Universal Coverage: A Noble Goal Demands Complex and Difficult Choices

William C. Hsiao, PhD, FSA

K.T. Li Professor of Economics

Harvard School of Public Health

Barcelona, Spain

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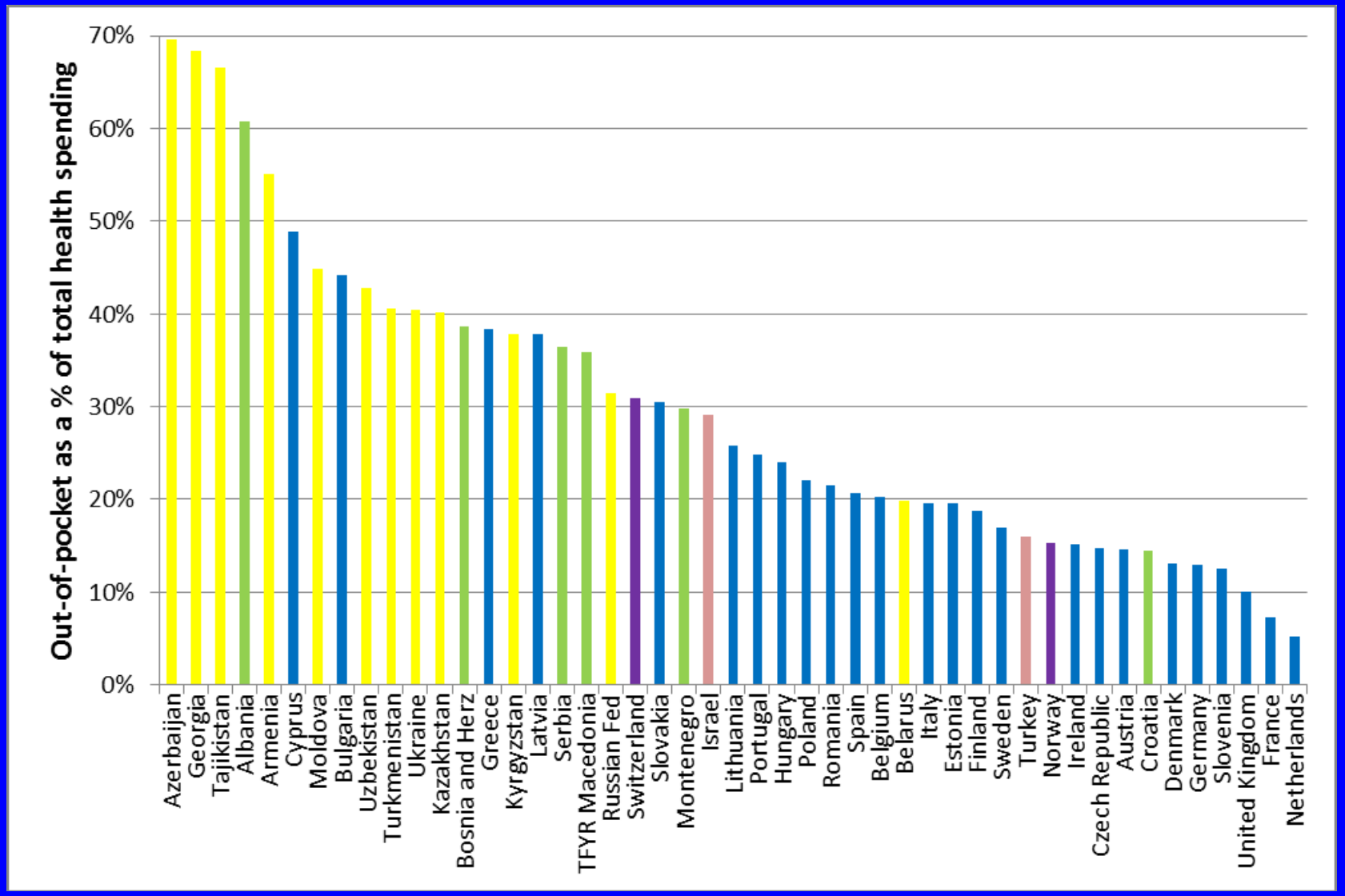
Outline

