal 32	Gastrointestinal 50	Gastrointestinal 50

# Risk Factors Driving Supplementary Medical Plan Costs

The figures below represent the percentages of responses from Aon Non-US offices that reported the indicated risk as becoming a leading factor in future adverse claims experience in their respective countries.

## Top Global Risk Factors



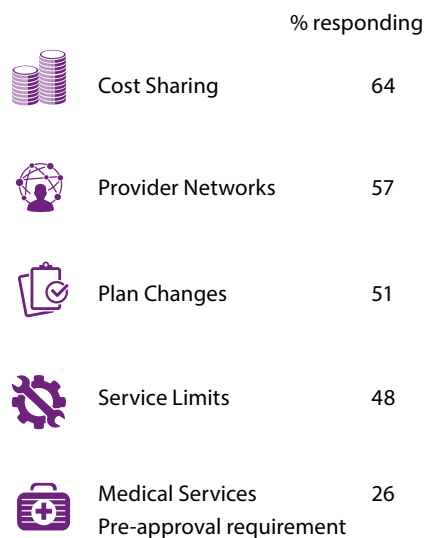
The figures below represent the percentages of Aon offices reporting the indicated risk factors in their respective regions.

	Asia Pacific (% Responses)	Europe (% Responses)	Latin America (% Responses)	Middle East/Africa (% Responses)			
Physical Inactivity	59	High Blood Pressure	52	High Blood Pressure	75	High Blood Pressure	64
High Cholesterol	53	Physical Inactivity	45	Obesity	65	High Cholesterol	64
High Blood Pressure	47	Smoking	45	High Cholesterol	60	Other	50
Poor Stress Management	41	Poor Stress Management	38	Poor Stress Management	50	Physical Inactivity	41
Obesity	35	Obesity	34	Bad Nutrition	40	High Blood Glucose	27

# Mitigation Initiatives to Control Medical Plan Cost Escalation

The figures below represent the percentages of responses from Aon Non-US offices that reported the methods that aim to best mitigate the increase in costs of a medical plan.

## Top Global Main Elements



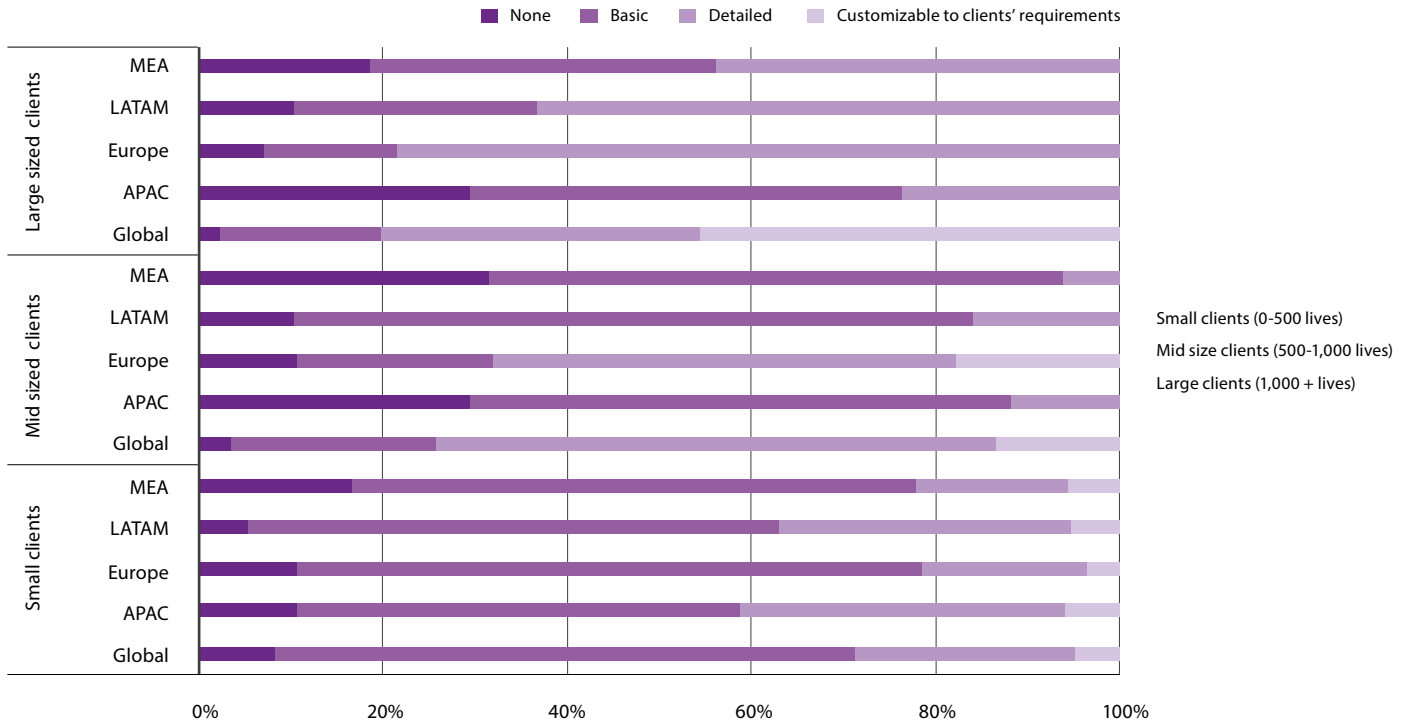
The figures below represent the percentages of Aon offices reporting the risk mitigation methods in their respective regions.

	Asia Pacific (% Responses)	Europe (% Responses)	Latin America (% Responses)	Middle East/Africa (% Responses)			
Cost Sharing	88	Provider Networks	66	Provider Networks	65	Cost Sharing	73
Service Limits	59	Plan Changes	66	Cost Sharing	60	Service Limits	50
Provider Networks	59	Cost Sharing	52	Service Limits	55	Provider Networks	36
Plan Changes	47	Service Limits	38	Plan Changes	50	Plan Changes	36
Medical Services	18	Medical Services	24	Medical Services	30	Medical Services	27
Pre-approval requirement		Pre-approval requirement		Pre-approval requirement		Pre-approval requirement	



# Levels of Claims Information Available from Carriers

A deep understanding of the specific factors driving a company's medical plan cost is fundamental for the development of a sound mitigation strategy. The figures below represent the prevalence and level of claims information available by client size reported by Aon offices in their respective regions.



