

**International  
Health Summit**

**International Health Summit  
Prague Symposium 2004**

**Insurance for Aging Populations**

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September 5<sup>th</sup>, 2004

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*Think Healthcare!*



## How must a Private Insurer look at Health Markets?

### Old Approach:

Where are the gaps that private insurance can fill?

### New Approach:

How can the ideas and tools of private insurance be used to improve overall performance of health care systems and match stakeholder expectations.

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# Jim Rice health summit 2002:

Public-Private policy analysts and policy makers are all too narrowly specialized.

Why will Insurance Design need to Change?  
Health Care Costs are Exploding Everywhere

- ® New drugs
- ® New technology
- ® New procedures
- ® Aging populations

Nationalized health care systems face immense pressures

- ® Infrastructure/deferred capital investment
- ® Dissatisfaction with rationing of high tech, procedure-based care
- ® Service and accessibility issues

Private Market Insurance Strategies

- ® Move employers to “self-insurance” status
- ® Create “defined contribution” insurance market places -- with melded risk pools to avoid the “actuarial death spiral”



## Intention of Presentation

**There is no solution to solve the variety of all world wide problems in funding and delivering health care!**

**Think in terms of problem solving resources and competencies and not in terms of organisational paradigms and be **Willing to Change!****



## Panel Title: New Public-Private options

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*Think Healthcare!*



## Aging Society's Demand

Health care

Long term care

Disability

Pension



Leading to  
New  
Expectation

A large, solid green arrow points from the list of demands on the left towards the 'Higher Quality of Life' text on the right. The arrow is centered vertically relative to the list of demands.

Higher  
Quality  
of  
Life



## Main Question

How do we succeed in allocating the right and sufficient amount of resources (money, care, life quality) at the right time to the point of necessity?

