

# **Supporting a sustainable healthcare funding model: the role of private health insurance in addressing out-of-pocket spending**

APEC Webinar: Enhancing Innovative Healthcare  
Financing in Pursuit of Strong and Resilient Health  
Systems: The Role of Insurance

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# Objectives and approach



Charles River Associates (“CRA”) has developed an analysis on the role of private health insurance in supporting sustainable healthcare funding, specifically on the impact on patient affordability.

## Context: Addressing the affordability challenge

### Affordability challenge

Global challenge and priority in global economies and agendas e.g. recognised by the United Nations *Transforming our world: the 2030 agenda for sustainable development* with a goal of UHC

### Public resource constrains

Strained public resources have been exacerbated by COVID-19 pandemic due to stalled economies, diminishing tax revenues, and increasing budget deficits likely decreasing healthcare coverage

### The role of private health insurance

This study investigates how diversifying healthcare funding and increasing reliance on private health insurance could relieve the burden on public systems and bring benefits including improved patient affordability

## Methodology and approach

### Literature review

Conducted an initial **literature review** to understand the extent of the affordability challenge and the role of different sources of funding in addressing this.

### Case study analysis

Investigated the role of private health insurance in **ten economies and five deep dive case studies**: Brazil, Canada, China, France, South Africa and **five therapy area / treatment types**: oncology, innovative chronic disease, high-cost advanced therapies, low-cost generics and non-prescription medicines

### Evidence and interviews

In-depth analysis on private health insurance contribution towards the overall healthcare system based on **evidence and expert interviews** including private health insurances, academia, advocacy groups and pharmaceutical industry experts.

# Private health insurance models



We developed a taxonomy that is focused on differentiating between how systems use private health insurance as part of their funding model.

## Private health insurance models

- 1 Supplementary role in providing access to better hospital services
- 2 Supplementary coverage of add-on services not covered in the public system
- 3 Provision of one-off lump sum payment
- 4 Complementary coverage of mandatory patient co-pays for medicines or services
- 5 Supplementary coverage of innovative medicines not yet reimbursed
- 6 Supplementary coverage of medicines excluded from public basket
- 7 Duplicative coverage of medicines and services in parallel to the public system
- 8 Substitutive- primary source of funding including medicines for part of the population

Figure: Summary of public and private health insurance models and observed split of costs shared with patients across selected therapy areas

	Italy		Colombia		Japan		France		Slovenia		Canada		China		Brazil		South Africa		U.S.		
	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	
Private funding model	Supplementary access to better hospital services (model 1)		Supplementary access to better hospital services: add-on services (models 1 & 2)		Provision of one-off lump sum payments (Model 3)		Complementary coverage of co-payments for medicines: add-on services (Models 2 & 4)		Complementary coverage of co-payments for medicines (Model 4)		Supplementary coverage of medicines not in or excluded from public basket; add-on services (Models 2, 5 & 6)		Provision of one-off lump sum payments; complementary coverage of co-payments; supplementary coverage of medicines not in or excluded from public basket (Models 3, 4, 5 & 6)		Duplicative coverage of medicines and services (Model 7)		Duplicative coverage of medicines and services (Model 7)		Substitutive coverage of medicines and services (Model 8)		
Rare Disease (ATMP)	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Breast Cancer (targeted/IOs)	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Rheumatoid Arthritis (anti-TNFα biologics)	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
CVD (Statins)	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue
Over-the-counter pain (NSAIDs)	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue

Typically not covered      Typically partially covered      Typically fully covered

Note: Qualitative measure of contributions of each funding stream to the costs of medicine. Not necessarily applicable in all examples or circumstances but intended as an overview. ATMP – Advanced Therapy Medicinal Product; CVD – cardiovascular disease; NSAIDs – non-steroidal anti-inflammatory drugs ; All data sources are available in complete report

# The impact and role of private health insurance models (1/3)

Description



## AFFORDABILITY AND EQUITY

- Private health insurance can work alongside public funding to ensure **affordable access for a broader population**
- Allows for **public prioritization of most vulnerable** – the elderly, those with life-threatening conditions, and low-income households
- Can deliver more affordable healthcare than public in some circumstances and **support** healthcare systems **UHC progress**
- Can lead to inequity**, but more equitable system can be ensured through a **“safety net”** for low-income households and support for premiums
- Role varies** across models and economies but **models can co-exist** in high- and middle-income economies to ensure an affordable system

