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Personalised medicine: Implications for insurance industry, consumers

The introduction of personalised medicine will revolutionise the manner in which patients are diagnosed and treated, but what are the implications for the insurance industry and for consumers?

Personalised medicine involves genetic testing and a consideration of an individual's health risk factors and genetic information, and tailoring the individual's medical treatment accordingly. In short, it means a quicker diagnosis and targeted treatment of different chronic and dread diseases.

The cost of such therapy, which involves screening of patients and producing medicines that target an individual or a particular group of individuals, does not come cheaply. It is unclear whether private medical aid schemes and state-funded healthcare systems will cover the costs, and if so, to what extent. Patients might be faced with paying exorbitant out-of-pocket medical expenses.

Medical aid schemes stand to benefit from paying for such treatment. Pairing the right patient with the right treatment will result in reduced hospital admissions and eliminate unnecessary future costs. Genetic testing on suspected breast cancer patients can reduce or eliminate chemotherapy and related costs – but to see such benefits, money must first be spent.

Gap cover covers the shortfall when medical aid schemes pay only a certain percentage of a claim. Last year, the final demarcation regulations governing gap cover were published under the Long-term and Short-term Insurance Acts. A maximum gap cover of R150 000 per insured per year was introduced. Insurance companies were provided two years within which to phase out gap cover policies that provided otherwise. What this means is that gap cover might not provide the funding to those individuals seeking therapies such as personalised medicine that are not covered by their medical aid.

Generic drugs have the same healing effect but come at a lower cost. Some medical aid schemes do not pay for original brand-name drugs if there is a generic form available. The generic form of the drug is not necessarily identical to the brand-name drug. Individuals with certain genetic profiles might not be suitable candidates for generic medicine. Small changes in the composition of medication might have a big impact on how a person's body might respond and how well the drug works for that person. This could affect the supply and sale of generic medicine.

Insurers use specific rating systems to

calculate premiums payable by individuals taking up life insurance cover. Premiums are recalculated when the policy comes up for renewal or when new cover is taken out, at which stage the risk factors are re-evaluated. Access to individuals' genetic information can result in individuals who have high risk factors paying higher premiums or being unsuitable for cover. The duty of disclosure will oblige the potential insured to revoke the information.

There is the probability of individuals realising that they are at higher risk of contracting a disease and seeking additional life insurance without disclosing this information to the insurance company. There is a further risk of individuals seeking to increase life insurance cover upon learning of susceptibility to a dread disease.

There is presently no insurance regulation on this issue in South Africa. The laws and regulations will have to be developed to provide protection against unfair discrimination and will most likely restrict how such information may be used commercially.

There will have to be transparency by insurers of the reasons for refusing or limiting cover. If insurers only accept the good risk and undermine the principle of pooling good and bad risks, regulation may follow. Insurers may be obliged, for instance, to behave like medical schemes with community rating, cross-subsidisation and non-discrimination provisions.

Some insurance companies have teamed up with US firm, Human Longevity, whose goal is to build the world's most comprehensive database of DNA. These insurance companies have the benefit of realising that a healthy individual has a predisposition to developing a specific disease.

Insurance companies need to consider how they will address refusing or limiting cover or raising premiums of those individuals who are at higher risk of developing certain diseases.

Healthcare in South Africa varies from the most basic offered by the state to more specialised healthcare that is available privately. The public sector is under immense strain and delivers service to about 80% of the population. If private medical aid schemes do not cover personalised medicine costs, advanced healthcare therapies will not be accessible to most South Africans.

Every decision is a risk and time will tell whether it was a risk worth taking. It is therefore vital for the insurance industry, the healthcare market and for individuals to prepare for the changes that are yet to come.