

*Innovations in sickness funds management: a
three country study*

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The evolution of competitive Social health insurance markets

- Introduction of competition between sickness funds in Germany, the Netherlands and Switzerland during the nineties
- Free choice of sickness funds in all three countries
- Financial risk for sickness funds has been increased to 100% in Switzerland, nearly 100% in Germany and 54% in the Netherlands
- In all three countries one of the main goals was to increase incentives for sickness funds for cost-containment and therefore increase efficiency
- The main question: do sickness funds have the necessary means to differentiate from each other in competition or is competition mainly based on “passive” risk selection?

Risk Structure Compensation Schemes

SHI-Schemes with competing sickness funds

Country	Year of Implementation	Risk-adjusters
Belgium	1995 2006	-Age, sex, social insurance status, employment status, mortality, urbanization, income -Age, sex, social insurance status, employment status, mortality urbanization, income, diagnostic and pharmaceutical cost groups
Germany	1994/1995 2002	-Age, sex, disability pension status -Age, sex, disability pension status, participation in disease management programmes
Netherlands	1993 1996 1999 2002	-Age, sex -Age, sex, region, disability status -Age, sex, social security/ employment status, region of residence -Age, sex, social security/ employment status, region of residence, diagnostic and pharmaceutical cost groups
Switzerland (within each premium region)	1994	-Age, sex

SHI-Schemes with non-competing sickness funds

Country	Year of Implementation	Risk-adjusters
Austria	None	
France	None	
Japan	None	
Korea	None	
Luxembourg	None	

Switching rates (consumer mobility) as an indicator for competition

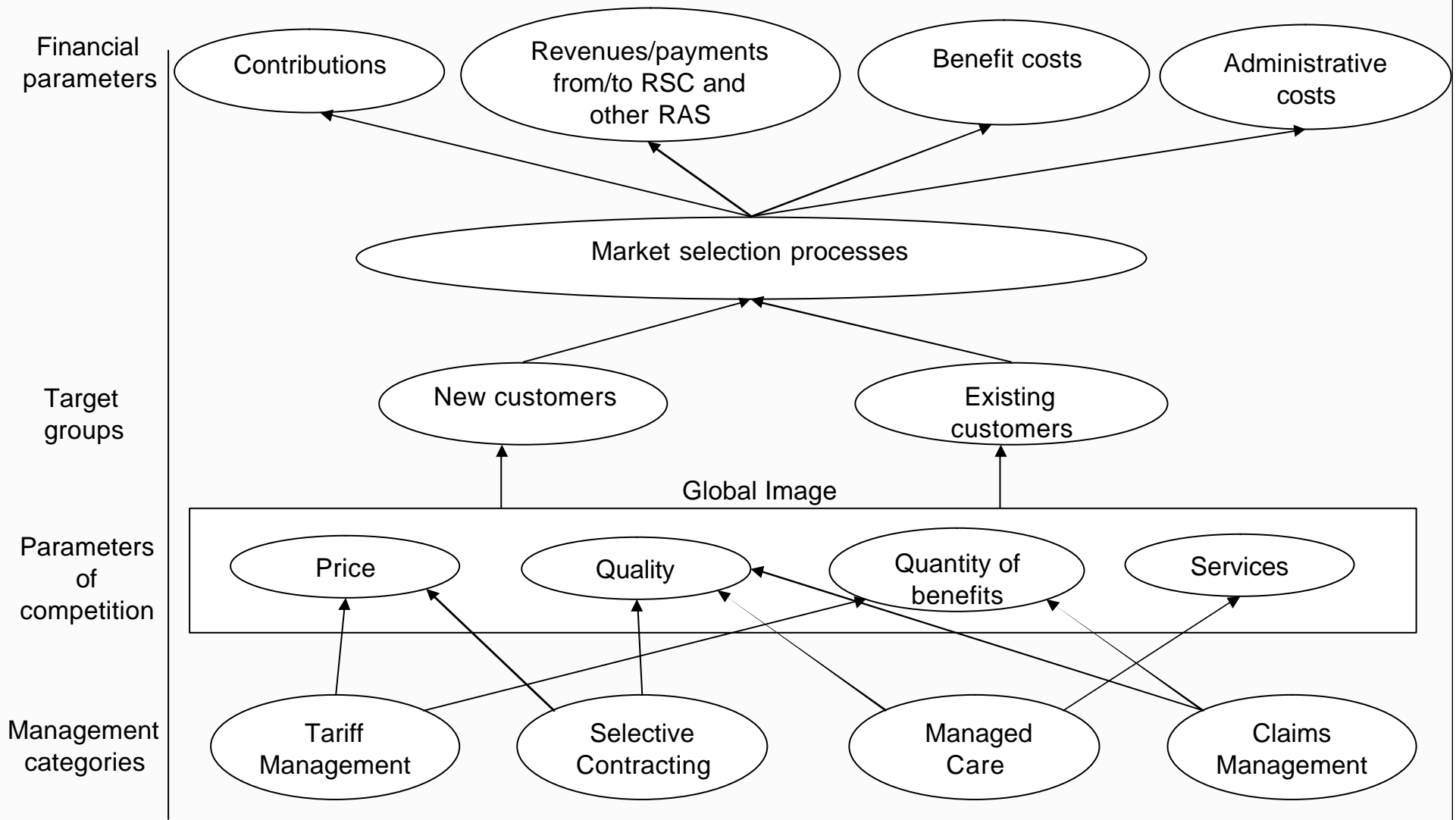
- Germany: 4% (1997) to 5% (2000), slightly higher now
 - Switzerland: 5.4% (1998) to 4% in (2002)
 - The Netherlands: <1% before 2000 to about 2.5% (2003)
- > High switching rates do not necessarily indicate active competitive behaviour; could as well be due to passive risk selection and thus poorly designed risk adjustment schemes
- > There is no optimal switching rate