## Medical Plan Employee Cost Sharing

As employee cost-sharing is often a very important element of a company's medical cost-mitigation strategy, we have investigated the prevalence of employee cost-sharing from two perspectives:

- Employees sharing the cost of medical premiums
- Employees sharing in claim outlays

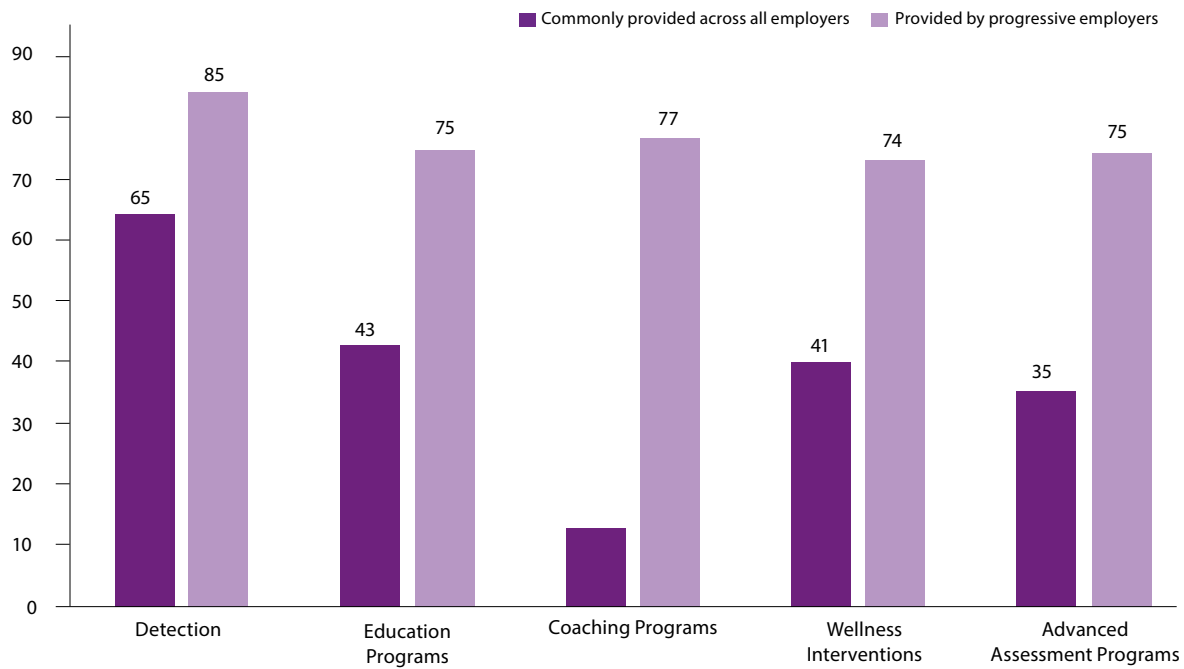
The figures below represent the percentages of Aon offices reporting employee cost sharing in the medical plan premiums and claims in their respective regions.

	Asia Pacific (% Responses)	Europe (% Responses)	Latin America (% Responses)	Middle East/Africa (% Responses)
Share of Medical Premiums	27	25	93	33
Share of Medical Claims	73	75	100	47

# Global Wellness and Health Promotion Initiatives

The figures below represent the percentages 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	36	62
Vision Screening	42	68
Mammograms	32	65
Hearing Screening	29	52

## Advanced Assessment (% Responding)

	All Employers	Progressive Employers
Heart Health	14	52
Advanced Check-ups	8	58
Nutrition	15	56
Substance Use	11	36
Level of Fitness	8	49

### Education (% Responding)

	All Employers	Progressive Employers
Communication Materials on Wellness	36	68
Informational Web Service	27	64
Wellness Kits	27	62
Fitness Education	13	55

### Coaching (% Responding)

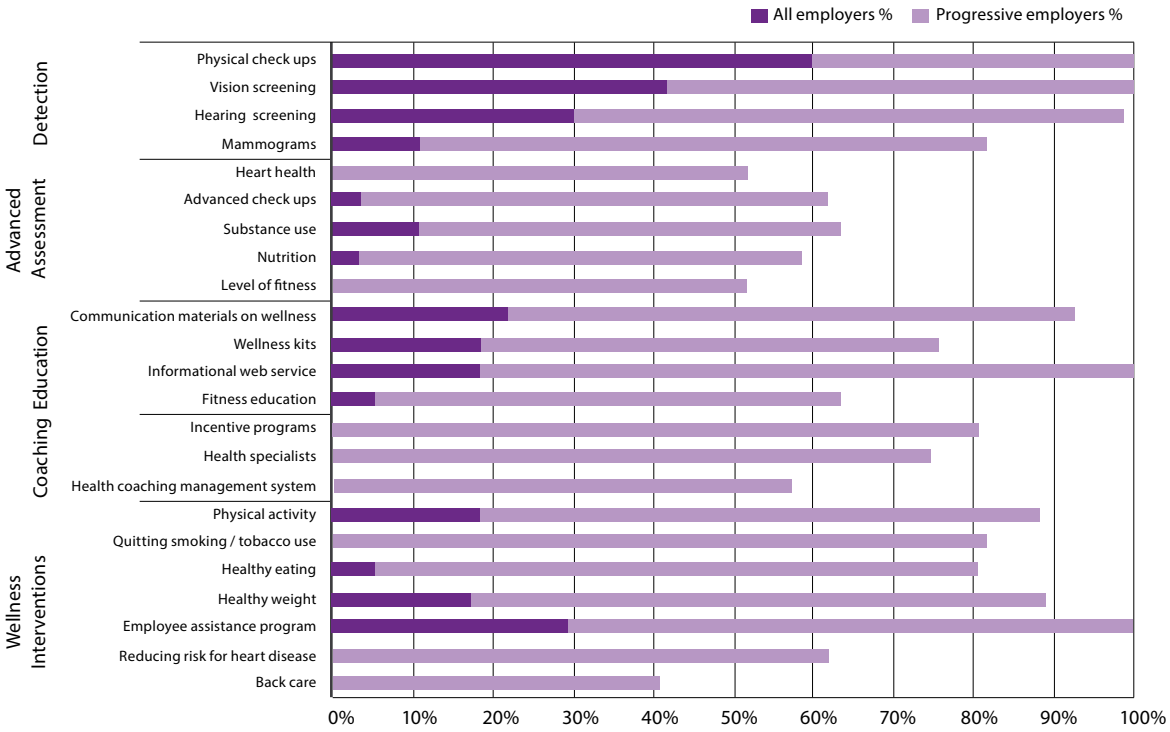
	All Employers	Progressive Employers
Health Coaching Management System	3	51
Incentive Programs	9	66
Health Specialists	5	64

