

National workshop on developing inter-sector policy dialogues mechanism,
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Experience in the region with health insurance

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Main types

Health Insurance

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graph TD; HI[Health Insurance] --- SHI[Social health insurance]; HI --- PHI[Private health insurance]; HI --- CBHI[Community based health insurance]; SHI --- SHI_Countries[Japan, Republic of Korea, Mongolia]; PHI --- PHI_Countries[Pacific Island countries such as Vanuatu and Papua New Guinea]; CBHI --- CBHI_Countries[Cambodia, China, Lao PDR];
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Social health insurance

Japan
Republic of Korea
Mongolia

Private health insurance

Pacific Island countries such as Vanuatu and Papua New Guinea

Community based health insurance

Cambodia
China
Lao PDR

Major characteristics

- **Objective**

- ❖ Mobilization of additional resources
- ❖ Improving equity and access, especially for low income and vulnerable
- ❖ Attaining universal coverage

- **Coverage**

- ❖ Compulsory for all or specific population categories (family coverage is preferred)
- ❖ Voluntary for all or specific population categories
- ❖ Mixture of compulsory and voluntary to cover the entire population

- **Contribution**

- ❖ Income related (progressive)
- ❖ Flat rate (regressive)
- ❖ Health and risk related (adverse selection)

- **Benefits**

- ❖ Curative care (unnecessary use of hospitals and loss of savings through prevention)
- ❖ Ambulatory care (inadequate for major health problems)
- ❖ Comprehensive (with specific exclusions)

- **Payment**

- ❖ Fee for service (retrospective and users bear financial burden)
- ❖ Capitation (prospective and the burden is shared between users and providers)
- ❖ Diagnosis related groups (Korea and Japan)

- **Protection**

- ❖ Risk sharing (cross subsidy between healthy and sick or different ages)
- ❖ Fund pooling (cross-subsidy between high and low income people)
- ❖ Safety net preventing from poverty (premium subsidy; social assistance)

Policy issues

- Health insurance is a financing mechanism that operates on the basis of members' contributions. It is an independent body with defined mission, objectives, administration and functions.
- ✓ Flow of funds into the health sector needs to be accounted and harmonized with fiscal policy, which is the responsibility of Finance Ministries.
- ✓ Sickness is one of the lifecycle risks, which must be protected and their economic and social distress must be minimized through effective public policy, which is the responsibility of Social Welfare and Labour Ministries.
- ✓ Benefits are health services to be defined in line with population health policy and interventions, which is the responsibility of Health Ministries.
- ✓ Quality of life and good health are key measurements of development policy. Health services should meet the needs and expectations. Members' opinions, interests and voices can be expressed through organized professional, civil and consumer groups such as trade unions.

Other issues

- **Multiple disciplines**

- *Health and labour economics, finance, management and administration;*

- **Multiple actors and interests**

- *Insured as consumers: high quality, free choice. unlimited quantity etc,*
- *Insured as contributors: low pay, broad benefits, transparency etc.*
- *Employers: low pay; avoid absenteeism, simple administration etc,*
- *MoF&E: macroeconomic stability, competitiveness of labour cost, productivity etc,*
- *MoH: stable, adequate funds, equity, access, health systems development etc,*
- *Providers: regular, timely payment, increase income, independent use of income:*
- *Insurance: timely contribution, cost control, insured and provider satisfaction etc.*

- **Multiple involvement and effects**

- *Politics*
- *Opinion leaders*
- *External agencies*

} Policy change, equity, access, population and benefit coverage, service provision, protection and poverty.

- **Message 1:** Broad discussions and good understanding of the principles of health care financing and insurance narrow the gap to reach a consensus on reformative measures among all actors. This is necessary condition for successful development and full use of the potentials of health insurance in given socio-economic situation.

Potentials of health insurance

- **SHI mobilizes additional revenues:**
 - Predict revenues with pre-defined contributions; increase equity in revenue collection and improve accountability and transparency.
- **SHI pools risks and resources:**
 - Protect low income and vulnerable; improve the linkages with social assistance and reduce poverty.
- **SHI is an effective purchaser:**
 - Update benefits to attain better health outcomes; select the best providers from the health market; contain costs with effective referral and payment methods by managing the incentives of providers and consumers.
- **SHI contributes to health systems strengthening:**
 - Access to and provision of health care is implied by the commitments of prepayment between insurer, members, and providers.
 - Provision of good quality benefits is a primary concern of health insurance
 - Planned use of the predictable revenues to improve health services including quality
 - Improved the linkages with social security and assistance programmes enables a greater number of people have access to needed health care.

Observations

Poor understanding of health finance and insurance often:

- misleads policy actions,
- rarely addresses the causes of issues and challenges,
- misses opportunities to maximize health outcomes,
- widens the gap between policy and implementation.

