



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

## Discussion Paper

### Private Health Insurance

#### 1. Introduction

The Business & Industry Advisory Committee (BIAC) welcomes the research taken up by the OECD with regard to private health insurance. Private health insurance schemes have been playing a significant role in health care systems. In many countries health insurance itself was initiated by private entities. Although its structure and latitude varies from country to country, private health insurance has, and continues to make a major contribution to the innovation and development of health care in the countries in which it is present. To other countries, with less tradition in private health insurance, the OECD project may be a source of inspiration.

In order to complement and facilitate the project, this document concisely represents the broader view of BIAC with regard to private health insurance and its role in the future. Methodological and detailed remarks about the project are not included, as they are delivered during direct contacts with the OECD.

#### 2. Private insurance and private management

For a clear understanding of private health insurance and management, a clarification of the concepts that are used is necessary. BIAC is conscious of the conceptual problems that may arise when scrutinising the role of private health insurance in various countries. Many variables can be used for the determination of the private or public nature of a health care insurance scheme. Examples of such variables include the legal structure of the managing entity, the source of financing of the scheme and the degree of government regulation.

Difficulties emerge when the roles of private health insurance in different countries are being compared to on the sole basis of the legal qualification of the managing entity. Legal concepts such as 'private' and 'public' have different meanings in each country. Thus, one wonders how to qualify public entities offering health care insurance with a large degree of independence, private entities offering an insurance policy that is heavily regulated or private entities owned by the state. There is a large grey zone indeed.

Therefore, a distinction should be made between the management of an insurance scheme and the contents of the scheme itself. The concepts 'private entity' and 'state entity' are used here when referring to the legal qualification of the entity managing the insurance scheme. The concepts 'private insurance' and 'public insurance' on the contrary refer to the nature of the activity itself.

#### 3. A question of 'and' rather than 'or'

BIAC believes that the discussion regarding private and public health insurance is rather a question of 'and' than a question of 'or'. Both types of insurance have their own proper role to play and can be mutually beneficiary.

Governments and their state entities have a number of specific tasks that seem difficult for private entities to fulfil.

Outlining the broader policy for the health care system is the first public activity. Designing this policy in co-operation and in consultation with all players in the health care field has proven to be a successful way of operation. When governments need to make strategic choices for the health care sector, non-governmental initiatives such as private insurance should be taken into account in this assessment.

Secondly, obliging people to participate in a mechanism of solidarity or not, regardless of whether it is done through taxes, social contributions or benefits, is the exclusive choice of the state. If chosen for, obligatory public health insurance can offer protection against privately uninsurable risks and guarantee access for the population to a sufficient degree of health care. The administration of such a scheme is mostly entrusted to public managing entities, but may be entrusted to private entities as well if appropriate preconditions are set.

Last, it is the task of the state to set the preconditions for the development of private health insurance. Such preconditions must search for a balance between the protection of the insured persons and the protection of the viability of private insurance. They should create a level playing field in which all players in private health insurance, regardless of their public or private and profit or non-profit status, can act on equal terms.

As public health insurance is facing many challenges, private health insurance may help to overcome them. Numerous studies have shown that the demand and expectancies concerning health care are growing rapidly in all industrialised countries. This growth is due to various reasons, among which are the ageing of the population, the increase of income and the improved quality of life. BIAC believes that an improved co-operation between public and private efforts can contribute to maintaining and improving the present level of health care provision in such a context.

Private insurance can finance health care that statutory systems cannot or can no longer cover and thus improve the financial viability of health care providers, while introducing incentives for health care providers to work efficiently at a good price. In addition, as private insurance becomes widespread, for example by promoting collective supplementary health insurance policies, it allows public health insurance to focus its efforts. Finally, one should bear in mind that private health insurers are able to offer an extra added value with regard to prevention of health risks, as they insure work incapacity as well. The integrated offer of both kinds of insurance policies creates possibilities for the reintegration of incapacitated people and for the prevention of labour-related disorders and absenteeism.

#### **4. Private insurance as a catalyst for progress**

In constituting the origins of health insurance, private health insurance has a tradition of initiating and facilitating progress in health care. Continuously seeking possibilities to improve the service offered to their clients, private health insurers are, almost by nature, social entrepreneurs. This social entrepreneurship forms the basis of the innovative added value that private health insurance may offer. Without attempting to be exhaustive, some examples of the potential of cross-fertilisation with private insurance for health care are given here.

In the context of increased globalisation, international challenges emerge for health insurance and health provision. Because of improved communication and travel possibilities, more and more people are able to purchase products and services throughout the world. Medical care, medicine and health insurance cannot escape from this irreversible development. This causes public health systems, being national phenomena closely bound to the state, many difficulties. On

the contrary, insurers offering private health insurance have a great deal of experience and skill dealing with international cases.

Flexibility enables private health insurance to offer solutions for emerging issues quickly. This flexibility is one of the preconditions for private health insurance to function as a catalyst for innovation in health insurance and health care provision.

In response to the problem of waiting lists for example, private insurance has shown its sense of innovation, by offering patients rapid treatment in high quality hospitals abroad. Secondly, while public health systems are mainly concerned with reimbursing or offering health care, the efforts of the private health insurance sector with regard to risk prevention are significant. Thirdly, private insurance may contribute to the development in medical science by making new technologies and medicine that are not (yet) covered by public health systems financially accessible. Finally, private health insurance is a forerunner with regard to the implementation of informatics to the service of patients. Especially in countries where medical costs are being reimbursed, the introduction of electronic medical insurance cards can lower the administrative burden for both the patient and the provider. These and similar initiatives may be adopted by public health systems or may be left to private health insurance. The first step however has been taken more readily by private insurers.

## **5. Conclusion**

Important advantages may come from the cross-fertilisation between private and public health insurance, each for their proper role. However, in order to maintain the innovative and international strength of private health insurance, governments need to create an environment in which private insurance remains viable and private insurers are able to act on equal terms. Under these conditions, the present high level of health care may be further developed by private health insurance to the benefit of us all. There is a significant role for private health insurance, which has the potential to increase efficiency and to make the system more responsive to patients' needs, thus addressing economic, political and innovation challenges.