

*Health Services Research Association  
of Australia and New Zealand*

The Ethics and Philosophy of Health Financing  
Bridging the Gap: Research and Values to Policy and Practice  
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## **Lessons on Selection and Choice from Europe and the Americas**

**Randall P. Ellis**  
Boston University, USA

Based on ideas in Randall P. Ellis and  
Wynand P.M.M. van de Ven (2003)

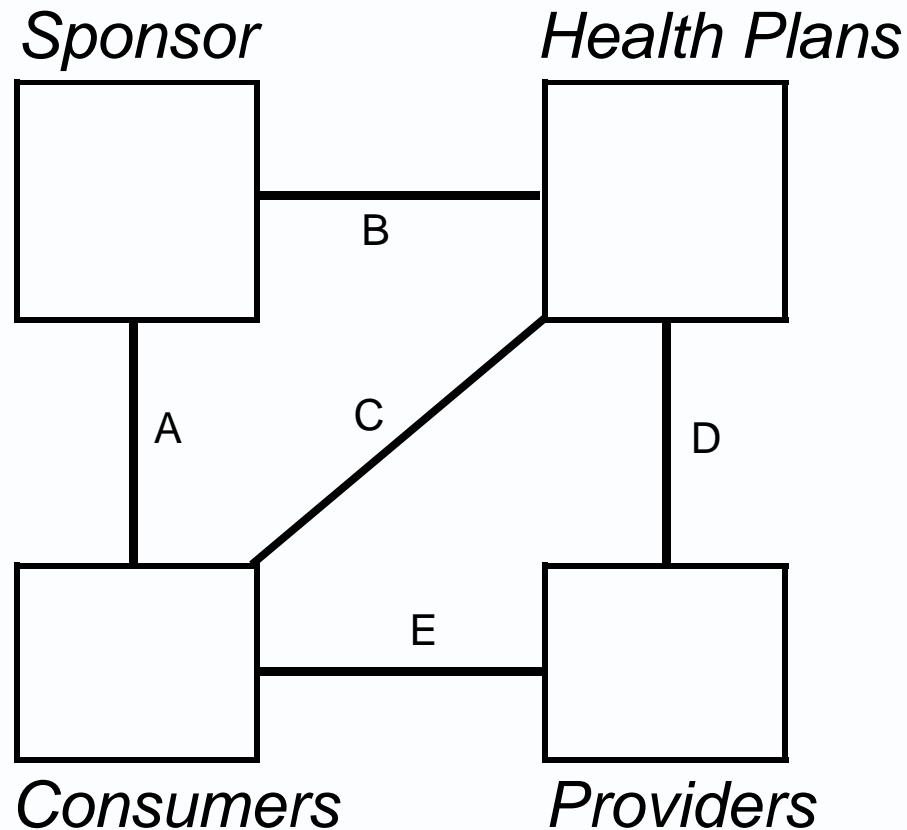
# Key Policy Paradigm

- ◆ Competition?  $\Rightarrow$  Choice
- ◆ Choice of what?
  - Providers
  - Health plans
  - Sponsors
- ◆ Choice + heterogeneity  $\Rightarrow$  Incentive to select
- ◆ Regulations + payment policy reduce selection

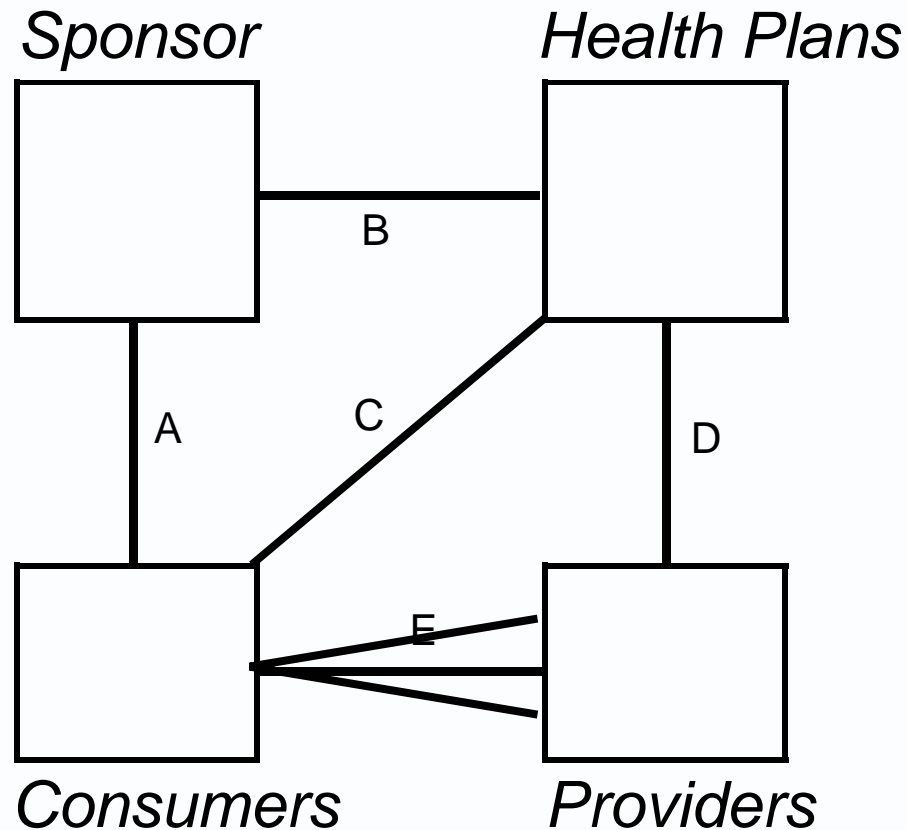
# Four questions addressed for Canada, Netherlands, Germany, United States, Chile