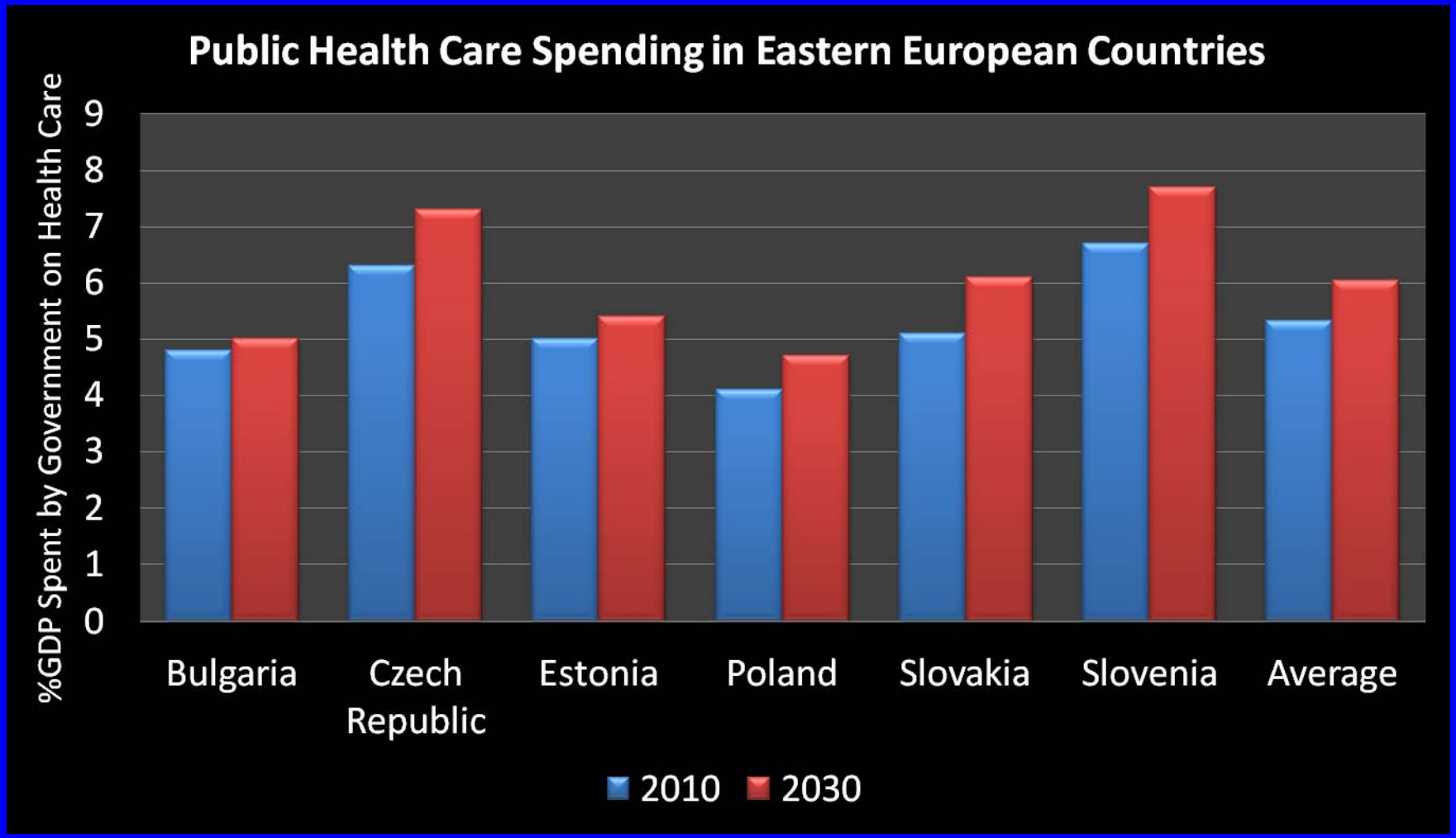
- Universal Coverage: the difficult choices
- Efficiency gains as an approach to finance universal coverage
- The strategy of United States to achieve and sustain universal coverage through efficiency gains.

Reliance of countries on Out-of-Pocket Spending (OOP)



Source: WHO estimates for 2010, countries with population > 600,000

Cost Growth in Europe



Source: European Commission 2010

What is Universal Coverage and Why?

- Universal Coverage (UC) is "all people have access to services and do not suffer financial hardship paying for them."

  WHO, WHA 58.33, May, 2005

- Why UC?

