



Competition among commissioners: experience from the Netherlands

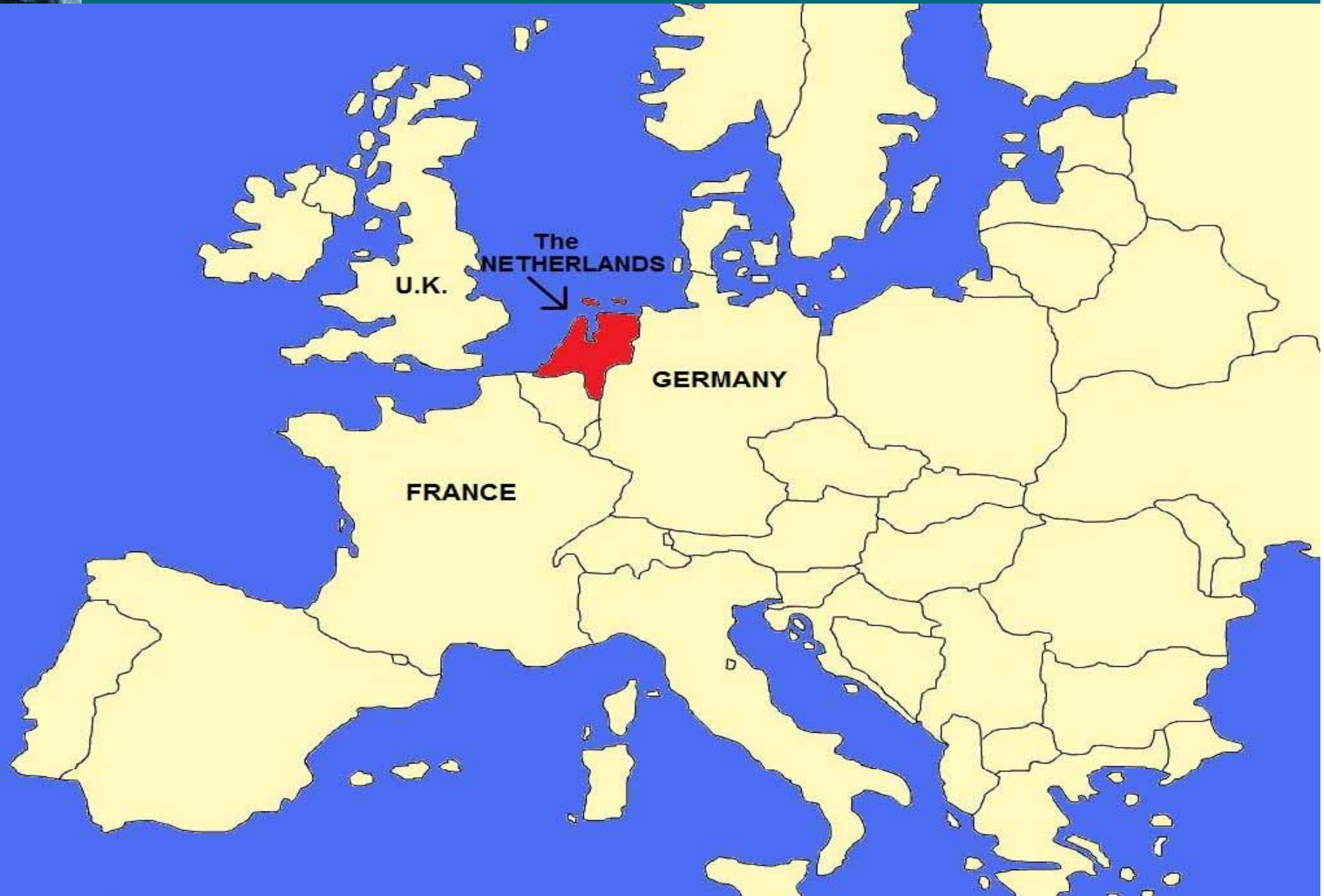
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Three waves of health care reforms

In many OECD-countries three consecutive waves of health care reforms can be discerned:

1. Universal coverage and equal access;
2. Controls, rationing, and expenditure caps;
3. Incentives and competition.

David Cutler, Journal of Economic Literature 2002(40) 881-906.



Key elements of reform debate

1. Who is the purchaser of care on behalf on the consumer?
2. Yes/No competition among:
 - Providers of care?
 - Purchasers of care (– insurers)?
3. Which benefits package?
Which premium structure?



