Benefit Option Classification

&

The Supplementary Benefits Package.

Presentation: Policy Roundtable Discussion

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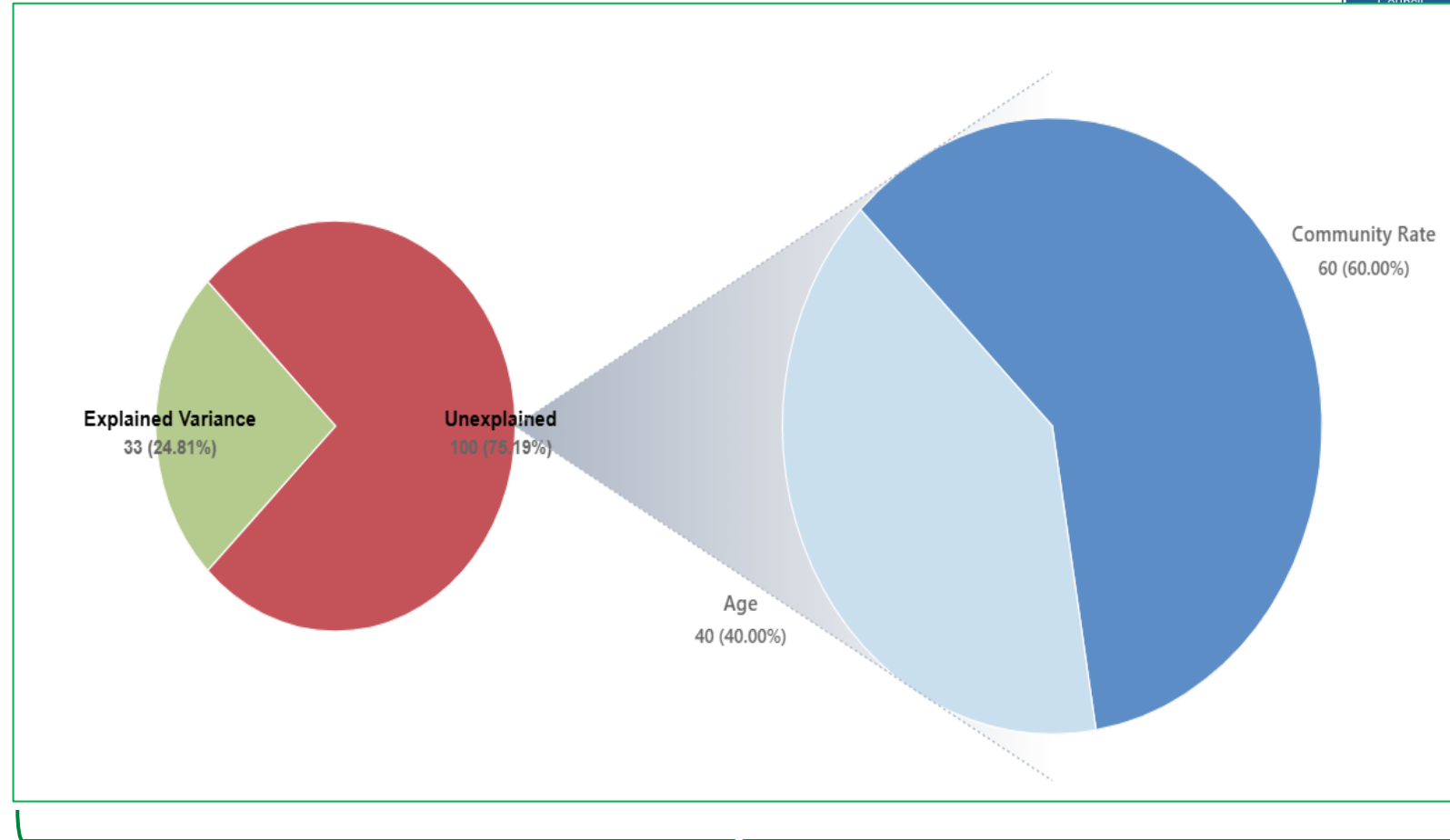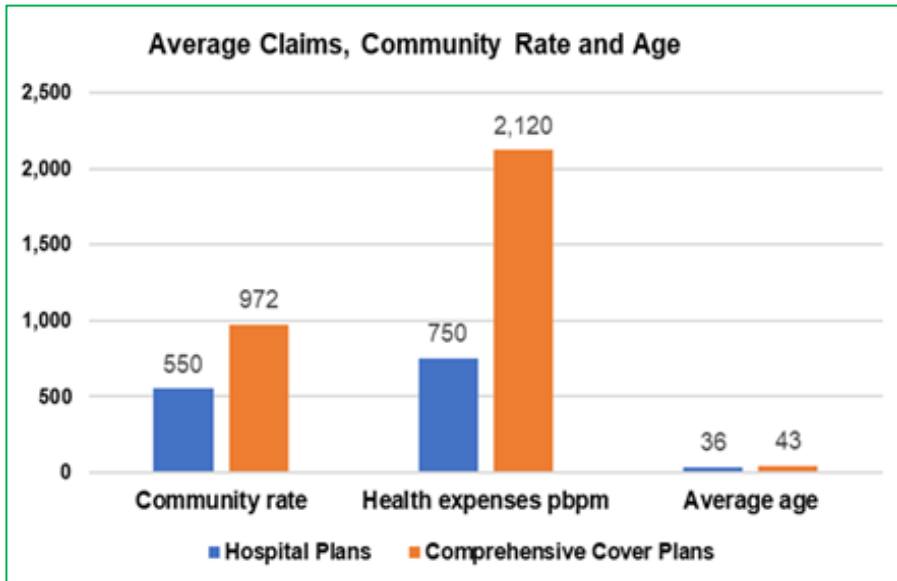
CMS