- > Funding Principle
- > Funding Responsibility
- > Funding Extend



## Today's Agenda

--> Funding Principle

--> Funding Responsibility

--> Funding Extend



## Funding Situation

Aging Population

Increasing Technology

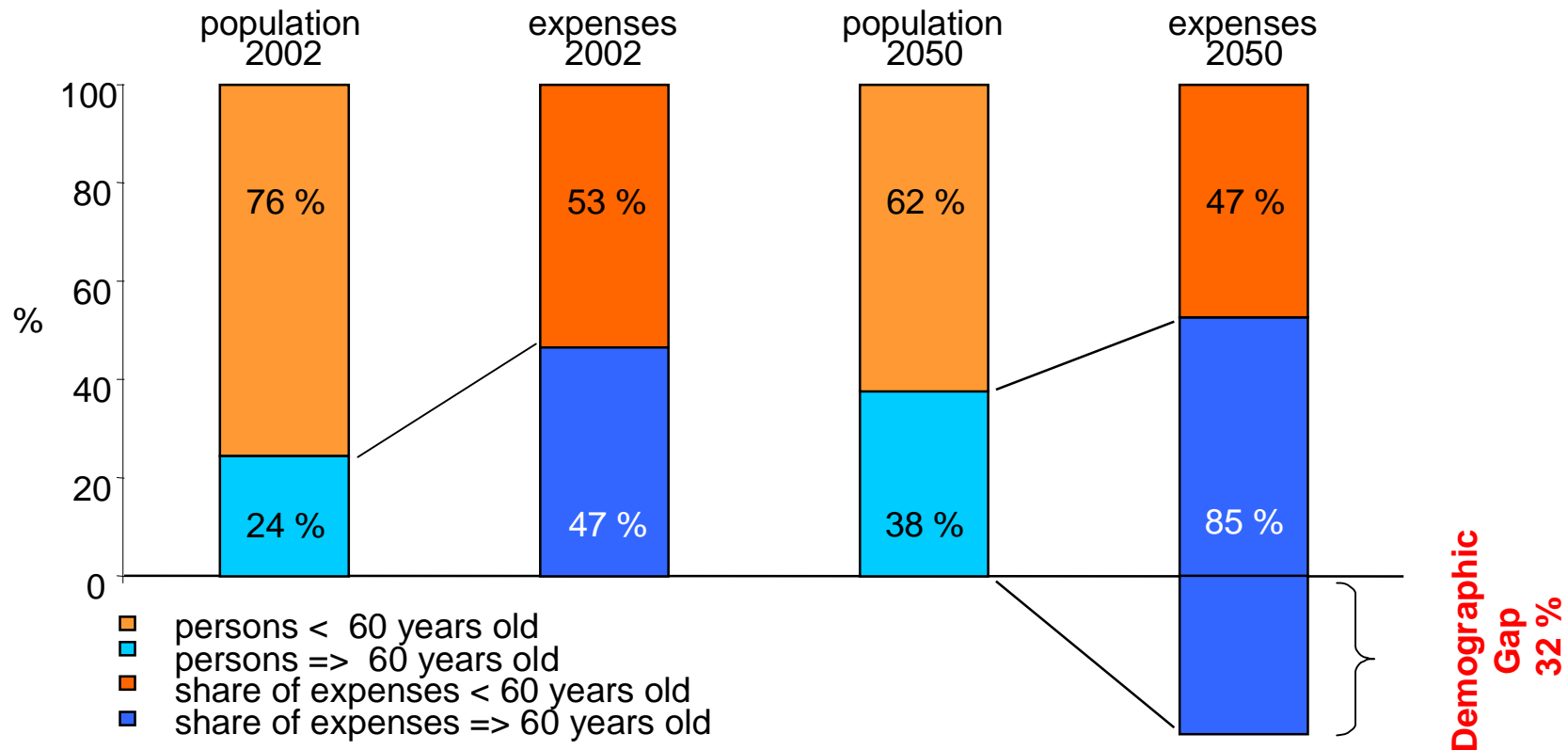
Rising Quality Demand

Relatively decreasing economies



# Demographic gap in the pay as you go system

## Germany



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## Principle of Equivalence

Lifetime funding equal to lifetime cost

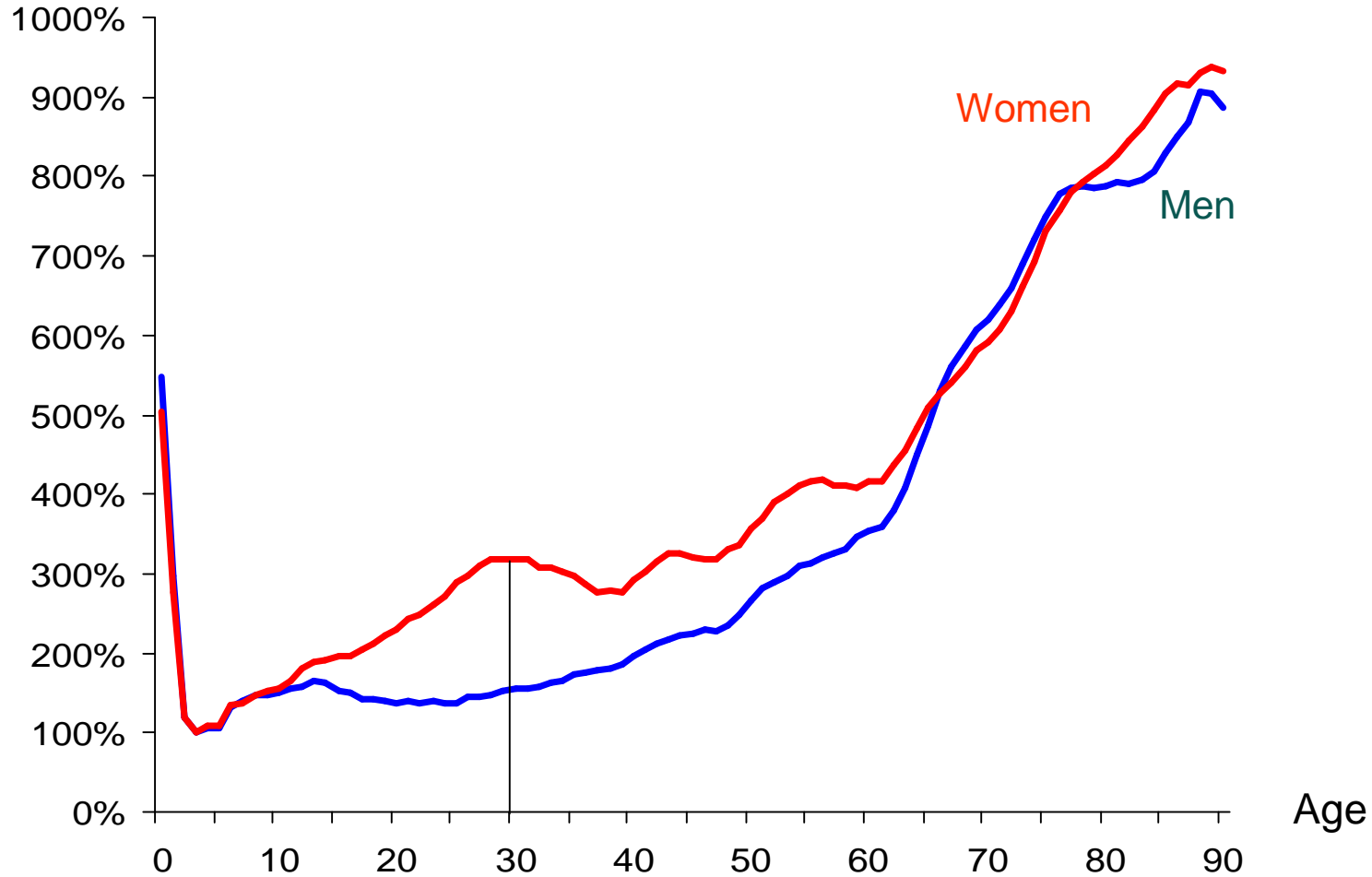
Intragenerational solidarity

Demographic independent funding

# Relationship between Healthcare Costs and Age

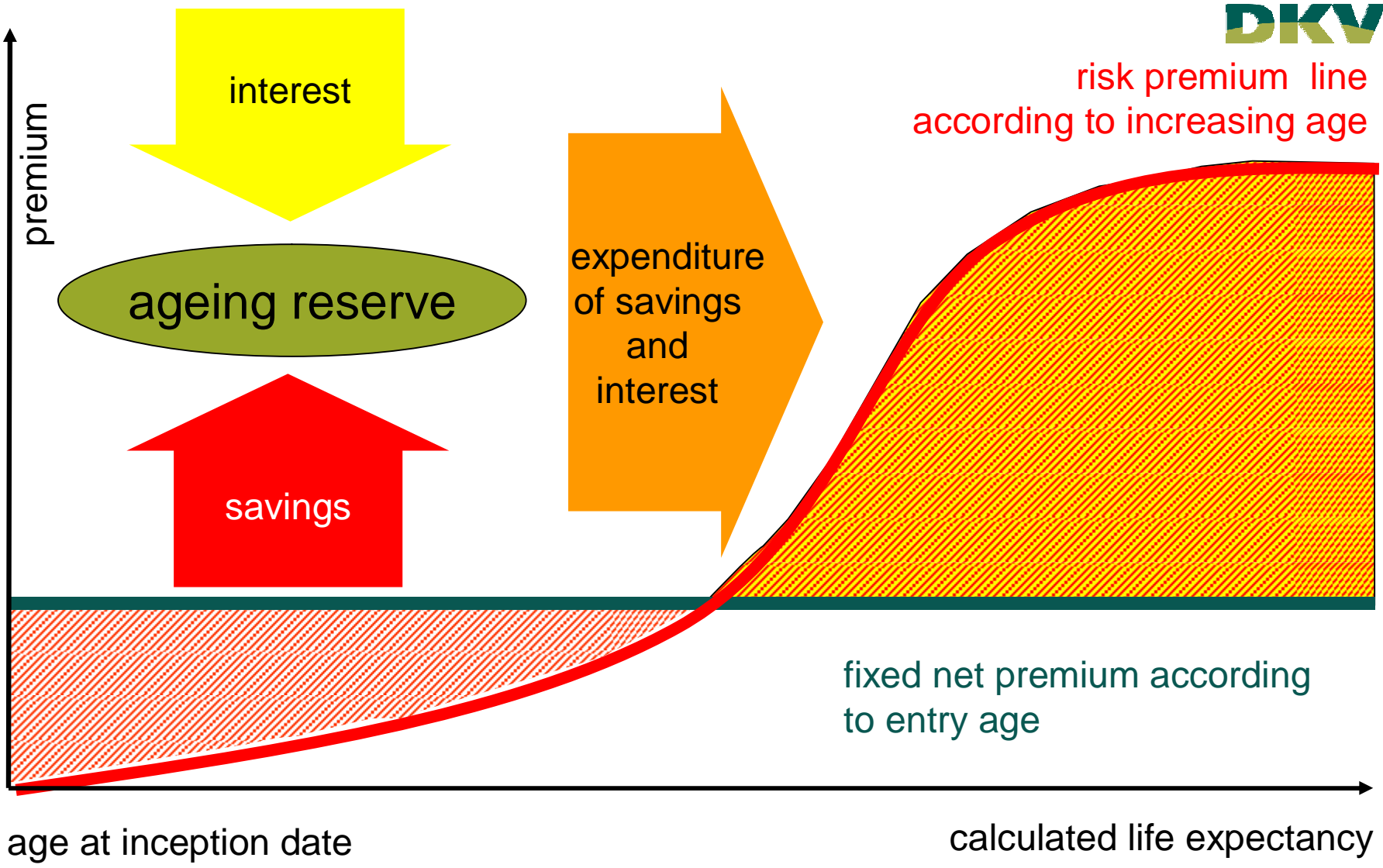


Age 3 = 100%, Germany, 1995



Source: Bekanntmachungen zum Risikostrukturausgleich

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## A Case Study