- ◆ What choices are allowed?
- ◆ What are the perceived selection problems?
  - Efficiency problems
  - Equity/fairness problems
- ◆ What selection tools are available?
- ◆ What regulations and payment strategies are being used to offset these selection problems?

# Four agents and five primary contracting relationships



# ✓ Consumer Choice of Providers



Canada

Netherlands

Germany

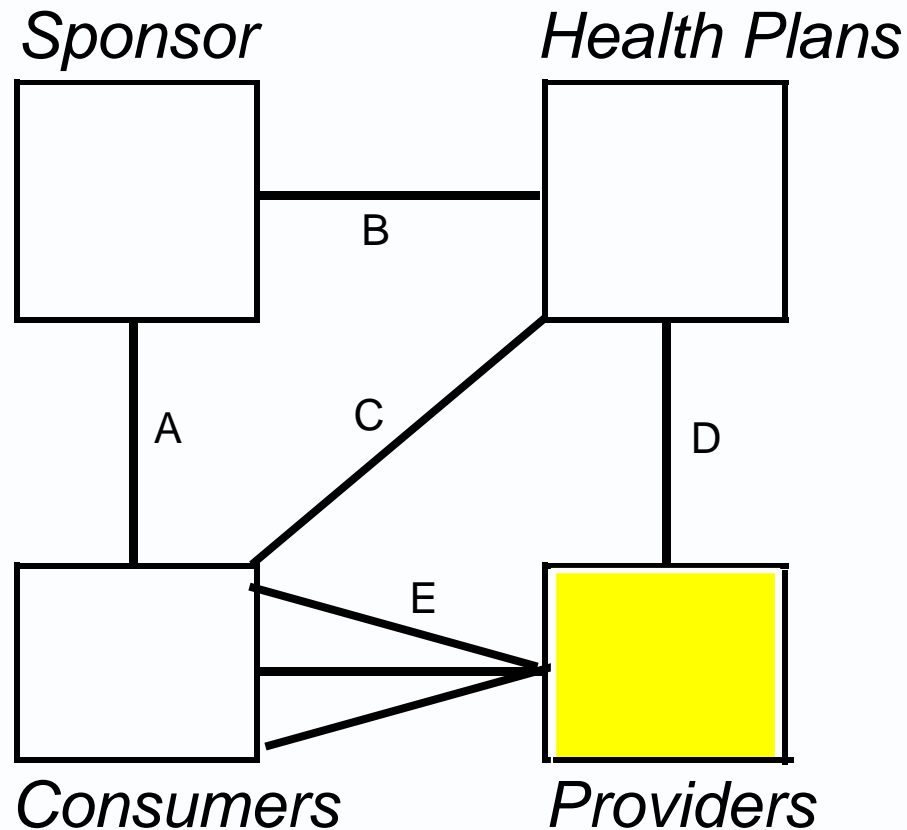
USA

Chile

# Provider Choice of Consumers?

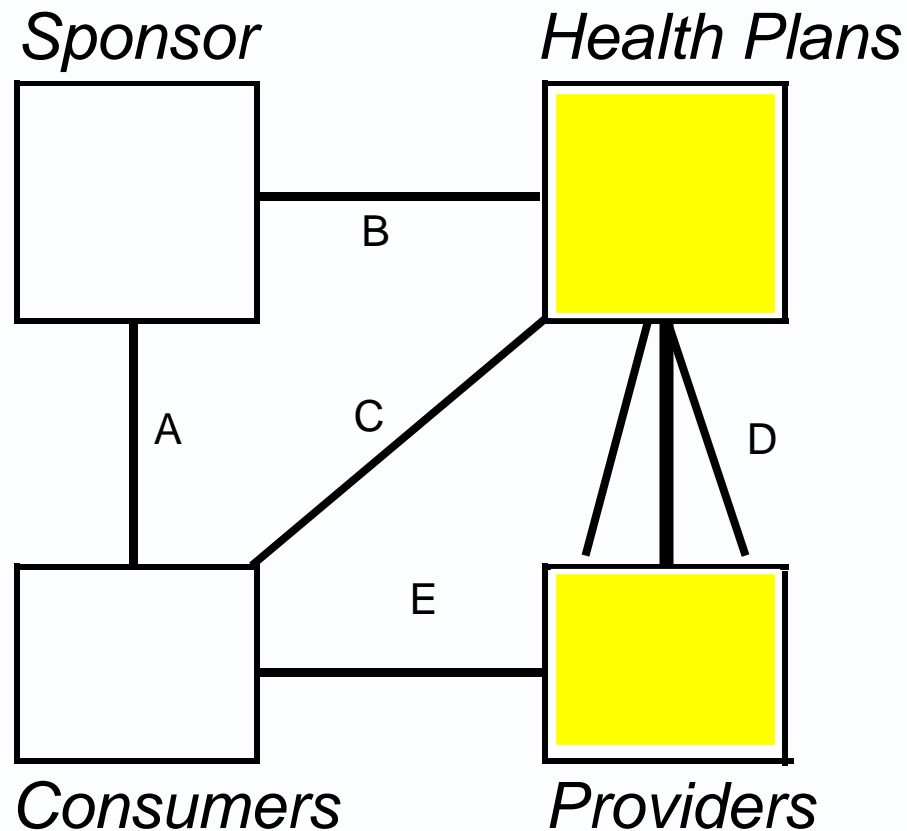