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Policy Agenda

HMI Recommendations:

1. The Supplementary Benefit Package should not be restricted to allow for innovation

2. The CMS should develop a framework to make benefit options comparable and make information accessible

3. Although innovation should be allowed:

    3.1 The supplementary benefit package should develop in a way that allows;

    3.1.1 Preventive cover to be subsumed in the standardised base benefit package

    3.1.2 Some primary care services to be subsumed in the standardised base package

    3.2 Once supplementary benefits are similar, they should be made part of the comprehensive standardised base package

    3.3 The balance of supplementary benefits can then be provided on a risk rated basis.

Purpose of Presentation

1. Present a framework for classifying benefit designs that offer supplementary health benefits/services

2. Explain how learnings from information economics, if applied, can:

    2.1   nudge people to make optimal choices while reducing moral hazard and adverse selection, yet

    2.2   bring beneficiaries to the centre of the health industry by:

        2.2.1   framing decision options, through

        2.2.2   communicating well defined choice sets per benefit design.

3. Illustrate how Choice Architecture will incentivize positive rather than negative externalities (e.g. moral hazard)

4. Provide an explanation how the market segmentation survey will help to elicit information needs.
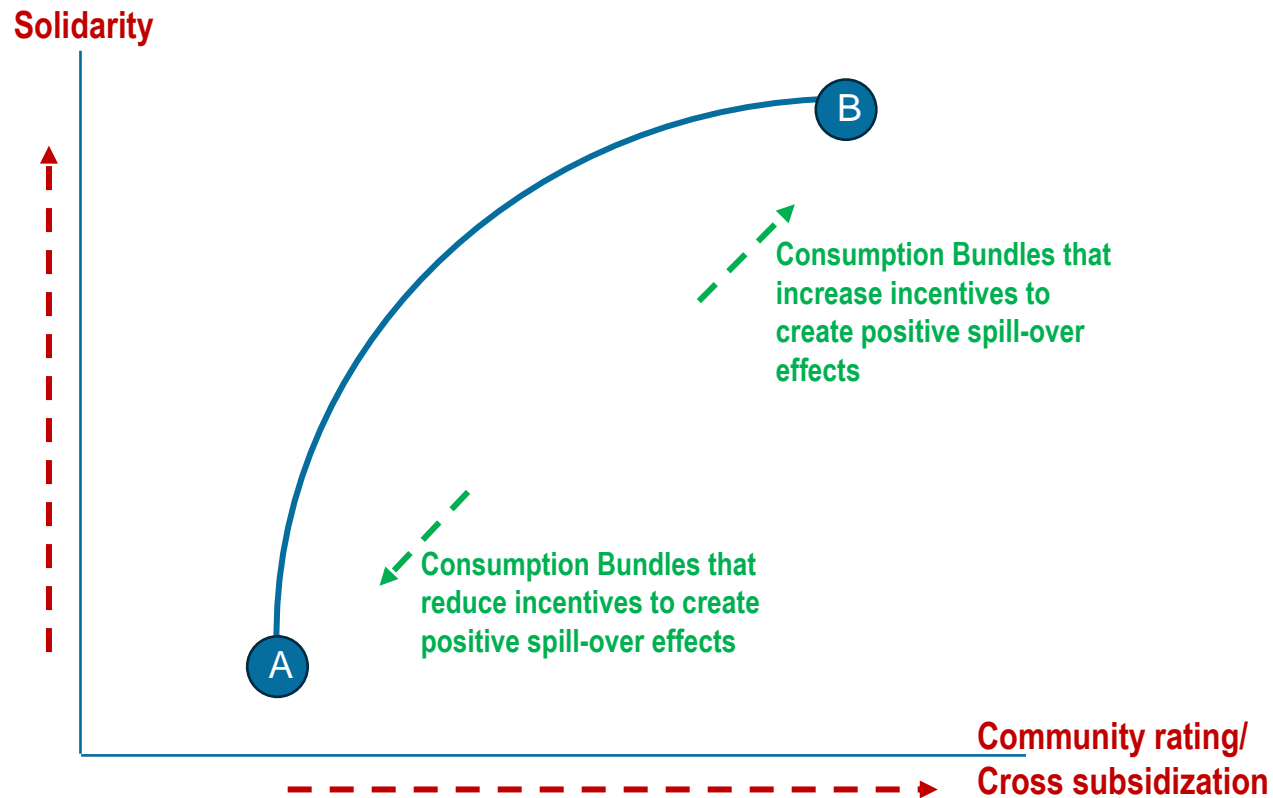
Oaxaca-Blinder Decomposition: Hospital vs. Comprehensive Plans

Average Claims, Community Rate and Age

	Hospital Plans	Comprehensive Cover Plans
Community rate	550	972
Health expenses pbpm	750	2,120
Average age	36	43

Explained Variance 33 (24.81%)

Unexplained 100 (75.19%)

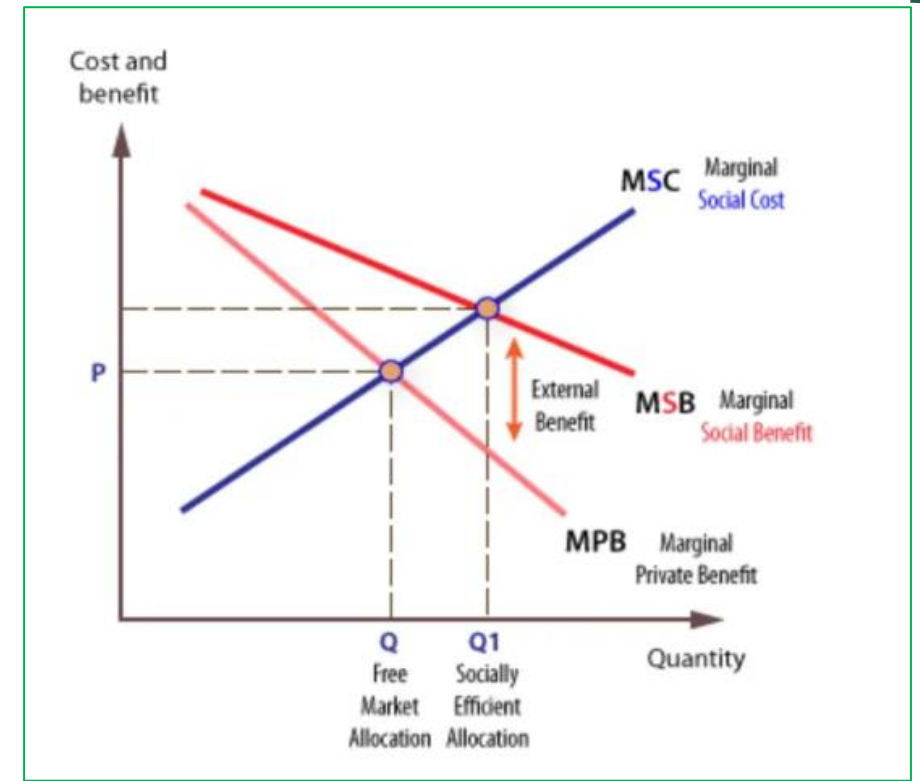Community Rate 60 (60.00%)

Age 40 (40.00%)

What is to be done in an _"incomplete risk market"_?

