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Layout & Distribution: Valéria Kozakova

Long-Term Care Financing and Solidarity: Lesson from the Czech Health Reform Proposal

Tomáš Macháček

Key messages:

1. **Age wave is coming into the CR very soon**
2. **It will lead (along with other things) to huge change in health – social services structure**
3. **This challenge will require radical rechaping of public funding of health and social services**
4. **HalhReform.cz proposed substancial messure:
public sponsored health savings accounts**



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**The CZECH REPUBLIC IS STILL a POST-COMMUNIST
COUNTRY ...**

With inbalance between „public“ and „private“ ...



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**.... PRIVATE FUNDING AND FINANCING CONCEPTS
ARE IMMATURE..**

Life insurance: low penetration

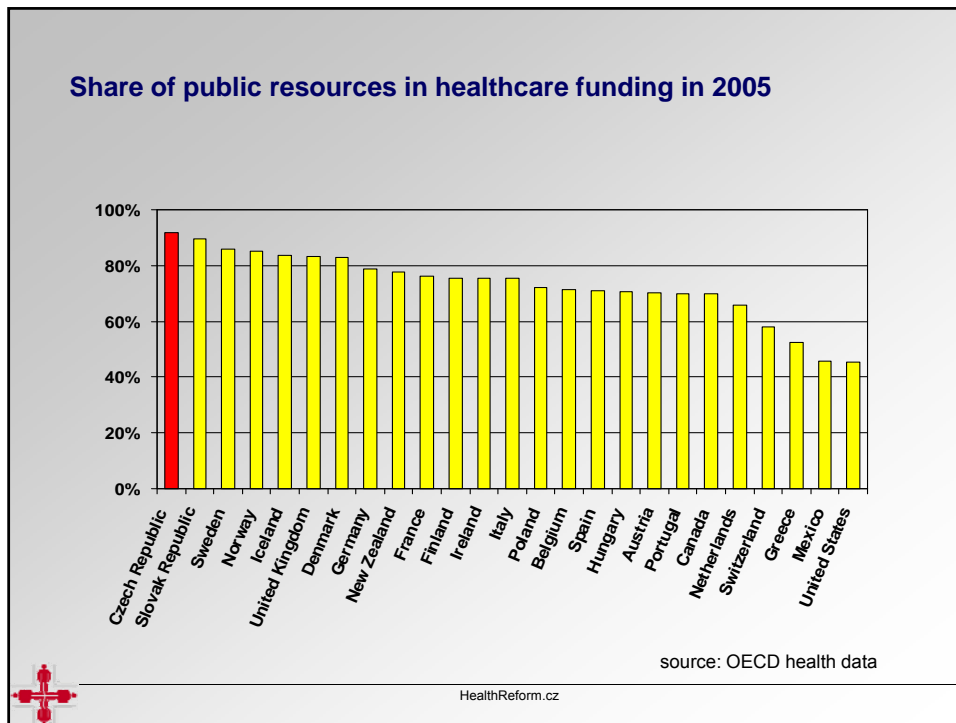
Retirement solutions not offered

Assets and savings weak

Long term care private insurance doesn't exist



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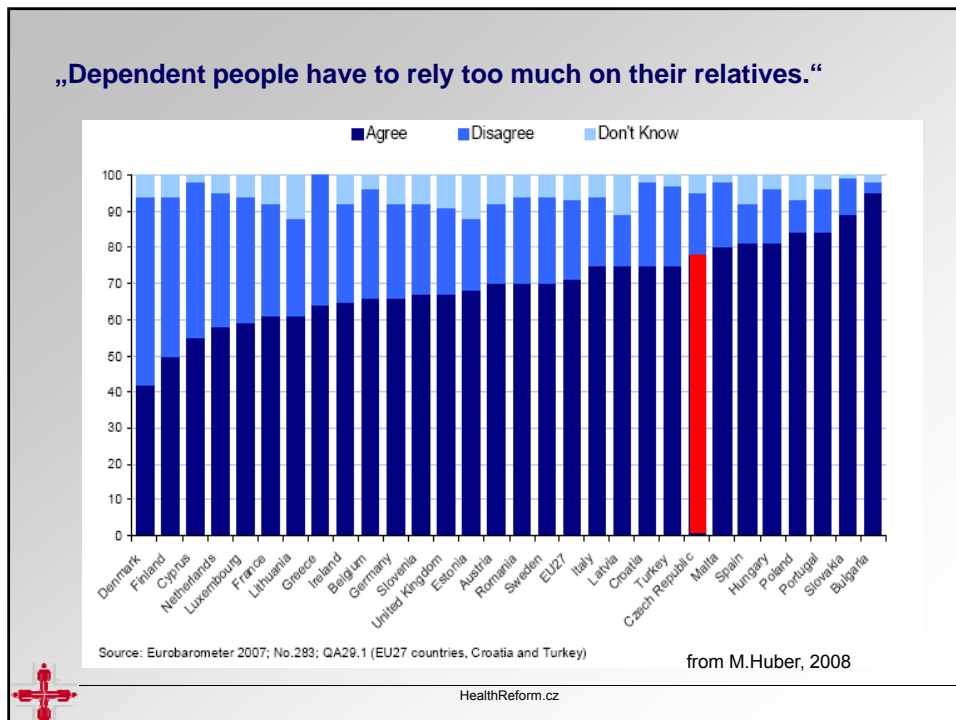
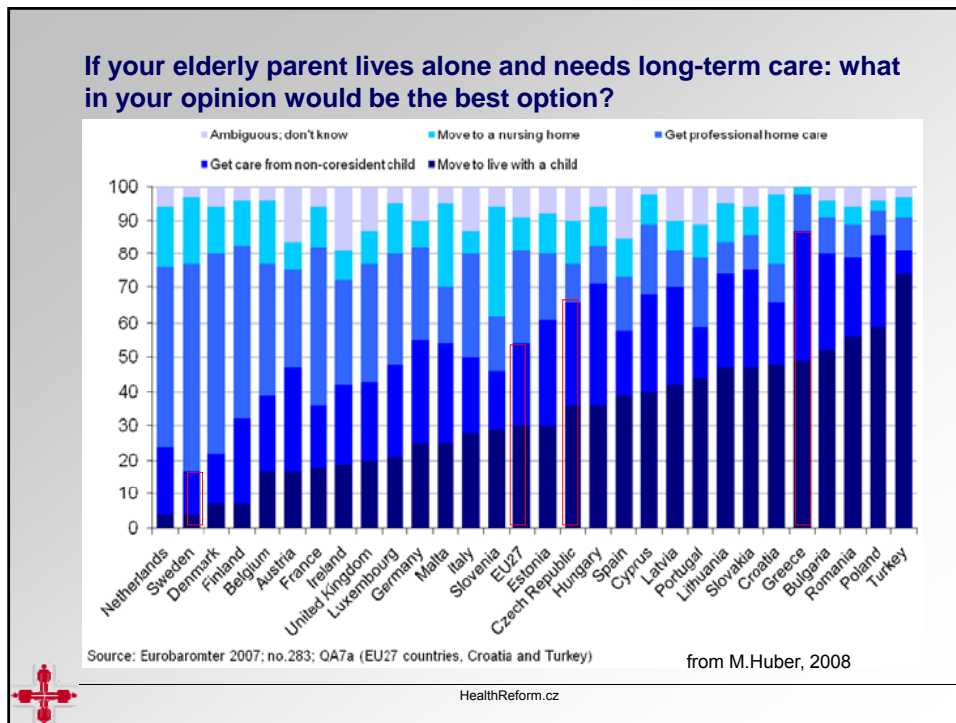
The CZECH REPUBLIC IS STILL a POST-COMMUNIST COUNTRY...

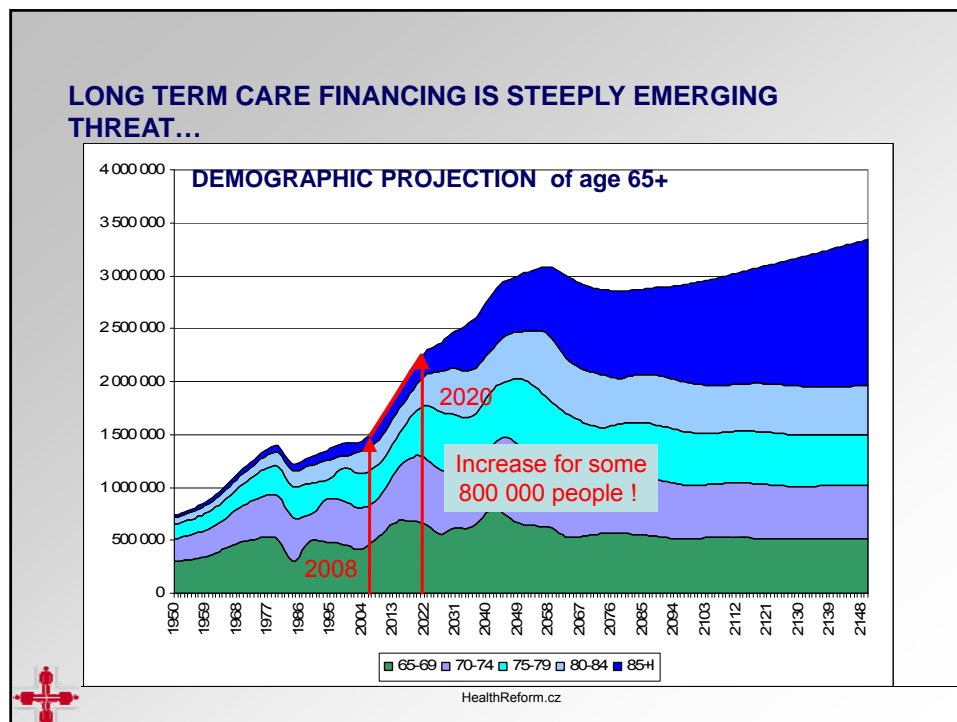
With inballance between „public“ and „private“ in terms of:

- dependency on tax-based (public) sources
- individual responsibility and co-responsibility
- public opinion instincts and patterns
- conceptual frameworks for solutions....