### Wellness Interventions (% Responding)

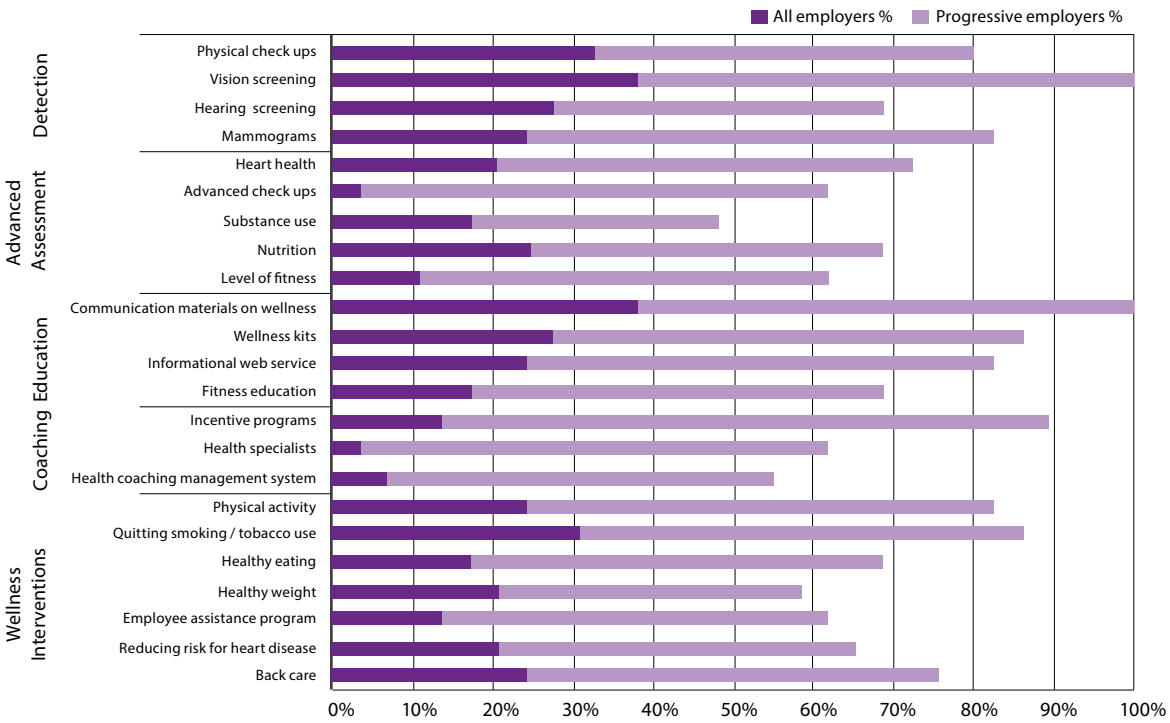
	All Employers	Progressive Employers
Quitting Smoking/ Tobacco Use	19	54
Employee Assistance Program	16	55
Physical Activity	19	55
Healthy Weight	18	49
Back Care	14	43
Healthy Eating	15	57
Reducing Risk for Heart Disease	15	52