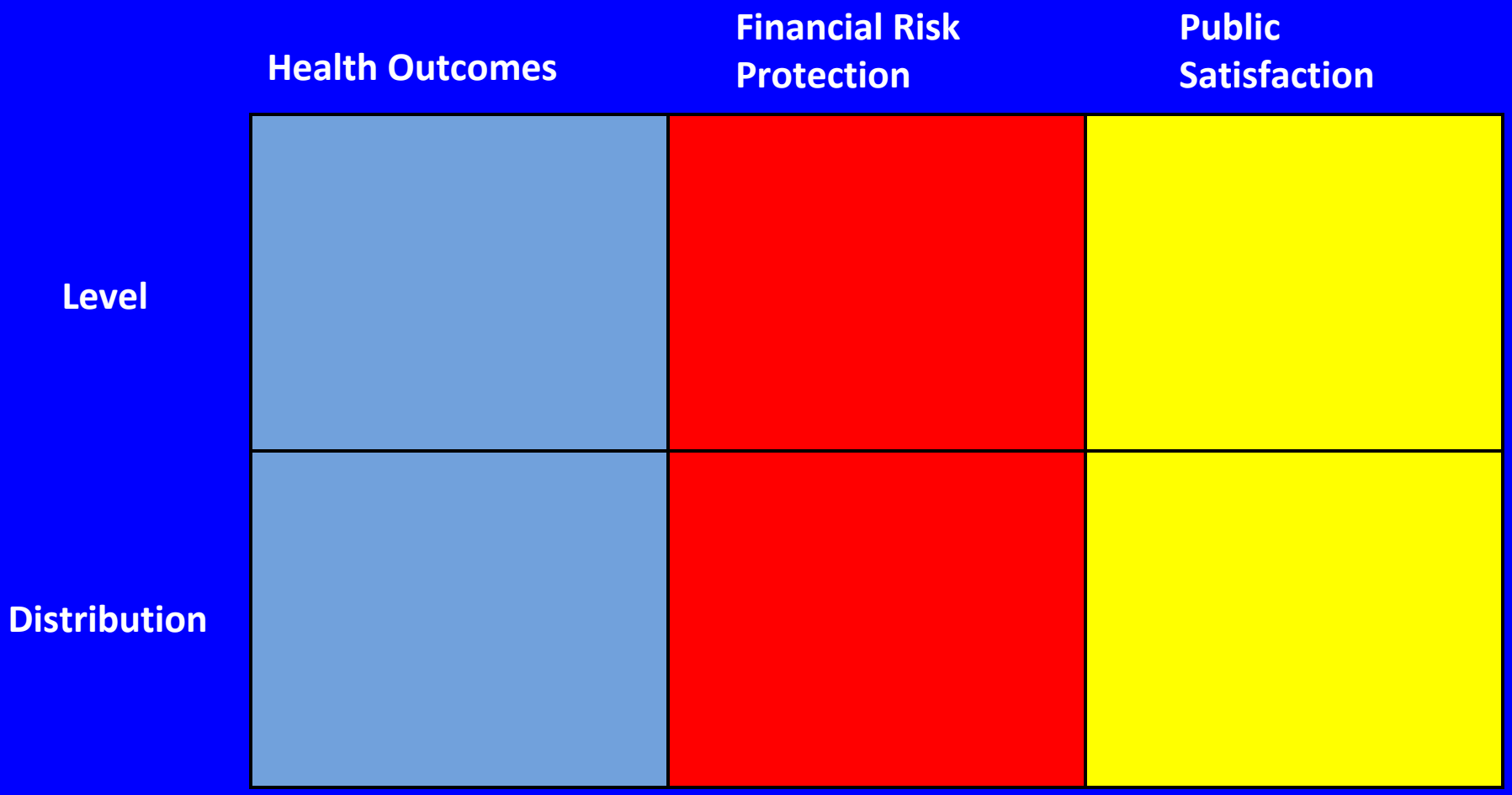
  "Promoting and protecting health is essential to human welfare and sustained economic and social development."