Lack of efforts to reach a consensus on policy actions to improve health finance and health insurance could:

- create unnecessary delays in making policy decisions,
- create conflicts of interests among actors,
- lower the credibility of initiatives and actions.
- make it difficult to assess realistically the performance and undertake appropriate actions.

Observations

- Poorly grounded political decision and involvement likely result in irrational allocation and use of scarce resources or making commitments beyond the capacity to implement or deliver.
- Asymmetric knowledge and provider dominant interventions can reduce the efficiency and effectiveness of resource use.

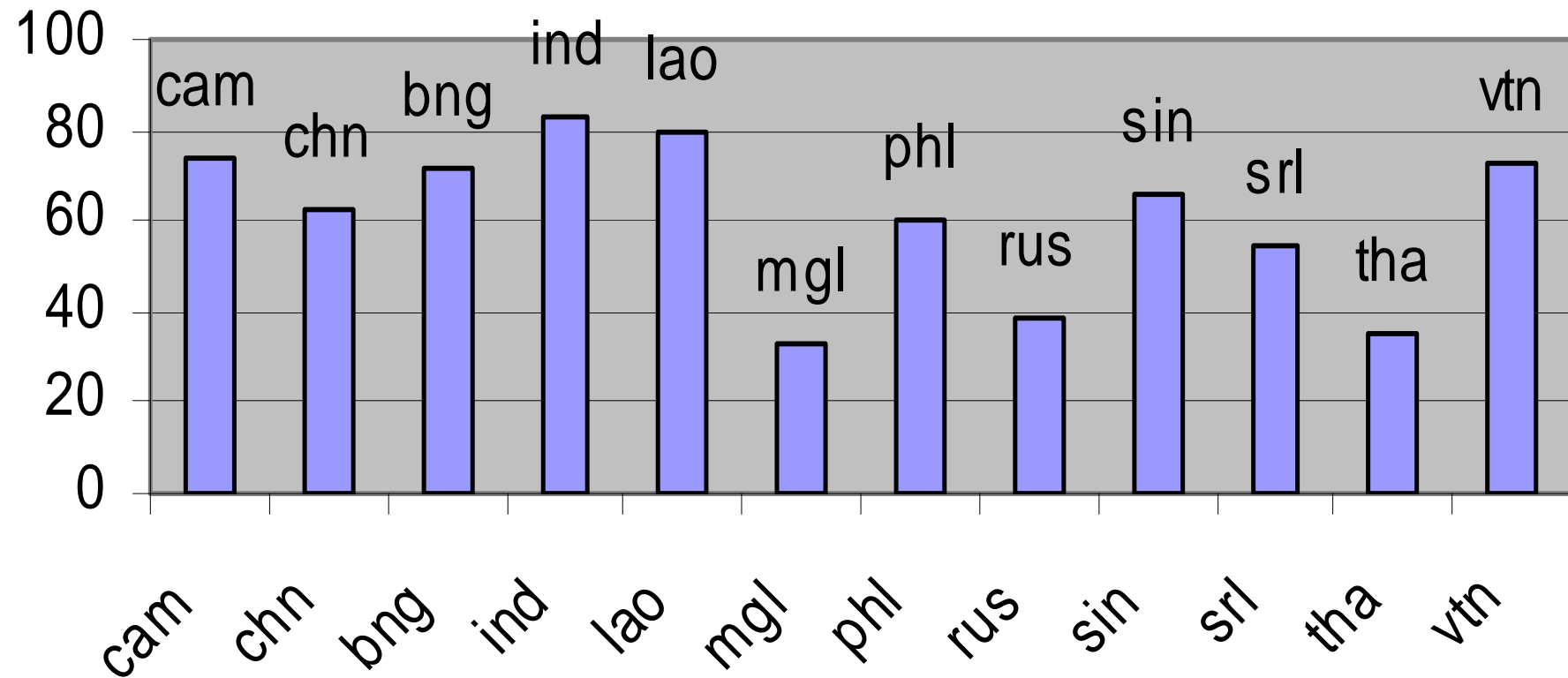
Message 2: No single formula exists to address these policy and technical issues. Each country should develop its own capacity and administrative, organizational arrangements to utilize fully the potentials, monitor their effects and make advancements based on population health needs and health development framework.