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

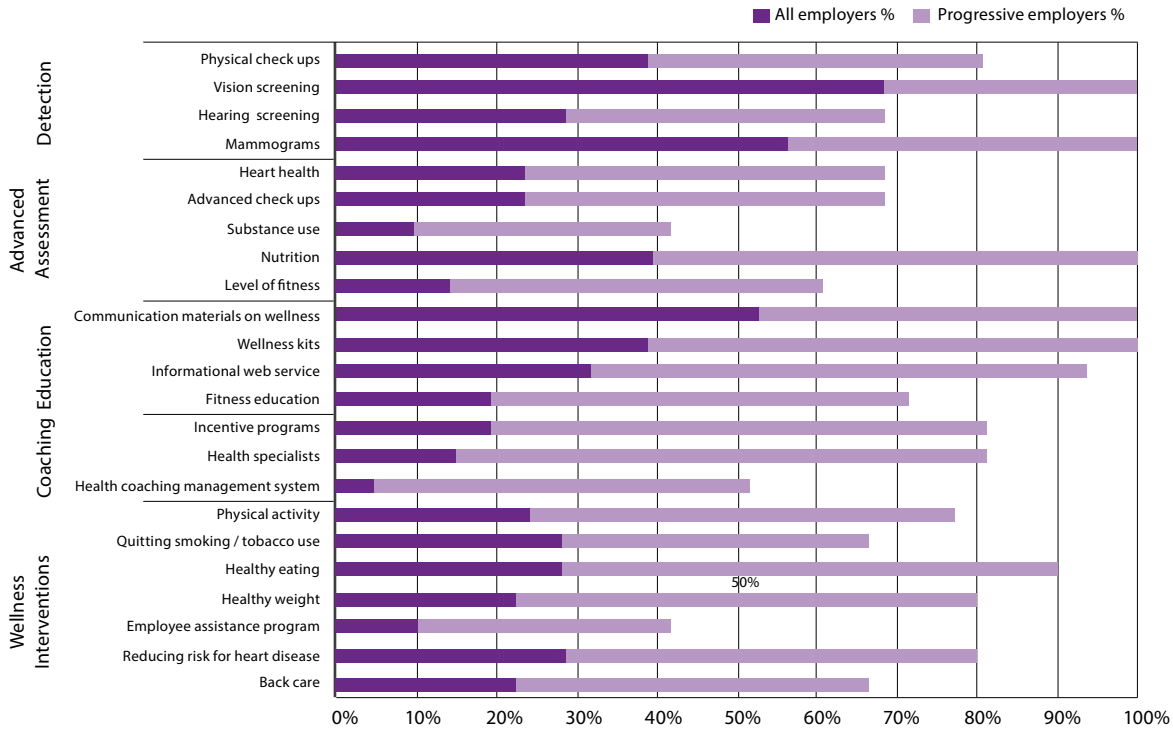
## Asia Pacific



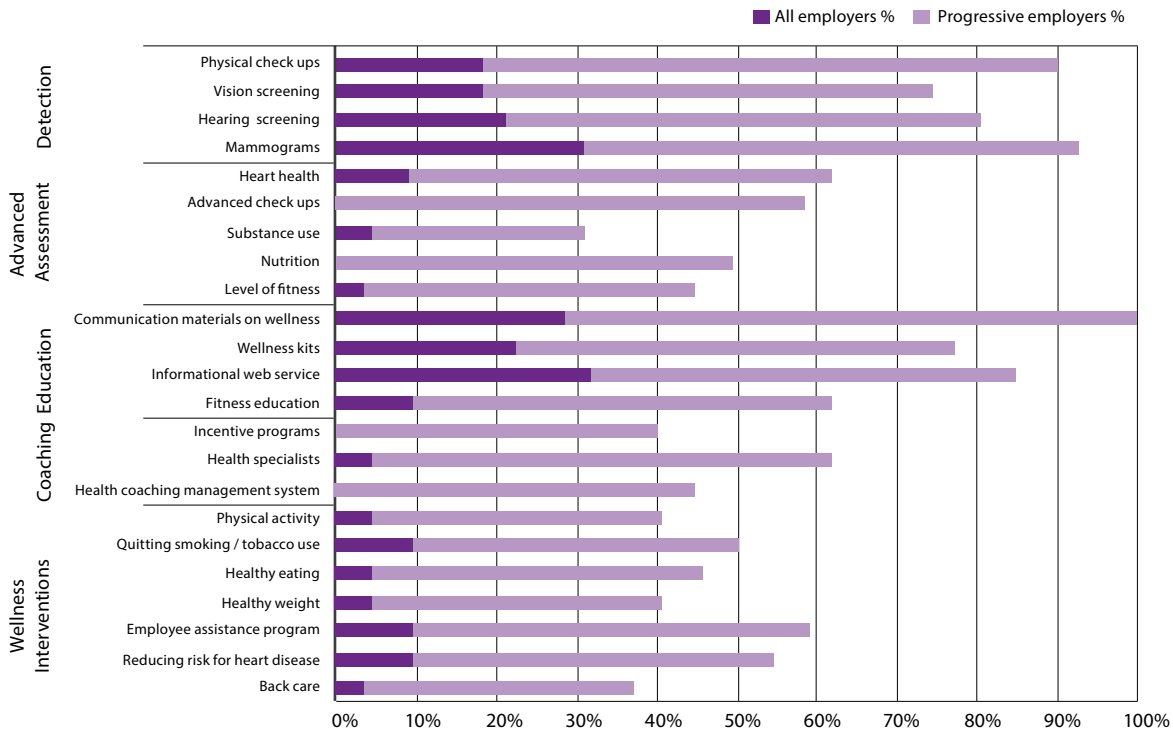
## Europe



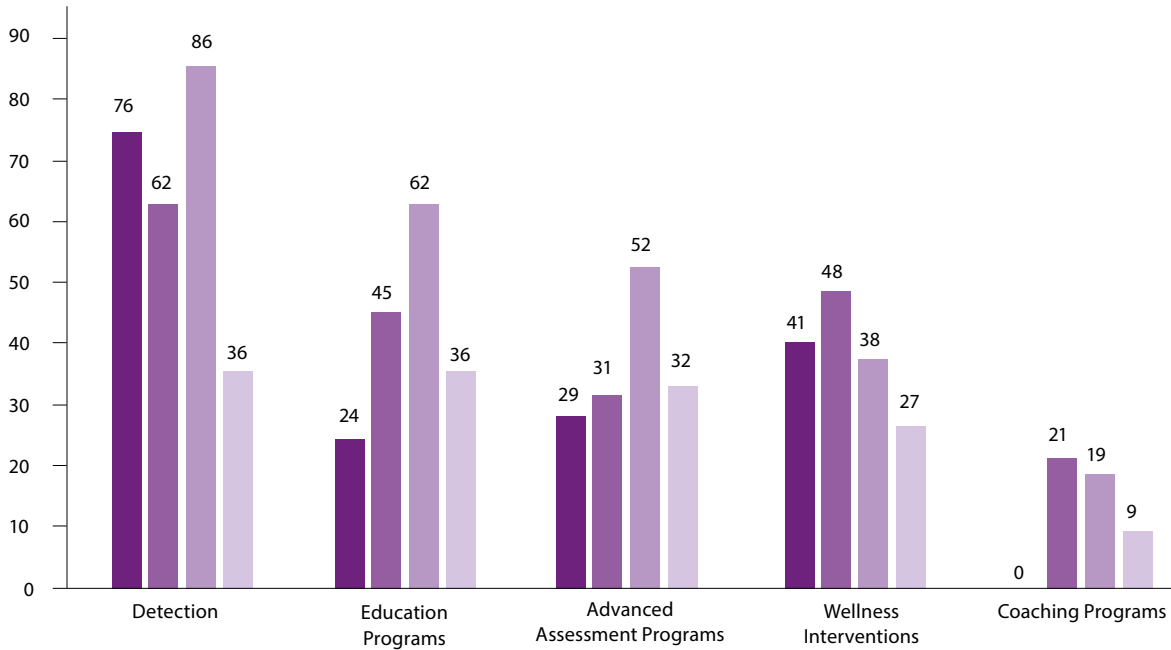
## Latin America



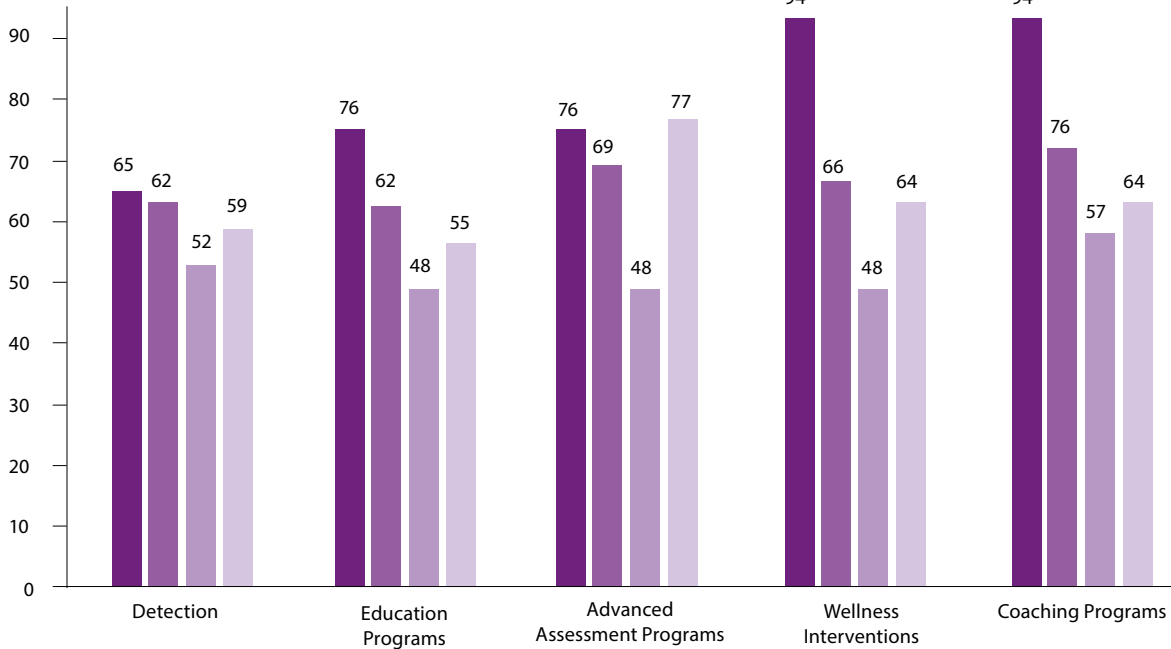
## Middle East/Africa



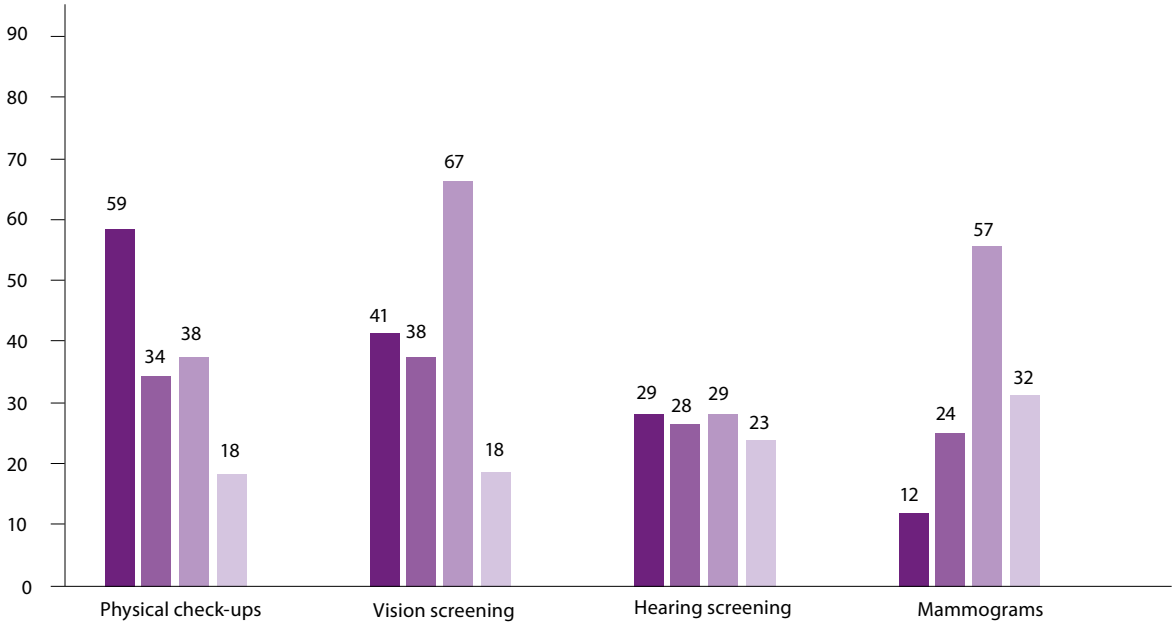
