Health Insurance in Developing Countries

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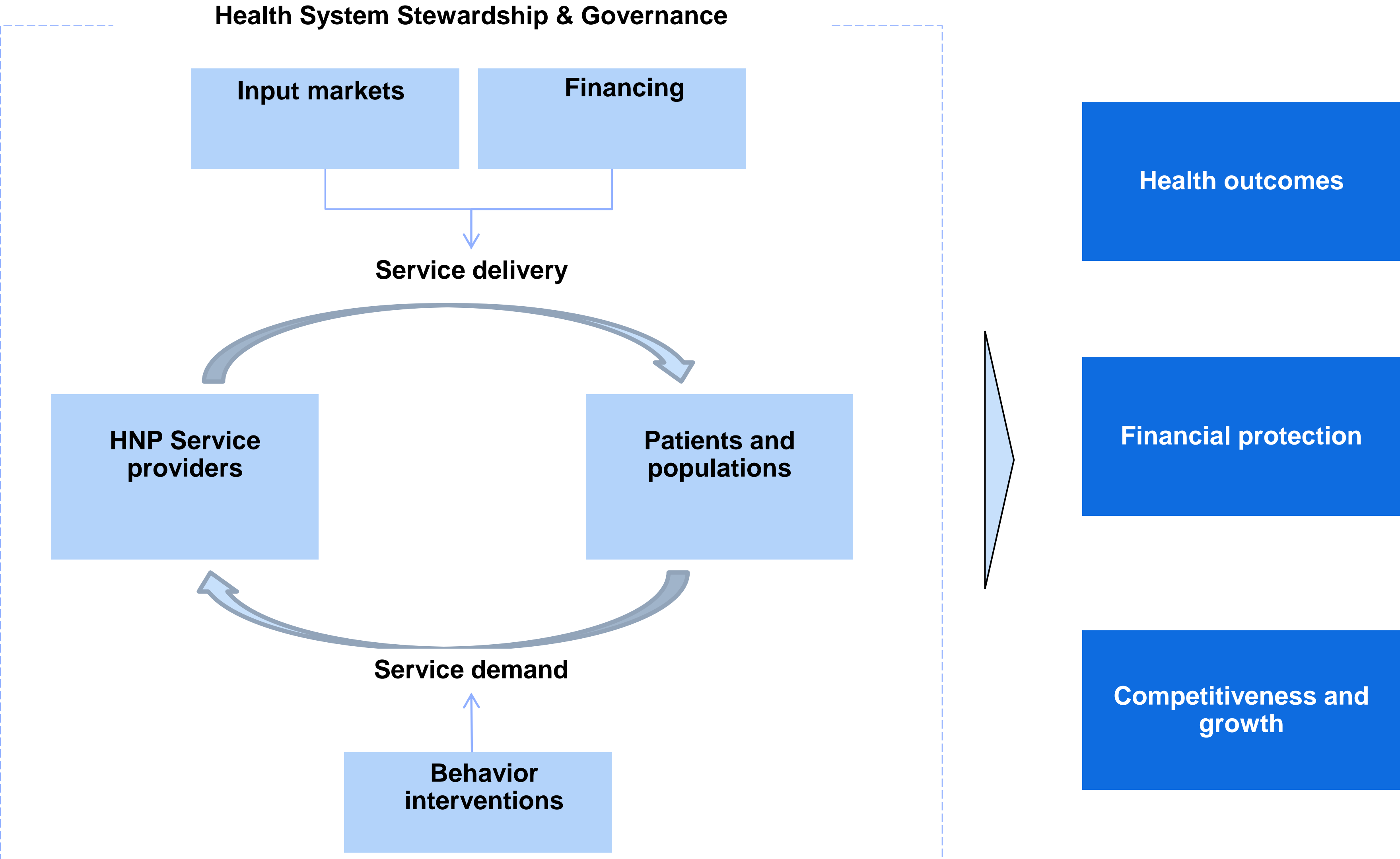
A modern health system is a complex highly interdependent ecosystem