Health insurance is a top subject

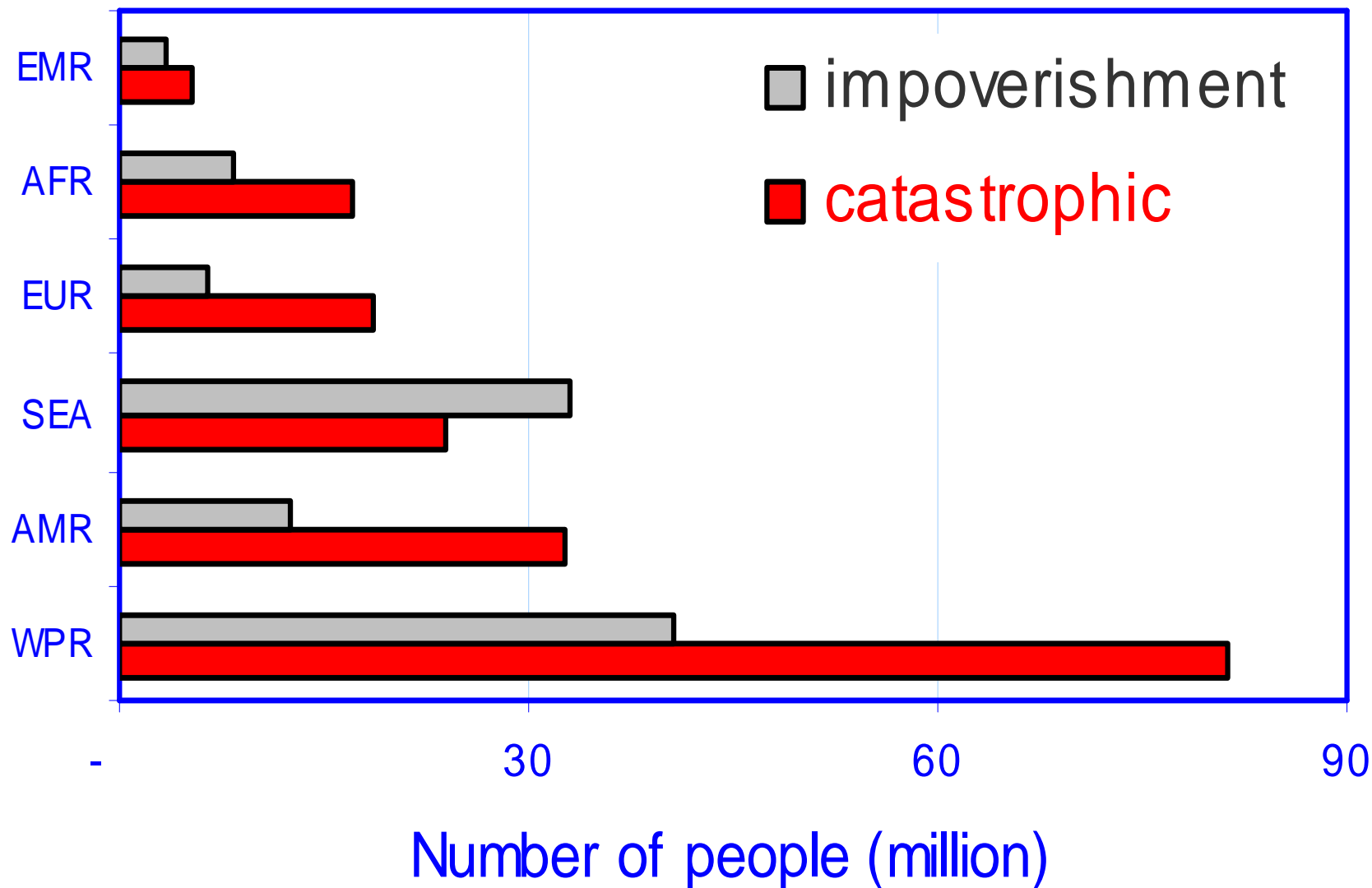
- In the 1980s, the World Bank supported user charges as part of health sector reform measures.
- Structural adjustment reforms linked to technical and financial support provided to developing countries.
- Former socialist countries extensively supported privatization and market oriented health care during their economic transition.
- As a result, private financing of health care has become dominant in many health systems.
- WHO/NHA report shows that direct out-of-pocket payment (OOP) largely accounts as private financing.