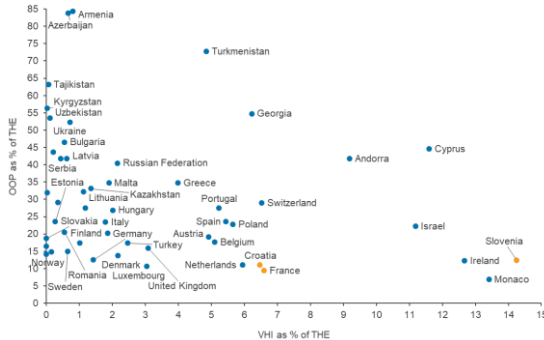


## ACCESS TO HEALTHCARE

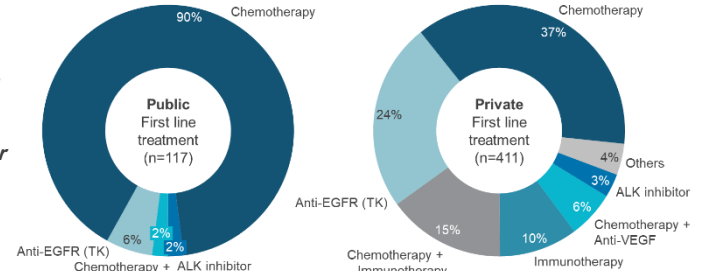
- Leads to **faster and broader access** to new treatments and thus offers broader patient choice.
- Supplementary** (5 and 6) and **duplicative models** (7) support faster and broader access in high- and middle-income economies
- Enables **broader patient choice** in diseases such as cancer, and faster access to innovative treatments in high- and middle-income economies
- In **middle-income economies**, might be the **only option** for patients to access high-cost innovative medicines which are not publicly covered
- Supplementary models support more **robust and uniform coverage** particularly in economies with regional division and fragmented access

Example evidence

*Voluntary Health Insurance and OOP payments, WHO European Region, 2016*



*Treatments for first line lung cancer used in both the private sectors and public sector in Brazil (2019)*



# The impact and role of private health insurance models (2/3)

Description



## SUSTAINABILITY

- Private health insurance can indirectly support the public system by **relieving the financial burden of care**
- Sustainability benefits are key for middle-income economies with smaller tax base and funds for a growing public healthcare system
- Complementary models (4) can assist public systems in **balancing the demand for comprehensive public coverage** in high-income economies
- Can play a particularly **important role during economic crises or healthcare shocks** (e.g. COVID-19) by shifting burden e.g. to employers and allowing increased capacity or reliance on the private system

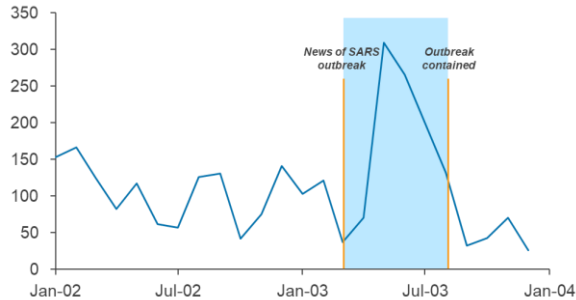


## EFFICIENCY

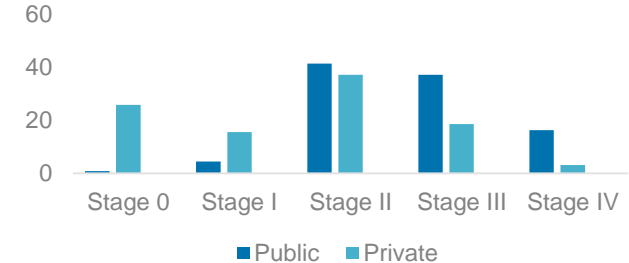
- Allows access and promoting the utilization** of services or medicines that reduce future healthcare expenditure and ensure an efficient use of resources.
- Observed mainly in **supplementary** (5 and 6) **and duplicative models** (7) but not in models where it plays a less substantial role
- Key benefits observed in: encouraging **adherence**, promoting **early detection**, improved **uptake of digital health**, more **efficient and accurate patient follow-up** and better **monitoring**

