Ministerie van Volksgezondheid,
Welzijn en Sport

"Balancing multi-payer competition with cost-containment: is it possible?"

Some lessons from the 'market-reforms' in the Netherlands

Dr. Patrick Jeurissen
Strategy Group
Ministry of Health, Welfare and Sport

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Agenda

- Theoretical basics: neo-corporatist stewardship ‘marries’ micro-economic reforms
- Midterm review: successful towards the ‘end-of-the-beginning’ - which is now
- Some lessons for institutional adjustments that induce cost-containment through multiple-payer competition

A new market, but with…

More not less solidarity

- Individual mandate for basic benefit package of essential healthcare
- Open enrolment and community rating
- Risk adjustment prevents risk selection and induces narrow premium range
- Health care allowance (tax credit); free care for children (< 18)
- Low compulsory deductible (€ 165 in 2006; € 220 in 2012)

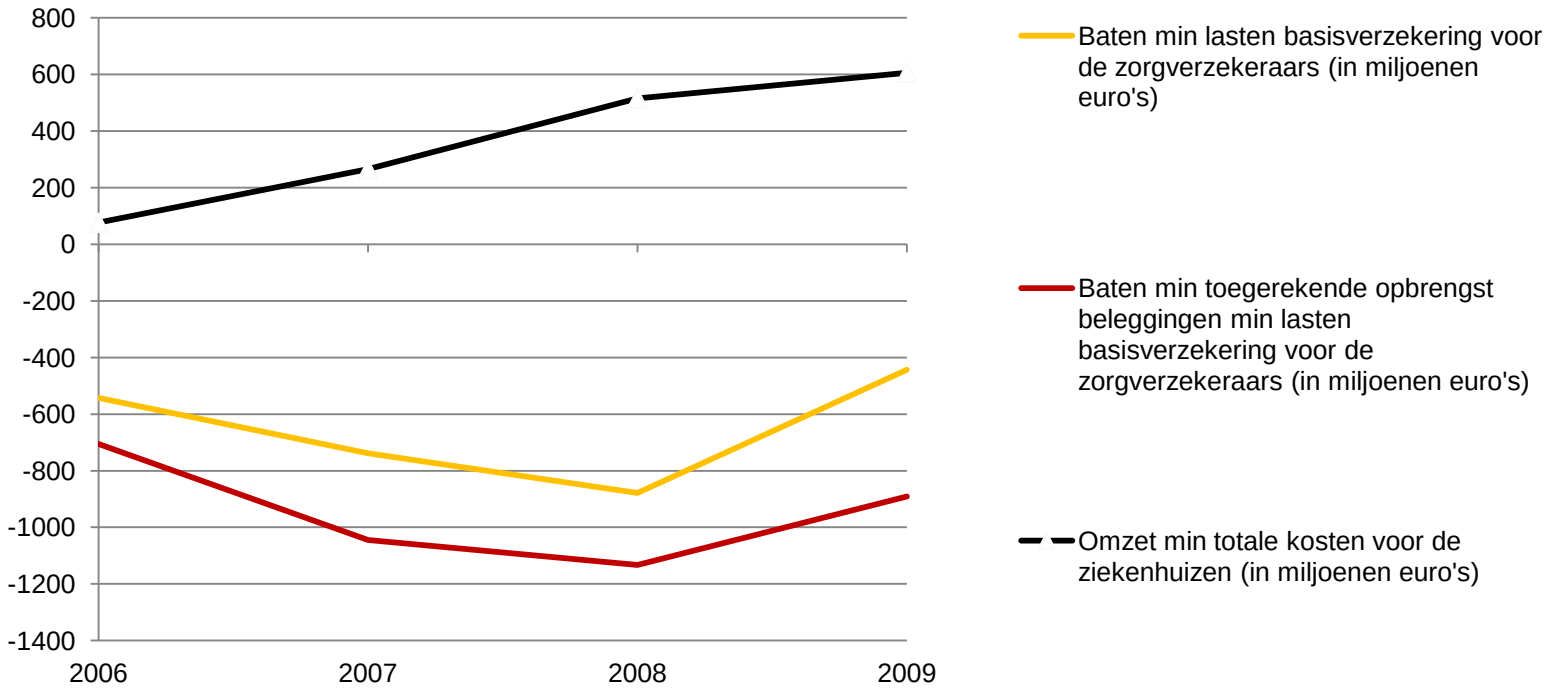
Stable political and professional governance

- Stewardship: negotiating, mediating, co-governing with major interest groups (polder model)
- Global budget, although enforcement mechanisms eroding
- Professional – not payer - navigation: gatekeeper is the family physician

Competition among payers: midterm review

- Stiff payer competition: people 'do' vote with their feet (2006: 18% (anchor effect); 2011: 7%)
- Declining choices (…) increasing choices: concentration towards 'big four' (95%), but increasing choice from 'within' through internet and network labels
- Still in the political 'comfort zone': low increase of basic package (3-4%) goes with substantial cost inflation (7-9%)
- Returned substantial levels of cash on balance-sheets to customers
- Solvency requirements: 14% (< 2006); 8% (2006); 9% (2010); 11% (2012)
- Heavy reductions in administrative expenses, (from 8-9% towards 2-3%)
- Providers strengthened their balance-sheets: 7-8% (< 2006), 15-16% (2011)