PEOPLE ARE NOT FRANK EVEN IN ANONYMOUS PUBLIC OPINION RESEARCH...

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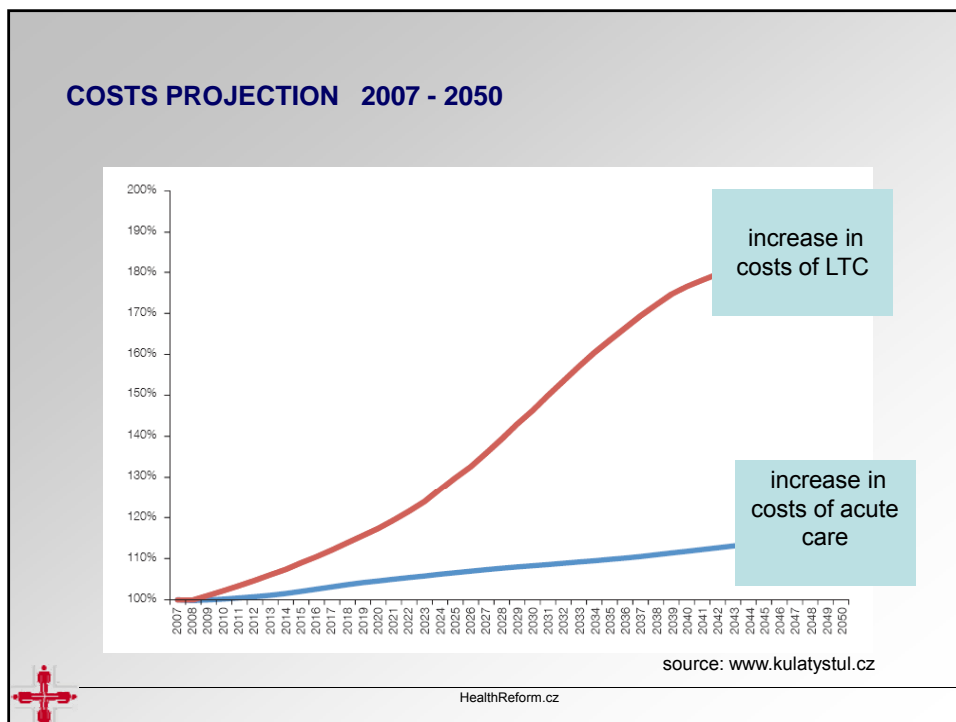
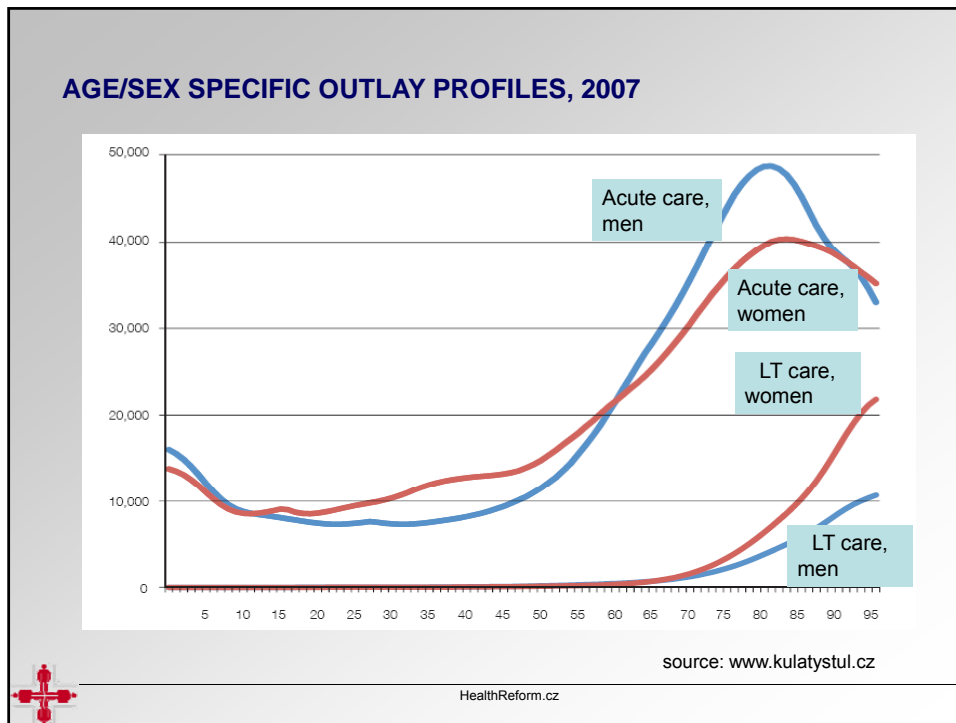


