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

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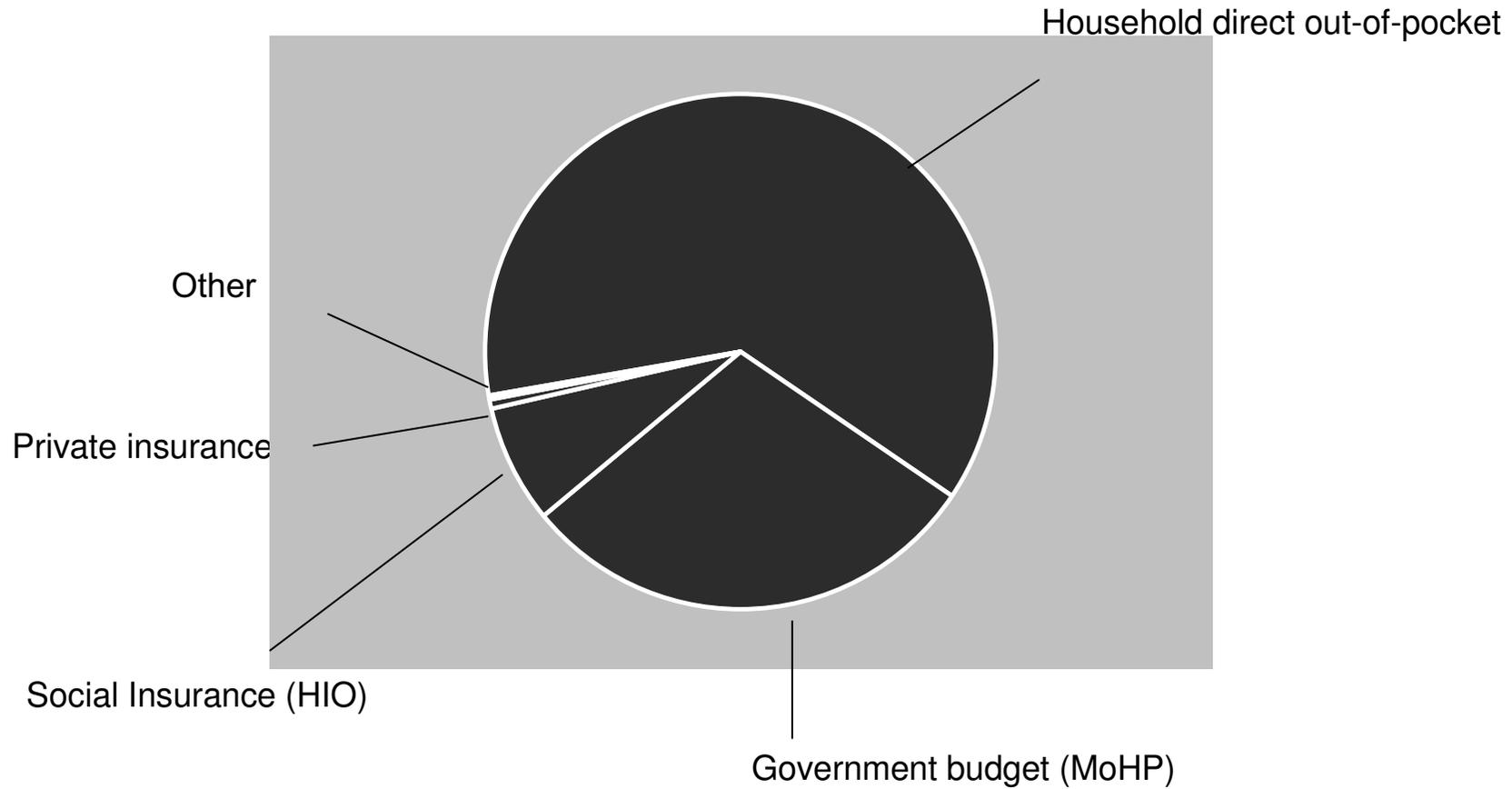


Background

- 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.