  WHO. The World Health Report, 2010

Universal Coverage

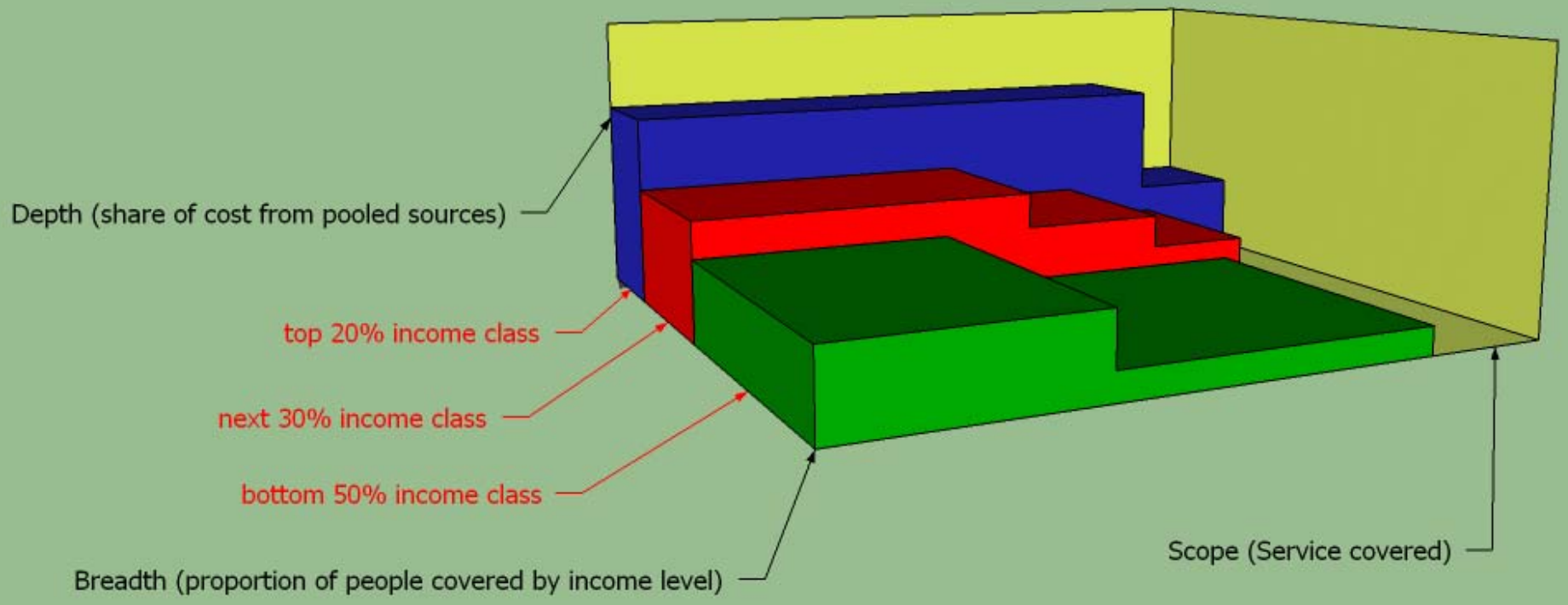
- Universal coverage is an effective strategy to achieve noble goals.
- Universal coverage involves difficult choices and trade-offs:
  - Breadth
  - Scope
  - Depth

Performance Dimensions of Health Systems



Source: Hsiao, 1998

Where we start for universal coverage?



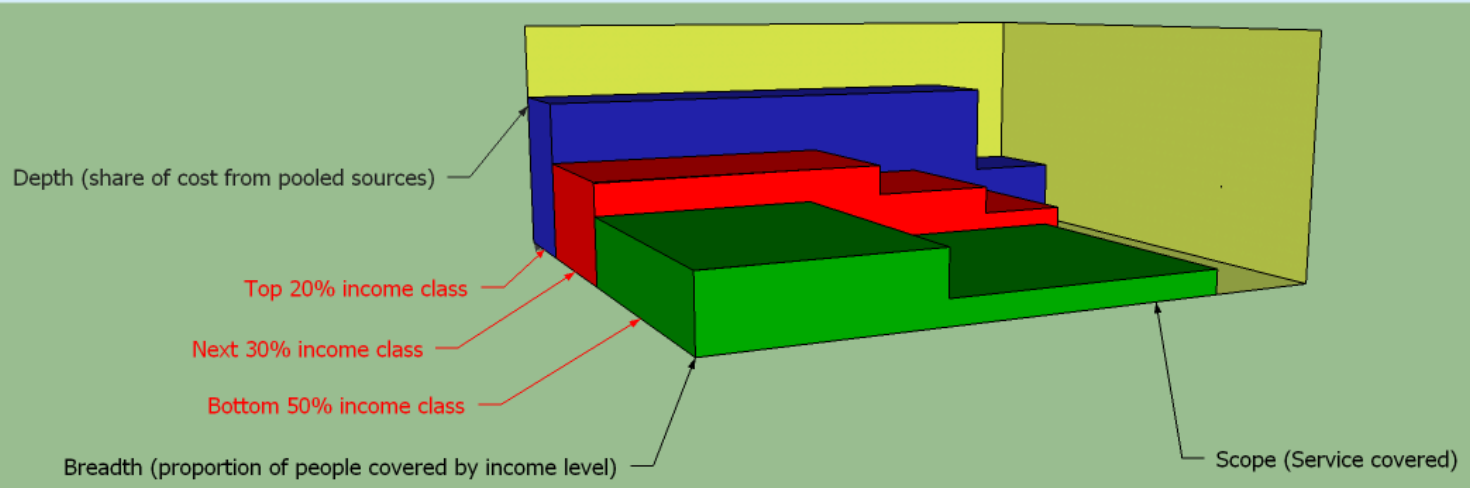
Need Fund to Make UC a REALITY

Difficult Choices Under Financial Constraint

Trade-offs:

- Breadth: Expand population covered?
- Scope: Expand health services covered?
- Depth: Expand amount of charges covered? Reduce patients' out-of-pocket payment such as co-payment or under the table payment for covered services.