DEMOGRAPHIC PROJECTION :

1. In the past there was one grandmother and a lot of grandsons and granddaughters
2. In the **near** future there will be one grandson or granddaughter and a lot of grandmothers and also grandfathers.
3. Time of change is extremely short.

According to S. Vachek, 2007

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PATIENT AND FAMILY EMPOWERMENT I.

- Demographic transition brings 3 opportunities:
 - Number of retired but NOT tired persons – their experience, time and energy
 - Retirees can take care of their parents (until their death) : 3 generation to 4 generation society transition
 - New age dependent structure of health problems which is much better **managed by patients and their families themselves** than by health care professionals.
- Health care (care of health) shall be everyday (convenient ☺) experience, similar as eating, housing, transportation etc.

According to S. Vachek, 2007

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PATIENT AND FAMILY EMPOWERMENT II.

- How to use these opportunities – what to do
 1. to give control of resources back to patients (for the care where patient role should be high)
 2. let's allow patients themselves to reward providers on their own perception of quality and value for money and on their own preferences
 3. Better (health) insurance products and/or financial tools (whether sponsored by public sources or not) should be offered with respect to different nature of health problems throughout life

According to S. Vachek, 2007

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The Role of Individuals and the Resource Control

Catastrophic acute care:	Active role of patient is VERY LOW
Banal acute care:	Active role of patient is MODERATE
Elective acute care:	Active role of patient is HIGH
Chronic care (chronic diseases management): Long term care: End-of-life care:	Active role of patient (or family) SHOULD BE VERY HIGH

According to S. Vachek, 2007

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LONG TERM CARE FINANCING AND DELIVERY: WHO IS IN CHARGE NOW?

Institucional ADL assistance:	
clients:	182 000
staff:	4 100
costs per person/year:	9 000 CZK
personal cost sharing:	14%

Informal ADL assistance*:	
staff equivalent :	200 000 !

source: www.kulatystul.cz
*estimation, S.Vachek, 2001

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PUBLIC ALLOWANCES FOR SOCIAL SERVICES (2007)

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„PUBLIC – PRIVATE TRANSFORMATION OF MONEY“

Eligibility dedined by law

4 severity groups (from 2 000 to 12 000 CZK per month)

Free usage !

- buying institucional services
- personal contract with not institucionalized care giver
- withhold (informal family services)

2008: cca 400 000 recipients

18 billion CZK (!) (will be doubled in two forthcoming years!)



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**PUBLIC SPONSORED HEALTH SAVINGS ACCOUNTS:
Part of the Czech health reform proposal by HealthReform.cz**

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„PUBLIC – PRIVATE TRANSFORMATION OF MONEY“

HealthReform.cz Model of HSA

Detailed health care utilization data :