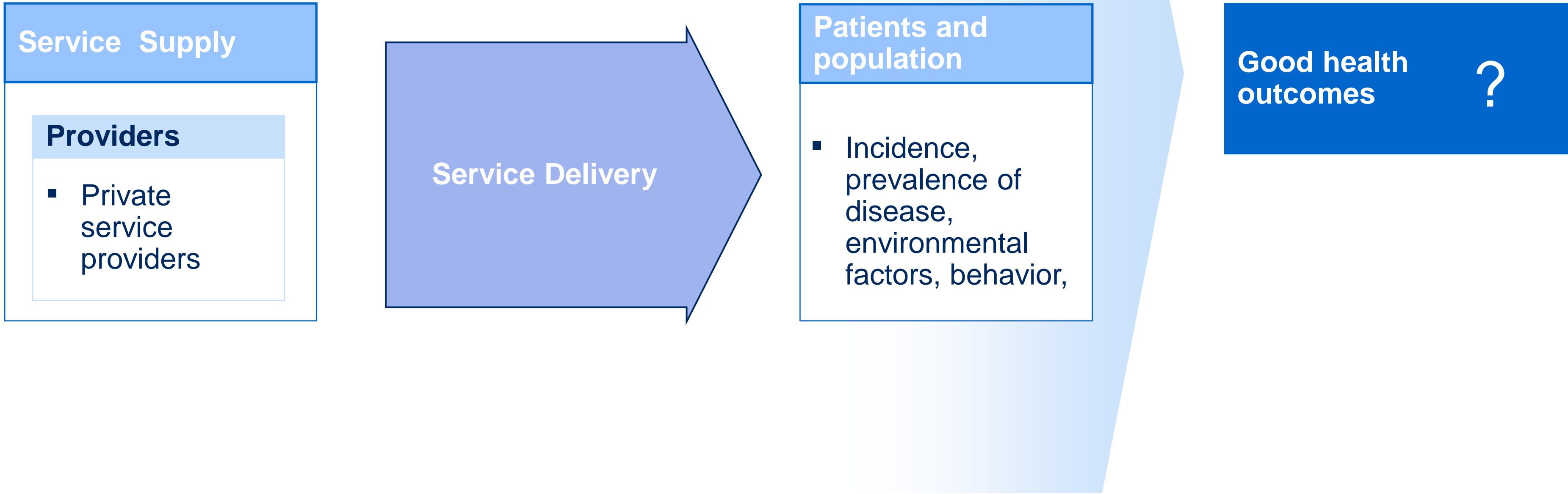


But, Health systems have evolved enormously

Before 19th Century

health system components

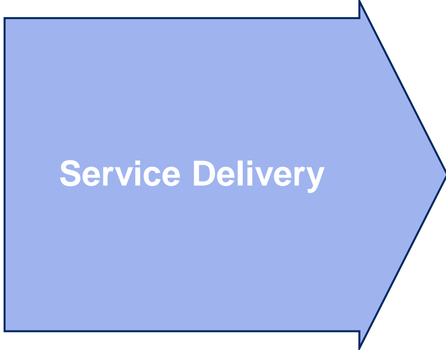
Objectives

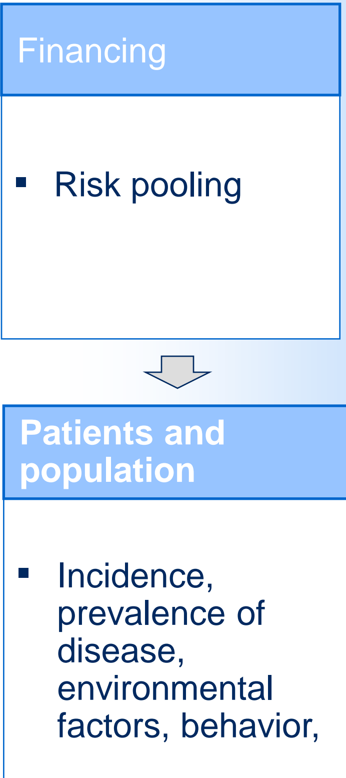


Health systems Financing has evolved
Late 19th and first half of 20th Century

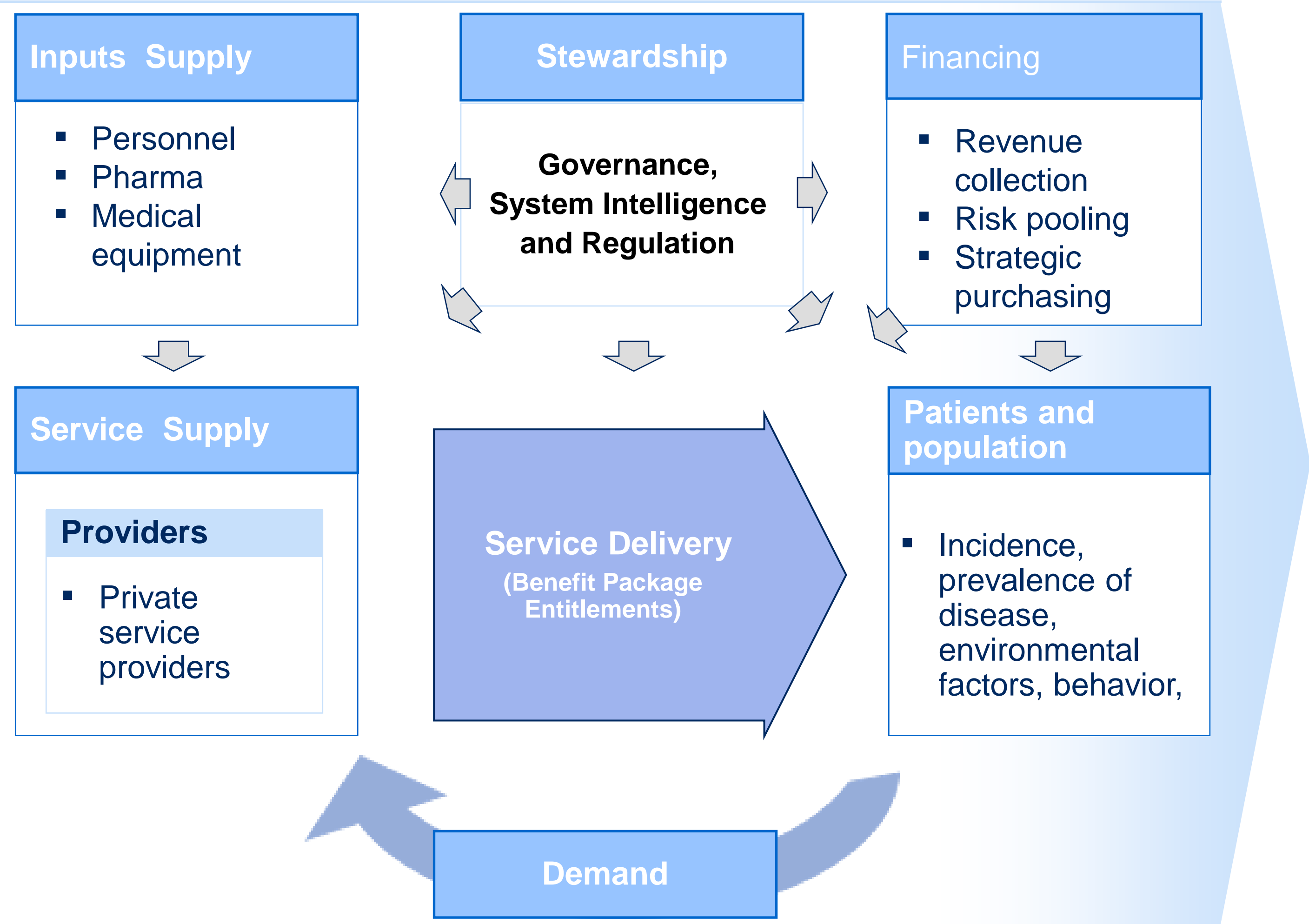
health system components

Objectives





Health systems Financing has evolved
Second half of 20th Century until now



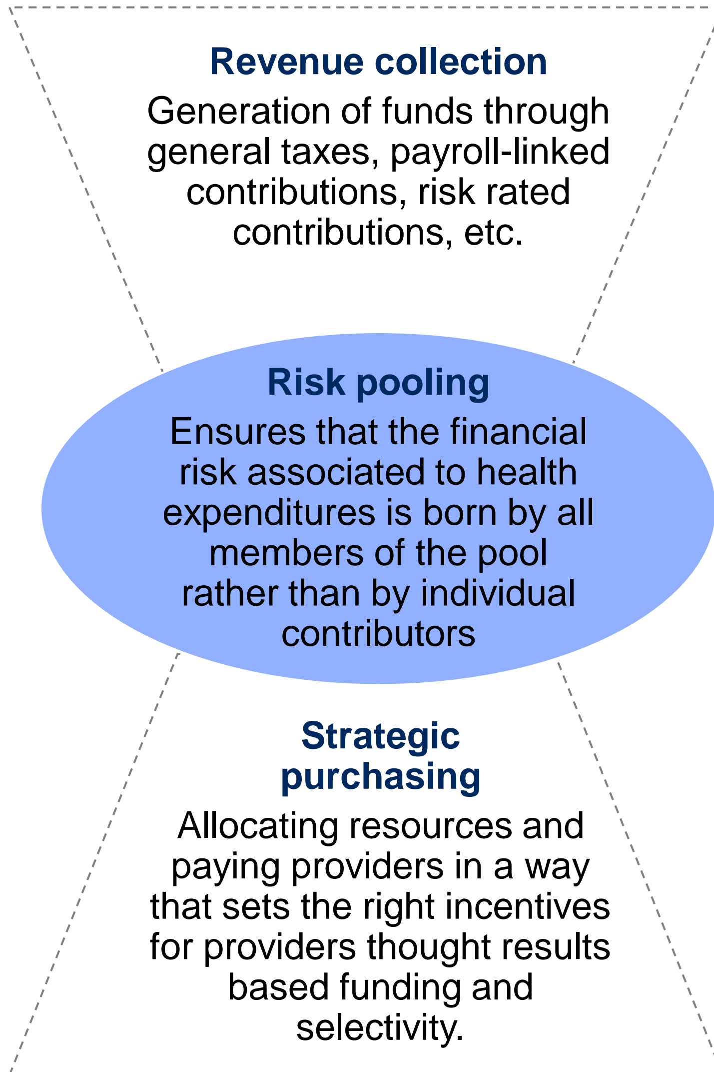
Objectives

Financial protection !

