



Funding health care: The role of public and private and the role of the actuary

Alvaro Castro-Gutiérrez and Giovanna Ferrara

Switzerland

International Health Seminar

27th ICA, Cancun 2002



Contents

1. Organization and provision of health care:
Outlook of principles and current issues
2. Financing and funding options
3. Current issues in health care financing
4. The role of the actuary
5. Actuarial expertise: two examples



1. Organization and provision of health care: Principles and issues

- Main objectives of a health care delivery system: maintain or improve the health status of the population
- Responsibilities for providing health care: State and private involvement



1. Organization and provision of health care: Principles and issues

Central problems:

- How to provide adequate health care to as many people as possible at a reasonable cost
- How to keep the financing of health care within the capacity of the national economy



1. Organization and provision of health care: Principles and issues

Organization and provision of health care is dependent on:

- Public interventions
- Personal health services' preferences
- Availability of choice for the individual



1. Organization and provision of health care: Principles and issues

- Almost all OECD countries have extended public health systems to the entire population
- More than 110 countries have sickness and maternity schemes for the working population



2. Financing health services and funding options

Public health services:

- Financed by governments
- Provided through government-mandated systems



2. Financing health services and funding options

Access to personal health care depends on
(mechanisms)

- Degree of government financial involvement
- Social and private social insurance schemes
- NGO's
- Foreign donors
- Communities
- Families
- Individuals



2. Financing health services and funding options

Main mechanisms for health care financing

- Taxation
- Insurance (private and social)
- Non-insurance funding systems

== > >

Most countries use a combination
of mechanisms



2. Financing health services and funding options

Taxation instruments:

- Direct (ex. income tax => formal sector)
- Indirect (ex. VAT => consumers)
- Earmarked taxes
- Other government revenues



2. Financing health services and funding options

Insurance:

- Social health insurance
- Private health insurance
- Mixed Social/Private
- Other forms of health insurance



3. Current issues in health care financing

The fundamental issues:

- Who is to finance?
- How are providers to be paid?
- What benefits are to be financed?



3. Current issues in health care financing

Who is to finance?

- Taxpayers?
- Employers?
- Private individuals?

= => Varying importance and roles of private insurances are confirmed in both % of persons insured and type of organization (mandatory or complementary)



3. Current issues in health care financing

How are the providers to be paid?

Two general principles:

- The health market cannot maximize the total utility of the overall resource allocation in an economy but can be remedied through the marketization of the health care sector via microeconomic incentives for providers and patients
- Regulatory controls ensure that the right amount of medical care is consumed by the right people (by limiting the supply through strict licensing procedures)



3. Current issues in health care financing

=>> The two issues are to be placed in the context of questions such as:

- Are cost-savings to be expected from fee for service capitation or fee per case?
- Is hospital budgeting more efficient than fee per case?
- Are providers to be paid directly by beneficiaries or through third parties?

=>



3. Current issues in health care financing

=>> The two issues are to be placed in the context of questions such as:

- Limitations to free choice of doctors and hospitals?
- Managed Care and managed competition can lead to cost reductions without loss of quality?
- HMO patients can regularly benefit from medical advances and not just to be treated according to standard practices?



3. Current issues in health care financing

What benefits are to be financed?

Basic question: The extent of reimbursable services

- The extent of reimbursement by mandatory and complementary schemes
- Criteria for the choice of treatment according to the list of benefits
- Cost transfers to patients by way of user fees?
- Increases in expenditure to allow population to benefit from medical progress?
- Preventive measures to be financed to avoid long-term costs?



4. The role of the actuary

The main question of policy makers: “How much”?

- How much the existing system cost?
- Aggregate cost of increasing doctors fees by x ?
- Savings by increasing co-payment by y ?
- Redistribution (between government, employers and employees) of future financial burden of introducing a national health service



4. The role of the actuary

Role of actuaries and health economists
(a bit of history)

Private health insurance => actuaries

Social health insurance => actuaries (ILO)

National health services => health economists
(WHO)

Health reform => Health economists (WB and IMF)



4. The role of the actuary

Main areas of actuarial involvement in health care include:

- Income protection insurance
- Private medical insurance
- Critical illness cover
- Long-term care insurance
- Underwriting and genetics



5. Actuarial expertise: Two examples

Field experiences:

- Morocco
- Tunisia



5. Actuarial expertise: New problems from the field

- Different (very different) realities between industrialized and developing countries for the provision of health care
- Micro-insurance programmes?
- Small voluntary schemes



2. Financing health services and funding options

Non insurance funding:

- User fees
- Medical savings accounts