Where we start for universal coverage?



How to Finance Universal Coverage?

- Expand coverage and/or sustain UC require funding
- How to generate the funding for UC?
  - Additional or new sources of financing
  - Efficiency gains

Alternative Financing Pathways

Efficiency Gains

Financing Sources

Potential Efficiency Gains

WHO World Health Report 2010:

"This report estimates that from
20% to 40% of all health spending
is currently wasted through inefficiency."

$1 of efficiency gain= $1 of new funding

Financing sources for UC: Additional funds + Efficiency Gains.

The Causes of Inefficiency

- Allocative inefficiency
- Politics and bureaucratic management
- Poor Governance structure, patronage
- Poor management
- Corruption

Potential Efficiency Gains: Drug Pricing

Catalonia

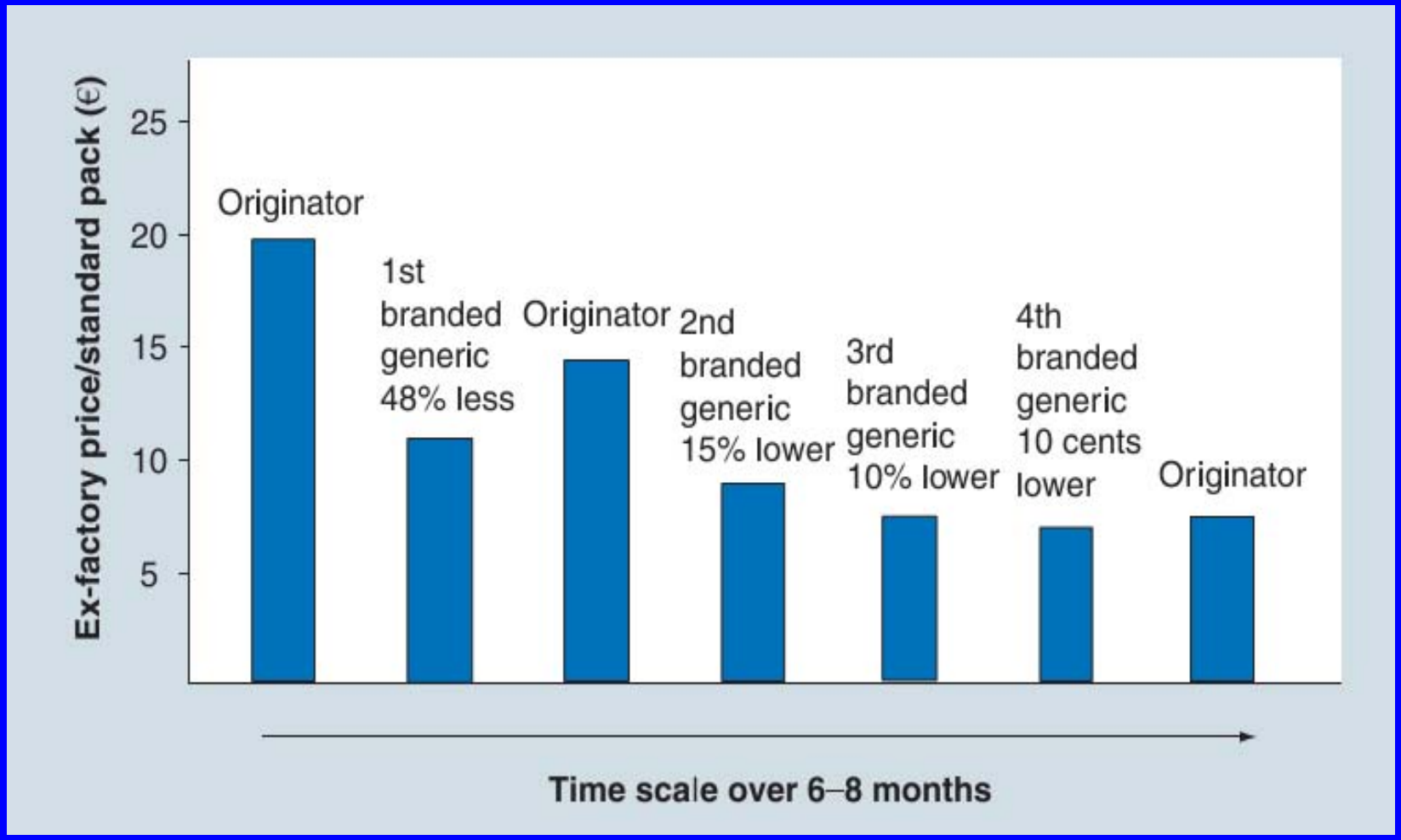
- Reforms
  - Global budgets for Primary Health Centers with financial incentives for prescription of generics
  - Benchmarking of physician prescription patterns
  - Dissemination of multidisciplinary guidelines and academic detailing
  - Reference Pricing and mandatory substitution of generics in some cases (national)
- Results
  - 51% drop in expenditures per dose for PPIs
  - €4.6 million in net savings on statins despite 75% increase in utilization