- Unexplained differences are room for externalities to happen.
- Specifically; poor heath equity outcomes, due to information asymmetry.
- Thus, an information solicitation framework is required to implement sustainable benefit options within a cross-subsidization regime.

Benefit Design Classification & Incentives for Cross Subsidisation

Solidarity

B

Consumption Bundles that increase incentives to create positive spill-over effects

Consumption Bundles that reduce incentives to create positive spill-over effects

A

Community rating/ Cross subsidization

Modification: Stiglitz, J. (2000). "Economics of the public sector", p. 252

Cross-subsidizing transfers are feasible when information is solicited through the option classification framework's choice architecture platform

What are the institutions (rules and norms) that are going to support cross-subsidisation?

Internalizing Externalities through the Structure of Benefit Designs

	Individual Consumption	Joint Consumption
Exclusion	**Private Goods:** Medical Savings Accounts Thresholds/First deductibles Co-payments Late-joiner penalties General waiting periods Pre-existing condition waiting periods	**Health Delivery System:** Networks Efficiency Discount Option with appropriate structure
Non Exclusion	**Externalities:** Moral hazard/non disclosure of information Incomplete Information (creates "poverty of the commons") Anti-selection Cherry picking Inability to make optimal choices	**Merit Goods:** Reserves/Solvency levels Pre-funding Guaranteed cover Community rating Cross-subsidization Reduced inequality in accessing healthcare Increased health equity -- increased benefit ceilings Standardised & accessible information of benefit designs Complete information (simplification of benefit options) Late-joiner penalties General waiting periods Pre-existing condition waiting periods

1. The framing of information can:

1.1 change the default position members making option changes, thus

1.2 reduce the appetite for risk and make people more risk averse, therefore

1.3 an externality like moral hazard can be internalised by optimizing positive behaviour through information framed appropriately

2. An externality like morale hazard can be reduced if the virtues of pre-funding are identified by young and health members:

2.1 in securing guaranteed cover at discounted premiums in the future,

2.2 increase cross-subsidisation (transfers) while not jeopardizing the sustainability of transferring benefit options

3. All these incentivizing interventions (stated above) in the decision environment will reduce:

3.1 hyperbolic discounting,
3.2 moral hazard and anti-selection.

Choice Architecture for Structuring & Framing Complex Choices

Standardisation Framework:
Benefit Design Attributes with Choice Architecture Design
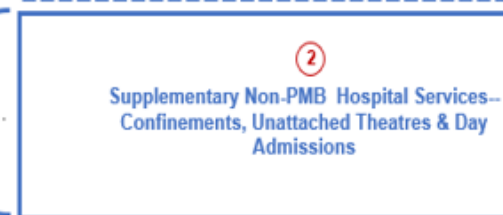
Non-PMB OOH services

The supplementary services benefits are structured in bundles, improves "_decision focus_" of beneficiaries.