**Selection problems**

- Risk solidarity problem
- Patient sorting problem
- Overpaying/underpaying problem



Germany  
USA  
Chile

# Health Plan Choice of Provider (Selective Contracting)



## Selection problems

Service distortion problem

Wasted administration costs

*(Germany)*

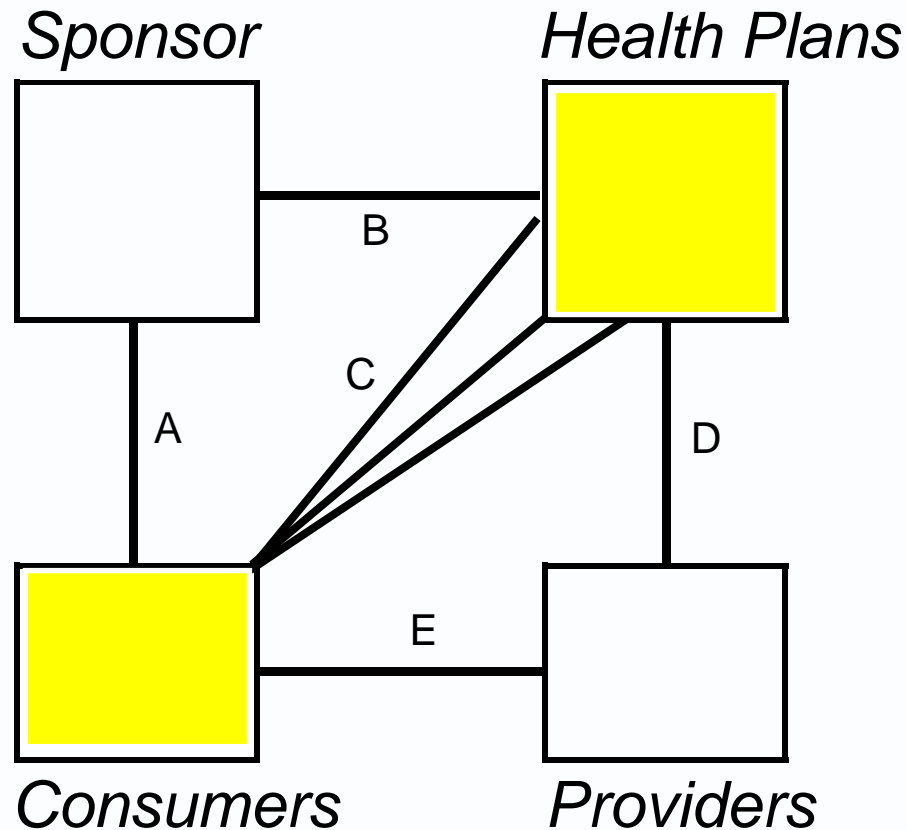
USA

Chile

# Consumer choice of health plans?

**Selection problems**

- Wasted administration costs problem
- Plan turnover problem
- Risk solidarity problem



