

Private Health Insurance in OECD Countries

Francesca Colombo & Nicole Tapay

<http://www.oecd.org/health>

click on *OECD Health Project*, then on *Private Health Insurance*

Purpose of the Study

- Assess the role of PHI as it complements and interacts with public health insurance schemes
- Analyse PHI roles:
 - Explain variation in market size and population coverage.
 - Analyse performance: i) of the PHI market; ii) the impact of PHI on the health system
 - Identify factors underpinning performance
 - Identify useful policies & regulatory practices

What is Private Health Insurance?

INSURANCE: prepayment and pooling



on the basis of the main source of financing, we distinguish:

Public HI

(predominantly financed through the tax system)

Private HI

(predominantly financed through private premiums)



BUT: Borderline cases:

- Mandatory, flat, non income-related, premiums (e.g, CH)
- Highly subsidised purchase of cover (e.g., CMU - France)
- Schemes for government employees

Heterogeneity of public/private mixes of funding health

| | PHI share of THE | Population covered | Main PHI Function |
|-----------|---------------------|-----------------------|----------------------|
| USA | 34.8% | 72.4% | Primary |
| France | 12.8% | 85% | Compl. |
| Canada | 11.2% | 70% | Suppl. |
| Australia | 7.1% | 44.9% | Duplic. |
| UK | 3.3% | 10% | Duplic. |

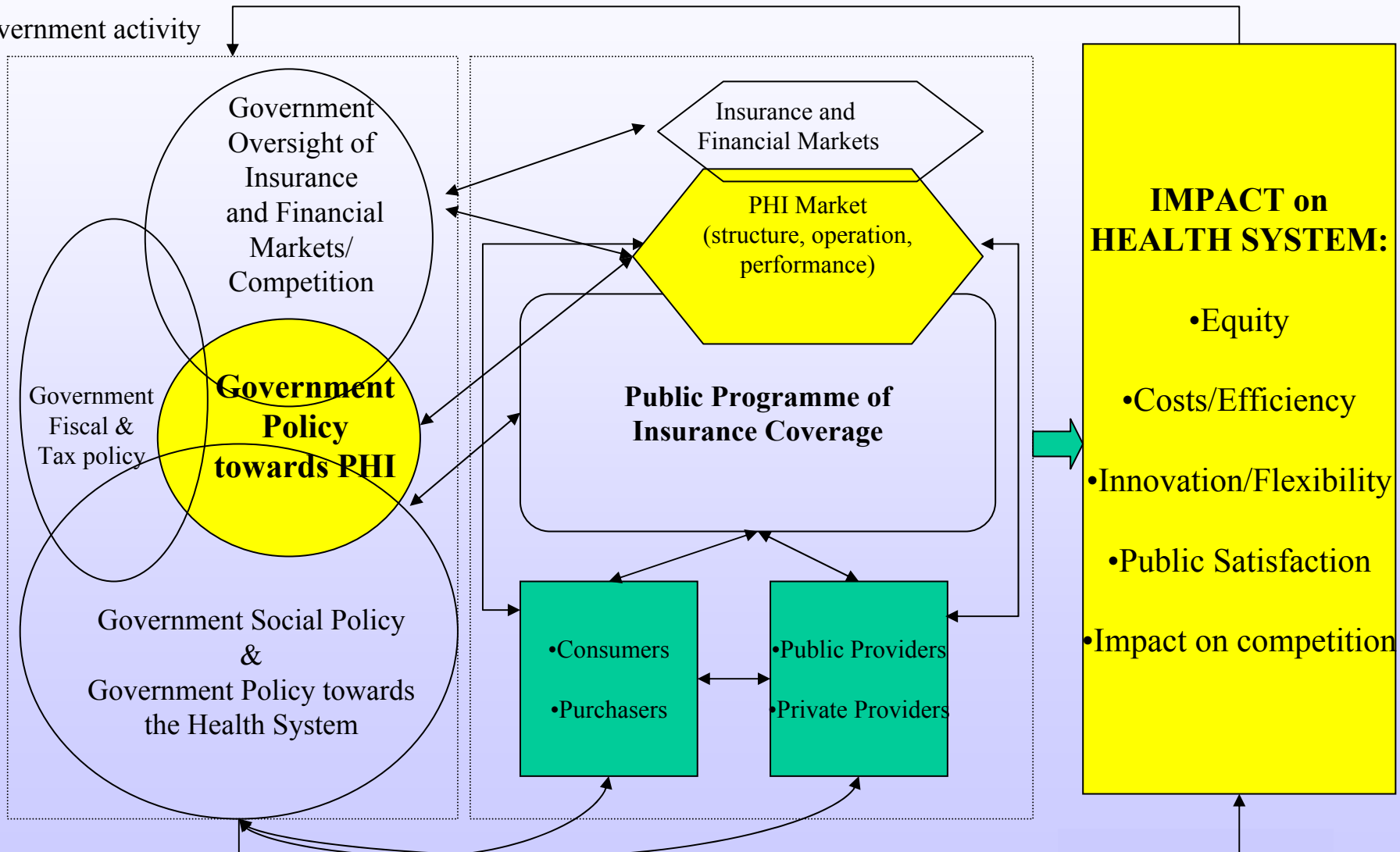
Source: OECD Health Data, PHI Statistical questionnaire and other sources, late 1990s.
Data are preliminary. Do not quote.