# Long Term Care in Germany

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## Funding Long Term Care Insurance in Germany

Healthcare based historically on a system following the „principle of subsidiarity“ known as the Bismarck System.

Competing social insurance schemes and private insurance schemes

Main question in the nineties :-->



## How to fund Long Term Care in Germany?

Own reserves or social assistance (Status Quo)

Voluntary long term care insurance (on the market but with no broad acceptance)

Mandatory long term care insurance

Private and fully funded or „Pay as you go“ social insurance ?

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## German Political Solution

**Powerful lobby lead to a political decision:**

**Nobody was willing to leave his paradigm and break down the walls of industry culture and history, neither the private market nor the public players**

**Therefore chosen approach:**

**Private and fully funded and „Pay as you go“ Social insurance!!!**

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## Charming for You and Us:

**For the first time a system with equal output, yet different funding mechanisms**

**Possibility to compare funding mechanisms and organisational performance**



## Some Challenges for the Private Organisation

Insuring the existing aging burden

Premiums independent of sex

Single premium had to be lower or equal to max.

premium of social insurer

Children had to be free of charge

Open enrolment

--> Managing the transition?



## Result

Integration of solidarity principle (old for young and sick for healthy) into the discussed principle of equivalence

Step by step subsidy withdrawal will lead to clean fully funded system

Pooling of risks an answer to open enrolment

Shared resources of industry

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# German Newspaper March 1st, 2003

