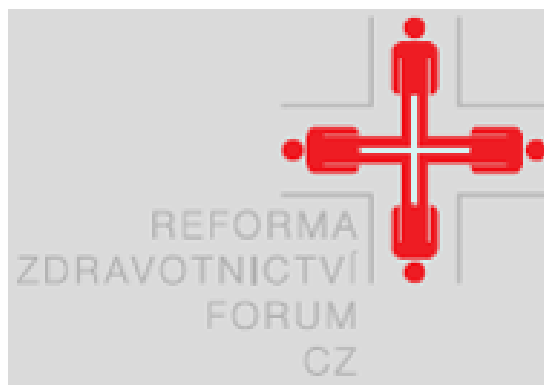


Status of Health Reform Proposal in the Czech Republic



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Health Reform.cz

Prague, Sep 2004

DEVELOPMENT OF REFORM APPROACHES (Porter M.E., Olmsted Teisberg E., Harvard Business Review, 2004)

PAST: reduce costs, avoid costs

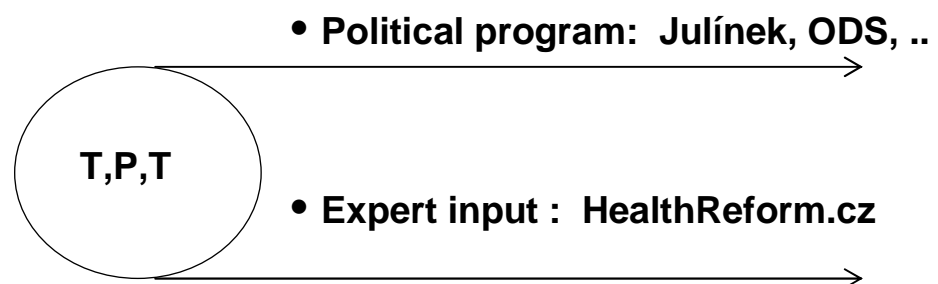
- **Focus:** cost control, negotiation and/or regulation, care rationing
- **Features:** cost shifting, restriction of access, volume discounts

PRESENT: enable choice, reduce errors

- **Focus:** health plan selection
- **Features:** competition of health plans, (information!), financial incentives for patients

**FUTURE:
Increase value for consumer**

- **Focus:** nature of competition
- **Features:**
 - Incentives to increase value, not to shift costs
 - Available information on provider experience, outcomes and price
 - Choice for consumers



REASONS FOR REFORM AND PROPOSED SOLUTION

Reasons for change

Crisis of institutions in the Czech health care system

- Confusion regarding the role of different institutions leads to inefficient behaviour

Global crisis affecting public health care provision systems

- Exclusion of individuals from decision-making in matters of health care consumption leads to an intractable conflict between demand for services and available public funding



Proposed solution

Institutional reform

- Strengthen the role of the individual
- Confine state influence to legislation and regulation
- Competition between insurance companies and care providers in terms of care price and quality

Finance reform

- Encourage individuals to responsibly use available care by means of personal health care accounts
- Preserve general access to health care services

REFORM GOALS

- **Enable individuals to choose health service provision arrangements in accordance with their preferences and to benefit from responsible care consumption**
- **Transform health insurance companies into health care purchasers acting as agents of their clients**
- **Establish an efficient market for the supply of health care services**
- **Ensure long-term equilibrium between revenues and expenditures in the system, including the ability to adapt to demographic changes and technological advances in medicine**

What is the difference between the Slovak reform and the Czech proposal?

Slovaks are trying to get to the Mars

Czechs plan what to have have for lunch once they get there.

(Peter Pažitný)

SCOPE OF REFORM

- Institutional reform is necessary to solve the actual problems of health system functioning
- Reform of financing is necessary to ensure long term sustainability of the system
- Both parts are significantly interconnected

Implementation of institutional reform enables reform of financing

Reform of financing is the most important reason to carry out the institutional reform



REQUIREMENTS ON NEW FINANCING

- **Preserve general access to health services**
- **Renew responsibility of individuals for health care costs**
- **Ensure them role of sovereign consumers who decide whether, where and which health services will be provided**

