Social insurance, private insurance and social protection.

The example of health care systems in some OECD countries.
References

• OECD publications on Health care
• Swiss Re publications – Sigma
  – No 6/2007 on private health insurance
The organization of social protection in health care

- Macro-economic information
- Background information on health care systems
- The increasing role of private health plans
- Challenges to come
Health care expenditure as % of GDP

Source: OCDE Health Data 2009

Social and Private Insurance
The growth of HCE today: examples

• Rapid Growth USA, Greece, Portugal, Spain, Korea, Turkey

• Stabilized Sweden, Germany, Norway, Finland,
A linear relationship between HCE and GDP?

Note: The regression line is: Health expenditure per capita = -615 + 0.1128 * GDP per capita

\( R \text{ squared} = .86 \)

1. 1998 for Sweden and Turkey.

Source: OECD.
Health care expenditure: the size of public sectors

Source: OCDE Health Data 2006
Health insurance systems: principles

• Bismarck’s principle
• Beveridge’s principle
• State budget
• Private insurers under state control
# Health insurance systems: typology

<table>
<thead>
<tr>
<th>Private or competitive</th>
<th>Compulsory</th>
<th>Free choice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private</strong></td>
<td>Netherlands, Switzerland</td>
<td>USA, «Opt-out» (Germany)</td>
</tr>
<tr>
<td><strong>Public or monopolistic</strong></td>
<td>Almost all European countries (Bismarck or Beveridge)</td>
<td>UN system and International Organizations</td>
</tr>
</tbody>
</table>

Social and Private Insurance
Increasing role of private insurance

HCE as % GDP

Source: OCDE Health Data 2004
Population covered by private insurance

Source: OCDE Health Data 2004
Classification of private health insurance plans

- Primary coverage
- Risks not covered by the public scheme (supplementary insurance)
- Complementary insurance
- Access to private market (substitutable)
## Private Health Insurance: Examples

<table>
<thead>
<tr>
<th></th>
<th>Substitutable</th>
<th>Complementary</th>
<th>Supplementary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Optional</strong></td>
<td>UK, Germany, Italy, Australia</td>
<td>France, Belgium</td>
<td>Switzerland, Canada, Netherlands</td>
</tr>
<tr>
<td><strong>Compulsory</strong></td>
<td>Spain, <em>Netherlands</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The problems of public health systems

- Budget deficits
- Financing problems (decreasing labor force, increasing unemployment, low growth)
- Tax limits
- Cost of new medical treatments
- Ageing of the population
Another problem of public health systems: increasing delays

Example based on hip surgery
Satisfaction rate for public schemes remains high

Source: OCDE Health Data 2004

Social and Private Insurance
Several options are available

• «Opt out» (Germany)
  – Voluntary or compulsory

• Public scheme covers only catastrophic risks
  – Case of LTC (Netherlands and Germany)

• Competition among health care providers
  – Case of Netherlands and Germany

• Competition among insurers (competitive premiums but subsidies for lower income)
  – Case in Switzerland

• Covers only basic health treatments (Doctors & Hospitals)
  – Some treatments excluded (drugs in Canada)

• Open markets to free choice and free trade
  – Cultural barriers
  – Portability of insurance coverage
Domains of social insurance protection

Health/Maternity
Accidents related to work
Pensions
Disability/Invalidity
Unemployment
## Financing social protection: Salaries based or income tax based
### The case of France

<table>
<thead>
<tr>
<th>Social protection</th>
<th>Salaries</th>
<th>Taxes</th>
<th>State/local budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health/Maternity</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Accidents at work</td>
<td>80%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>80%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Disability/Invalidity</td>
<td>35%</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>90%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Family allowances</td>
<td>55%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>
## Financing social protection: the case of France

### Average values 2006-2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Average of Total</th>
<th>Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions</td>
<td>38% of total</td>
<td>11 % of GDP</td>
</tr>
<tr>
<td>Health insurance</td>
<td>29%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Maternity</td>
<td>1.2%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Invalidity</td>
<td>5.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Accidents at work</td>
<td>1.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>6 %</td>
<td>1.7%</td>
</tr>
<tr>
<td>Family allowances</td>
<td>8 %</td>
<td>2.3%</td>
</tr>
<tr>
<td>Housing</td>
<td>2.5%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Others (income, …)</td>
<td>8.5%</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
The role of private insurance in social protection

Health/Maternity
Accidents related to work
Pensions
Disability
Death
Unemployment
Domains of private insurance in health care: examples

- Hospital
- Doctors
- Reeducation
- Dental

(%)
What is private insurance?

Classification according to 3 criteria:

• Subscription: free choice or compulsory

• Pricing: individual, group, income related

• Management: profit, mutual, group
The pro and cons of social protection organized by the state

« Against »

A negative impact on savings and investments
Increase the cost of production and impact the firms competitiveness
Negative impact on employment and behavior (moral hazard)
State is less efficient than the private market
The pro and cons of social protection organized by the state

« in favor of »

Stabilization effect in case of economic crisis
Impact on investment in human capital (education)
An answer to inter-generations/intertemporal problems and adjustments
Facilitate risk taking
Facilitate structural economic adjustments
## Private insurance and social protection: the pro and cons

<table>
<thead>
<tr>
<th></th>
<th>Public insurance</th>
<th>Private insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Demand oriented</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><em>(adequacy)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk sharing</strong></td>
<td>Yes (state)</td>
<td>Yes (group)</td>
</tr>
<tr>
<td><strong>Income redistribution</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Adverse selection</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Moral hazard</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Administrative Cost</strong></td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>
The problems of public health systems: ageing of the population

• Research related to the mortality risk
  – Longevity Risk and Capital Markets Solutions Conference

• Pensions, health insurance, long term care