**Wellness Programs Reported as Commonly Provided by Geographical Region  
(% of country responses)**



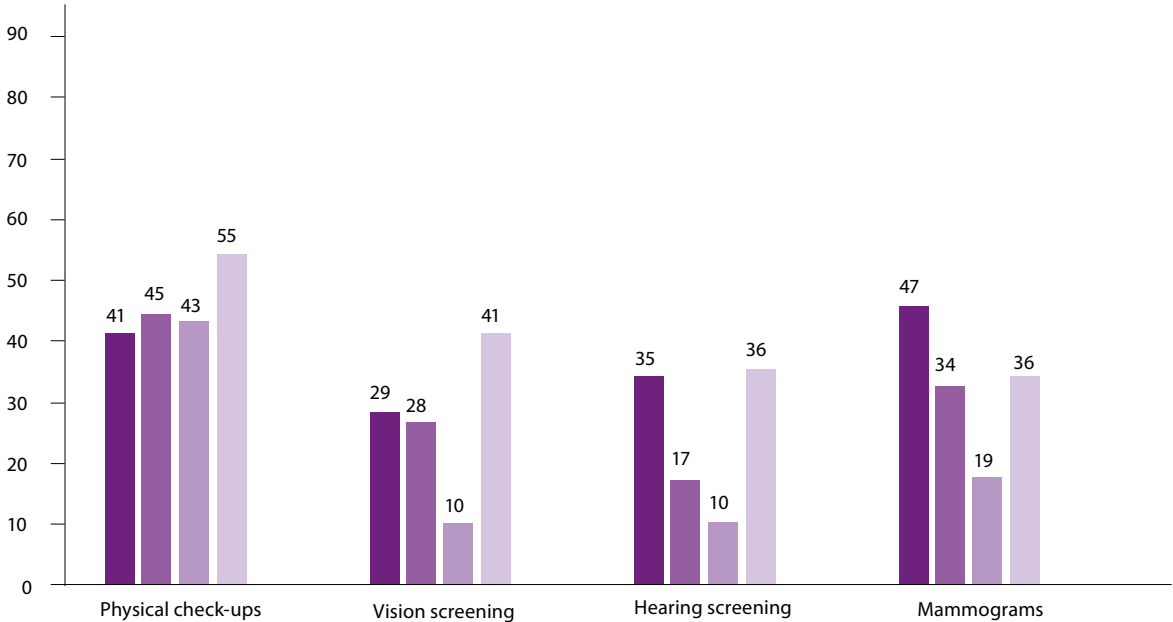
**Wellness Programs Reported as Commonly Provided by Progressive Employers  
(% of country responses)**



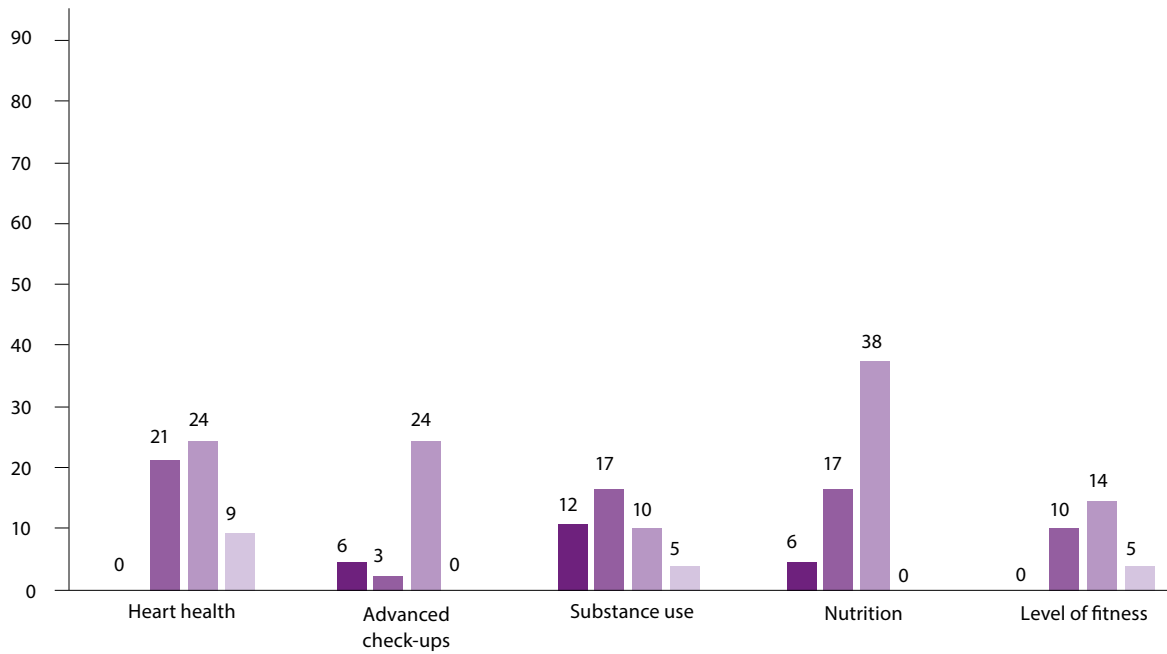
**Detection Programs Reported as Commonly Provided by Geographical Region**  
 (% of country responses)