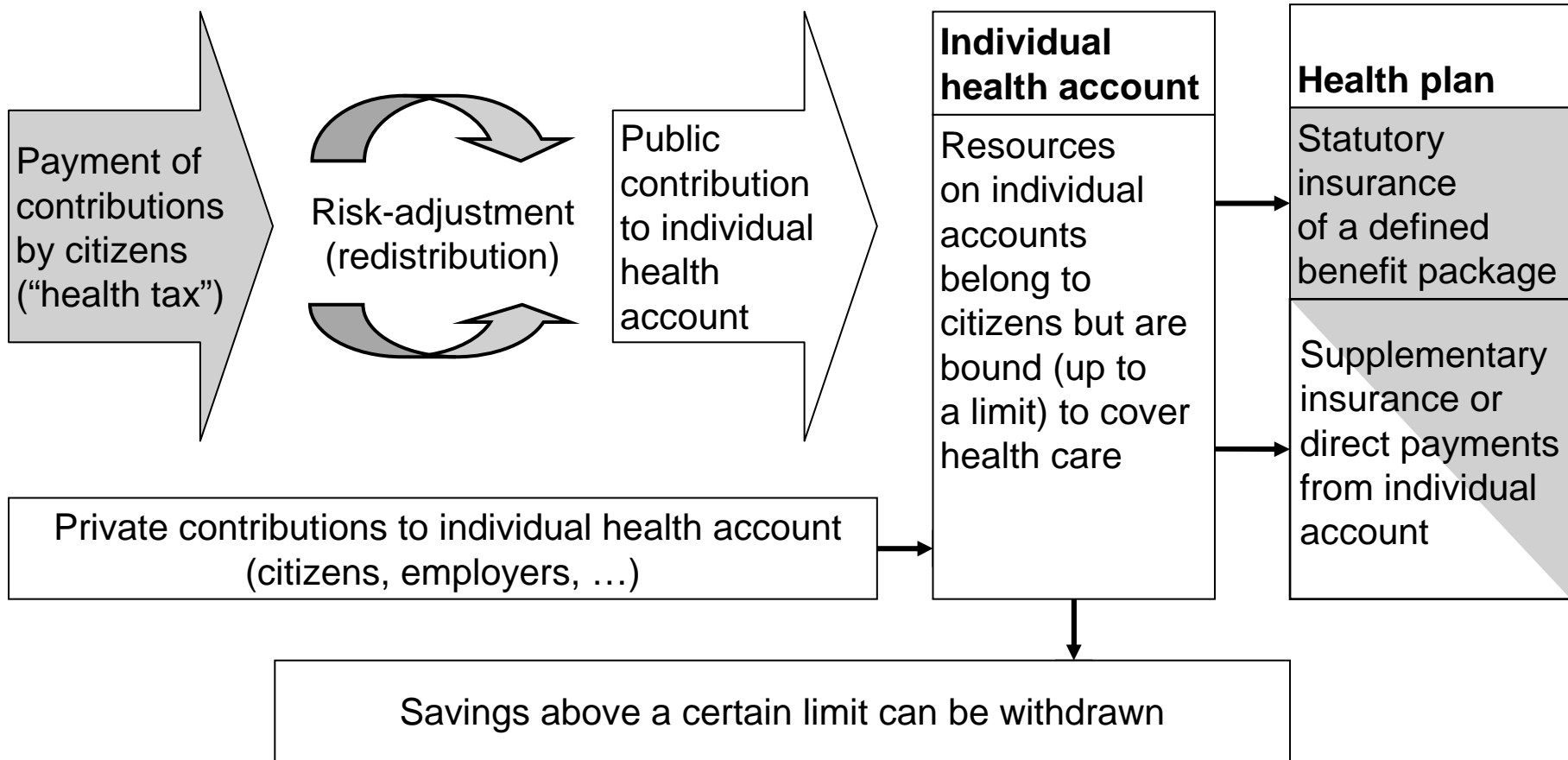
REQUIRE ...

Radical change of tools ensuring access to health services :

- **Preserve role of public sources in financing but change way of their use:**
not to directly finance traditional uniformed wide range health insurance, but
to be **redistributed in a risk-adjusted way**
as a public subsidy to individuals to buy health insurance on a market .
- **Preserve obligatory insurance but change its function and scope:**
obligatory insurance (of a defined benefit package) is not the **only** tool to ensure access to health services but rather one of financial tools and also a regulatory tool on the health insurance market
- **Open space for consumer empowerment and responsibility:**
choice on the health insurance market
choice on the health services market

FINANCIAL FLOWS IN THE NEW SYSTEM

Mechanisms ensuring access to necessary care



SOLIDARITY AND EQUITY

:

Social **SOLIDARITY**
(which is the tool to ensure access to health services for all)
Is not ensured by insurance directly financed from public sources
BUT in
Redistribution of public sources

Redistribution of public sources and creation of individual risk-adjusted subsidies
is a good and probably the only sustainable fulfillment of
EQUITY
In access to health services

SUMMARY OF THE PROPOSAL

- **Fulfills defined requirements** (in a consistent and as simple as possible way):
 - Access
 - Responsibility
 - Consumer empowerment
- **Addresses other essential problems:** :
 - Preserves one risk pool
 - Ensures uniform space for health services financing, provision and consumption (prevention of 2 tiered medicine)
 - Scope of obligatory insurance ceases to be fatal political topic as the obligatory insurance is no more the only tool ensuring access
- **Provides platform for other beneficial developments:**
 - Gradual shift from pay-as-you-go financing to savings on medical accounts
 - Transforms health services position from a mere “budget-eater” to driver of economic growth
- **Contains some question marks to be solved:**
 - Which values of parameters could make the system unstable?
 - What will people choose?