Good health outcomes

Country competitiveness
(HMICs and HICs)

Health Systems Financing has three main tasks



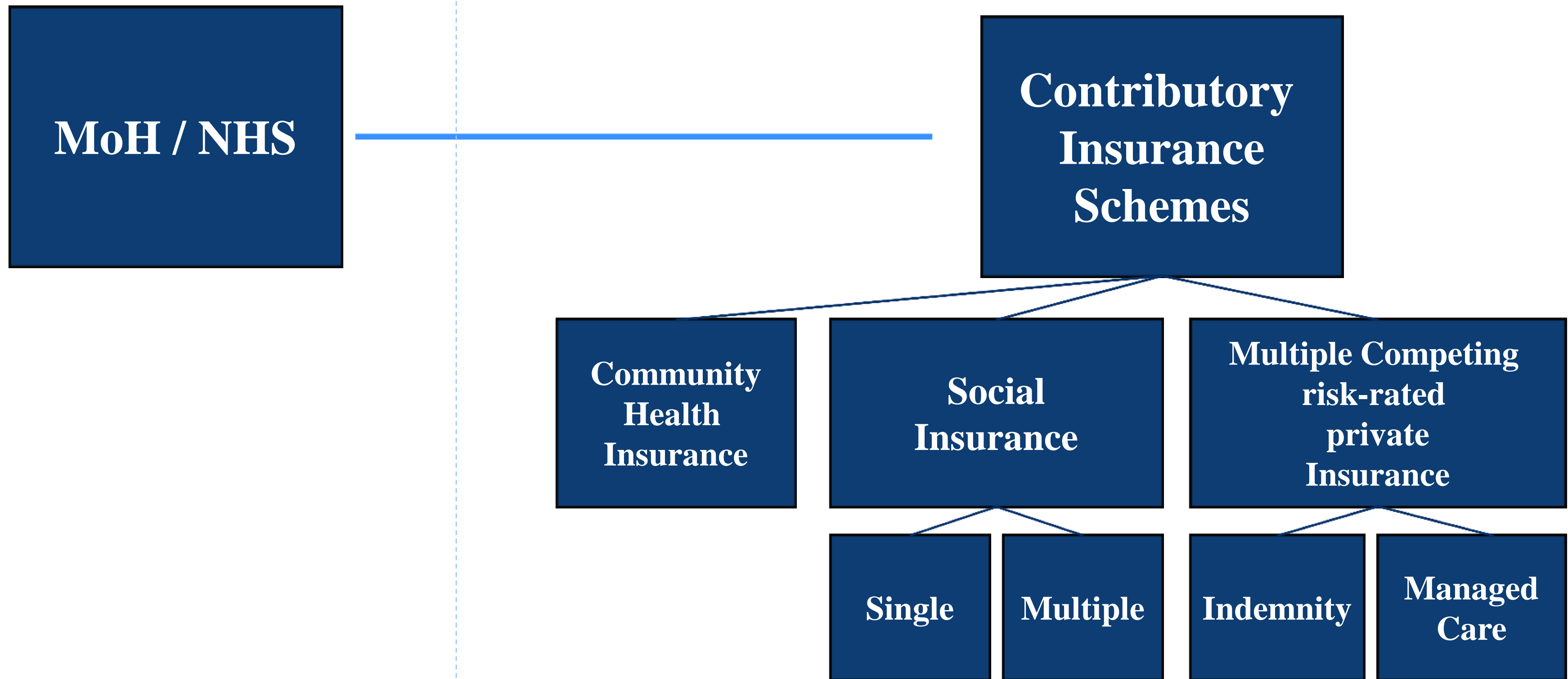
Objective

Collect and provide **enough resources** to pay for the **best possible , effective, quality** and **access** to care the country and HH can afford

Protect households from the **financial risks** associated with the occurrence of severe **health shocks,** secondarily, it stabilizes and likely increases the flow of funding to providers

Creates the right incentives for **high-quality, timely** and **cost-effective service provision**

Countries Organize Risk Pooling in Multiple Forms



Most developing and developed countries have mixed insurance systems

Main Characteristics of each alternative

	System Financing	Risk manag.	Benefit package	Purchasing from	Provider Payment
NHS	General Tax	Population not related to cont.	Implicit almost all, same	Usually from own (public) providers	Supply side type: Line Item Budgets
Social Insurance	Pay - role - Tax	Population Usually not related to cont.	Often Explicit, non premium related , same	Usually from own providers	Supply side type: Line Item: some packaging
Private Insurance	Premium P-R-T	Individual related to cont.	Explicit, premium related	Usually from own and other private providers	Demand side type: FFS

Many Examples around the world

Country	Social Insurance	MoH	Private Risk-Rated	Community Risk Sharing
Chile	FONASA		ISAPREs	
Indonesia	Askes Jamsostek	MoH	Private	JPKM
Egypt	HIO	MoH	Private	Employer based
Uruguay	IAMCs FNR	MoH	Emergency	Union Aid Programs

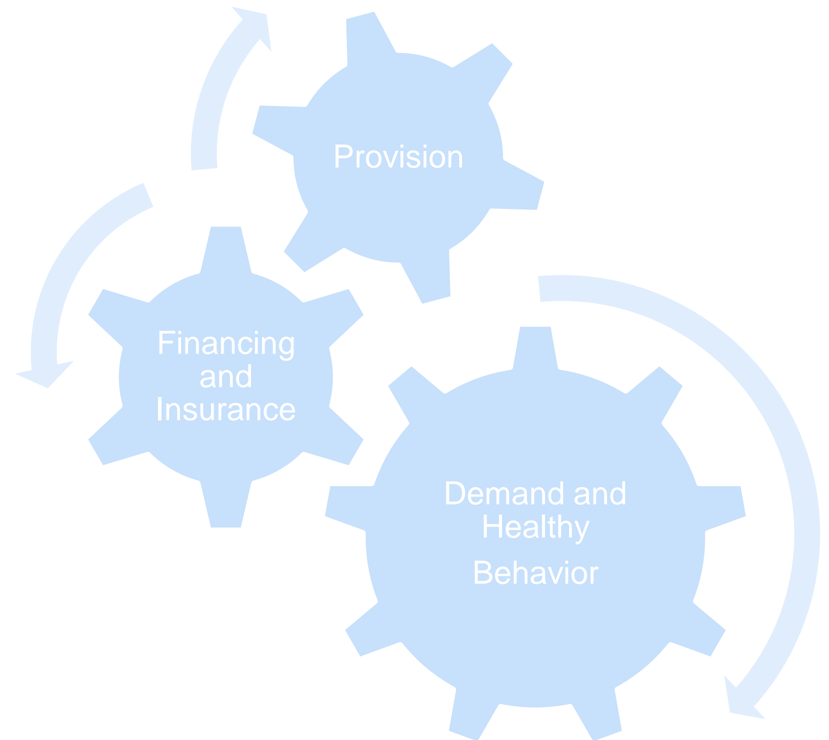
Four trends in Health Insurance in MICs and LICs

