Private Health Insurance in OECD Countries

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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

<table>
<thead>
<tr>
<th></th>
<th>PHI share of THE</th>
<th>Population covered</th>
<th>Main PHI Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>34.8%</td>
<td>72.4%</td>
<td>Primary</td>
</tr>
<tr>
<td>France</td>
<td>12.8%</td>
<td>85%</td>
<td>Compl.</td>
</tr>
<tr>
<td>Canada</td>
<td>11.2%</td>
<td>70%</td>
<td>Suppl.</td>
</tr>
<tr>
<td>Australia</td>
<td>7.1%</td>
<td>44.9%</td>
<td>Duplic.</td>
</tr>
<tr>
<td>UK</td>
<td>3.3%</td>
<td>10%</td>
<td>Duplic.</td>
</tr>
</tbody>
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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 Do not quote.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

<table>
<thead>
<tr>
<th>Eligibility to public HI</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health services covered by PHI</td>
<td>Same services covered by public health insurance</td>
<td>Duplicate (UK, EIRE, Aus, Sp, Ita)</td>
</tr>
<tr>
<td>Co-payments on publicly insured services</td>
<td>Complementary (Fr, B, USA)</td>
<td>Supplementary (CH, NL, Ger, Can)</td>
</tr>
<tr>
<td>Additional/extra services</td>
<td></td>
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</table>
Analytical Framework

IMPACT on HEALTH SYSTEM:
- Equity
- Costs/Efficiency
- Innovation/Flexibility
- Public Satisfaction
- Impact on competition

Government activity

Government Policy towards PHI

Public Programme of Insurance Coverage

Insurance and Financial Markets

PHI Market (structure, operation, performance)

Government Fiscal & Tax policy

Government Oversight of Insurance and Financial Markets/Competition

Government Social Policy & Government Policy towards the Health System

Consumers

Purchasers

Public Providers

Private Providers

OECD
… Some key variables within the analytical framework…

**Gov. policy towards PHI**
Regulation, tax incentives, structure and levels of coverage of public systems

**Impact on health system**

**Performance of the PHI market**

**PHI market**
- **Demand**: Buyers characteristics, reasons for buying phi, income and price elasticity
- **Supply**: Insurers, market concentration, benefit packages, premiums, claims, links with providers.

**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 prohibit 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’?