

The Fusion of Health Tech and Insure Tech¹

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ABSTRACT

Digital technology has increasingly grown smaller – from the age of large computers, we now have digitalized devices that can be worn on the human body. Such digital devices that aid in healthcare have been seeing a rapid adoption. Today, it is difficult to have a walk in a park without witnessing several people wearing fitness bands on their wrists. While such technology is making it easier for users to track their health, the aggregated data when collected over the internet can be a treasure trove of information, which insurance companies are trying to mine. From \$5.18 billion in 2014, the global market of IoT Healthcare Technology is poised to be over \$14.6 billion by the end of 2022 as per Zion Market Research. Other types of health technology such as smartphone apps, connected health devices, smart home hubs, and so on also act as sources of data. Insurance has always been a very data-driven industry. As such, insurance product managers have always been on the look-out of newer data sources in order to obtain different types of insights for shaping their product development strategy. Therefore, the insurance sector is eagerly exploring the possibilities of using data collected from wearable devices and other health technologies as such data was previously impossible to obtain. Not only does this aid in preventive healthcare, as people at high risk of certain ailments could be alerted in advance, but it also can help insurers to devise plans that can serve their intended beneficiaries better.

INTRODUCTION

It is difficult to imagine any industry today that is not increasingly impacted by the Internet of Things (IoT) technology. IoT technology has turned every device into a small computer that can be centrally connected over internet. Wearable devices of various kinds are an example of the same. Due to their convenience, utility, and also their use as fashion accessories, wearable devices are experiencing a rapid penetration in the market. Aside of wearables, we also have several other types of health technologies such as health devices, mobile apps, and so on which also serve the purpose of data capturing and accumulation. Every such device is a source of live data, and in an era where the importance of data is increasing, such devices are nothing short of a goldmine. Insurance companies have been attempting to factor in the inputs obtained from such devices in order to guide their decisions pertaining to devising various policy plans. It is hoped that with such real-time inputs, insurance plans that are devised will be far more appealing and useful for the individuals who form the target group

for such plans as well as are profitable for the insurance providers.

MAIN BODY

Before we look into the usefulness of health tech in insurtech, we first define the types of devices that come under health tech.

TYPES OF HEALTH TECH

Wearable Devices

Wearables are growing in use because they offer a convenient way to keep a track of the body's vital signs and biometric measurements such as activity type, sleep, heart rate, etc. and also serve as reminders for various activities for maintaining health, such as say, the need to walk a certain number of steps or have a glass of water. They also serve as a fashion statement. They also offer personalized insights, work-out plans, and cover specific health functions such as women's health.

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Mobile Apps

Today, there is hardly any task that does not have an app to help in its execution, and healthcare is not far behind. Apps come in multiple categories – there are apps that help users in keeping track of their fitness goals as well as those that help in delivery of remote medical advice using AI Assistants. Moreover, wearable devices are also connected to smartphone apps to help users track their health and fitness status in a convenient manner. Furthermore, there are apps designed for managing various health conditions which are aimed at enabling people to understand the condition they are suffering from, monitor changes in their health parameters, and reach out to seek any medical intervention if needed.

Health Devices

In recent times, various innovative health devices have been commercialized which are able to read biometric data on a real-time basis such as connected scales, blood-prick or saliva samples, and blood pressure cuffs. For example, the bowhead health test reader and smart dispenser is designed to take a blood-prick or saliva sample from which it can send data to a clinic where on an instantaneous basis, any nutrient deficiencies could be determined and appropriate pills be administered.

Smart Home Hubs and Connected Eco-systems

Smart Home hubs such as Alexa, Google Home, and Amazon Echo are devised to extend the features and functionality of respective AI Assistant smartphone apps to enable seamless human to technology communication. The remotely voice-operated web-connected interface that can be used in a hands-free manner immensely helps in seeking out information, facilitating communication with physicians through direct channels such as video calling, or playing workout videos. We are increasingly seeing a convergence of all such connected devices on to centralized eco-systems whereby wearables and health devices could collect data which can then be analyzed and interpreted over a mobile app and the smart home hubs generate alerts, voice reminders, and guidance for managing various health conditions.

Health ATMs

For people who do not have access or cannot afford elaborate preventive healthcare, standalone machines called health ATMs offer an avenue to get instant basic health assessment done. Max Bupa Health Insurance is attempting to introduce the concept in India, and it is only a matter of time before other healthcare and insurance players come up with their own offerings.

Having listed different types of health technology, we look at key trends shaping the insurance

landscape to understand how the fusion of health tech and insurtech can help in delivering better outcomes.