1. Implement and expand tax and contribution based health insurance
2. Manage and mitigate effects of mixed insurance systems
3. Reduce Fragmentation in Mixed Systems (Integration)
4. Fiscal sustainability and country competitiveness

Five key challenges from experience in setting health insurance in LICs and MICs

(not to worry … there are many more…)

- **Organizing Risk Pooling**
- **Setting the Benefit Package**
- **Estimating the cost and agreeing on how to pay for it**
- **Including the poor and the informal sector**
- **Keeping connected to the people…**



Decisions on Risk Pooling Organization

(not to worry … there are many more…)

- Clarity in Functions and responsibility among MoH (overall stewardship); Insurance (risk pooling and contracting); providers / local
- Single or multiple insurers?
- What will be the role of private sector in insurance and provision?
- The perfect … the enemy of the good … moving forward , evaluate, and adjust…

The complex technical and political challenge of setting the Benefit Package

The benefit package (BP)	Examples
Defines interventions covered	The BP may exclude certain services such as dental procedures or glasses
Defines quality of service and waiting time	The BP may specify certain targets for maximum waiting times (such as in the UK) or minimum quality standards
Sets co-payments, deductibles (if any), and stop-loss provisions	Conditions such as cost-sharing via co-payments can have significant effects on utilization behavior and coverage (e.g. some states in the US)
Contains conditions of responsiveness (confidentiality, minimum standards of accommodations, privacy, access to patient information, patient rights and other elements for the preservation of dignity)	Patient rights and the security of confidential information such as patient records are secured by law in many countries (e.g. Germany)

Key considerations

- The BP discussions often ignore the impoverishing events dimension and the need to ensure financial protection
- Modification of BP (extension or exclusion) has widespread effects in financing and health status through utilization changes

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The cost

(not to worry … there are many more…)

How much does it cost and how to pay for it?

- Countries are moving to fund the BP with general taxation if they can afford it
- Crucial to cost and define fiscal/financial space
- Crucial to establish early MoH – MoF direct, frank dialog and collaboration
- Affordability is determined by:
  - Composition of the package (large or focused)
  - Number of beneficiaries: defining what populations will be covered first and what later
- Financial effects on Treasury (fiscal), on households (financial protection), on labor cost for business (country competitiveness)
- Countries make it feasible by timing both (the composition of the package (depth of coverage) and the inclusion of the populations (breath of coverage) → Initial focused package that grows in time

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Including the poor, the informal, and the self-employed sector

Not all informal are poor

- Large overlapping between being poor and being and informal worker,
- But many informal are non-poor
- Identifying and targeting the poor: Perfect is the enemy of the good…
- Technology innovation and leapfrogging

The poor need full subsidy for the BP

- Any contribution / payment can deepen poverty and reduce access
- Free care is not enough, need to compensate for indirect costs (linking with CCTs crucial)
- Identification: simple is good…
- Granting benefit, and funding to be under same single authority …

In some cases informality is a choice

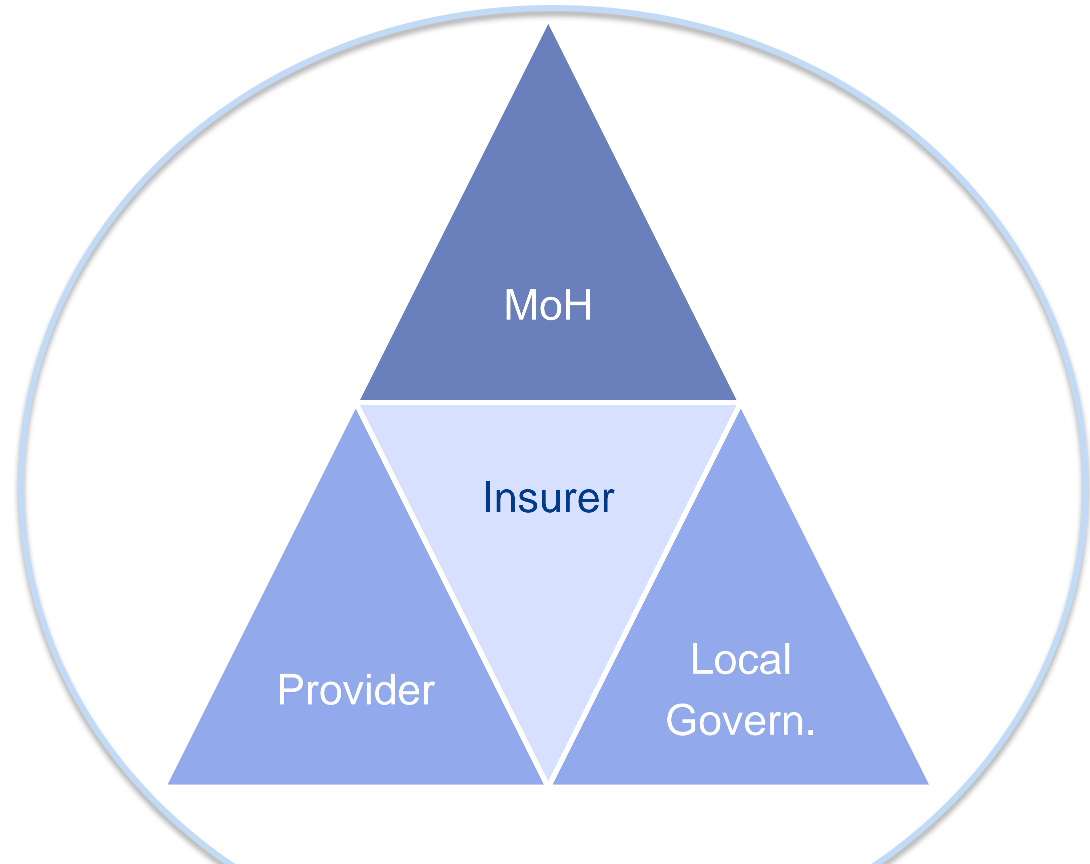
- When the cost of formality is high workers may choose to be informal.
- In MICs, anecdotal information suggest could be as high as 35%
- Income and employment not verifiable, need to want to participate and contribute
- Make it is costly not to do so (regulation, law enforcement, etc) or make it beneficial (increased benefits)

Informal non-poor to contribute, if feasible

- Equity reasons

But successfully implementing health insurance (whatever the model), is not only about insurance of even financing… is about all parts of the system

- Who provides Stewardship ?
- Who defines BP and who operates it ?
- Who regulates consumer protection?
- Who license and accredit insurers & Providers ?
- Who pools risks?
- Who contracts and pay providers?