Market concentration as an indicator for competition

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Change 1990-2002
Germany	-	1209	1223	1221	1152	960	642	554	482	455	420	396	355	-70.6%
Netherlands	37	31	27	26	26	27	29	30	28	28	27	25	24	-35.1%
Switzerland	220	203	191	207	178	166	145	129	118	109	101	99	93	-57.7%

- Decreasing number of sickness funds in all three countries
 - Germany: 3 largest sickness funds have 20% market share
 - the Netherlands: 3 largest sickness funds have 35% market share/ but regionally 50%-90% market share for largest sickness fund
 - Switzerland: largest sickness fund has 14%/ per canton maximum market share of 13-44% for one sickness fund
- > high market concentration can also be due to risk selection and is not necessarily an indicator for active competitive behaviour
- > both high switching rates and market concentration can only be an indicator for real competition if sickness funds have the necessary means to differentiate from each other?

The framework for sickness funds management



Tariff management

Variation of financial conditions

Instrument	Germany	Switzerland	The Netherlands
Deductibles	For voluntary sickness fund insured (income above €46,800) on a voluntary basis, if the fund chooses to offer the scheme	Compulsory for all sickness fund insured (minimum of 300 SFr, but higher deductibles can be chosen)	None
Degree of Implementation	Low	High	/
Participation of insured	Low	High (40.5% even choose higher deductibles in 2002)	/
No-claims bonuses	For voluntary sickness fund insured (income above €46,800) on a voluntary basis, if the fund chooses to offer such schemes	All sickness fund insured can opt for them if fund chooses to offer such schemes	Compulsory for all sickness fund insured (planned for 2006)
Degree of Implementation	Low	Moderate	/
Participation of insured	Low	Low (0.12% in 2002)	/

Tariff management

Variation of benefit basket

Instrument	Germany	Switzerland	The Netherlands
Additional benefits as part of the compulsory insurance arrangement	Sickness funds can offer supplementary benefits (e.g. alternative practitioner services)	No variation of benefit basket	No variation of benefit basket
Degree of implementation	Moderate	/	/
Participation of insured	Low	/	/
Additional benefits as part of supplementary private health insurance arrangements	Sickness funds arrange for supplementary private health insurance (but not allowed to offer them on their own)	Sickness funds can offer supplementary private health insurance; but separate financial administration	Sickness funds can offer supplementary private health insurance; but separate financial administration
Degree of implementation	High (ca. 70% of all open sickness funds offer them)	High	High
Participation of insured	Low	Moderate (10.7%)	High (90% have suppl. private health insurance)

Managed care

Instrument	Germany	Switzerland	The Netherlands
Gatekeeping	Insured are free to choose gatekeeper schemes; no restriction of providers possible; tied to financial incentives	Insured are free to choose gatekeeper schemes; choice of providers can be restricted; tied to financial incentives	Mandatory
Degree of implementation	Low	High	Mandatory
Participation of insured	Low	Low (7.6% in 2002)	Mandatory
Disease Management	Yes	Yes	Yes
Degree of implementation	Moderate, but rising	Moderate (the two largest health insurers)	Low
Participation of insured	Moderate (estimated 10-30% reg. Rate)	Low (ca. 5% reg. rate)	Moderate

Main problems:

- Pre-selection of regions and diseases necessary especially for DMP; but necessary data is often not available for sickness funds
- Gatekeeper systems are not very popular

Selective contracting

	Instrument	Germany	Switzerland	The Netherlands
Individual selective contracts regarding provision of services	Individual providers of ambulatory care	No	No	Yes
	Individual providers of hospital care	No	No	No
	Provider Networks	Yes	Yes	Yes
Degree of Implementation		Moderate	Moderate	Low
Individual contracts regarding prices and other elements of remuneration	Individual providers of ambulatory care	No	No	Yes, but maximum prices are set
	Individual providers of hospital care	No	No	Yes, but maximum prices and budgets are set
	Provider Networks	Yes	Yes	Yes
Degree of implementation		Low (few capitation approaches)	Moderate (more and more capitation approaches)	High
Main problems: <ul style="list-style-type: none"> • High transaction costs of individual contracts • Supply constraints imposed by Governments 				

Conclusion

Sickness funds have more and more instruments to differentiate from each other but cannot use them as they ...

- Do need more claims data e.g. diagnoses
 - Do need more know how to analyse data and plan programmes successfully (Problem: caps on administrative costs)
 - RSC schemes have to be improved, especially in the case of Germany and Switzerland to give sickness funds with lower risks an incentive to use the instruments
 - Do not co-operate enough to reduce transaction costs for selective contracting
- > improving RSC schemes is only one prerequisite for competition; if we want competition, sickness funds need still more instruments and the necessary means to use make them