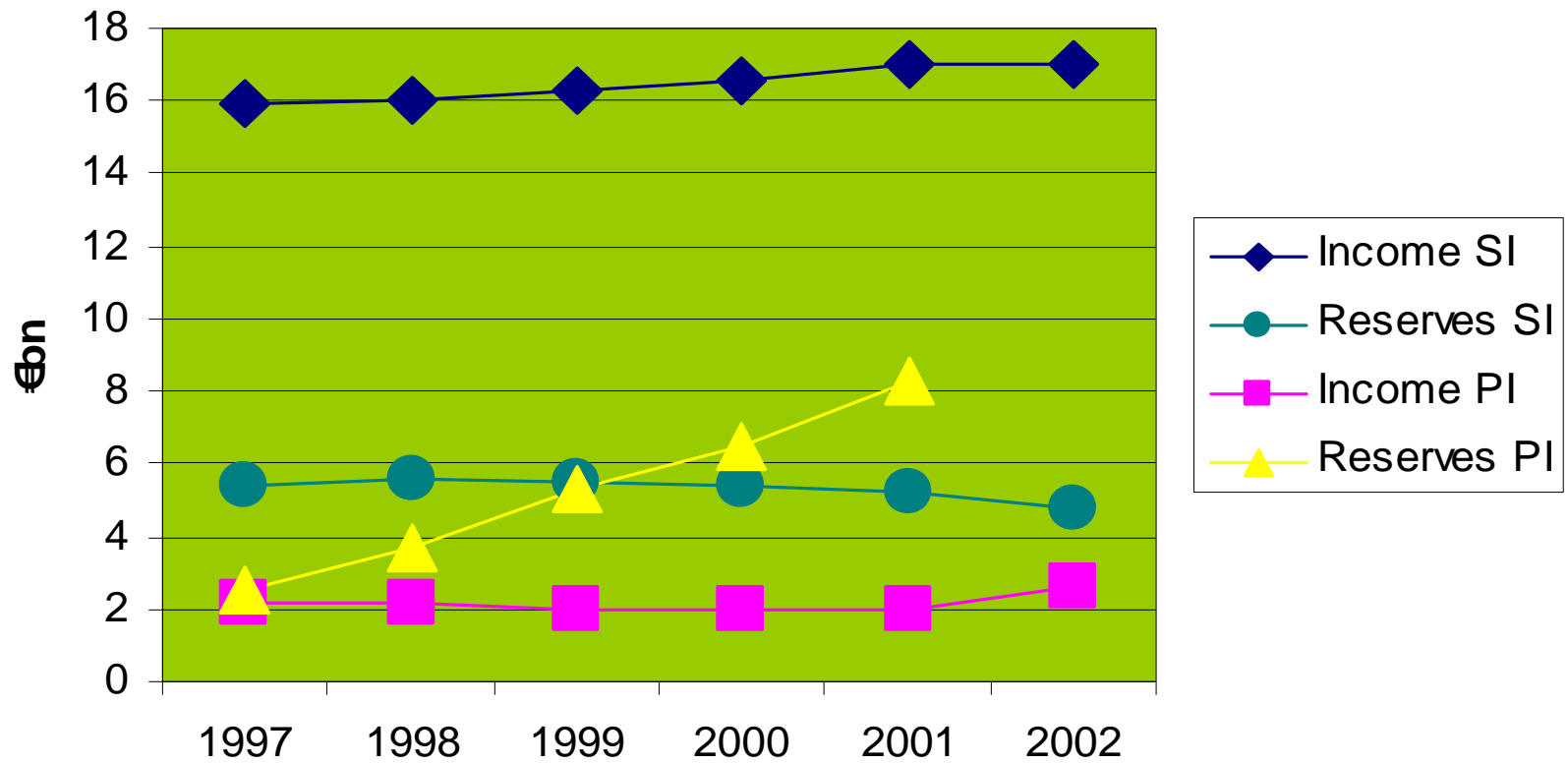


# Mandatory Social long term care insurance threatened by insolvency

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# Outcomes



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## First Key Message:

Countries thinking about implementation or transforming their own system:

Take a closer look at German experience

**Don't adopt the German system!!!!**

**Adopt the underlying message and tools to  
your local situation!!!!**

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## Today's Agenda

--> Funding Principle

--> **Funding Responsibility**

--> Funding Extend

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## Responsibilities in Health Care

Historical HC Systems based on political and sociocultural paradigms

Accessibility, equity and affordability

Solidarity main topic



## Learn to take decisions

Solidarity: Yes, but how far?

--> Enough is enough?

Health care is always scarce!

What can community systems afford?

Responsibility: individual or society?



