

# Dealing with growing pressures for private financing in health care: opportunities and constraints

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# Where do the pressures come from?

- political preferences
- potential winners
- financial crisis

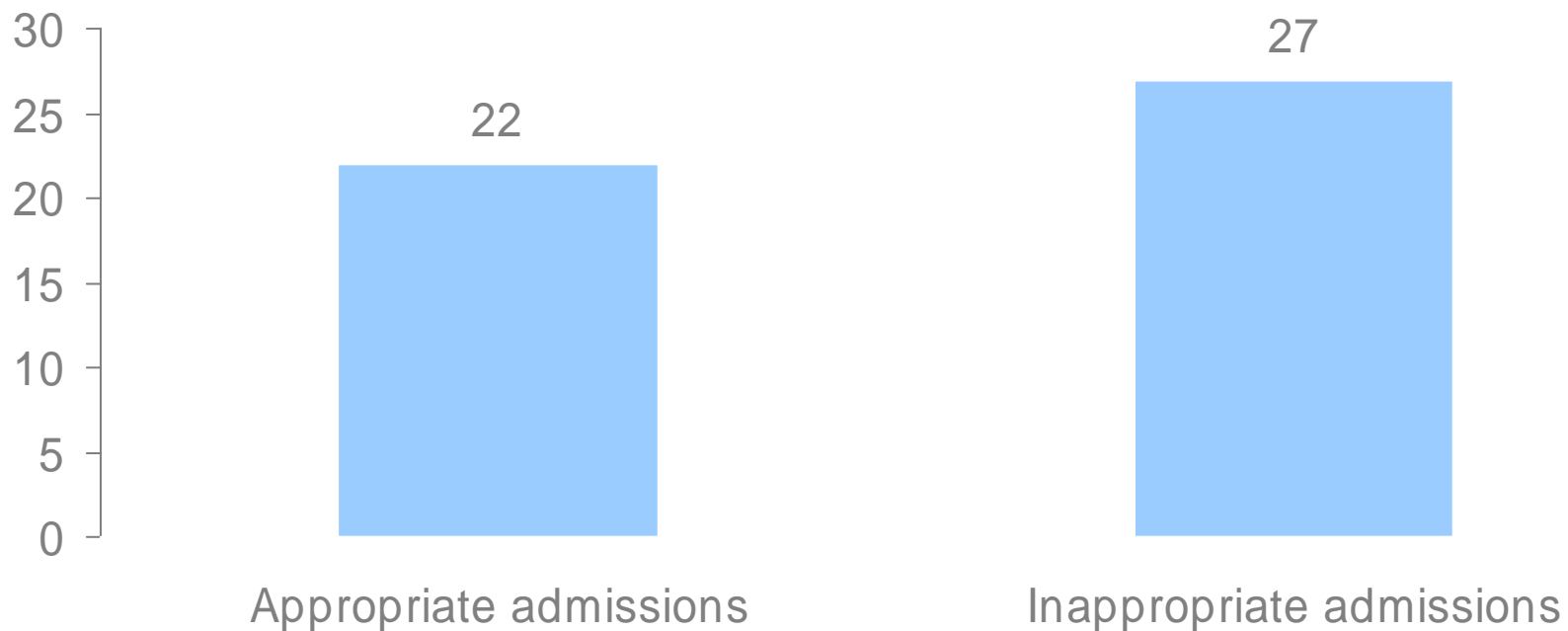
# What are the **opportunities**?

- An opportunity for clarity about policy goals, problems and tools
- Do you know what you want, what the problems are and which tools will help you solve them?

# Arguments for user charges

- reduce excess demand caused by full insurance (moral hazard)
- contain costs
- direct people to more cost-effective use
- raise revenue