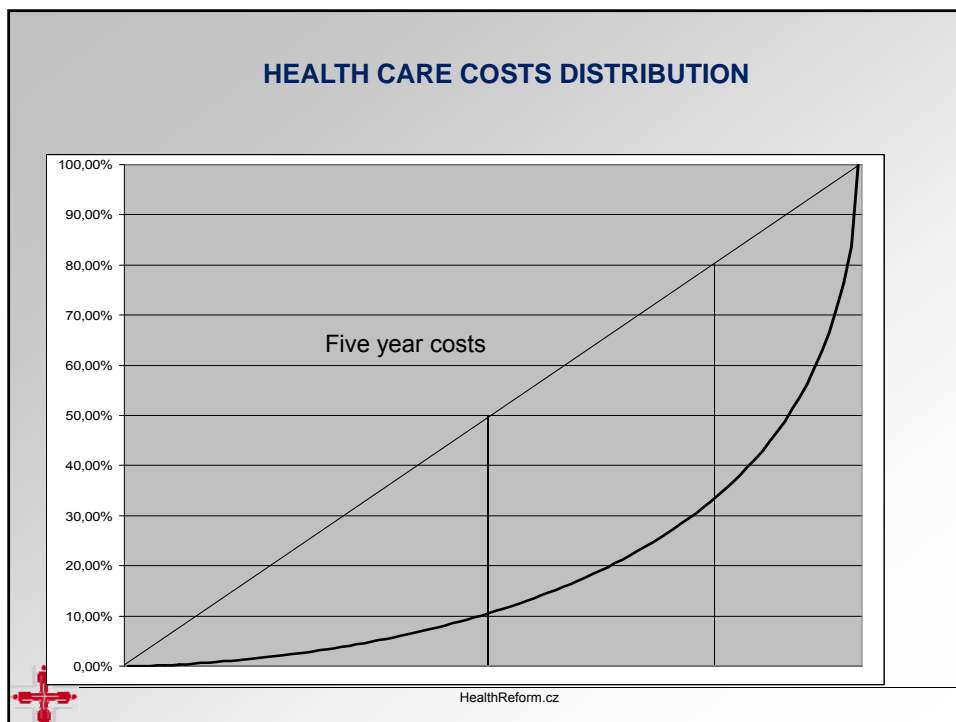
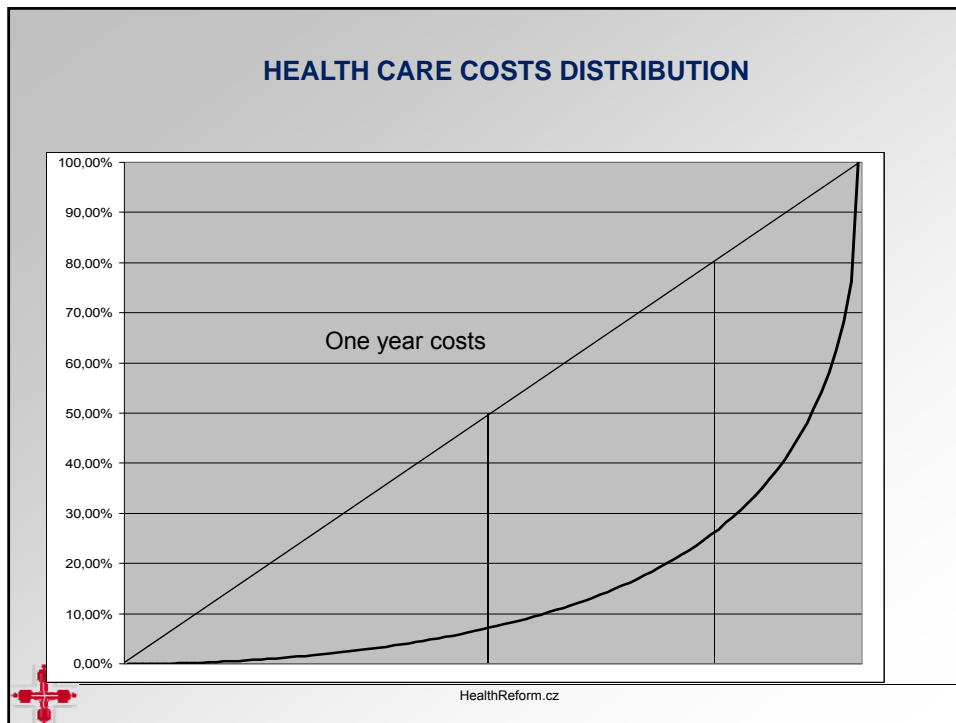
220 000 lives (roughly standard demographic distribution)