## The future

What can we afford and do we want to do so at  
community level

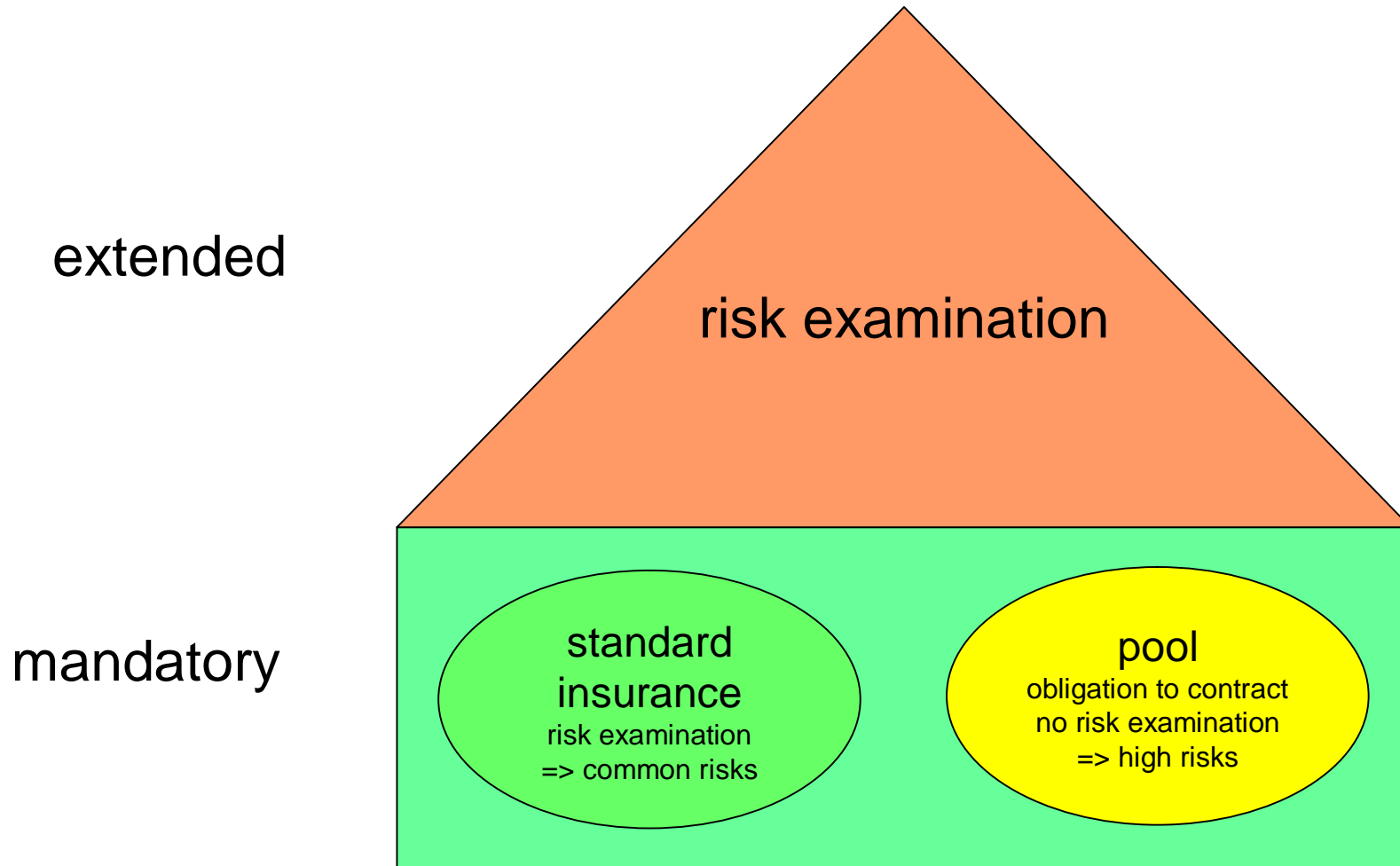
Individual solution needs early communication too