Austria

- Reforms
  - Prescribing support systems which rank medications by class
  - Benchmarking physician prescription patterns at the regional level
  - Incentives for generic prescription from social insurance funds
  - Reference pricing for "brand" generics
  - Negotiated price reductions for name brand drugs by social insurance funds
- Results
  - 56-77% reduction in expenditure per dose for PPIs
  - 60% reduction in expenditure per dose for statins

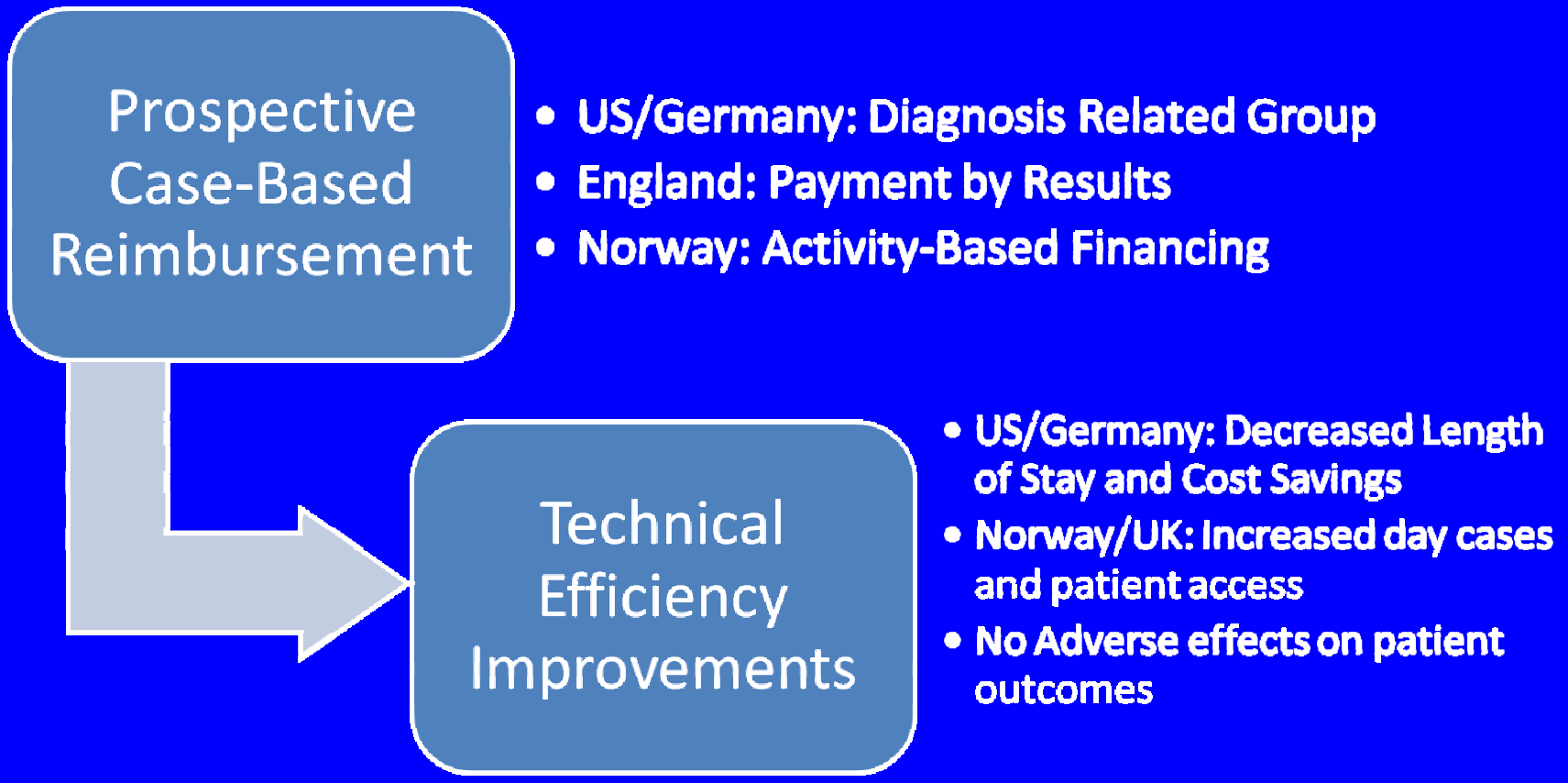
Sources: Coma (Catalonia), Godman (Austria)
Expert Rev. Pharmacoeconomics Outcomes Res. 2009