Netherlands  
Germany  
USA  
Chile

## Selection problems

Incomplete insurance

Wasted administration costs problem

Labor market problems

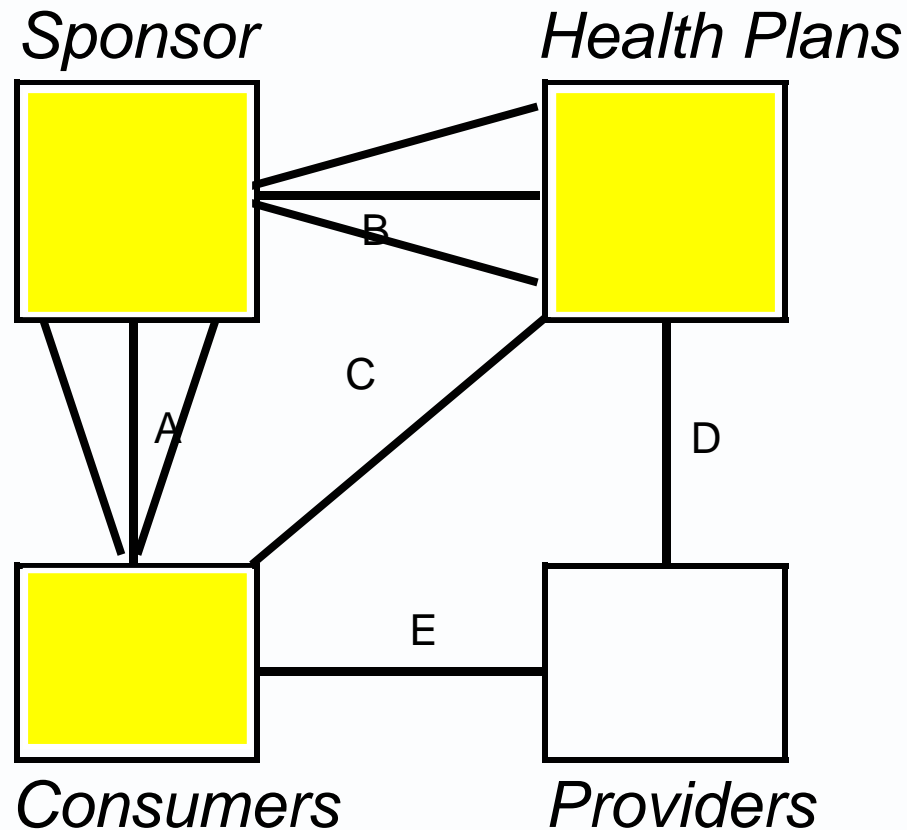
Plan turnover problem

Risk solidarity problem

