Private Health Insurance Options in Egypt – Discussion with EISA Chairman and senior staff

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Background

- Health expenditure is dominated by household direct out-of-pocket payments - 62%.
- Public health Coverage is provided through a combination of social health insurance (HIO), subsidized government health services (MoHP), and other smaller state sponsored health facilities and programs – i.e. teaching hospitals, CCO, etc.
- 6% of GDP is spent on health care of which 2.2% is from the government (7.4% of total government expenditure)
- Voluntary Private health insurance formally plays a very small role.
Distribution of Health Expenditure

- Household direct out-of-pocket
- Social Insurance (HIO)
- Private insurance
- Government budget (MoHP)
- Other
Provision of Health Services

Population NOT covered by social Health insurance (52%)

Private Health Insurance

Ministry of Finance

Population covered through social Health insurance system (48%)

MOSA/Public Authority for Social Insurance

Other Organizations

Ministry of Higher Education

MOHP

Treatment at the expense of the state

Health Insurance Organization (HIO)

University Hospitals

MoHP Facilities

HIO Hospitals & Clinics

Private Hospitals & Clinics
Background

• The government is currently proposing to gradually move implicit subsidies into the budget. This would lead to:
  ➢ Expanded fiscal space for targeted social programs as opposed to generalized subsidies,
  ➢ Increasing the transparency of public subsidies, and
  ➢ Improve targeting social programs, including the financing of social health benefits

• The social health insurance system currently receives very little contribution from private workers
Government’s Design of an Effective Social Health Insurance will Depend on:

- Designing the right benefit package
- Availability of fiscal space for sustaining equity subsidies
- Building the capacity at the HIO for strategic purchasing
- The size of the risk pool
- The regulatory framework for risk-pooling organizations
Government Strategy for Designing an Effective Social Health Insurance

1. Targeting government subsidies toward priority programs and beneficiaries
   - Promote participation in and contributions for the social health insurance by all non-poor beneficiaries
   - Redirect government resources from supply-side subsidies to active purchasing through a third-party insurer

2. Expanding social health insurance coverage
   - Expanding coverage to the poor, unemployed, and other vulnerable groups
   - Expanding coverage to non-poor and informal sector workers
   - Extending coverage to government workers’ dependents
   - Sequencing the expansion of the benefit package
Voluntary Private Health Insurance in Egypt

• Less than 1 percent of total health spending
• No financial or clinical regulatory supervision to protect beneficiaries
• No data available on types, volume, and benefits covered
• Lack of capacity for underwriting and forecasting medical loss ratio for health benefits
• Almost exclusively dependent on group purchasing
• Existing opt out clause under the statutory health insurance law permits private corporations to opt for a private insurance scheme provided they continue to contribute 1 percent of their payroll to the Health Insurance Organization
Why Expand the Role of Private Health Insurance

- Households out-of-pocket already accounts for over 60% of health spending
- Extends risk-pooling and prevents economic catastrophe
- Guarantees citizens who are not covered by social insurance some level of health coverage in case of illness
- Distribute the burden for providing health services between the state and the private sector
- Ensures that state subsidies are better targeted to the poor
- Different forms of private health insurance are already functioning with no clinical or financial supervision
Challenges to Expansion of Voluntary Health Insurance

- State guarantee to some form of health benefits to all citizens
- Economic growth and sustained demand
- Consumer knowledge and confidence
- Data availability
- Quality management and clinical guidelines
- Balancing between regulatory oversight to protect consumers and encouraging voluntary private health insurance funds to prosper
EISA’s Role

- Create an enabling environment by drafting regulations that facilitate the growth of voluntary private health insurance
- Establish data requirements and operating guidelines for private health insurance to follow
- Build the capacity of the private sector to underwrite health services
- Coordinate with the Ministry of Health and Population to develop a viable private health insurance industry that can complement the government’s social program.
Defining the role of the Private Voluntary Health Insurance

Private insurance market could serve three different functions in the context of an existing social insurance system:

- **Substitution** – cover the same benefits covered by the statutory insurance system
- **Supplementary** – cover health care benefits not covered under the statutory health insurance system
- **Complementary** – cover benefits that are only partially covered under the statutory insurance scheme
Substitutive Voluntary Private Health Insurance

- Substitutive health insurance is typically limited to a specific population groups that are:
  - excluded from participating in some or all aspects of the statutory insurance scheme; and
  - Exempt from contributing to the statutory health insurance scheme because they are allowed to opt out of it
- Sufficient regulations need to be in place to reduce cost-shifting and risk-dumping
- Premiums are usually calculated according to the benefits and population covered
- Obtaining comprehensive coverage may mean that an individual opting for substitutive private insurance may have to obtain several different policies.
Supplementary Voluntary Private Health Insurance

- Supplementary health insurance serves to increase consumer choice and access to additional health services, traditionally guaranteeing superior non-medical amenities.
- Benefits provided under supplementary insurance are heavily influenced by the benefits provided by the statutory health care system.
- It is usually available to the whole population.
- Can permit social benefit package to be narrowed, allowing greater coverage of population given available resources.
Complementary Voluntary Private Health Insurance

- Provides full or partial coverage for services that are excluded or not fully covered by the statutory health care system.
- Typically takes the form of extending coverage on co-payments and deductibles on services covered under the statutory schemes.
- It can potentially undermine the effectiveness of co-payments that were designed to reduce moral hazard.
- Distinction between complementary and supplementary health insurance is not always clear and often there is significant overlap between them.
Common Types of Private Health Insurance Plans

• Indemnity plans
• Preferred Provider Organizations
• Managed care plans
  – A variety of Health Maintenance Organizations
    • Group
    • Staff
    • Individual Practice Association
    • Network
    • Hybrids
Indemnity Plans

- Reimbursement for services provided (fee-for-service)
- Payment traditionally based on “usual, reasonable and customary” basis
- Lack of control over expenditures
- Co-insurance and deductibles used to control costs
Managed Care Plans

- Emphasize preventive rather than curative care model
- Low levels of cost sharing, particularly for preventive services
- Limited selection of providers
- Strong incentives for medical management
Provider Payment Mechanisms

- Salaries
- Global budgets
- Fee-for-service
- Payment for service “package” (e.g., DRGs)
- Capitation
- Partial withholds
- Provider/institutional bonuses
Type of Plan & Financing Method Could Influence Oversight Requirement

- Business vs. insurance risk
- Minimum capital requirements
Benefit Package Design Issues

- What type of products – e.g. general or specialized
- Legal requirements – mandated benefits
- Market Demand and affordability
- Target customer base for specific products
- Cost control and predictability
- Cost sharing
- Network and non-network
- Referrals and approvals
- Exclusions
# Example of a Benefit Package

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<th>Service</th>
<th>Primary &amp; Preventive</th>
<th>Minimum + Catastrophic</th>
<th>Preventive &amp; Drugs</th>
<th>Preventive &amp; Accident</th>
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