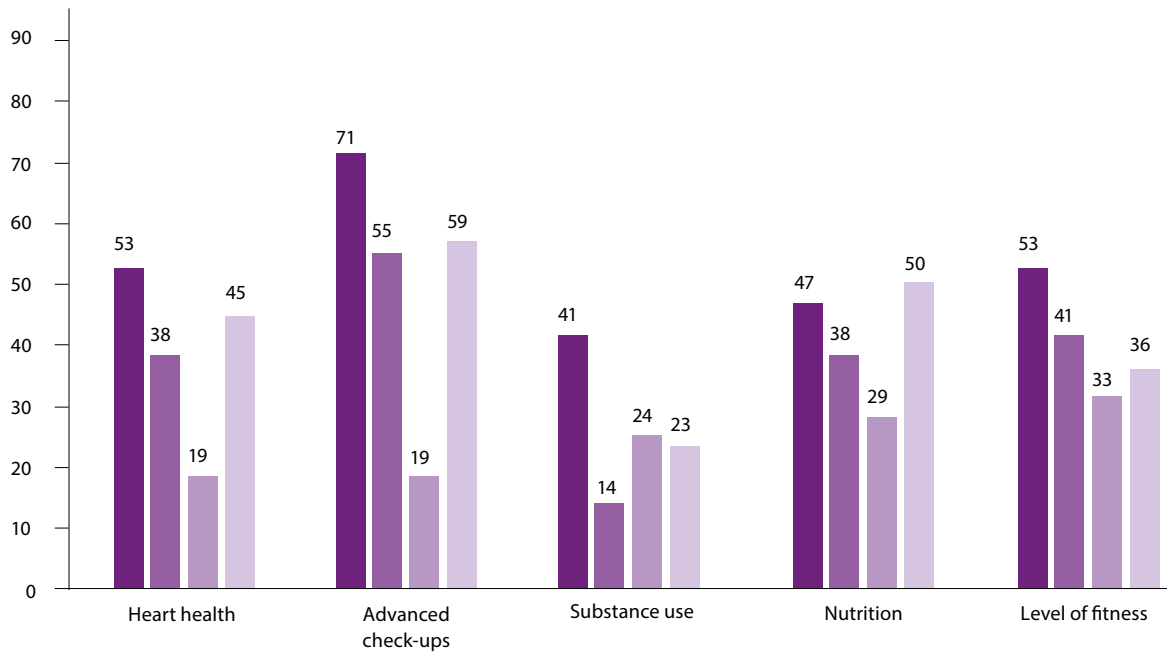
**Detection Programs Reported as Commonly Provided by Progressive Employers**  
 (% of country responses)