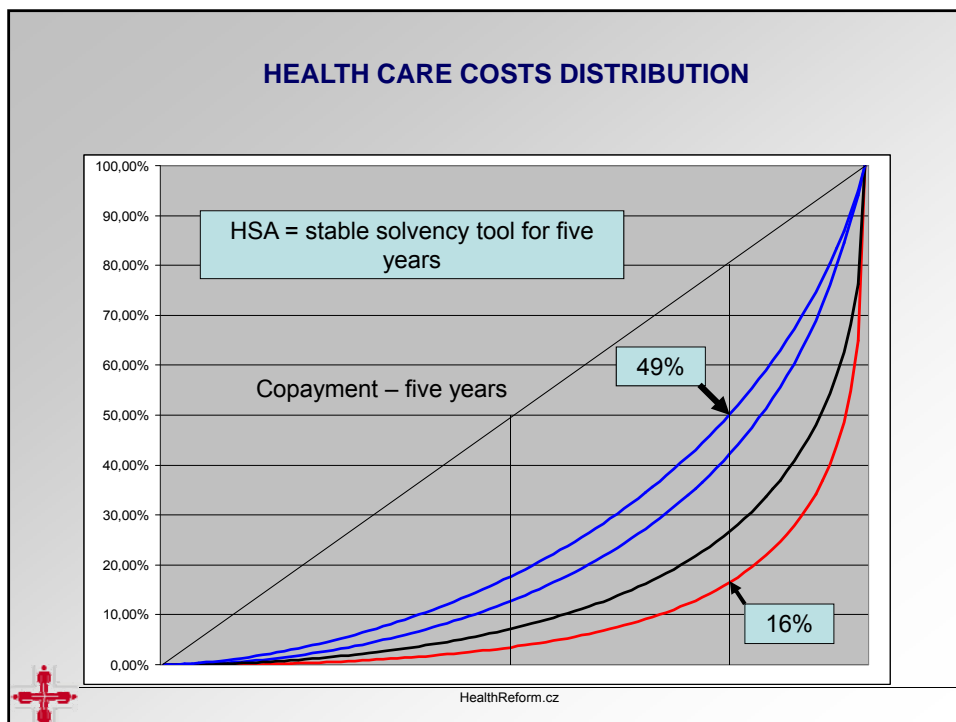
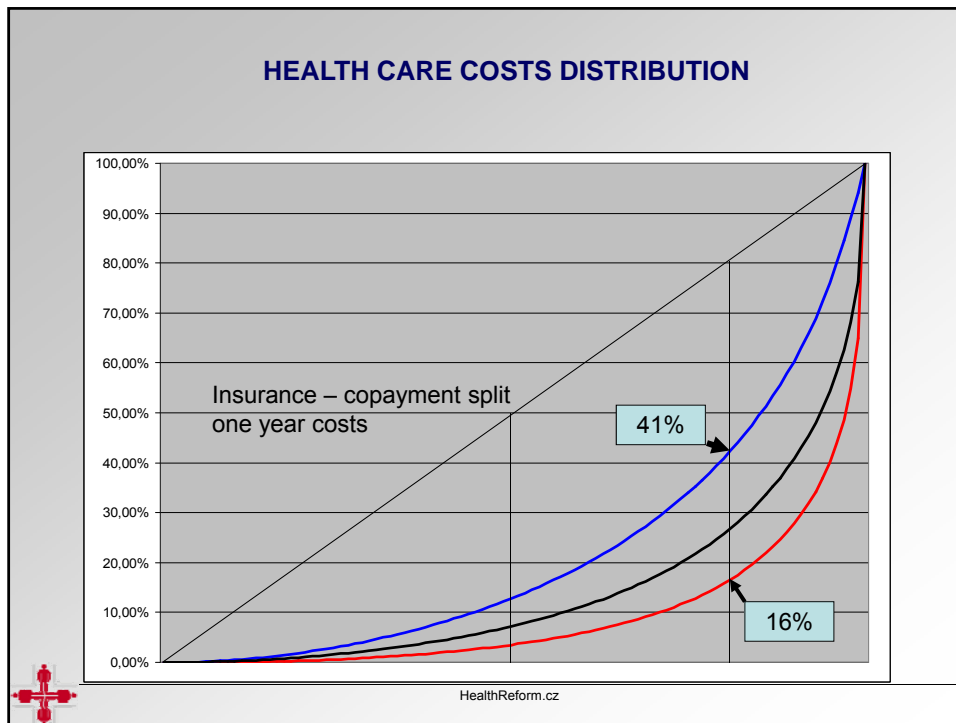
time period of 7 years (2000 – 2006)

8 milions of records



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STEP 1: CO-PAYMENT STRUCTURE IS CRUTIAL

1) DEDUCTIBLE ALONE DOESN'T WORK

all „in cash“ for 80% insured,
but almost no impact on frequently ill people
drug underusage risk
structural problems (access)

2) MUST REFLECT COST DITRIBUTIONS AND PROBABILITY
frequent and cheap v.s. rare and expensive

3) MUST BE SIMPLE FOR ADMINISTRATION



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STEP 1: CO-PAYMENT STRUCTURE IS CRUTIAL

out-patient care : 50%, 500 CZK limit per contact
ex : prevention, screening

acute in-patient care : 500 CZK per day
ex: critical and emergency

Drugs : first 30 CZK, then 30%

Devices: : 50%, 1000 CZK cap

Stop-loss : annual risk adjusted contribution
plus 12 000 CZK

Co-payments thus counts for 33% of all BBP health care costs




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STEP 2: RISK ADJUSTED PUBLIC CONTRIBUTIONS