Income solidarity problem

Free rider problem

# Consumer Choice of Sponsor Sponsor Choice of Health Plans



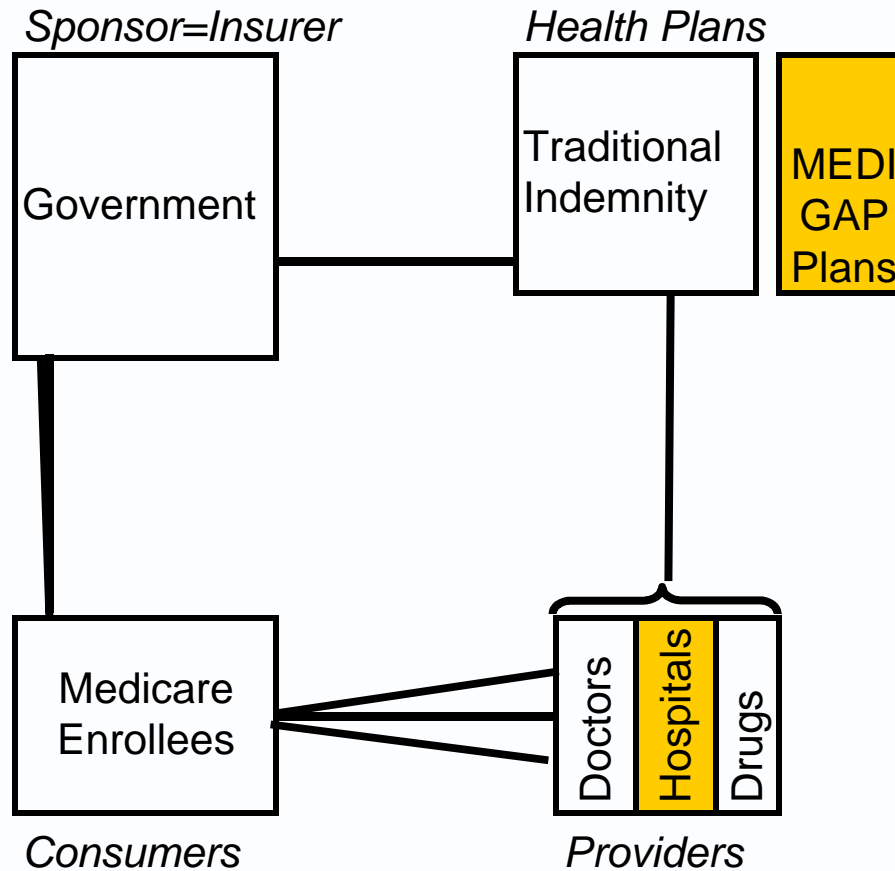
USA

Chile

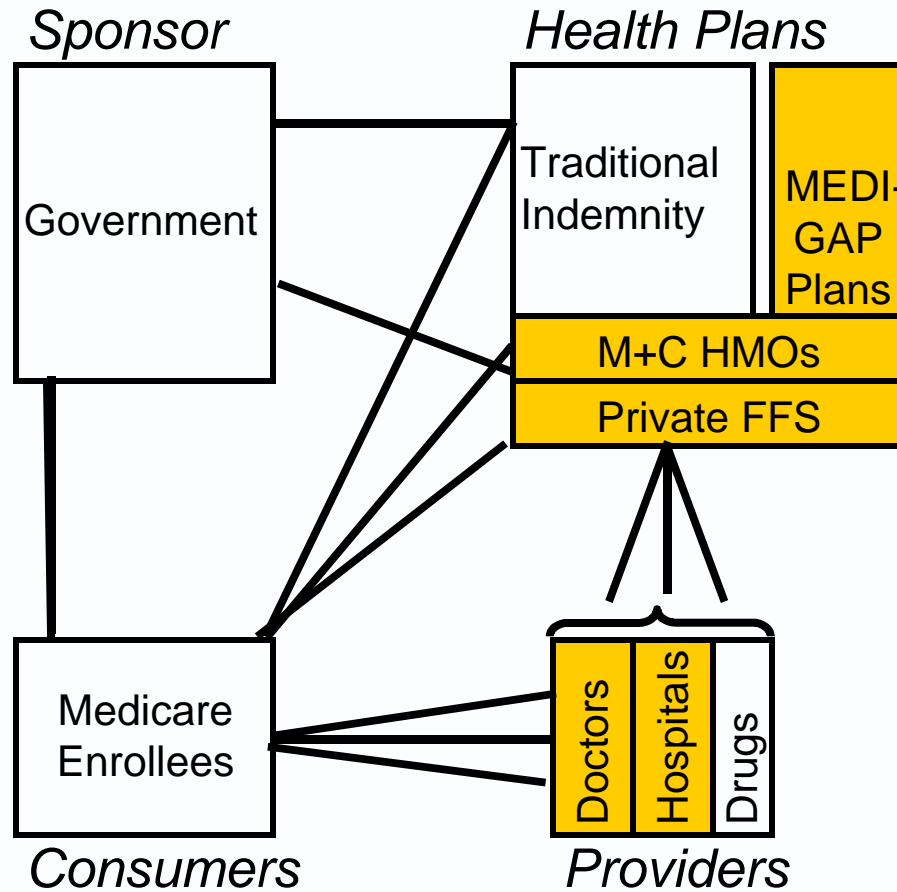
# Strategies to reduce selection problems

