

EU law and private health insurance

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European **Observatory**



on Health Care Systems

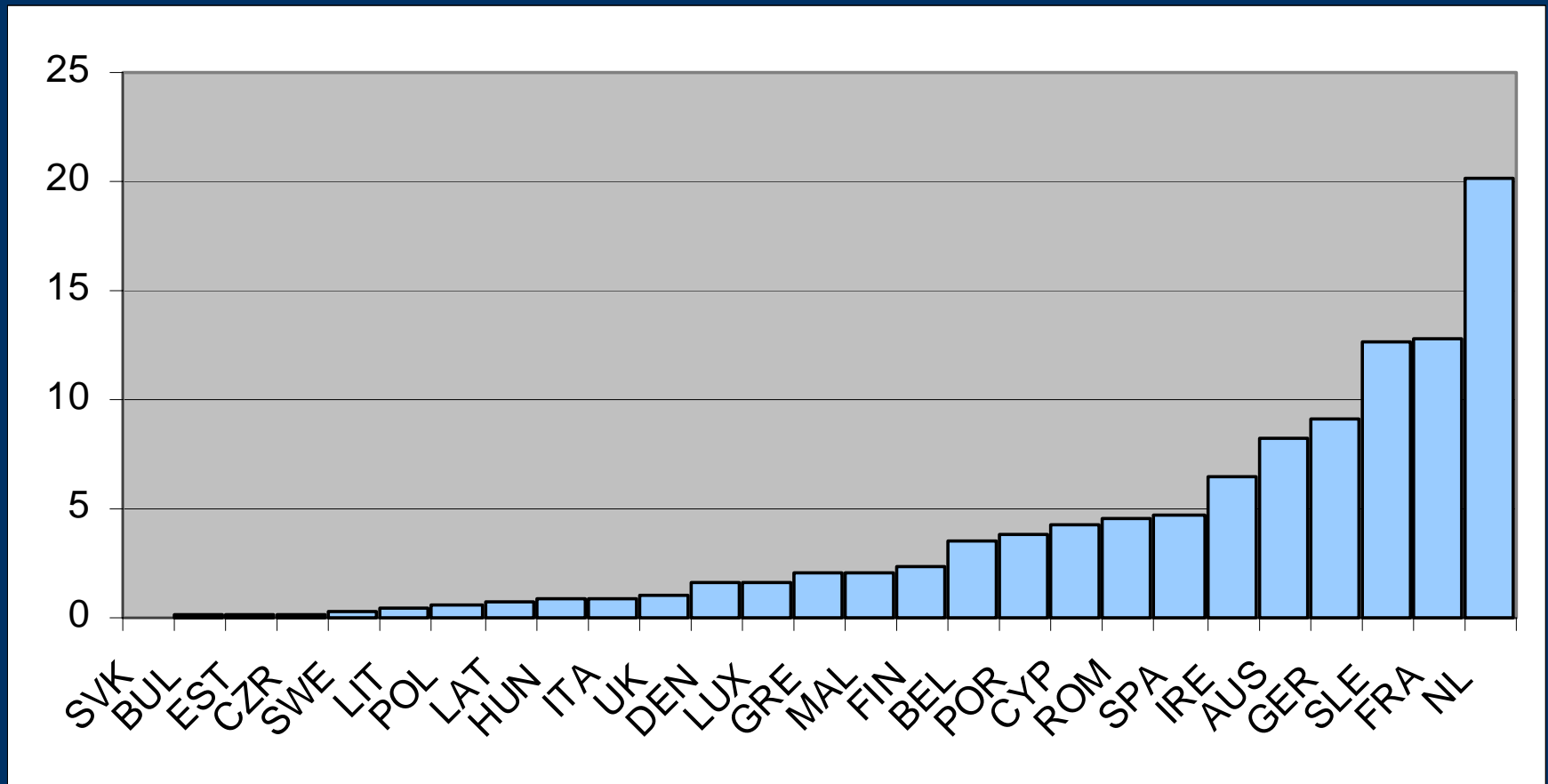
Outline of lecture

- Some theory
- Some facts and background
- Some practice