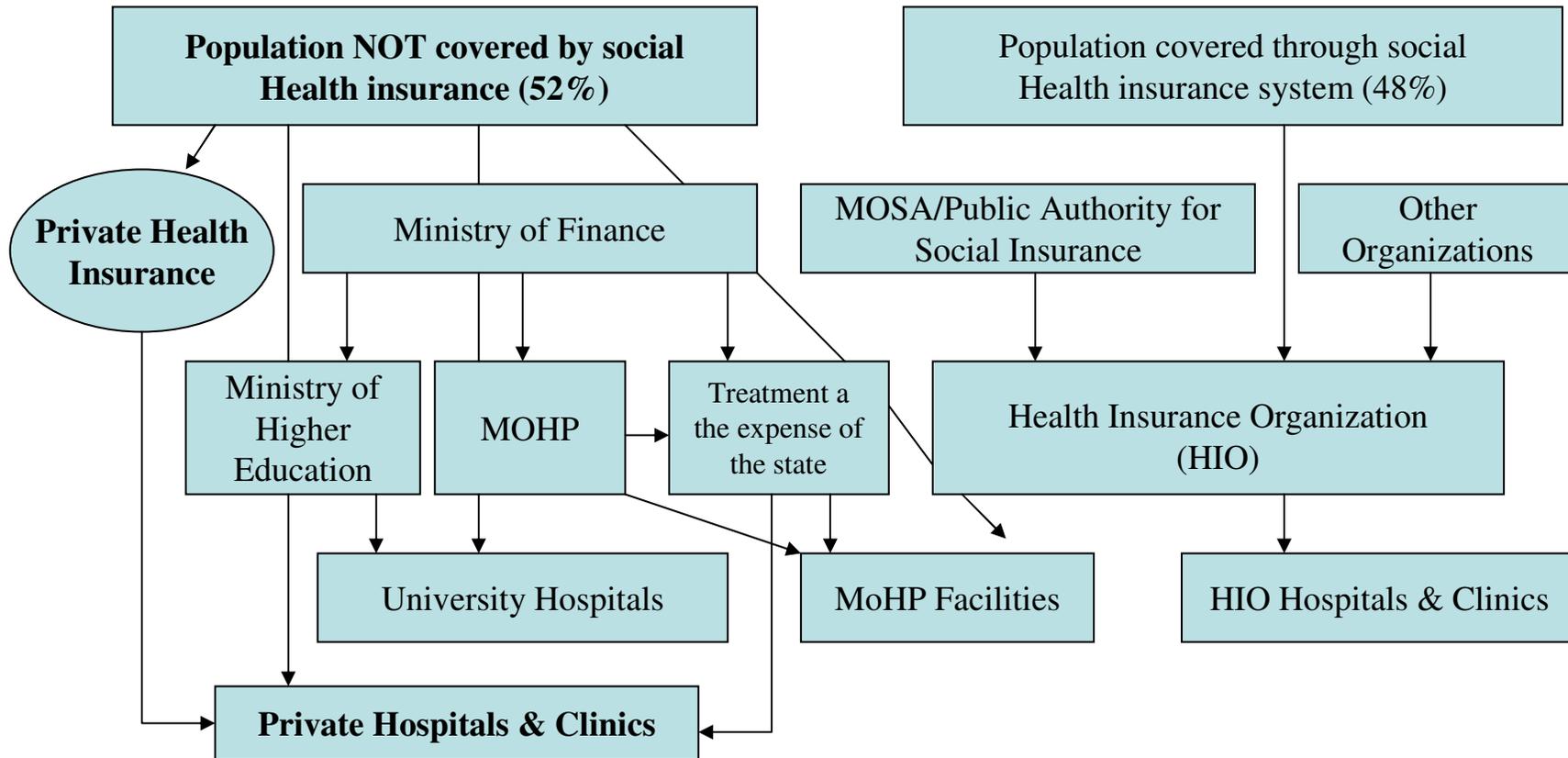


Distribution of Health Expenditure





Provision of Health Services





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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



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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



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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



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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



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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



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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



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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.



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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.



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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



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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.



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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



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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



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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



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Provider Payment Mechanisms

- Salaries
- Global budgets
- Fee-for-service
- Payment for service “package” (e.g., DRGs)
- Capitation
- Partial withholds
- Provider/institutional bonuses



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Type of Plan & Financing Method Could Influence Oversight Requirement

- Business vs. insurance risk
- Minimum capital requirements



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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

Service	Primary & Preventive	Minimum + Catastrophic	Preventive & Drugs	Preventive & Accident
Public health and vaccination				
Family planning				
MCH				
Other primary care				
Pharmaceuticals				
Base ophthalmology				
Basic dentistry				
Childbirth				
Specialist Outpatient				
Physiotherapy				
Outpatient imaging				
Outpatient laboratories				
Minor Operations				
Major Operations				
Emergency services				