Non-PMB hospital services

Consumption bundles, improves decision, as the size of the choice set is smaller, through using a "_partitioning strategy_", which allows for a "_compensatory strategy_".
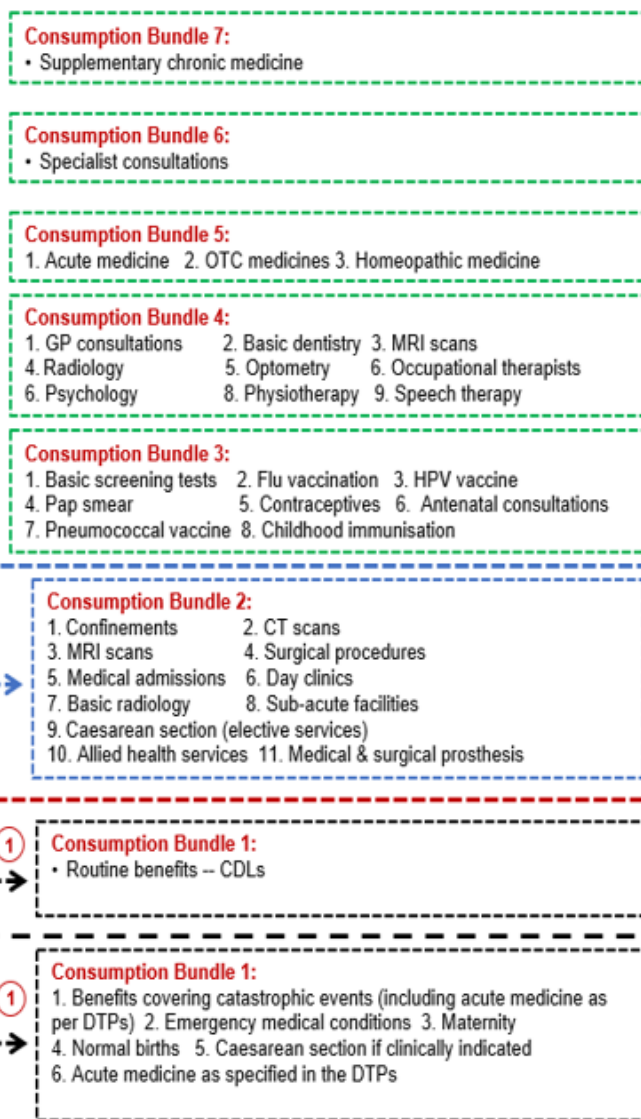
PMB benefits package

CONSUMPTION BUNDLES

⑦ Supplementary Healthcare Services – Supplementary Routine Benefits

⑥ Supplementary Healthcare Services – Specialist Day to Day OOH Services

⑤ Supplementary Healthcare Services – Acute Medicines

④ Supplementary Healthcare Services – Acute healthcare services

③ Supplementary Healthcare Services – Preventive Healthcare Interventions

② Supplementary Non-PMB Hospital Services-- Confinements, Unattached Theatres & Day Admissions

① Gold Standard: 26 Chronic Conditions

① Gold Standard: 270 Diagnosis & Treatment Pairs

CHOICE SETS: HEALTH SERVICES IN CONSUMPTION BUNDLES

⑦ Consumption Bundle 7:
• Supplementary chronic medicine

⑥ Consumption Bundle 6:
• Specialist consultations

⑤ Consumption Bundle 5:
1. Acute medicine 2. OTC medicines 3. Homeopathic medicine

④ Consumption Bundle 4:
1. GP consultations 2. Basic dentistry 3. MRI scans
4. Radiology 5. Optometry 6. Occupational therapists
6. Psychology 8. Physiotherapy 9. Speech therapy

③ Consumption Bundle 3:
1. Basic screening tests 2. Flu vaccination 3. HPV vaccine
4. Pap smear 5. Contraceptives 6. Antenatal consultations
7. Pneumococcal vaccine 8. Childhood immunisation

② Consumption Bundle 2:
1. Confinements 2. CT scans
3. MRI scans 4. Surgical procedures
5. Medical admissions 6. Day clinics
7. Basic radiology 8. Sub-acute facilities
9. Caesarean section (elective services)
10. Allied health services 11. Medical & surgical prosthesis

① Consumption Bundle 1:
• Routine benefits -- CDLs

① Consumption Bundle 1:
1. Benefits covering catastrophic events (including acute medicine as per DTPs) 2. Emergency medical conditions 3. Maternity
4. Normal births 5. Caesarean section if clinically indicated
6. Acute medicine as specified in the DTPs

Direction of benefit enrichment is ordered from highest to lowest consumption bundle ("_informed ordering_"), which improves the "_decision focus_" and "_integrated decision strategy_".