National Health Accounts

Out of pocket payments as % of THE in 12 selected countries



Impacts of OOP on household impoverishment and catastrophic expenses, WHO 2004



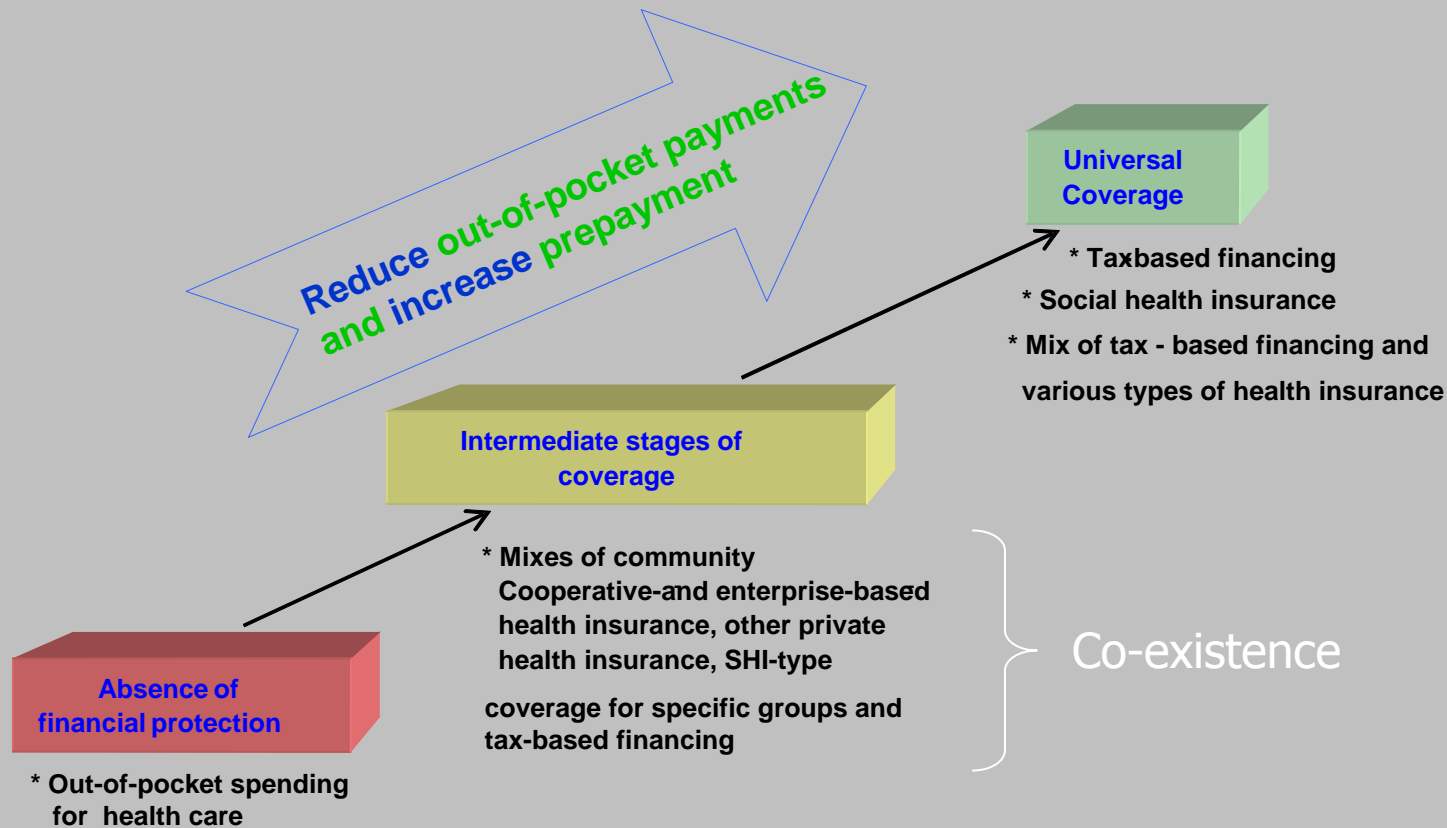
Evidence

- Poverty is high where OOP dominates in financing health services.
- Health payments are catastrophic when the availability of services requires OOP
- People pushed into poverty where inadequate risk pool and prepayment elements in health financing

Message 3: Health should not make people poor.

- Strengthen financial and social protection.
- Extend risk pool and fund sharing.
- Increase political commitment to support the poor.
- Develop clear vision and steps towards universal coverage

Transition years are needed to move from direct to prepayments and attain universal coverage



Japan: Policy and implementation

- Strong government regulation of health finance and delivery to implement health policies is the key factor.
- Universal and mandatory coverage is achieved through a number of schemes for government employers, big and small business firms, self-employed and elderly.
- Government subsidizes the scheme for self-employed (50%), small business firms and elderly.
- All employment based schemes subsidize the scheme for elderly (more than 60%)
- Policy decisions are based on strong evidence and needs of the people. Health is becoming a primary concern and prevention and promotion are increasingly recognised and included into health insurance benefits.

Korea: Single purchaser

- Universal population coverage,
- Limited benefits with gradual expansion,
- Establishment of the National Health Insurance Corporation as a single purchaser by merging more than 350 schemes.
- Monitoring quality and quantity of health care benefits administrated independently (HIRA),
- Drug expenditure is high. Separation of prescribing and dispensing of drugs (now physicians prescribe and pharmacists dispense).
- Use of economic evaluation data for pharmaceutical reimbursement. Purchase health outcomes, not products.

Conclusion

- A policy dialogues mechanism is needed to address health financing and insurance development issues.
- Broad discussions will improve overall understanding and narrow the gap.
- No single formula exists to solve health financing and insurance policy and technical issues.
- Health should not make people poor.



Thank you

“ Honest differences are often a
healthy sign of progress”

Mahatma Gandhi