**Advanced Assessment Programs Reported as Commonly Provided by Geographical Region**  
 (% of country responses)

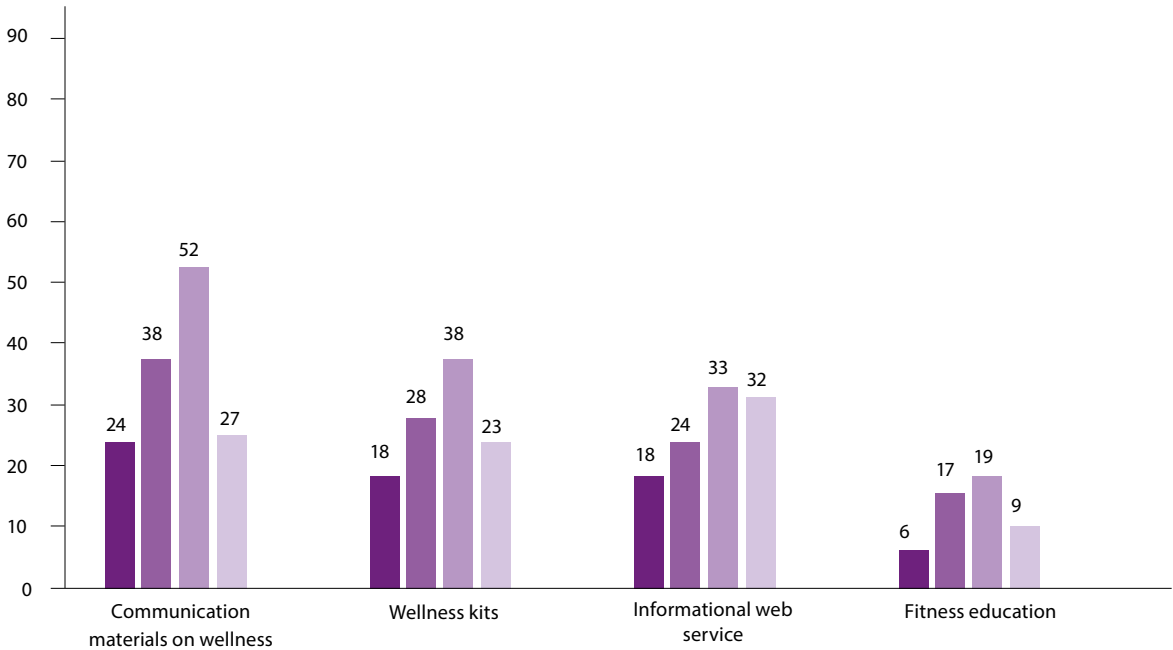


**Advanced Assessment Programs Reported as Commonly Provided by Progressive Employers**  
 (% of country responses)

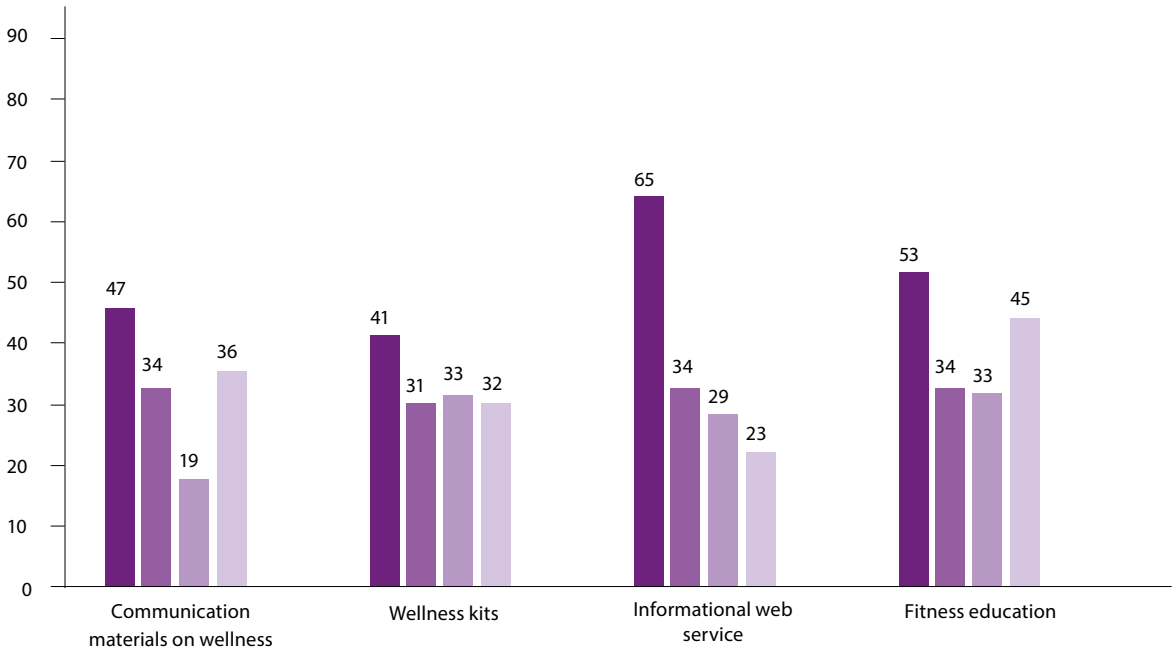




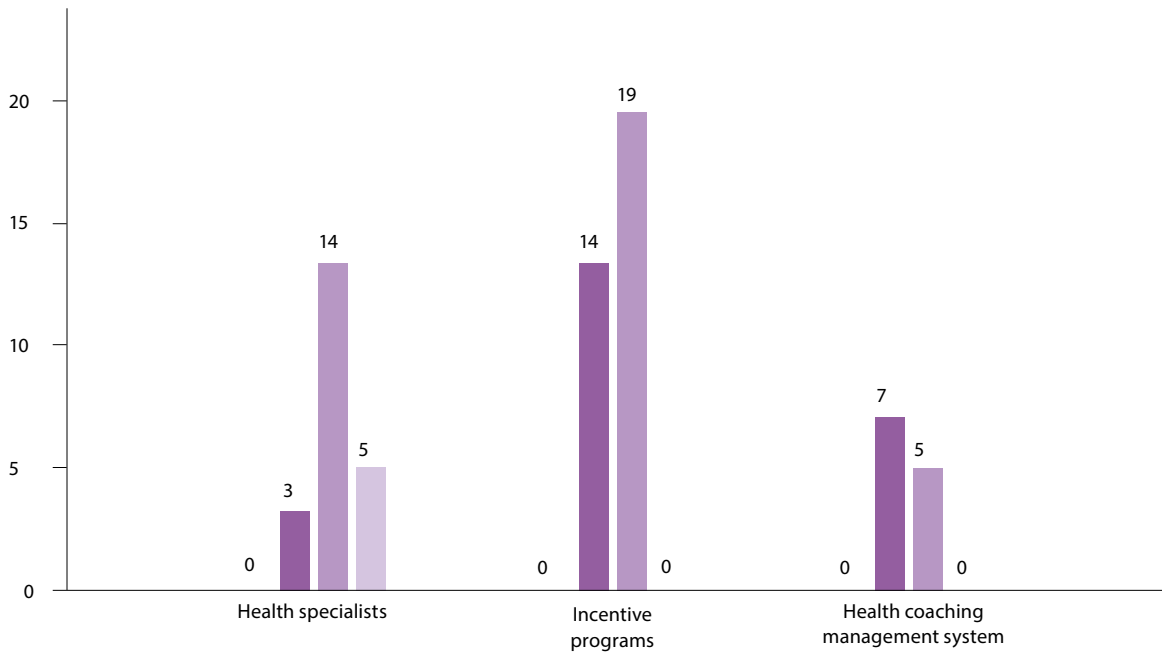
**Education Programs Reported as Commonly Provided by Geographical Region**  
 (% of country responses)



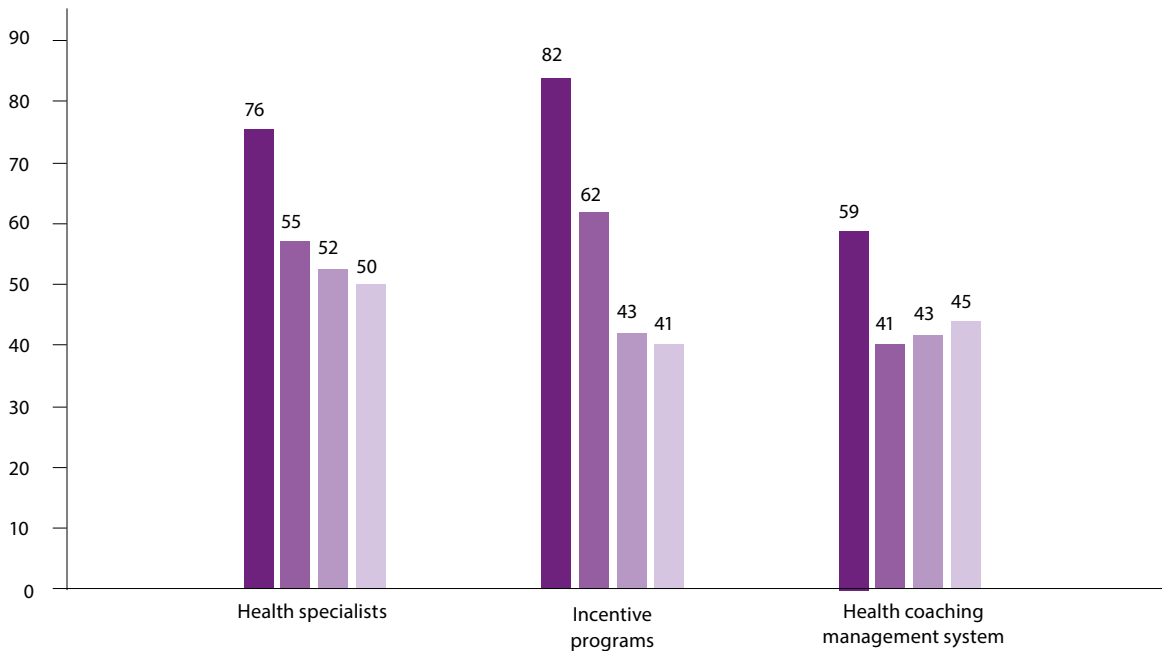
**Education Programs Reported as Commonly Provided by Progressive Employers**  
 (% of country responses)