TRENDS SHAPING THE INSURANCE INDUSTRY

The following are broad trends that are expected to predominantly influence how the insurance sector evolves in the near future:

- **Focus on Preventive Healthcare and Protection**
While traditionally, insurance has always been looked at as a means to safeguard the bank account in times of medical emergency, insurance is slowly moving towards guiding a preventive approach as against aiding curative interventions. Therefore, insurance players offer various add-ons such as frequent body check-ups as part of their insurance plans.
- **More thorough risk assessment**
With a growing number of conditions increasingly sought to be covered, insurers are resorting to various means and ways to achieve holistic risk profiling of their target clientele.
- **Multi-point Social Engagement**
Given the fact that preventive approaches are slowly gaining in prominence, insurance companies are attempting to connect with customers through multiple social touch-points in order to incentivize them to maintain certain health standards by prompting them to engage in activities that boost their general condition.
- **Just in Time Cover**
Insurers are attempting to forge a strong connect with their policy-holders by being pro-active in assessing future medicare needs of the policy-holders and recommending various add-ons to existing policy coverage in order to suit the policy-holders' individual requirements.

HOW HEALTH TECH CAN AID INSURANCE

Having seen how the practice of insurance is evolving, it will now be easy to understand how health tech can be a boon for managing development and roll-out of insurance products.

Data – the key to success

Insurance has always been a very data-intensive sector. The development of insurance plans rested on application of actuarial science and mathematical modelling to quantify riskiness of target population groups and devise premium-coverage combinations that could maximize utility for the market segments they are aimed at while minimizing the number of claims made.

Health technology generates several data points pertaining to a user's health status that are otherwise difficult to track. When a person undertakes fluid

tests as part of the KYC for obtaining an insurance policy, the data that is captured is instantaneous, and may not be completely indicative of the person's health condition in general. However, digital devices such as wearables that are designed to monitor health parameters in real-time will offer a far clearer picture of the person's health condition and also how his or her health can be expected to be in future depending on their lifestyle habits.

This can aid in better designing of insurance plans. Also, premium can be fixed for different individuals through a better assessment of their individual riskiness. Additionally, because the riskiness of individuals can be more effectively monitored, insurers can also design plans for more risky classes of individuals such as the elderly or people with pre-existing conditions who insurers have traditionally been reluctant to extend policy coverage.

Incentivizing Healthy Lifestyle and Habits

The game of insurance works like this:

- Policy holders want maximum coverage with minimum premium
- Insurance companies want as much premium as can be charged for a certain policy coverage but they would also want to stay competitive in the market
- Policy holders would hope they would not need to raise claims because that means suffering from adverse health conditions and/or diseases
- Insurance companies hope that there are minimal claims raised because the more the claims, the more the insurance companies lose money on and the lower their profitability.

Given the above points, it is in everyone's best interest if policy holders maintain a healthy lifestyle and habits. By doing so, they will be able to maintain a better general health of their body which will mean they would not face with adverse health conditions and therefore, would not need to raise claims. This also means that they would be able to lead happier and more fulfilling lives, and their policy coverage would be reserved for the most rare circumstances.

However, following good habits does not come naturally, and therefore, there needs to be an incentive to act on them. For example, it is easy for people to gorge on junk food and lead a sedentary life, whereas it takes effort to follow a nutritious diet which may not be highly palatable and stick to a regular workout regimen. This is where insurance companies can step in.

By collecting wearable data, insurers will be able to track the future riskiness of individuals. Thus, they can send timely alerts to individuals whose body

parameters are not exactly optimal on a regular basis. Additionally, they can set goals for policy holders to achieve, such as a maintaining calorie intake within a certain range, or getting certain number of hours of sleep on average, or walking a certain number of steps daily. If policy-holders are able to meet such goals, they could be offered certain incremental discounts in premiums as they actively strive to reduce their riskiness. By this, insurers will be helping their consumers to lead healthier lives and also improve their own profitability and market appeal of their insurance products.

CONCLUSION

As seen through the above points, we are staring at a future where there is bound to be a fusion between health tech and insurtech because of the holistic set of advantages such a fusion promises to deliver to multiple stakeholders. Insurers will be able to devise policy plans in a far more informed manner by unlocking an entirely new area of market intelligence. The plans that are thus devised will have a higher utility value to the respective target groups because the combination of premium and coverage will be tuned to their requirements. Moreover, insurance companies can reduce the risk of claims raised for every category of policy holders, thus bringing down the overall riskiness of their clientele. On an aggregate level, this translates to greater profitability for the insurance providers and yet, even the insured individuals get their due value from being covered. Moreover, because the policy plans would now be better tailored to suit the interests of different categories of risk classes, insurance companies would be able to achieve a deeper penetration of their products among the target groups. Thus, even from a commercial perspective, insurers would be well-advised to explore the possibilities that data generated from health tech brings to the table.

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