Essential to clarify mission and scope of authority avoiding conflicting and confusing overlapping and ambiguity

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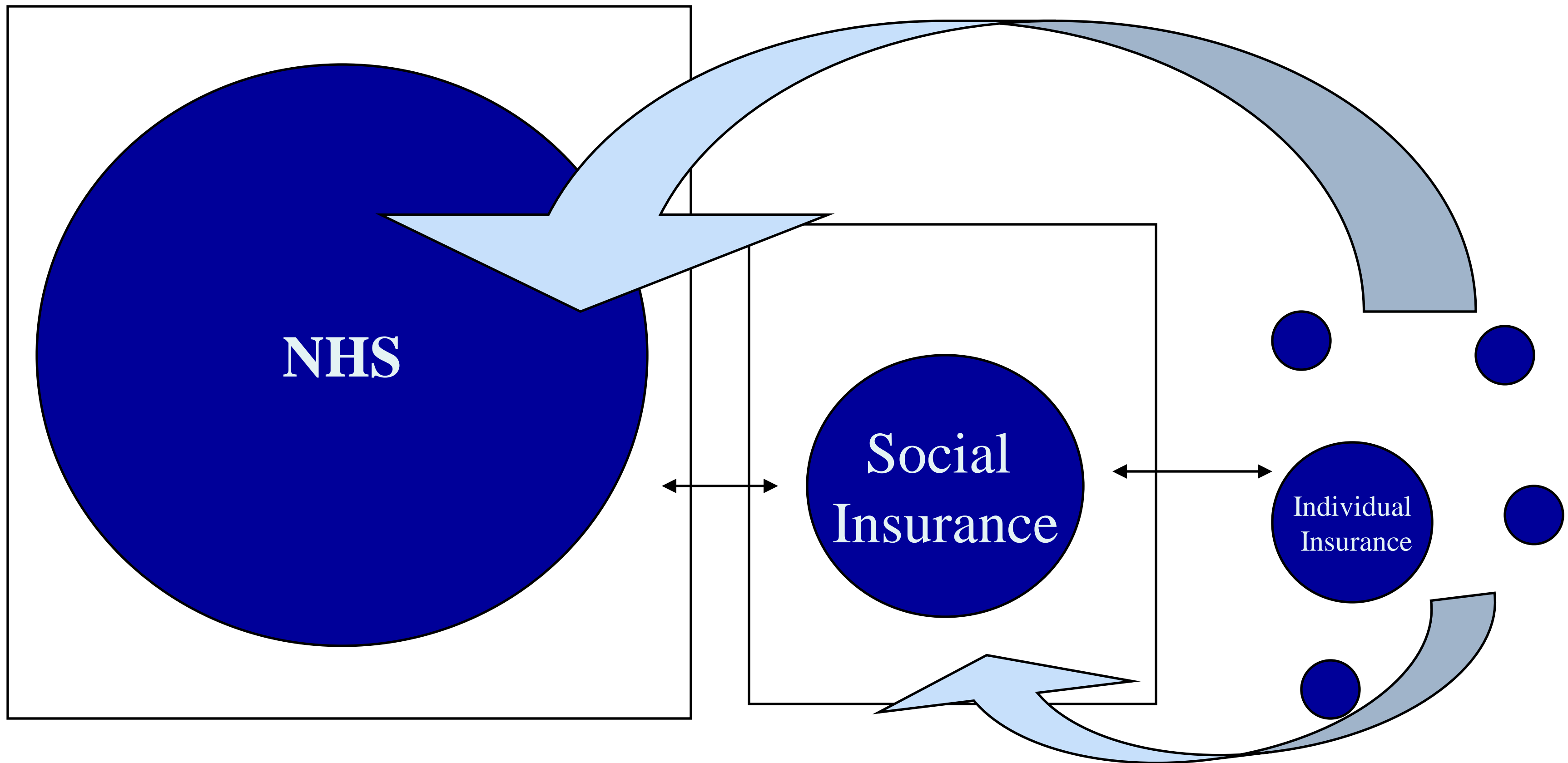
The Challenge of mixed insurance systems

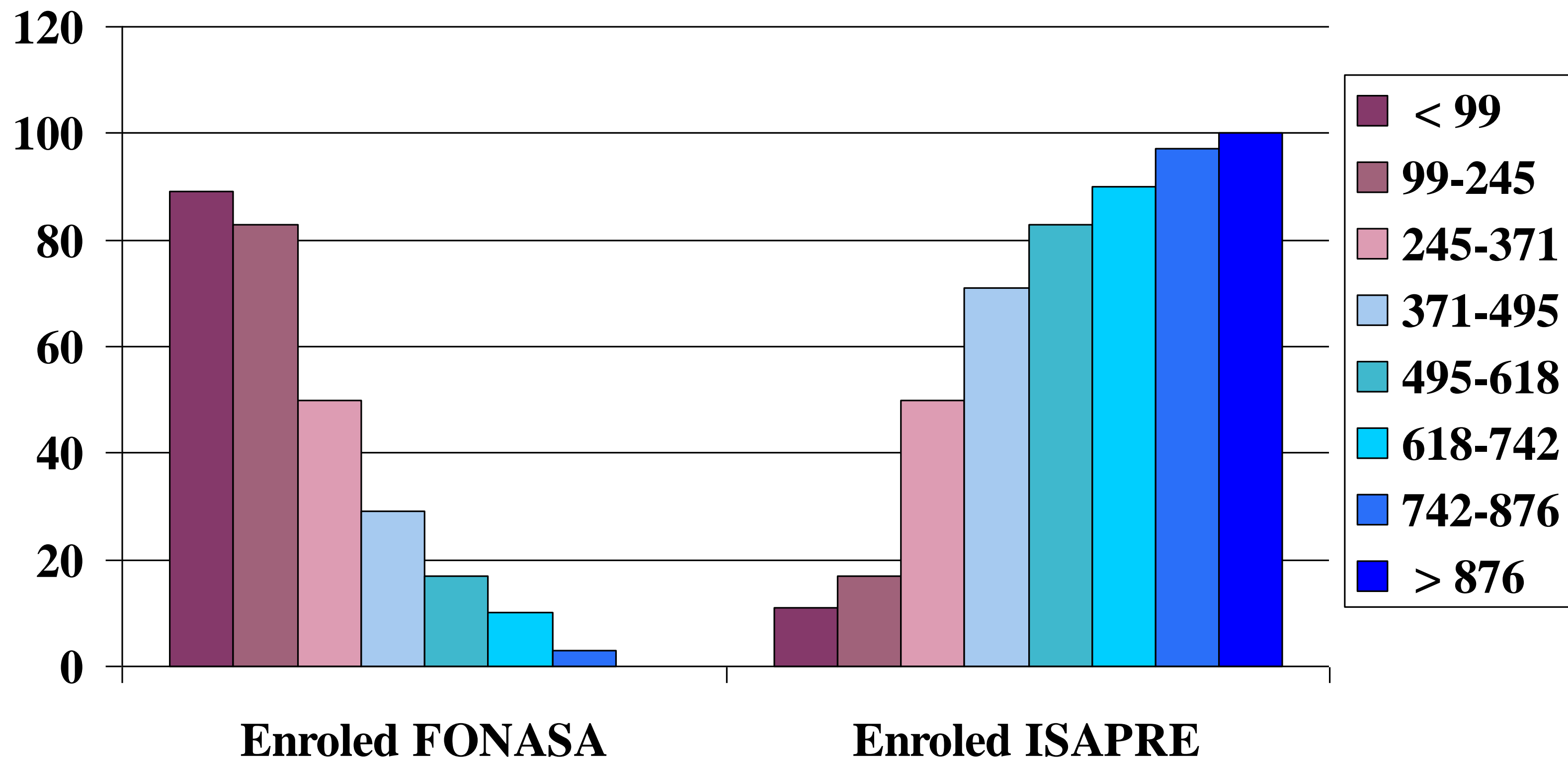
Risk Selection
Risk Dumping
Adverse Selection
Income Segmentation