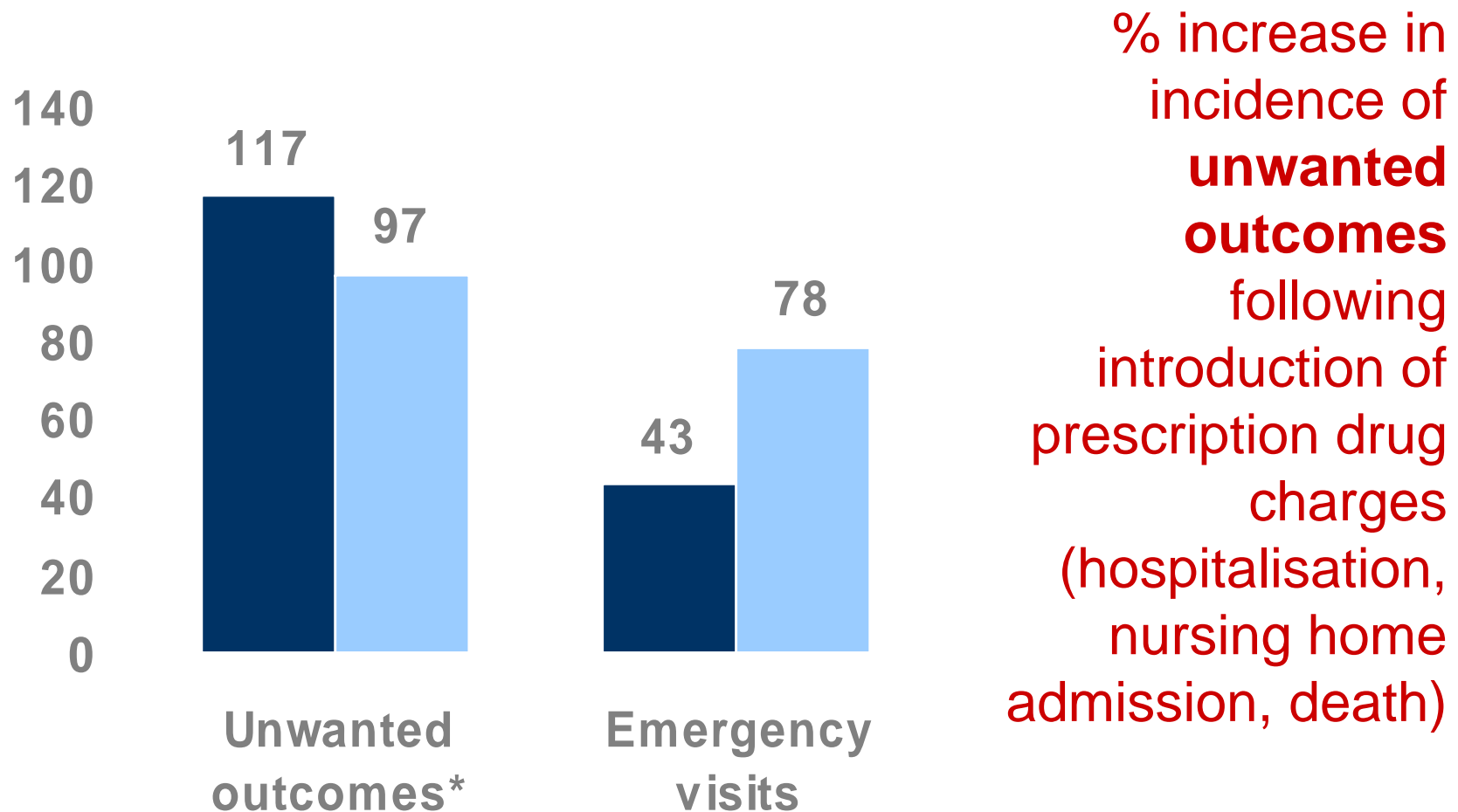
# User charges: a blunt tool with very limited selective effect



% reduction in hospital admissions per 1000 person years among those who had to pay (compared to free care)

# User charges do not seem to result in net savings

■ Older people ■ Poorer people



# Are user charges the right tool?

- does it make economic sense to create financial barriers to care you **want** people to use?
- would it be more effective to target **supply**?
- **requires careful policy design**

# Arguments for VHI

- relieve pressure on public budgets
- address gaps in coverage (population, services, costs)



# What role for VHI?

| Market driver         | VHI role                     | VHI covers                      | Examples                          |
|-----------------------|------------------------------|---------------------------------|-----------------------------------|
| coverage breadth      | substitutive                 | groups excluded or opting out   | Germany, Chile, NL pre-2006       |
| coverage scope        | complementary (services)     | excluded services               | Canada, NL, Hungary               |
| coverage depth        | complementary (user charges) | statutory user charges          | Croatia, France, Latvia, Slovenia |
| consumer satisfaction | supplementary                | faster access & consumer choice | Ireland, Poland, UK               |