Choice architecture provides a *framing of options choices*, such that the *information* provided yields *sustainable collective behaviour* for the pooled community at large.
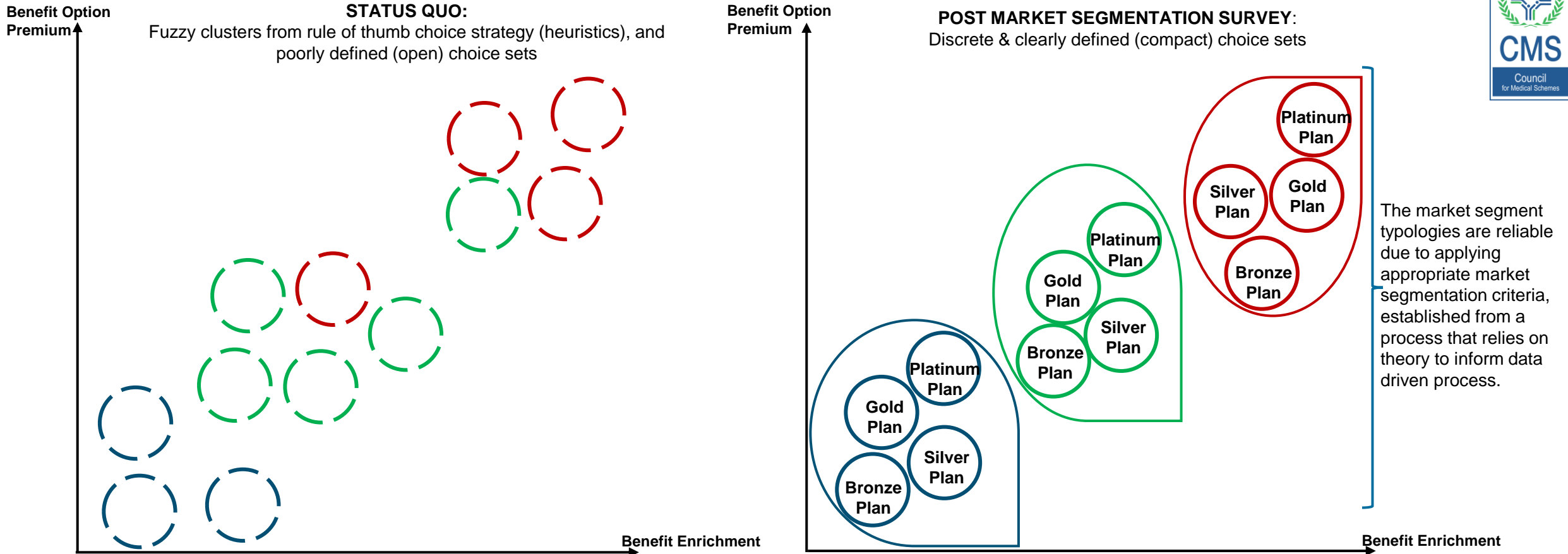
AI will create the decision environment on the *Benefit Bridge Platform.*

On this platform, *survey questions* are framed for *optimal utility* and *benefit option outcomes*

Choice Architecture *designs incentives* for to dilute the effect of information asymmetry. Effectively, *"nudging" behaviour while restoring freedom of choice*.

Choice Architecture *incentivises* people to *reveal who they are*, and then *nudges* them in the *right direction*

Need for market segmentation survey: Policy intervention targeted at market segments

Benefit Option Premium

STATUS QUO:
Fuzzy clusters from rule of thumb choice strategy (heuristics), and poorly defined (open) choice sets

Benefit Option Premium

POST MARKET SEGMENTATION SURVEY:
Discrete & clearly defined (compact) choice sets

Benefit Enrichment

Benefit Enrichment

The market segment typologies are reliable due to applying appropriate market segmentation criteria, established from a process that relies on theory to inform data driven process.

SEGMENTATION

Survey and data mining on profiles by segmentation criteria:

1. Demographic (*who* are they)
2. Geographic (*where* are they)
3. Psychographic (*why* they choose)
4. Behavioural (*what & how* they consume)

A hybrid market segmentation approach should be used to divide market into distinct groups of customers.

TARGETING

To capture characteristics & create messages specific to population segments':

1. Concerns
2. Needs
3. Perspectives.

For designing the choice architecture to avoid bias, and policy interventions will be ineffective.

Our targeting objective is to further section 7(a) and (f) through standardisation, and increase solidarity in market segments, and ease of reach by networks.

POSITIONING

Appropriate standardisation of option attributes for market segments, using functional and experiential brand positioning:

1. Brand position vs. consumption bundles.
2. Brand position vs. benefit ceiling bands.
3. Brand position vs. cost-sharing bands.
4. Brand position vs. premium bands.

Standardisation by market positioning is beneficial for assessing product feasibility in terms of sections 24(2)(e) & 33(2) criteria. A mini-max optimisation with multiple goal objectives is required.

When information is exchanged across multiple actors, externalities are internalised, and even positive spill-over effects become the windfalls for society.