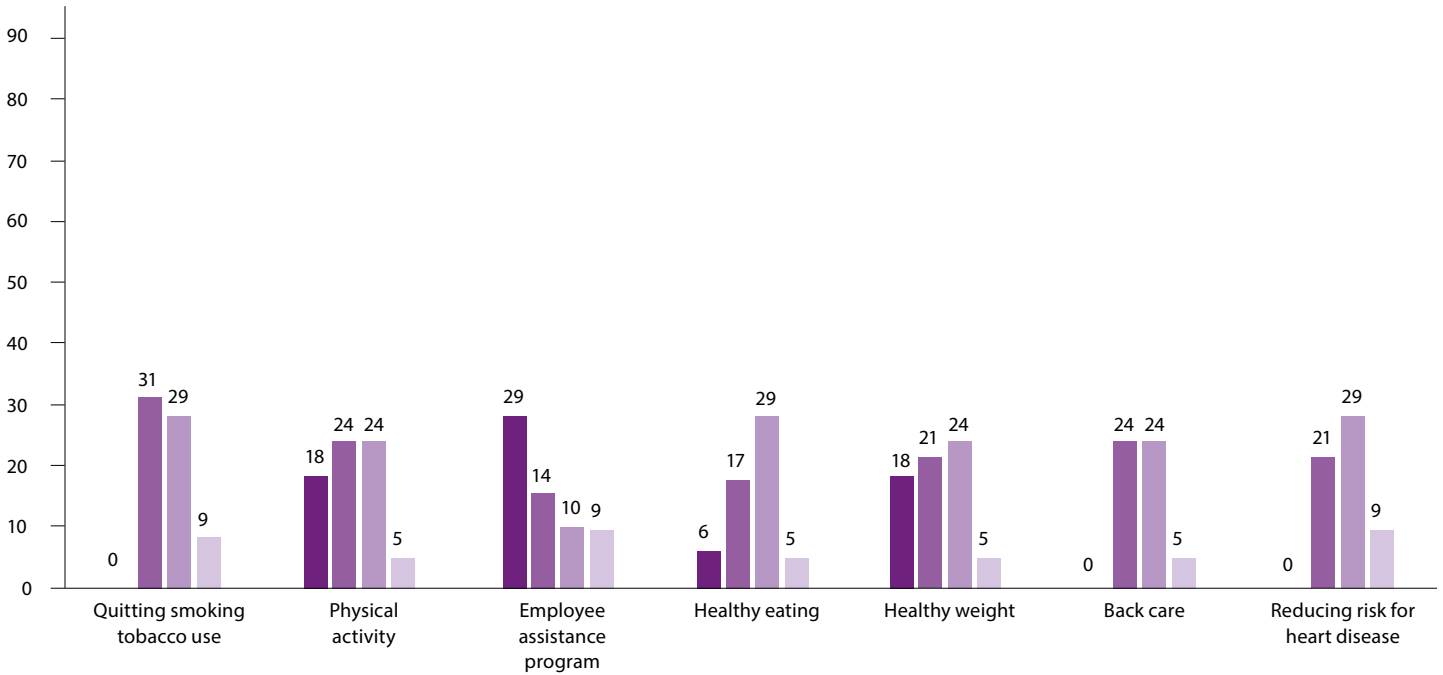
**Coaching Programs Reported as Commonly Provided by Geographical Region**  
 (% of country responses)



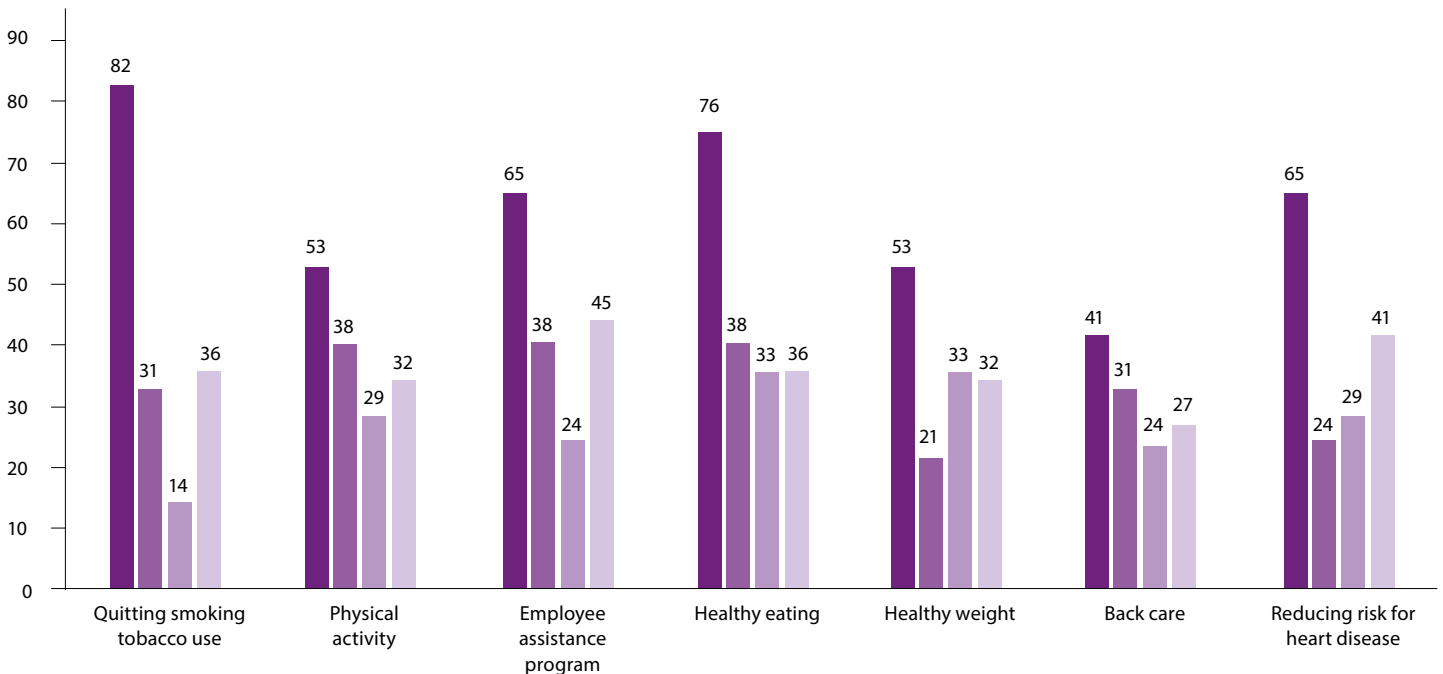
**Coaching Programs Reported as Commonly Provided by Progressive Employers**  
 (% of country responses)



**Wellness Interventions Programs Reported as Commonly Provided by Geographical Region**  
 (% of country responses)



**Wellness Interventions Programs Reported as Commonly Provided by Progressive Employers**  
 (% of country responses)



# 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 the 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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