PHI's role depends on structure of public insurance systems

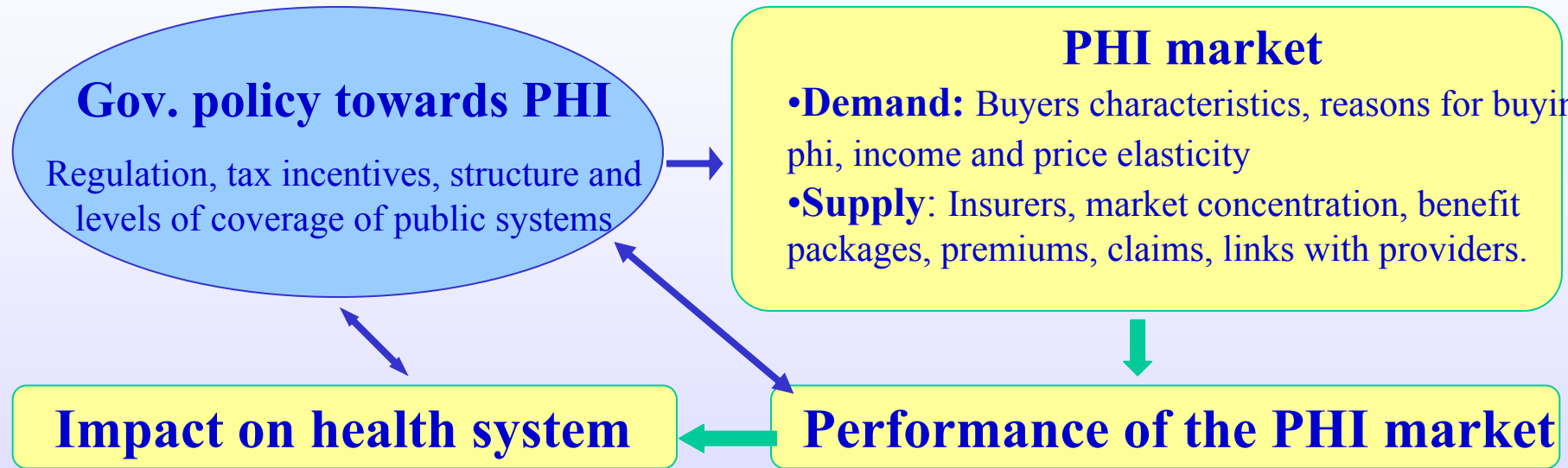
| | | Eligibility to public HI | |
|--------------------------------|--|--|--|
| | | YES | NO |
| Health services covered by PHI | Same services covered by public health insurance | Duplicate (UK, EIRE, Aus, Sp, Ita) | Substitute /principal (USA, Ger, NL, CH) |
| | Co-payments on publicly insured services | Complementary (Fr, B, USA) | |
| | Additional/extra services | Supplementary (CH, NL, Ger, Can) | |

Analytical Framework

Government activity



... Some key variables within the analytical framework...



Equity:

Financing equity of the mix; equity of access.

Cost/efficiency:

Impact on overall utilisation and prices; net cost of subsidies to PHI;

Responsiveness

Public satisfaction, choice, impact on waiting, perceptions of quality of care

•Equity:

- Risk selection, premium rating, comprehensiveness of cover, portability, market segmentation

•Cost/efficiency:

- Insurers' cost containment, premium inflation; administrative efficiency

•**Innovation**, flexibility of products/practices

•**Competition**: Transparency of information, adverse selection, for profit versus not-for profit