An Illustration of Drug Reference Pricing in Austria



Source: Godman, *Expert Rev. Pharmacoeconomics Outcomes Res*. 2009

Potential Efficiency Gains: Hospital Payments



Sources: Farrar, *BMJ*, 2009; Herwartz, Christian-Albrechts-Universität Kiel, 2011; Biorn, *Health Care Management Science,* 2003

Kyrgyzstan: A Case Study in Efficiency Gains Through Comprehensive Reform

Delivery System Restructuring

- State-run family medical centers as first point of care
- Changes in referral patterns and communication
- Restoration of primary care infrastructure and hospital closures
- Use of community health workers in rural areas

New Financing Mechanisms

- Hybrid single payer system pooled at the national level
- Purchaser-Provider split with Capitation and Cased Based Payments
- Increased financial autonomy of providers
- Direct government funding for universal coverage of minimum preventive services

Sources: Balabanova et al. London School of Hygeine and Tropical Medicine, 2011; Kutzin, et al. *Bulletin of the World Health Organization*, 2009

Kyrgyzstan: Health System Performance

Access to Services

- 98% of women deliver babies in a health care facility
- 97% coverage of preventive antenatal services
- 99% childhood immunization coverage

Cost Control

- Sharp Declines in Informal Payments and Financial Burden
- Lower Health Expenditure per Capita than CIS Average
- Smaller Percent of Government Budget Spent on Health than CIS Average