Health insurance: function and objective

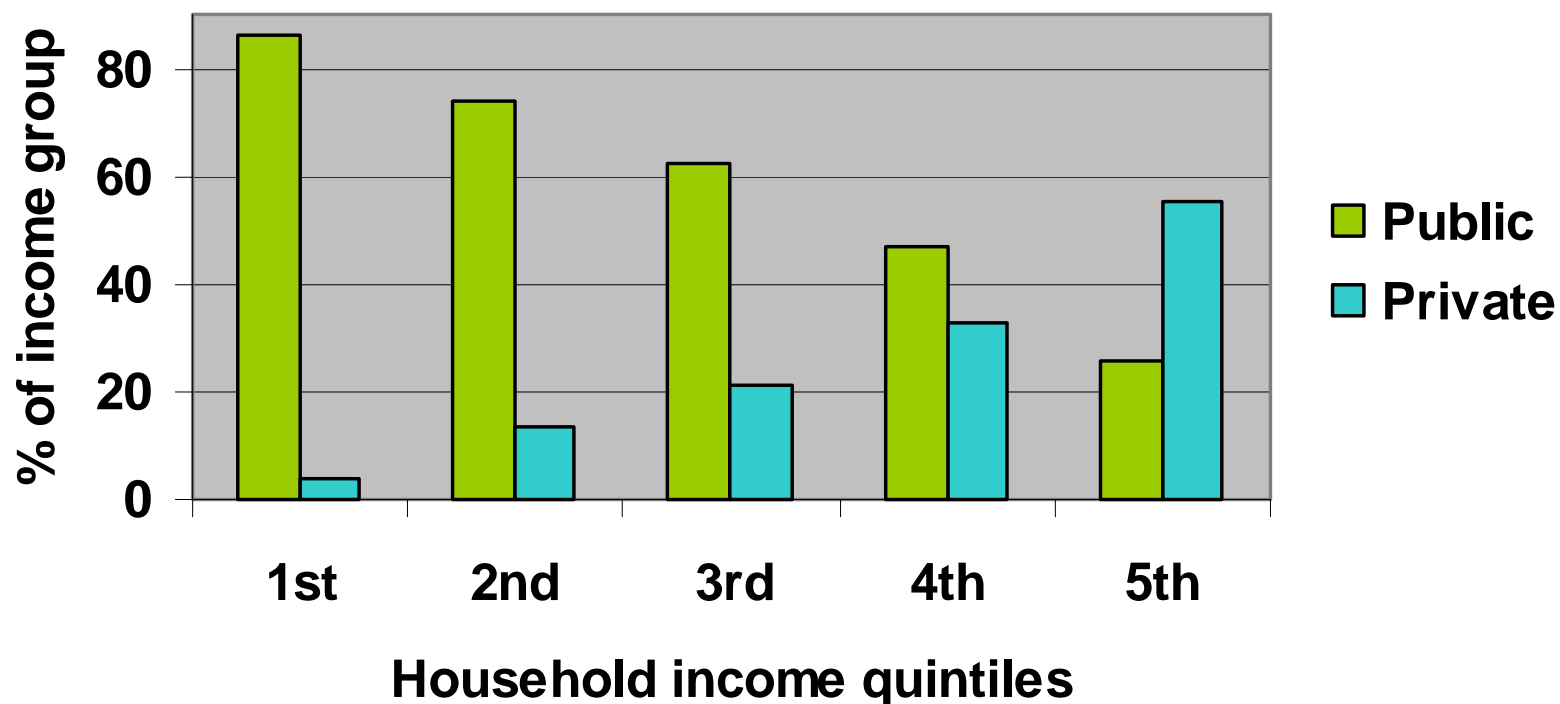
- **Contracts and uncertainty: timing, severity, costs**
- **pooling risks (costs) across people and over time**
- **risk: health and financial - ability to pay**
- **pre-payment – purchasing power; impact on delivery**