Method

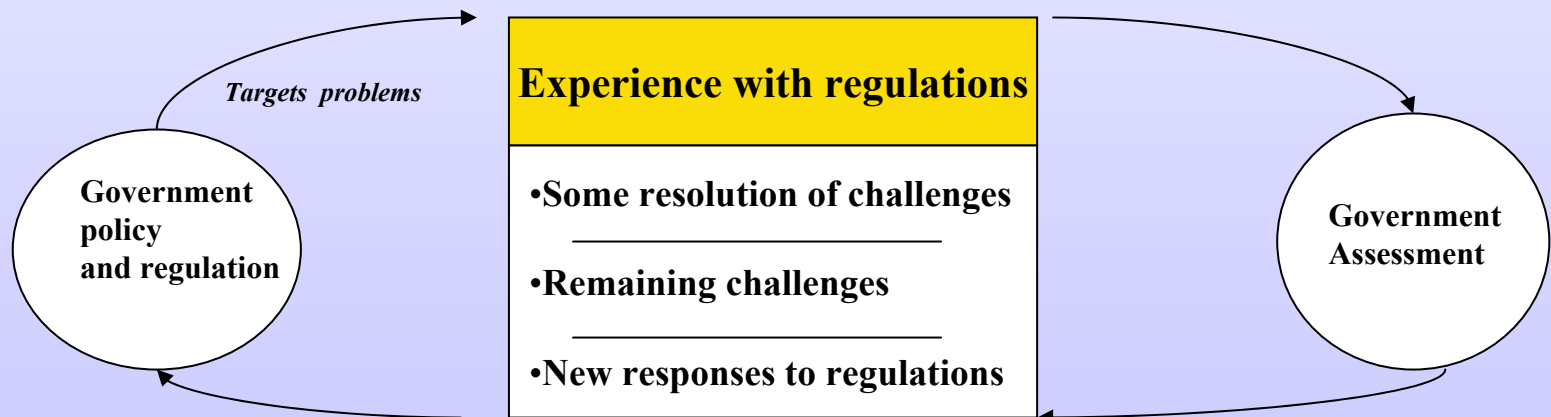
- Review of secondary sources
 - Comprehensive only for few countries only
 - Lack of policy documents in countries with limited PHI
 - Few comparative studies.
 - Limited data on market performance.
- Network of OECD government experts on PHI
- 5 case studies (Ireland, Netherlands, Australia, France and USA)
 - countries with relevant policy experience and markets
- Primary data
 - Statistical and Regulatory questionnaires

Statistical questionnaire

- Data on premiums & claims, disaggregated by:
 - Individual/group policies
 - PHI role (duplicate, substitute, complement, supplement)
 - Medical care (hospital, ambulatory, medical goods)
- Data on the PHI market
 - Concentration, population share, administrative costs.
- Problems/Data gaps:
 - Incompleteness of some responses, particularly in countries with limited PHI role:
 - No time series

Government Intervention & Regulation

- Significant variation by country
- Includes some aspects of general insurance Regulations
- Targets PHI market specific issues & market failures
- Targets issues relating to the interaction with public coverage
- Responds to market experiences with previous regulations



Regulatory Questionnaire

- Scope of regulation/regulatory structure
- Regulations to promote equity, access and risk-pooling
- Disclosure requirements
- Benefit-related requirements
- Government incentives re: purchase of PHI
- Public/Private mix of provider/service financing
- Current challenges

Duplicate Coverage

- Complex interaction between parallel public and private financing systems
- Access to care can be skewed by insurance status
- Demand for PHI related to waiting, but impact of PHI on waiting more difficult to verify
- PHI offers more choice for those buying it
- Extent of cost shifting from public to private sector?
- Debate over 'use of tax money' if PHI is subsidised
- Does parallel public and private financing systems make markets more contestable?

Complementary Coverage

- Most OECD countries have co-payments on public systems.
- Some countries prohibits PHI coverage of co-pays.
- Few countries have a large complementary phi market.
- Can PHI reduce inequity in access due to large co-pays?
- Impact on coverage of co-payments on utilisation and moral hazard

Primary Coverage

- Access to coverage and health services
- Cost and efficiency Issues
- Consumer choice of benefits. Evidence of risk selection and adverse selection
- “Boundary Issues”
- Impact of regulatory interventions
- Combining private/public market
- Group vs. Individual markets
- Employer and individual “self-funding”
- Different utilisation patterns of public and private health insurance?

Supplementary Coverage

- Pros and cons of Out-of-Pocket vs. Insuring for certain benefits
- To what extent does supplementary coverage interact with public coverage system?
- Comparative experience when coverage is packaged with primary social insurance

Some cross - cutting issues...

- Risk Selection and Adverse Selection:
 - Implications for equity/access and for cost/efficiency
- Competition Issues:
 - Market structures, For-Profit vs. Not-for-Profit Carriers:
 - Information Asymmetry
- Factors Behind Demand for PHI Coverage
- Complexity of designing the ‘right’ regulatory framework and financial incentives
- Can lessons be exported or is each case ‘unique’?