Health Outcomes

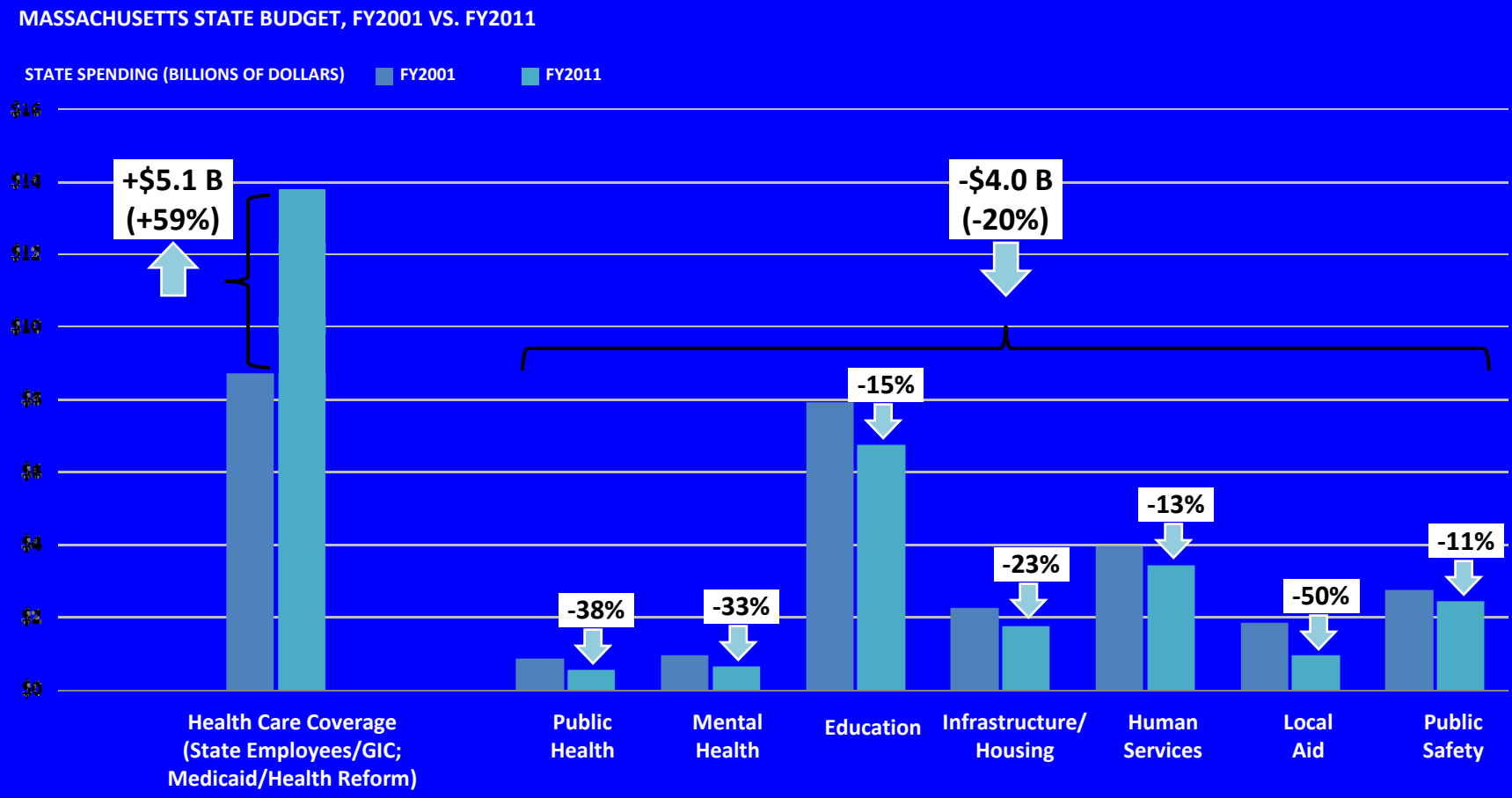
- 50% drop in infant mortality rate from 1997-2006
- Sharp drop in TB and circulatory deaths relative to other CIS countries
- Life Expectancy Above CIS Average

Sources: Balabanova et al. London School of Hygeine and Tropical Medicine, 2011; Kutzin, et al. *Bulletin of the World Health Organization*, 2009

Problems Confronting USA

- 50 million Americans uninsured; another 50-70 million inadequately insured.
- How to achieve universal coverage?--- Affordable Care Act (ObamaCare).
- How to finance and sustain coverage--- Efficiency Gains:
  - Prevention and primary care
  - Medical homes; Accountable Care Organizations
  - Payment reform: Capitation, Pay-for-performance

The Increasing Costs of Health Care Squeeze Out Other Public Spending Priorities



SOURCE: Massachusetts Budget and Policy Center .

Massachusetts: Alternative Quality Contract

Reforms

- Five year global budget contracts for physician groups for HMO enrollees
- Two sided risk for provider groups
- Bonuses of up to 10% of budget based on quality measures
- Data and technical support from Blue Cross to participating providers

Preliminary Results

- 1.9% savings per quarter per enrollee in first year due to changes in referral patterns
- Significant quality improvements for chronic disease management
- All groups earned surpluses
- Bonus payments likely to have exceeded savings
- No effect on utilization

Sources: Song, et al. *NEJM* 2011; Mechanic, et al. *Health Affairs* 2011; Chernew, et al. *Health Affairs* 2011

Potential Efficiency Gains through Medical Homes

Medical Home Pilot

GEISINGER

- **Interventions**
  - Staff Increases and Expanded Visit Times
  - Salary Payment for Physicians and Time Allotted for "Desktop Medicine"
- **Results**
  - Improvements in Patient Satisfaction, Quality, and Hospitalization Rates
  - Estimated savings of $10.30 per member per month

Proven Health Navigator

- **Interventions**
  - Transfer of Case and Population Management to Primary Care Practice
  - Shared savings Incentives for Physicians
- **Results**
  - 18% reduction in hospital admissions
  - 36% reduction in hospital readmissions

Sources: Reid, et al. *Health Affairs,* 2010;
Gilfillan, et al. *American Journal of Managed Care,* 2010.

Summary

- Achieving UC requires priority setting and difficult trade-offs. Alternative pathways are:
  - Breadth: population covered.
  - Scope: essential services to be covered.
  - Depth: amount of patients still have to pay.
- Efficiency gains + additional funding is the strategy to mobilize necessary financing for UC.
- Assure adequate supply of effective and efficient services require health system reforms in organization, payment, regulation, governance and management