FONASA and ISAPREs Population by income of principal (1994)

Source: ISAPRE Association and FONASA, 1995

% of all formal workers in the income category



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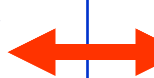
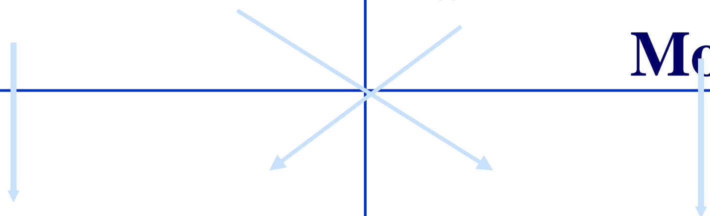
Integration

The challenge of Private - Public Integration

	Private, risk related, Market	Public, salary related, Command and Control
Insurance	**Individual Private Insurance**	**Population based Social Insurance or MoH**
Provision	**Private Provider Demand side provider financing mechanism**	**Public Provider Supply Side provider Financing Mechanisms**





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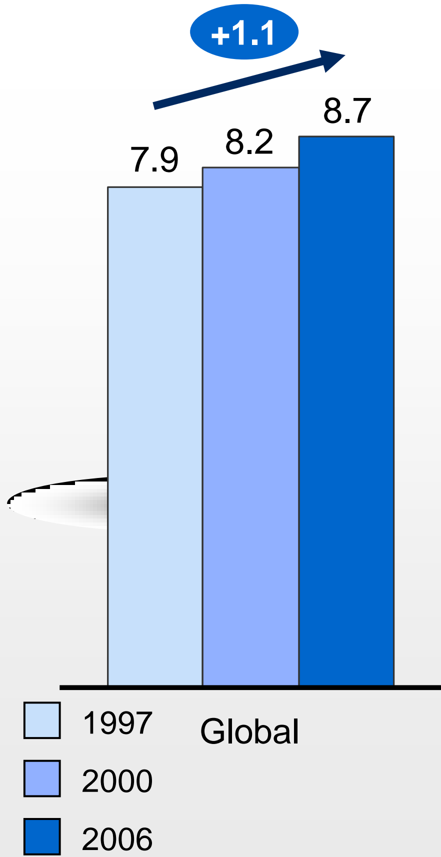
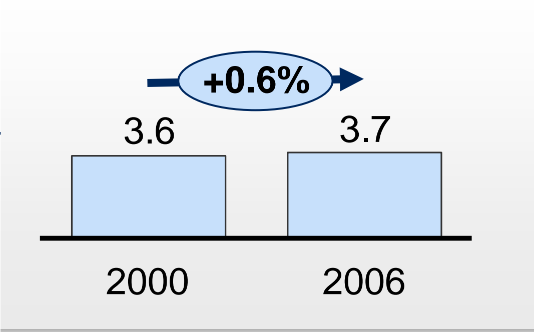
Health Expenditures Growth has been Driven by Public Expenditures Growth

Percent

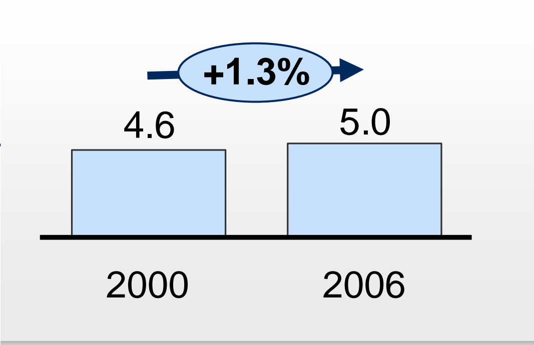
World health expenditures as percentage of GDP



