



Changing the funding of health systems Review of the international experience

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Outline of Presentation

- Review of Key issues in financing of health care
- Searching for the Holy Grail
- The importance of context
- What are experiences of the key issues in other countries?
- Lessons for Ireland.



Review of Key issues in financing of health care 1

Financing systems provide tools to implement policy objectives

Many objectives are complex –

- better access with better cost control
- greater efficiency and patient choice
- evidence based policy and practice with new ideas and innovation



Review of Key issues in financing of health care 1

Using financing to drive policy – we need to start with a clear articulation of the policy objectives:-

- Mobilising resources to be available when needed, managing risk and uncertainty
- Achieving equity objectives
- Incentivising efficient production & appropriate use
- Minimising transaction and administrative cost.



Review of Key issues in financing of health care 2

- Acceptability may be key in ensuring adequate resources are available
- Greater equity can make system more (but possibly less) acceptable
- Financial (and other) incentives must favour lower costs, use of services at appropriate level, no cost-shifting
- ‘You Canadians are lucky – you go skiing at Christmas – we Americans stay at home and choose our health insurance plan’
- Important to avoid complexity and transaction costs.



Searching for the Holy Grail 1

- ‘I do not want to solve problems – I just want to make progress’ Michael Cichon, ILO
- There are no right and wrong answers but there are better and worse ones
- Shifting to SHI is normally motivated by desire to increase resources and increase acceptability

Depending on the details

- It may increase or decrease equity
- it may increase or decrease efficiency.



Searching for the Holy Grail 2

- The details tend to be very important
- In many respects the details are more important than the wider structure
- Almost any system can be made to work and any system can fail in its objectives
- Since change is disruptive it is crucially important to plan it carefully and systematically.



The importance of context

- The first reform planned in Bulgaria was a translation of some German law
- Germans observe laws even when they are not written down
- Bulgarians ignore laws even when they are
- Bulgaria does not have the resources to achieve German entitlements, but has much lower costs in production of services
- Germany widened access during times of a growing economy, while Bulgaria in the early 90s faced declining economic activity.



The importance of context

- Germany has had high social spending and slow economic growth
- Sweden has had high social spending and high economic growth
- Dissatisfaction with tax finance tends to be greatest where economic conditions have meant that resources are very constrained.



What are experiences of the key issues in other countries? 1

- Czech reforms in the early 1990s lost control of costs through rapidly expanding entitlements and constrained resources
- Failure to prepare the way led to a period of chaos and an even more difficult process of improving access and efficiency
- The later reforms involved competition in the insurance market which was rapidly followed by consolidation.



What are experiences of the key issues in other countries? 2

- Since all reforms are disruptive it is crucial to avoid too much change and underprepared change
- Since all resources come from the population, policies that increase resources for health normally take more from the population
- Careful preparation is needed to ensure the extra resources lead to better access and services.



What are experiences of the key issues in other countries? 3

- Slovakia managed a slow reform process where the National Health Insurance Fund was initially a re-designated section of the MOH
- Greater autonomy of the fund was allowed as the system overall developed new contracting, governance and monitoring arrangements
- The more complicated system of competing insurance funds was introduced only into a mature system of social insurance financing
- 13 HI funds in 1996, 5 in 2003 (population of 5.4m).



What are experiences of the key issues in other countries? 4

- Germany faced a squeeze of a policy to reduce costs and mechanisms that allowed costs to rise
- Diversity of funds is being reformed into competition between funds
- Cost control mechanisms relied to a great extent on co-operation between funds
- It is too early to say if this competition between insurers is leading to lower costs
- German population is 18 times that of Ireland.



What are experiences of the key issues in other countries? 5

Equity and co-payments – a moral tale from Korea

- When universal health insurance was introduced into Korea co-payments remained (c.50%)
- Since poorer people could/would not pay the co-payment they used less services
- The net effect was poor subsidising rich
- The degree of equity is therefore affected by who pays how much and who uses how much.



What are experiences of the key issues in other countries? 6

Why has SHI been slightly more expensive than tax funded health care?

- Deliberate policy to increase resources and higher acceptability to contributors
- Higher transaction costs
- Losses of monopsony power
- Initial weaknesses in cost-control mechanisms.



Lessons for Ireland 1.

- Reasons for any change must be more resources, more acceptability/transparency, and this must offset costs of change
- SHI can offer the opportunity to improve efficiency since it requires funding that ‘follows the patient’
- There are examples of successful transformation, but also of under prepared and over hasty change
- SHI in itself does not improve affordability, and brings risk of higher costs.



Lessons for Ireland 2.

- Detail is all important – benefits of change will only be possible if we pay close attention to how we control costs, encourage more efficient provision and use, look carefully at who pays and who uses
- Lessons are available for other countries, but models cannot be simply transferred
- We cannot afford another set of changes such as the introduction of the HSE, the centralisation and the decentralisation – any changes must be more carefully planned.



Lessons for Ireland 3.

- Inadequate funding is not the sole cause of weak PHC, uncoordinated service provision, poor infrastructure and incoherent entitlements and payment/co-payment systems
- Inequities in the Irish system are mainly due to differential entitlements/fees and charges and the large rôle played by the (small amount of) private insurance funding
- Levelling up may be possible within SHI but will not happen automatically.



Concluding Thoughts

- It is all difficult!
- There are only difficult answers
- New mechanisms bring new difficulties – just different ones
- The current arrangements have many entrenched interests and these will be difficult to overcome
- It is always more difficult to introduce change when resources are very tight
- Difficulty is a reason for care but not inaction.



End

Thank you for your attention