- ◆ Regulations
- ◆ Risk Adjustment
- ◆ Risk Sharing

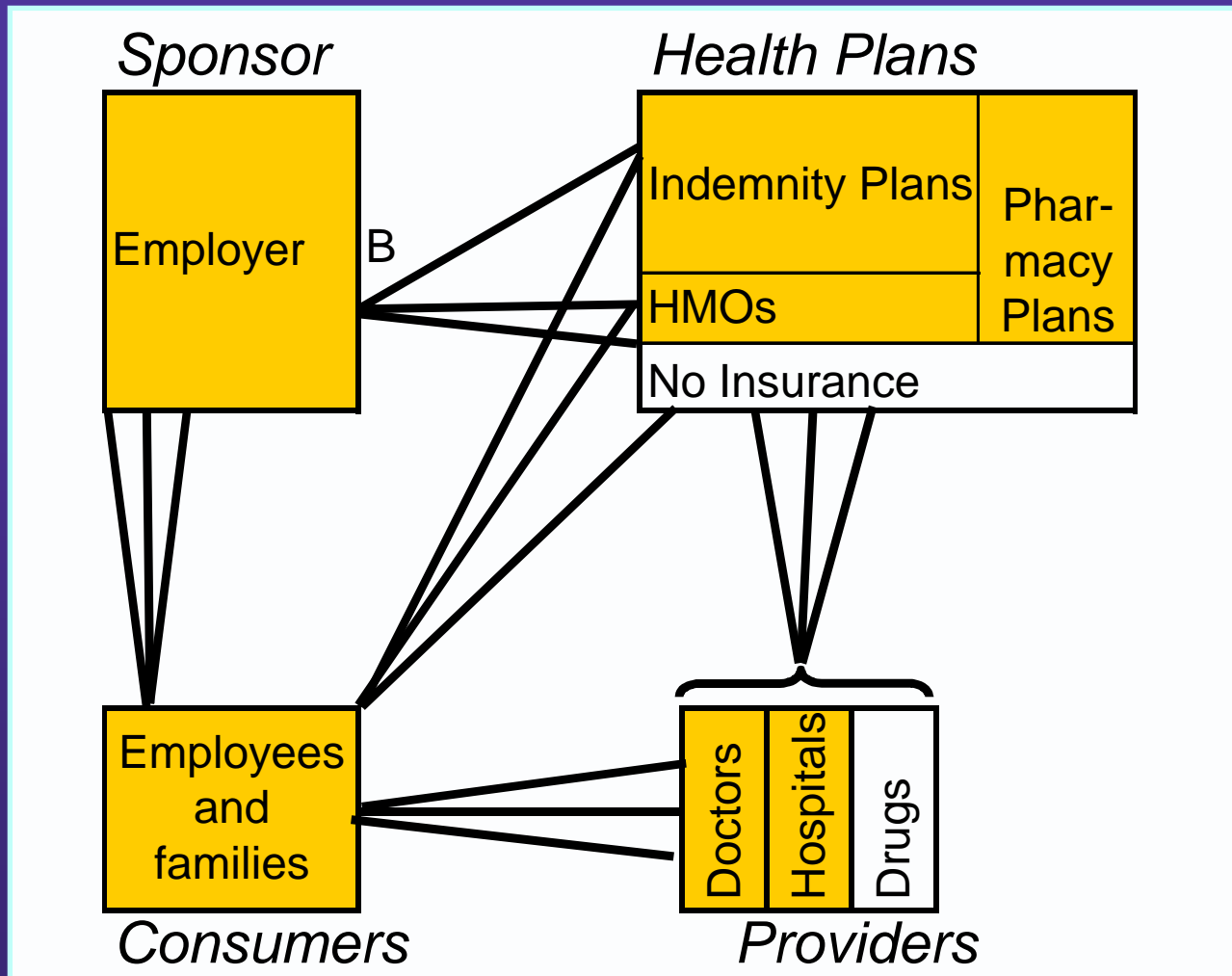
# USA Medicare, 1985



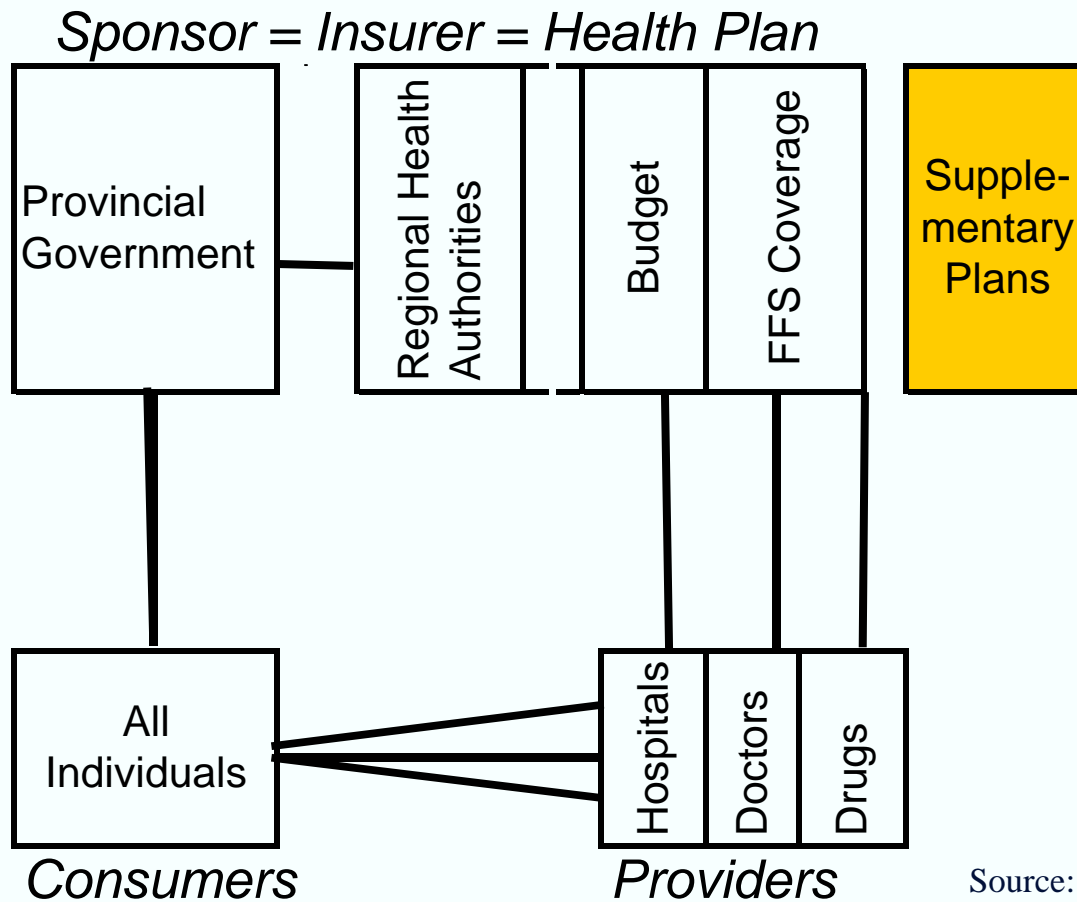
# USA Medicare, 2004



# USA Privately Employed, 2003

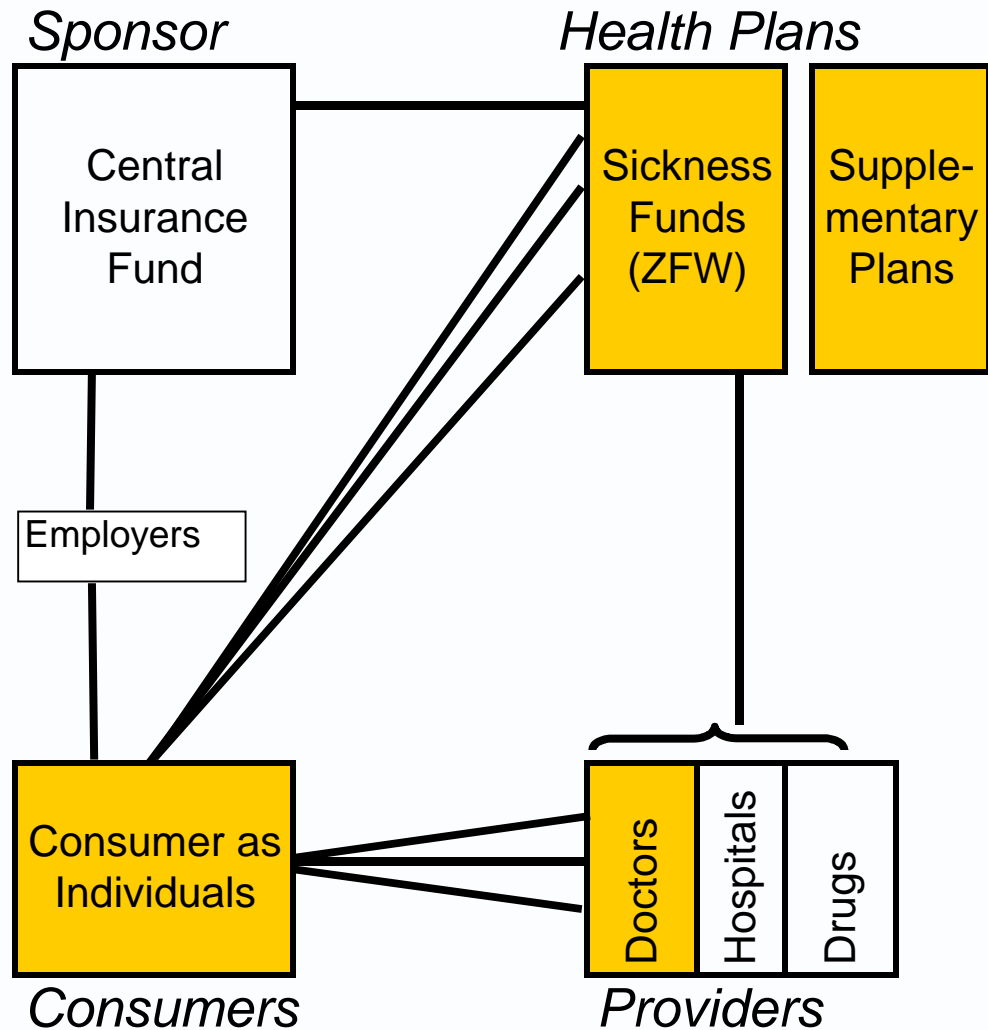


# Canada (Alberta) 2003

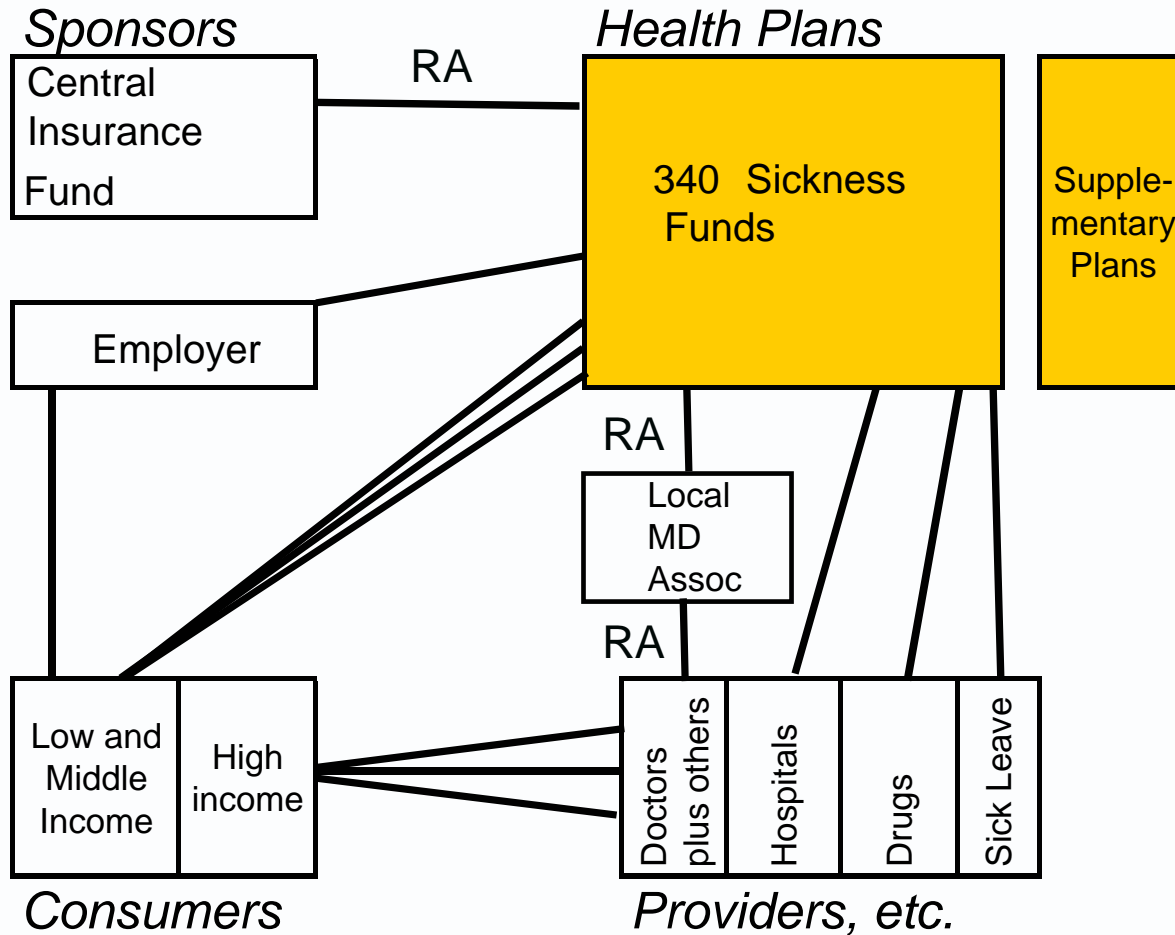


Source: Ellis and Van de Ven, 2003

# Netherlands, low income, 2003



# Germany, Privately Employed, 2003



# Key findings from comparisons

- ◆ Countries vary in the *choices* and *selection tools* available
- ◆ Perceived problems vary: Europe and Canada value income and risk solidarity
- ◆ Service selection problems arise where there is a selective contracting or pricing with providers (US, Germany, Chile)
- ◆ Sponsorship by employers leads to more selection problems than sponsorship by a government entity
- ◆ Risk adjustment and risk sharing are relevant at many different levels of the health care system.
- ◆ Regulations are as important as financial incentives.
- ◆ Paper says nothing about cost and quality efficiency.