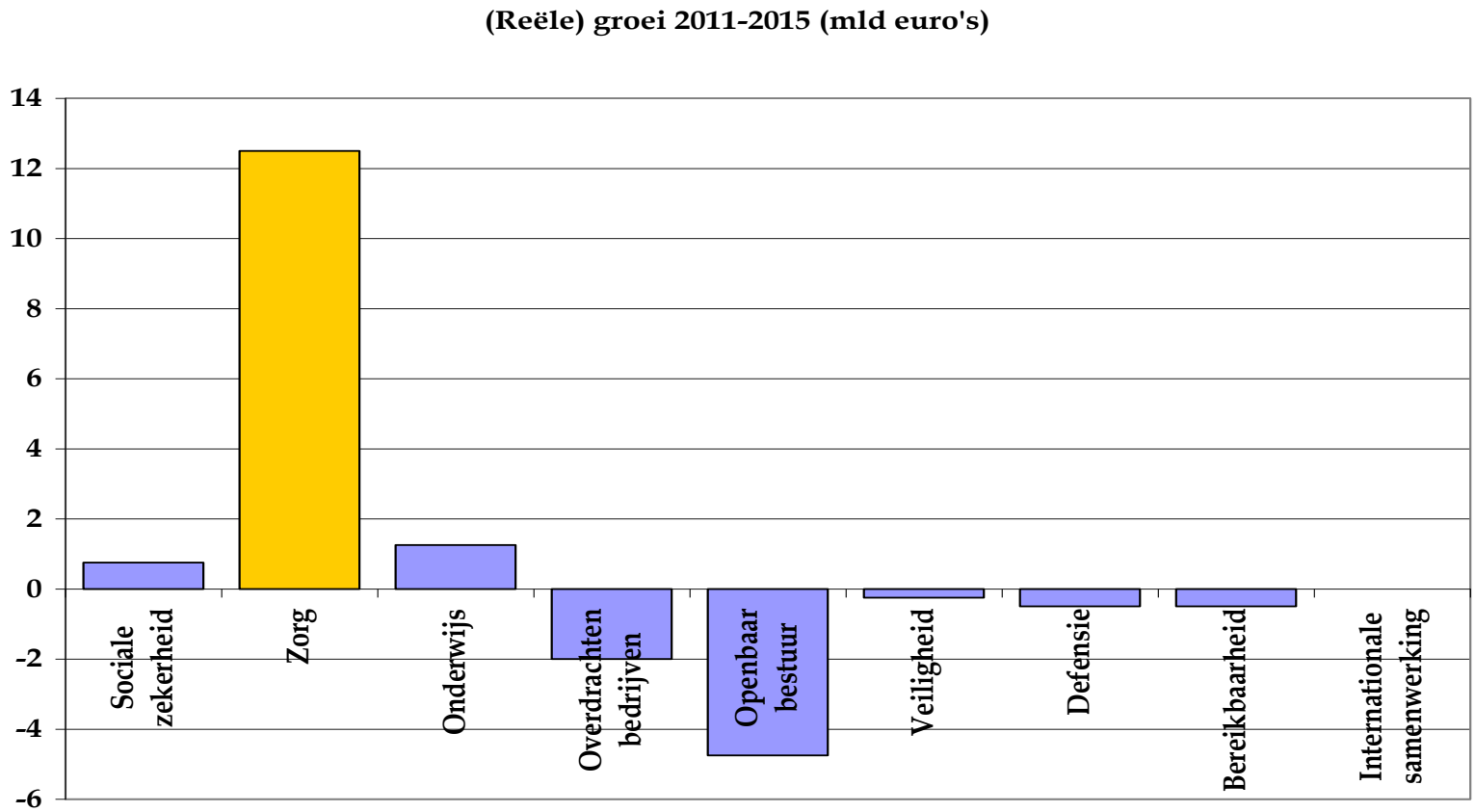
Negative payer margins; positive hospital margins (€ mln.)



Midterm review: some shadow sides

- There exist some bad debt problems
- 'Hidden' increase in the personal burden (OUP, entitlements); rapid cost-inflation of supplementary insurance policies
- Lack of insurer-risk (on volume) hamper cost-competition through managed care
- Marginal costing 'might' dominate the 2-3% lower rates on the liberated segments; since volume increases 9-14% in these segments

The big 'problem': health care is already crowding-out 'all' other categories: real budget increases up to 2015



Possible lessons for a new budgetary Taskforce

- From micro-economics towards institutional economics:
  1) lack of budgettary guardians (actorist approach)
  2) low-cost competition requires some non-negotiable structures
  3) 'high-penalty' often not a feasible political option
  4) negotiating institutions more 'difficult' than negotiating budgets
  5) balancing patient steering through professionals and MCOs

- Importance of 'tipping-point' effects to get leverage on value-for-money and low-cost competition: increasing risk, P4P, transparency etc.

- Building coalitions through transparency possible; quality-of-care still a missing metric

- One-size-does-not fit all: contemplate different solutions for different problems

- In healthcare rationalization policies have no constituencies …

Thank you for your attention

Questions / comments pp.jeurissen@minvws.nl