World private health expenditures as % of GDP

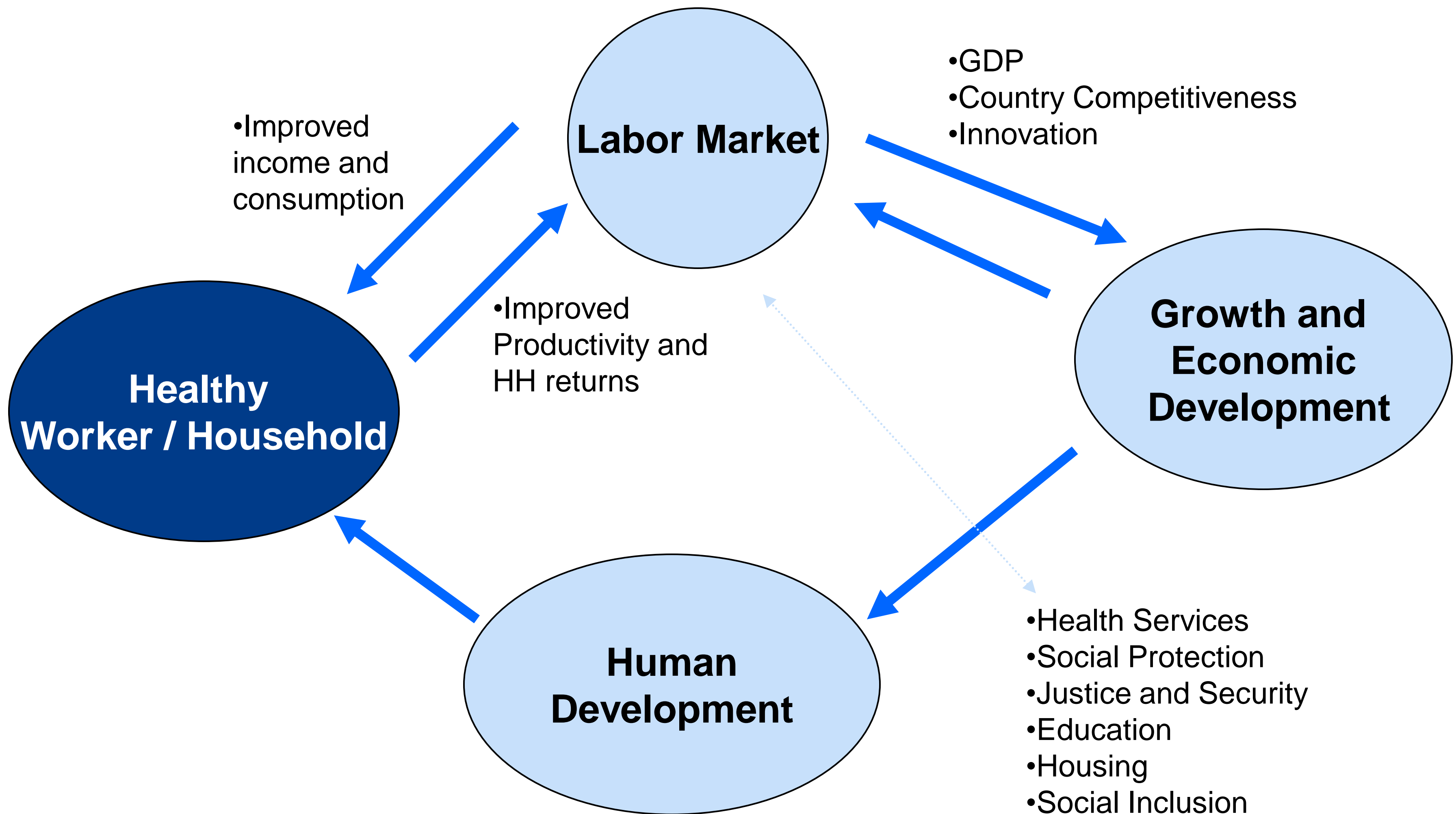


World government health expenditures as % of GDP

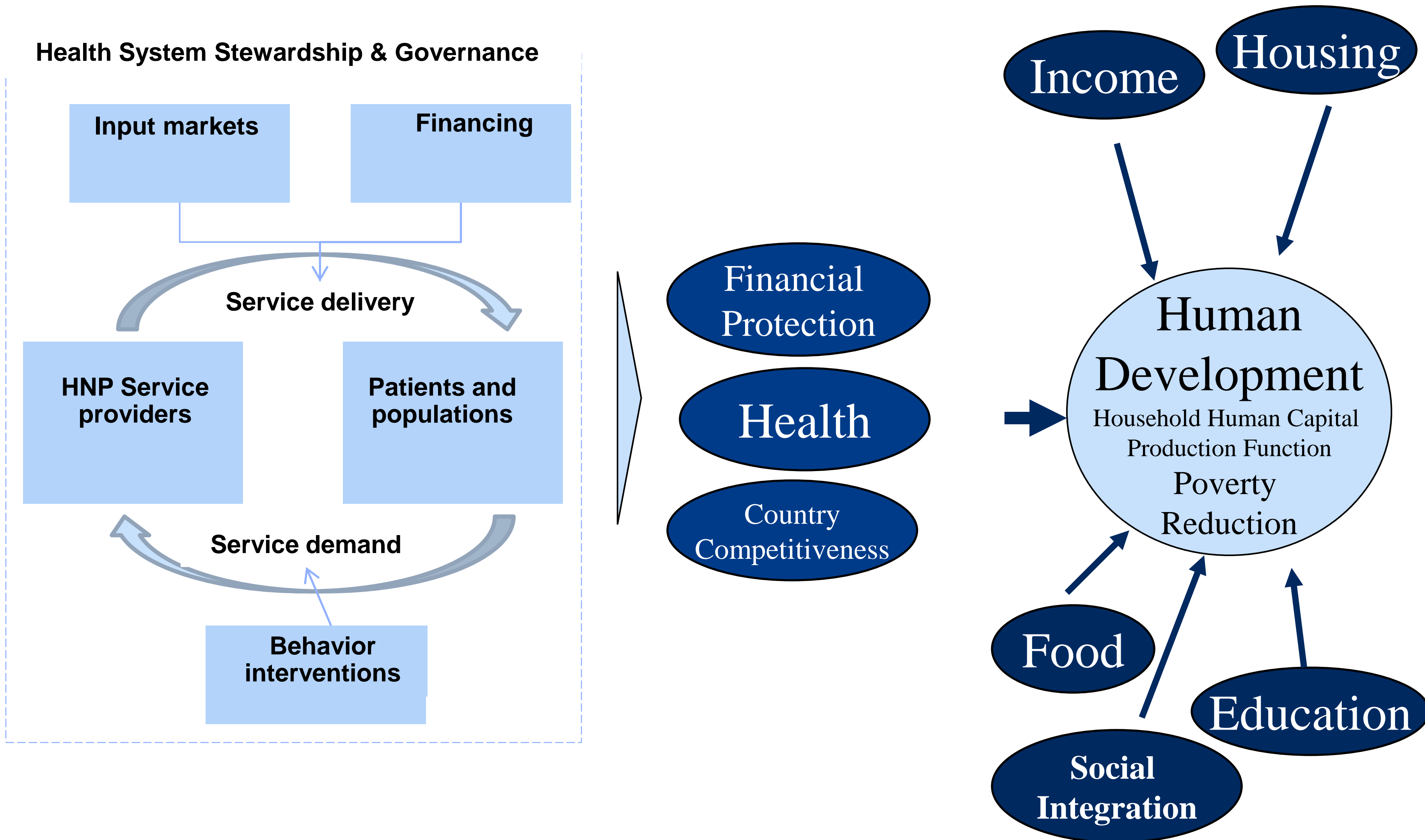


SOURCE: World health statistics 2009, WHO;

Health and the Economy



Health Systems as contributors to Human Development: today



The 2007 HNP strategy aims to help people live healthy, productive lives

Healthy Development:

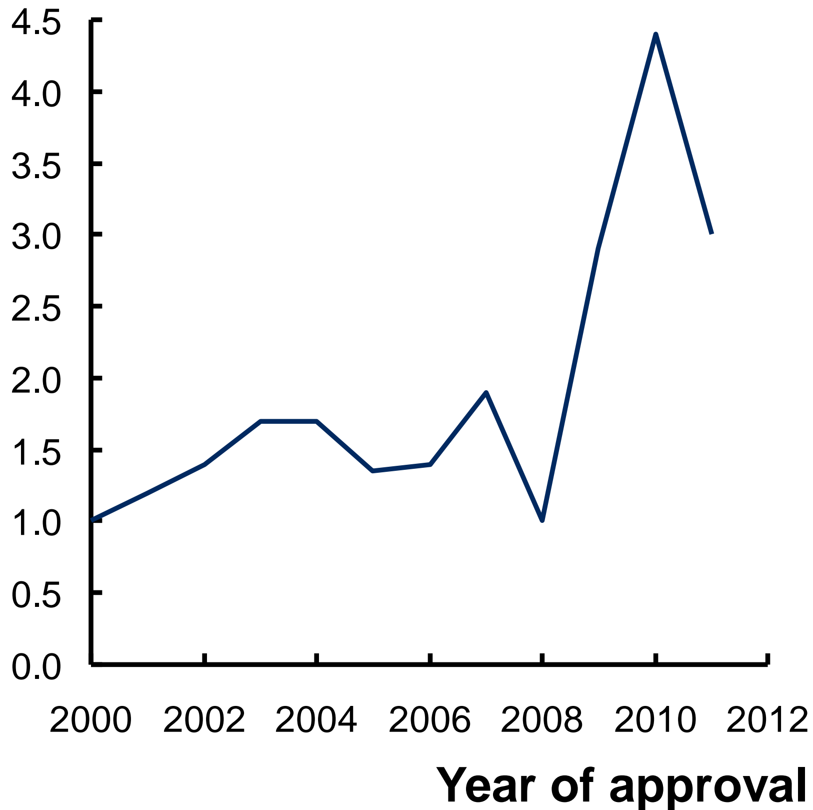
The World Bank Strategy for HNP Results

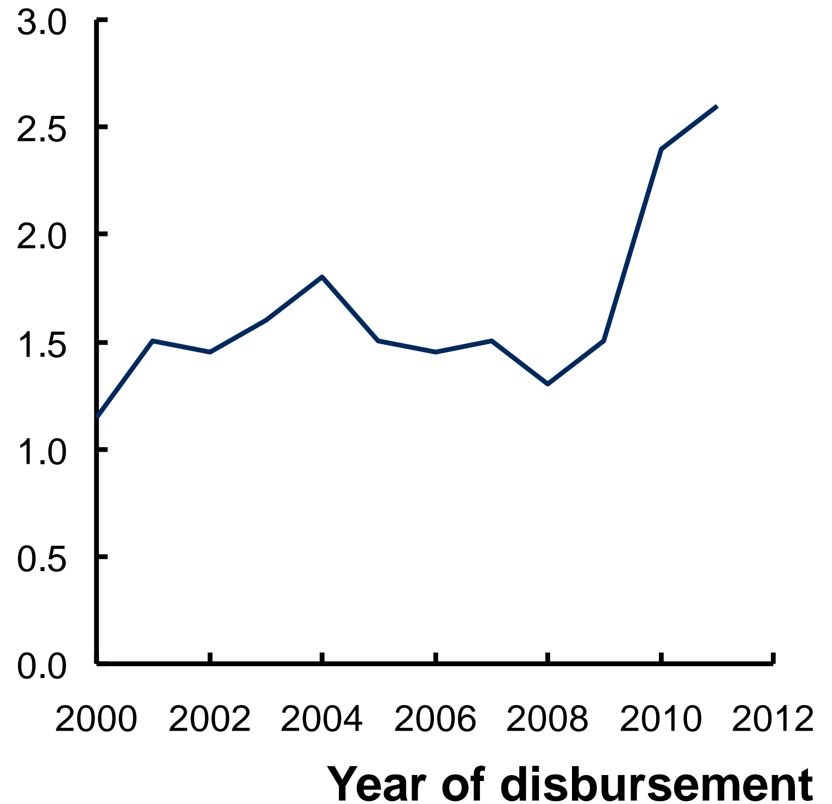
Outcomes:	Poverty:	Economy:	Governance:
Improve the level and distribution of key HNP outcomes, outputs, and health system performance at country and global levels	Prevent poverty due to illness by improving financial protection	Improve financial sustainability in the HNP sector and contribute to macroeconomic and fiscal policies related to country competitiveness	Improve governance, accountability, and transparency in the health sector

The HNP strategy firmly put our operational focus on areas where the Bank has experience

- Health systems strengthening Approach
- Ability to design and facilitate cross-sectoral collaboration
- Technical and Operational Capacity for large-scale implementation
- Core economic and fiscal analysis capacity
- Substantial country focus and presence

Last years have seen steady growth of HNP commitments and disbursements

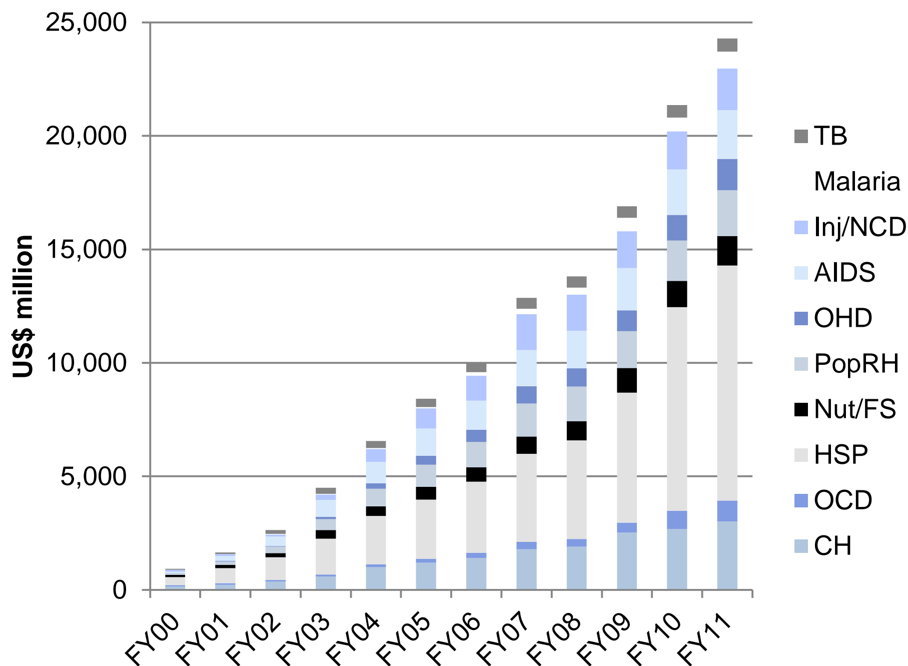


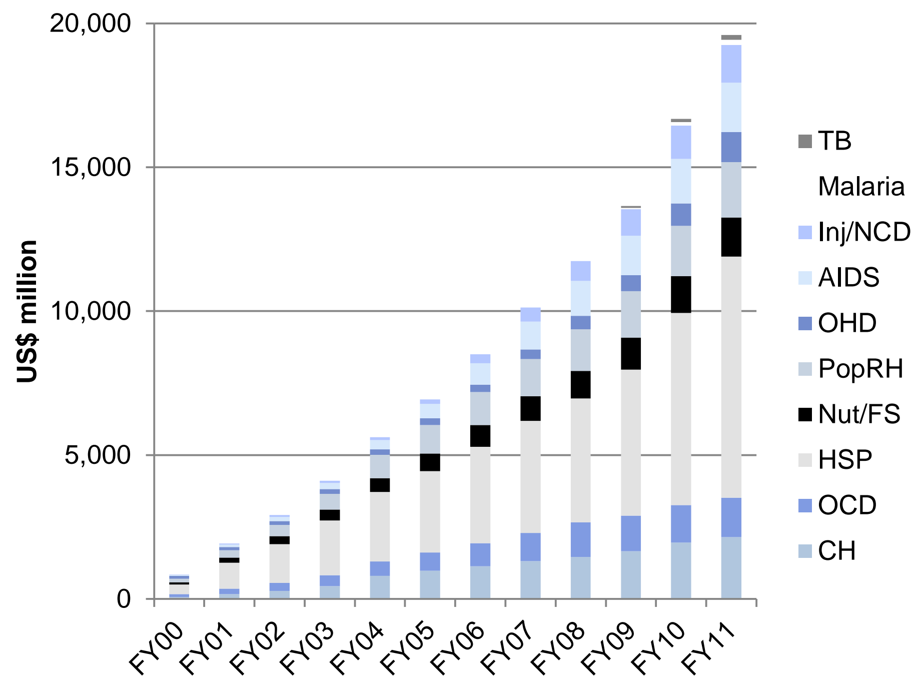


* Total annual project commitments and disbursements to the health sector

Source: the World Bank

HNP Thematic Commitments and Disbursements FY00-FY11





HNP themes include Child health, Health system performance, Nutrition/Food security, Population and repro health, other HD (water safety, hygiene), HIV/AIDS, Injuries and non-communicable diseases, Malaria, TB and Other communicable diseases.