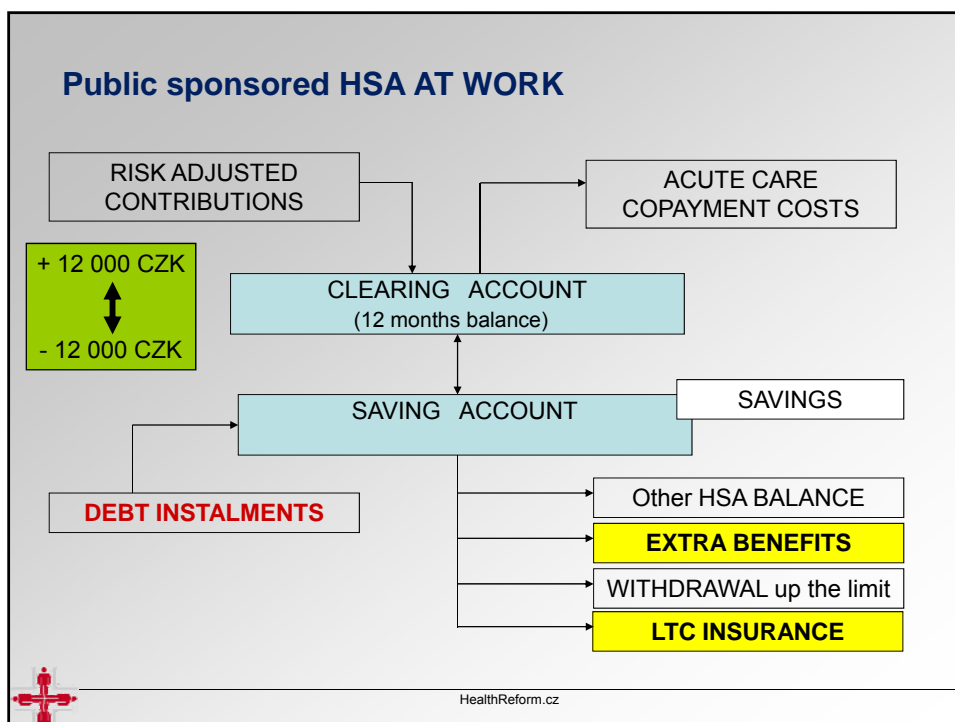
- In total are equal to total copayments costs (redistribution)
- Risk factors: age, sex, health status (PCG)

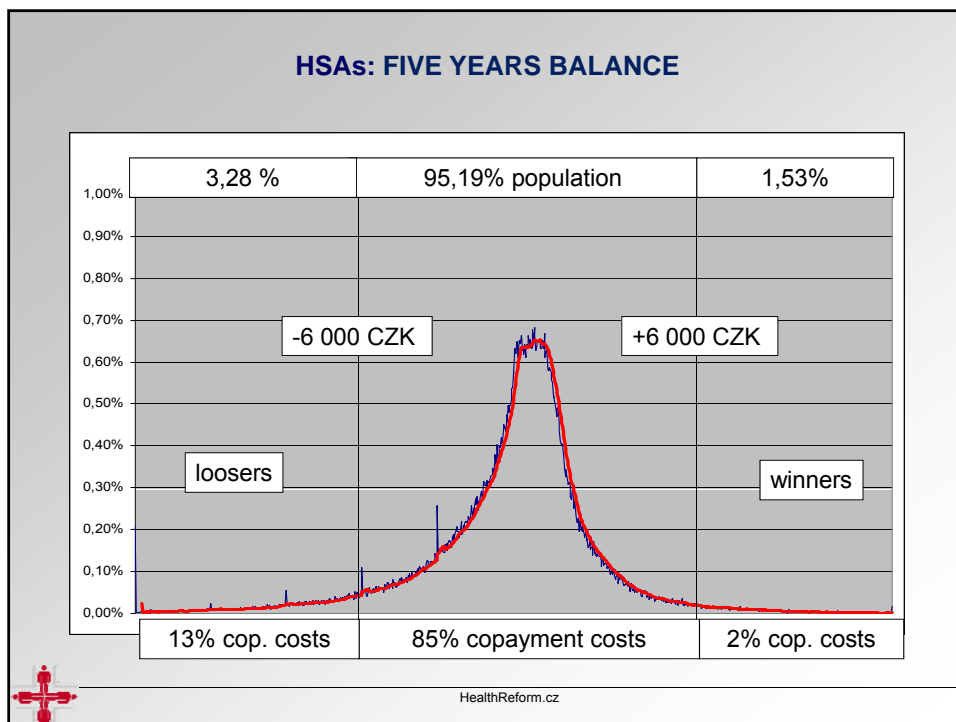
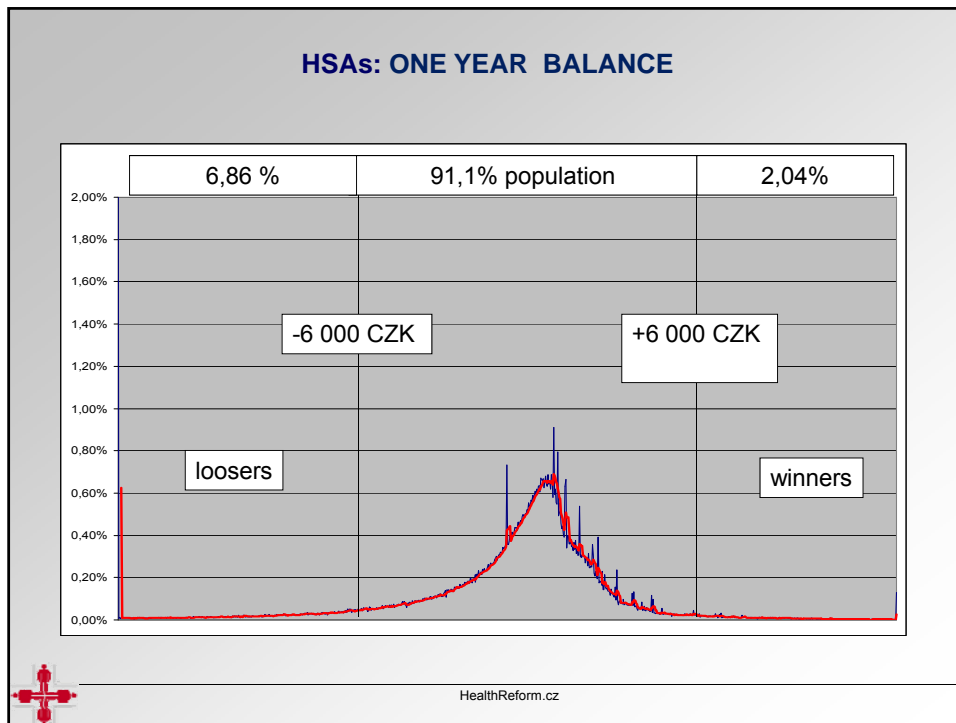
Examples:

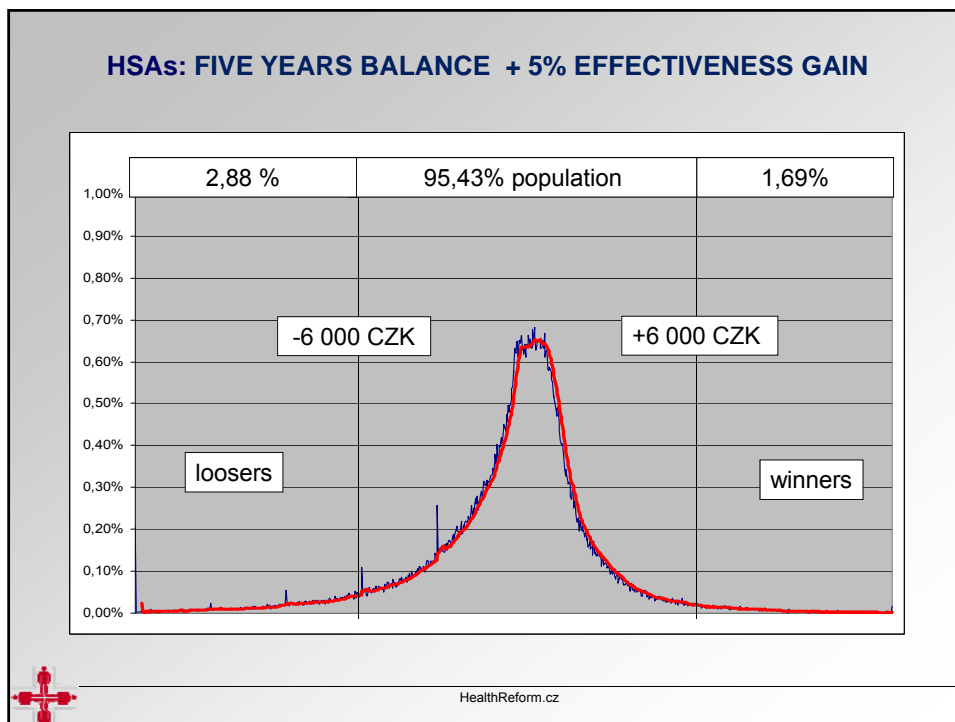
A) man, 18 years, no chronic disease:	2 000 CZK
B) woman, 76 let, diabetes mellitus on insuline:	12 000 CZK
C) man, 65 years, ischaemic heart disease	13 900 CZK



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RESULTS

Depts on HSAs	Savings on HSAs	Copayment rate	System savings
10,5%	12%	33%	Minimum 2,9%

Increased effectiveness, more value for money, better allocation of sources, less moral hazard

More sources in total (cca + 6%) !! (including savings)

„Capitalized“ individual sources for future spending

A red cross logo is in the bottom left corner, and 'HealthReform.cz' is at the bottom center.

IMPLEMENTATION

- OPT – OUT alternative, at least two years of membership
 - Typ of health plan = risk factor for risk redistribution system (risk selection envisaged)
 - Slow growth foreseen (?) – nearly no impact on the system performance in first yeears
 - Progress along with increasing nominal premiums of standard health plans
 - Generation change
- Hopely we have time for refining !



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Thank you for your attention



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