Managed competition in health care: An unfinished agenda

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Original problems

- Supply-driven system: high level of government planning
- Lack of consumer influence and consumer choice
- Dichotomy public insurance and private insurance
- Public insurance: lack of competition
- Private insurance: risk selection
- Insufficient cost awareness
- Rising budgetary pressures

Results: waiting lists, unfairness, uneven playing field
Cornerstones of health financing system 2006

- Mandatory insurance and acceptance obligation

- Ban on premium differentiation

- Ex ante risk equalization system (risk-bearing insurers)

- Nominal premiums and deductibles (income supplement)

- Duty of insurers to arrange care (time/distance)
Imperfect market conditions not fully eliminated

- Information problems (consumers and insurers)
- Moral hazard (consumers do not pay full price, entitlements)
- Soft budget constraints producers (fee for service producers)
- Risk selection (new policies, supplementary policies, marketing)
- Competition issues (producers versus insurers)

Etc.
Dutch model of “managed competition”

- Central role of private insurers to buy health care
- Consumers with voice and exit options
- Heavy government regulation and supervision
- Income support independent of use
- Public-private system (best of both worlds?)
Results

- End of dichotomy of public and private insurance
- Health indicators, performance indicators
- Macro: cost containment
- Micro: efficiency
- Accessibility/solidarity
EHCI country trends 2006 - 2014
Macro: curbing expenditures (less more...)
Average administration cost per insured 18+,
Health insurance (BV) and supplemental insurance (AV)

Bron: NZa (op basis data DNB uit jaarstaten Wft)
Micro less...

At minimum wage-level:

Social Health Insurance Act + co-payment (2005) = 541 euro average

Health insurance act + co-payment (2015) = 466 euro average

Difference = -/- 75 euro
Household out-of-pocket health expenditure as % of total health

- Belgium
- France
- Germany
- Netherlands
- Sweden
- United Kingdom
- United States
- Canada
- Japan
- OECD average

ER NL % total exp. on health 2011
% total exp. on health 2011, OECD
Unexpected and unintended

- Transition takes time: patience
- Financial crisis: insurers part of the financial system
- Number of insurance policies grown strongly
- Cost containment > cap agreements and MBI needed
- Long term care reforms - collaboration with municipalities - etc
Average premium
SWOT-analyse
Best of both worlds

Availability and accessibility

Innovation

Strengths

Cost containment

Efficient and effective

Solidarity
Lack of transparency of quality and cost

Overkill of insurance policies

Administrative burdens

Weaknesses

Lack of process innovation

Sign at the dotted line
Collaboration

Smart technology

Selfmanagement

To live longer, with better quality of life

Opportunities

Customization and freedom

Agreements on quality and cost
8 mln people chronically ill

High demands

Pressure on solidarity

Increasing demand for (complex) health care

Threats

Anxiety

Medicalization

Expensive drugs and treatment
### Who pays what for health insurance?

<table>
<thead>
<tr>
<th>Gross income</th>
<th>Social security</th>
<th>Minimum wage</th>
<th>1 x modal</th>
<th>2 x modal</th>
<th>3 x modal</th>
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<tbody>
<tr>
<td>Gross income</td>
<td>14598</td>
<td>19253</td>
<td>32318</td>
<td>64636</td>
<td>96954</td>
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<tr>
<td>Nominal available</td>
<td>10913</td>
<td>15703</td>
<td>22324</td>
<td>38532</td>
<td>52961</td>
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<tr>
<td>Income related contribution</td>
<td>1.095</td>
<td>1.444</td>
<td>2.424</td>
<td>3.856</td>
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<tr>
<td>Nominal premium</td>
<td>1.101</td>
<td>1.101</td>
<td>1.101</td>
<td>1.101</td>
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<tr>
<td>Average co-payment</td>
<td>228</td>
<td>228</td>
<td>228</td>
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<td>Health care allowance</td>
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<td>-865</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>Net premium</td>
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<td>464</td>
<td>1.329</td>
<td>1.329</td>
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<tr>
<td>Taxes</td>
<td>354</td>
<td>484</td>
<td>759</td>
<td>1.438</td>
<td>2.093</td>
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<td>Totaal including IRC</td>
<td>2.377</td>
<td>2.856</td>
<td>5.841</td>
<td>7.952</td>
<td>8.607</td>
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<tr>
<td>Percentage of gross income</td>
<td>16%</td>
<td>15%</td>
<td>18%</td>
<td>12%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Unfinished agenda

- Budgetary pressures remain
- Risk equalization improvement
- Supervision on risk selection
- Supervision on competition
- Cost effectiveness and entitlements
- Transparency on contracting (quality)
- Quality of care!
QUALITY
Stimulus for insured / patient:
• Reduction deductibles
• Influence on quality
**Stimulus insurers:**
- adjustment ex ante risk equalization
- no ex post compensation
Health care supply

- MBI focused on non-contracted care
- Multi-year contracting

CONTRACTING

QUALITY

public sector
General: promoting transparency of quality
And: foster quality of health care supply
Citizen

Health care provider  Health care insurer
Patient

Insured

Health care provider

Health care insurers
Citizen

Health care provider  Health care insurer
Political economy of further improvements

- Legitimacy of private insurers?
- Public interest in the "system"?
- Who are promotors of the system?
- Pendulum: shifting towards public interventions
- Transition costs to alternative system are very high
- Timing is crucial (economic growth)!