PHI as a % of total expenditure on health in the European Union, 2005



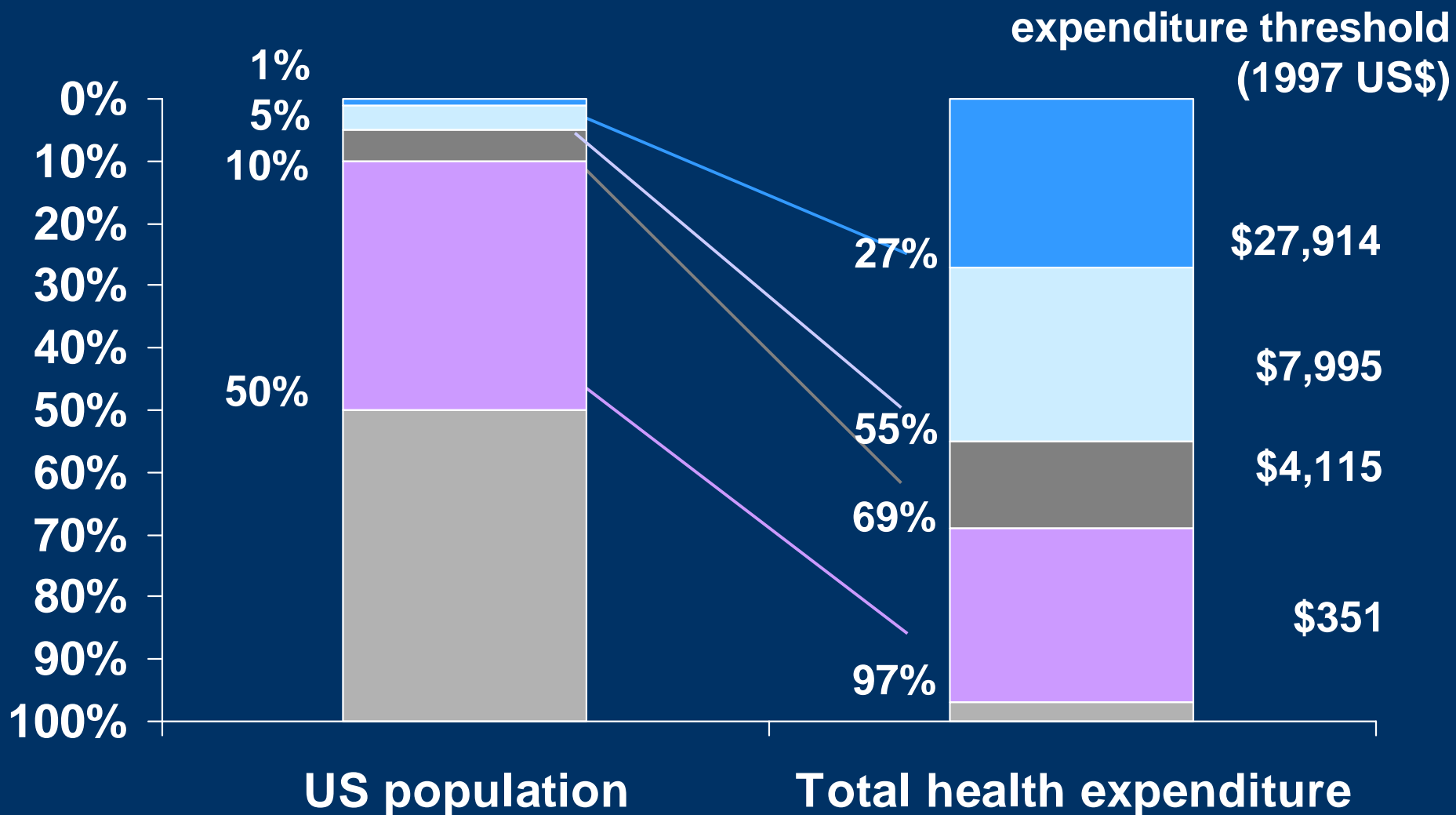
Source: WHO 2007

Chile: income distribution by type of cover, 1998



Source: Barrientos and Lloyd-Sherlock 2000

Distribution of health expenditure for the US population, by magnitude of expenditure, 1997



Source: Monheit 2003 and Berk and Monheit 2001

Economics, Options and Social Values

Objectives/Social Values

Option which maximises likelihood of success

Equal access for equal need

Public

Maximise: choice

Pure private scheme

Safety Net and Choice

Mixed public-private

What role for private health insurance?

Role	Market driver	Covers
Substitutive	Public system inclusiveness	Excluded / exempt groups
Complementary	Scope of public system benefits	Excluded services (dental, drugs)
Complementary	Depth of public system coverage	Public system user charges
Supplementary	User satisfaction with public system	Faster access, more choice

Private Health Insurance

- **Products**
- **Insurers – objectives; legal status**
- **Impact on the health system**

Third Non-Life Insurance Directive

- freedom to provide services throughout the European Union
 - single authorisation ('home country' control)
 - harmonisation of minimum solvency standards
 - abolition of price and product controls
-
- a single market in private health insurance?
 - Competition (prices-products-quality; efficiency gains and productivity)

Implications for regulation of private health insurance

- market liberalisation
- no material regulation
- no differential treatment of insurers

- national governments can no longer choose which regulatory approach to take

'General good' measures

- open enrolment, community rating, lifetime cover
- standardised benefits packages
- risk equalisation
- operation on a technical basis similar to life insurance

- but only if PHI is a “partial or complete alternative” to statutory health insurance

Uncertainty about the directive

- no definition of the general good
- when and how can governments intervene?
- what is meant by “complete or partial alternative”?
- which interventions are “necessary and proportional”?

How can governments intervene?

- community rating
- open enrolment
- risk equalisation schemes?
- standardised benefits?
- differential treatment of insurers?

PMI developments

- Group vs Individual contracts
- Risk selection and product differentiation
- Contracts – duration; moratorium periods
- Solvency II – efficiency gains – cost shifting – managed care or further risk selection
- Impact on statutory system

Conclusions

- financial regulation alone may not be sufficient to protect consumers – but the Directive is not the only barrier to adequate consumer protection
- the single market has not achieved its goals
- the Directive reflects the norms of its time