The baby boomers still have time to solve their  
problem

In 20 years it is too late

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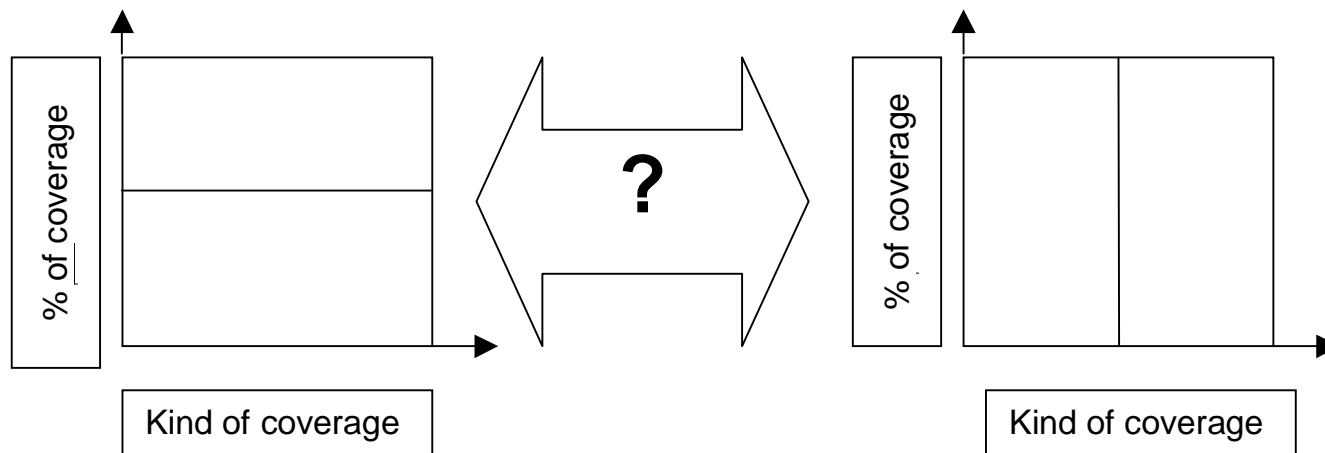
# One Idea: Individual Extended Coverage



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# Taking a Decision is Important



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## Who organises what?

|                   | Taxes/<br>Social<br>Insurance | Private<br>Insurance |
|-------------------|-------------------------------|----------------------|
| Mandatory<br>Part | ?                             | ?                    |
| Voluntary<br>Part | ?                             | ?                    |

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## Experiences in the Netherlands

Integration of social insurance and private insurance under one roof

Central position of client/patient

Public - Private - Partnership improves overall performance of system



## Cutting Down Walls: Two Cases

### The Netherlands: Ijburgh Project

Insurer (Public and Private), Provider (Public and Private), Government (Social and Economic Department), Housing Corporation and other Stakeholder create new style living quality

### Spain: Torrevieja Project

Outsourcing of government defined medical provision of an area to public-private consortia



## Second Key Message:

**Decisions must be taken early**

**By the Government **AND** by the individual**

**Organisations have to break down barriers and change their paradigms. Joint activities will lead to a „Win-Win“ value proposition**



## Today's Agenda

--> Funding Principle

--> Funding Responsibility

--> Funding Extend



## Funding Extend

Volume and quality expectation?

Who delivers care?

Reduce volume to level of quality that can be afforded!

Payer, provider, patient and regulator have to find shared solution!

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## Overall Conclusion

Disproportional increasing healthcare costs

Pay as you go systems are more threatened by the demographic development than capital funded systems

Outsourcing of benefit in the pay as you go system is a solution to stabilise healthcare financing

Integrated organisational funding approach

Methods of cost reduction or performance improvement



„Will you still need me,  
will you still feed me,  
when I'm sixty-four?“

The Beatles

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**Tank you very much!**

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# BACK UP

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# Health Insurance System for the Future



## Key points

- Stability towards demographic changes
- Mandatory coverage
- Individual extended coverage
- Social components
- Competition in healthcare

# New challenges in the health care sector (1)

## New types of demand

- Possible model: basic cover and choice of supplementary cover (or other models)
- Decline of in-patient vs. growth of out-patient care, partially in-patient or daycare
- Growing willingness to invest in one's own health

## Change in the healthcare sector

- Greater co-ordination of healthcare services
  - New provider networks
  - Customer management by statutory and private medical insurance (demand, disease and case management)
  - New integrated services that go beyond the healthcare sector
- Focus on prevention



**Insurance  
core  
business:  
financing  
the risk of  
illness**

## Changes in client attitude and expectation

- Rising expectations toward quality and transparency in healthcare
- Increasing demand for high-quality healthcare information and advice

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## New challenges in the health care sector (2)

### **Innovations in insurance products**

Innovative insurance and financing products with focus on quality and prevention, products in co-operation with the statutory health insurance,

### **Excellent and efficient care**

New activities in the provision of healthcare, in areas where there are deficits in quality and co-ordination,



**Today:  
financing  
the risk  
of illness**

### **Better medical consulting**

New service, support for clients' health-related decisions,