**Gaps in statutory coverage create space for VHI but are not sufficient for market development**

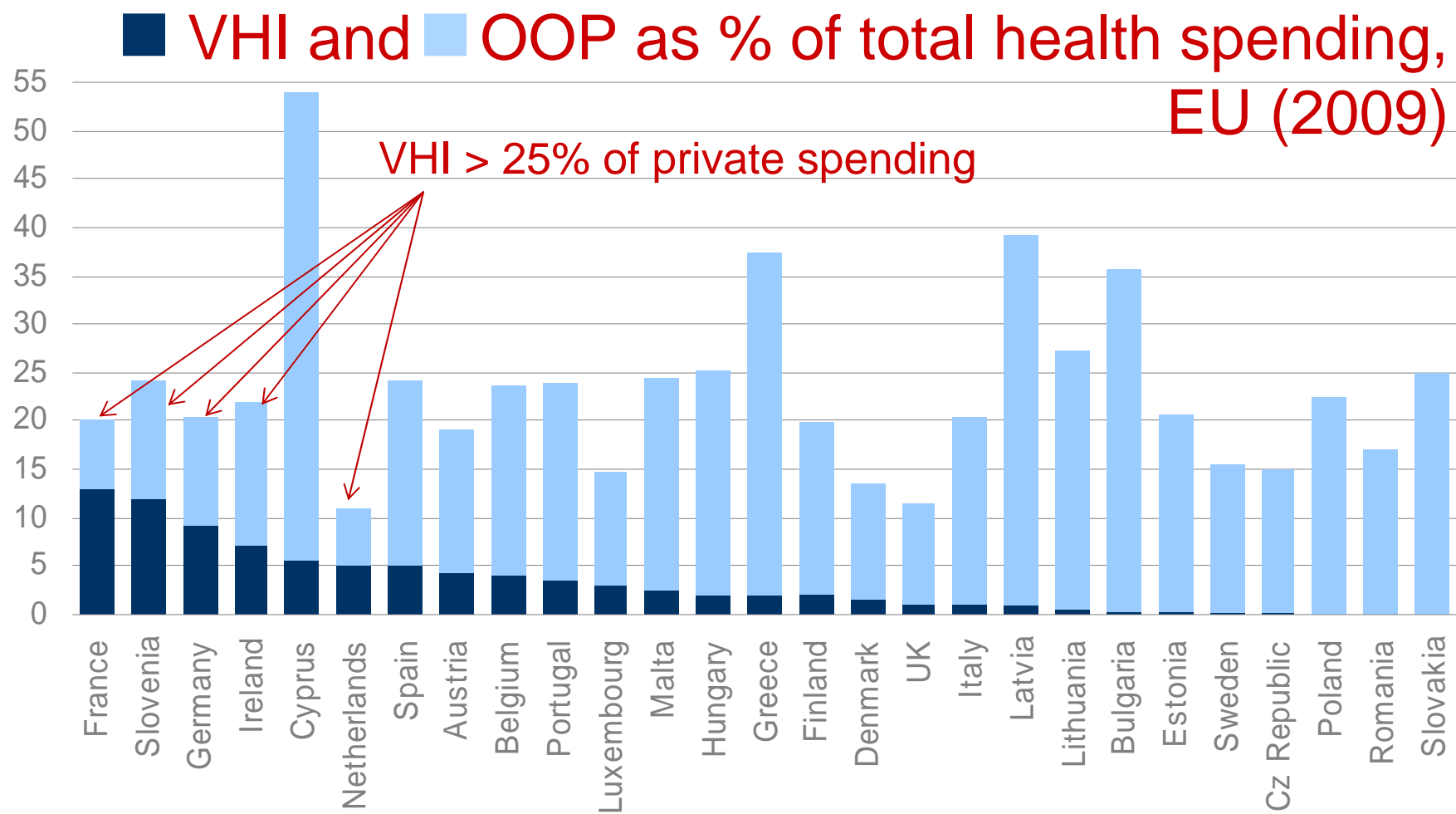
# Is VHI the right tool?

- will VHI cover important gaps?
- will those who need VHI have access to it?
- can this be achieved without undermining value in public spending on health?
- requires careful policy design, understanding of how VHI interacts with the health system, clarity about goals, regulatory capacity, oversight

# Risks associated with VHI

- VHI may exacerbate fiscal pressure
- VHI may undermine value in public spending, especially if public resources subsidise private access
- risk segmentation, tax relief, non-aligned incentives, distortion of public priorities: the larger the market, the larger the challenges
- many of these risks could be avoided or mitigated by strong policy design

# VHI does not do well in filling gaps in coverage



# Conclusions

- user charges and VHI are not a panacea
- not only are they not the answer to many common health policy problems – they may create new challenges
- proceed with caution and clear principles