Dutch health care system

- Health care costs 2006: 10% GDP;
- Much private initiative and private enterprise: physicians, hospitals, insurers;
- Still much (detailed) government regulation;
- GP-gatekeeper;
- Health insurance before 2006 a mixture of:
 - *mandatory* public insurance (67%),
 - *voluntary private* insurance (33%).
- From 2006: *mandatory private* insurance (100%).



Reforms since the early 1990s

The core of the reforms is that:

- Risk-bearing insurers will be the purchasers of care on behalf of their members;
- Government will deregulate existing price- and capacity-controls;
- Government will “set the rules of the game” to achieve public goals.



Health Insurance Act (2006)

- Mandate for everyone in the Netherlands to buy individual private health insurance;
- Standard benefits package: described in terms of functions of care;
- Broad coverage: e.g. physician services, hospital care, drugs, medical devices, rehabilitation, prevention, mental care, dental care (children);
- Mandatory deductible: €165 per person (18+) per year.



Consumer choice

- Annual consumer choice of insurer and choice of insurance contract:
 - in kind, or reimbursement, or a combination;
 - preferred provider arrangement;
 - voluntary higher deductible: at most €650 per person (18+) per year;
 - premium rebate (<10%) for groups.
- Voluntary supplementary insurance.



Health Insurance Act (2)

- Much flexibility in defining the consumer's concrete insurance entitlements;
- Selective contracting and vertical integration in principle allowed;
- Open enrolment & 'community rating per insurer' for each type of health insurance contract;
- Subsidies make health insurance affordable for everyone;
- Risk equalization.



Evaluation Health Insurance Act dec09

The HI Act-2006 is a succes in the sense that:

- No political party or interest group has argued for a return to the former system with a distinction between sickness fund and private health insurance.
- There is broad support for the option to annually choose another insurer or health insurance contract.



Positive effects

- Good system of cross-subsidies (‘solidarity’);
- Standard benefits package available for everyone, without health-related premium;
- Annual choice of insurer/contract;
- Strong price competition among the insurers;
- Increasing information about price and quality of insurers and providers of care);
- Increasing insurers’ activities in purchasing care;
- Quality of care is on top of the agenda.



Preconditions managed competition

1. Risk equalization
2. Market regulation:
 - a. Competition Authority;
 - b. Quality Authority;
 - c. Solvency Authority;
 - d. Consumer Protection Authority;
3. Transparency
 - a. Insurance products
(Mandatory Health Insurance &
Voluntary Supplementary Insurance)
 - b. Medical products



Preconditions managed competition

4. Consumer information;
5. Freedom to contract;
6. Consumer choice of insurer;
7. Financial incentives for efficiency;
 - a. Insurers;
 - b. Providers of care;
 - c. Consumers;
8. Contestable markets:
 - a. (sufficient) insurers;
 - b. (sufficient) providers of care.



Are the preconditions fulfilled?

Precondition	1990 (SF)	2010
Risk equalization	- -	+
Market regulation:		
Competition Authority;	-	++
Quality Authority;	+	+
Solvency Authority;	NA	++
Consumer Protection Authority;	NA	+
Transparency		
Mandatory Health Insurance	++	+
Voluntary Supplementary Insurance	-	-
Medical products	--	- / +



Are the preconditions fulfilled?

Precondition	1990 (SF)	2010
Consumer information	- -	- / +
Freedom to contract	- -	- / +
Consumer choice of insurer	- -	+
Financial incentives for efficiency:		
Insurers;	- -	- / +
Providers of care;	-	- / +
Consumers;	- -	+
Contestable markets:		
(sufficient) insurers;	- -	++
(sufficient) providers of care.	- -	- / +



Key issues

- Insurers are reluctant to selectively contract because of a lack of information on the quality of the (selected) providers of care;
- Good risk equalization is a precondition to make insurers responsive to the preferences of the chronically ill people;
- Who bears responsibility if a hospital goes bankrupt: government or the insurers?
- Supplementary insurance should not hinder chronically ill people to switch insurer;
- Managed competition under a global budget?



Conclusions

- Evaluation of Health Insurance Act:
*On balance positive,
despite some serious problems.*
- So far the reforms have been focussed on the **health insurance** market;
- Although insurers have some degree of freedom to contract with providers of care, there is still a lot of government regulation with respect to prices.
- The next years the reforms will focus on the **provider** market.



Conclusions

- The Dutch health care reforms: still work-in-progress & too early for a full evaluation;
- The implementation of the Dutch health care reforms is very difficult and lengthy. It is like dancing the Dutch procession of Echternach (or worse): three steps forward, then two back, so that five steps are required in order to advance one pace.