Example evidence

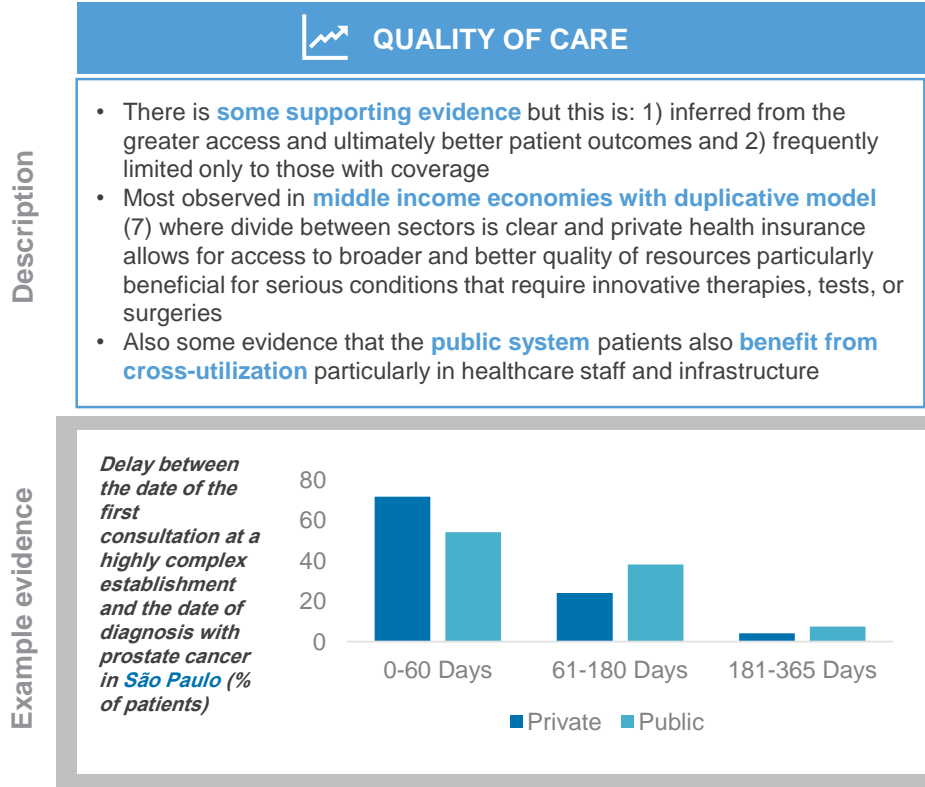
*Year-over-year growth in private health insurance premiums in China during the SARS outbreak*



*Percentage of patients diagnosed with each stage of breast cancer patients in South Africa between public and private systems between 2000-2008*



# The impact and role of private health insurance models (3/3)



# Policy implications and recommendations

*Drawing from the evidence we set out key policy implications and recommendations*

<b>1</b>	<b> Policymakers should recognize and support the role of private health insurance in improving affordability</b>	<ul style="list-style-type: none"><li>• Clarity and recognition of role in healthcare funding model.</li><li>• As public coverage is strengthened, the scope of private health insurance needs to evolve, and this should be explicitly revised in government plans.</li></ul>
<b>2</b>	<b> Private health insurance can play an important role as economies move towards UHC</b>	<ul style="list-style-type: none"><li>• Identify and support the strategic role that private health insurance can play in supporting UHC agendas as economies and their income levels grow, and public healthcare systems expand coverage gradually</li></ul>
<b>3</b>	<b> Encourage forms of private health insurance that deliver faster and broader access to therapy areas with highly innovative medicines launches</b>	<ul style="list-style-type: none"><li>• In systems with a supplementary model, policymakers should encourage private health insurance schemes and employers schemes, structured partnerships and reinsurance models to target areas with high patient unmet need or local payers that have restricted resources to expand their provision.</li></ul>
<b>4</b>	<b> Integrate private health insurance provision into national strategies to promote preventative services and to improve adherence to care and treatment leading to savings</b>	<ul style="list-style-type: none"><li>• Particularly in middle income economies, support a private health insurance model (both substitutive and complementary) to address OOP costs and decrease cost-related non-adherence and encourage better access and uptake of (novel) preventative services.</li></ul>
<b>5</b>	<b> Anticipate the role private health insurance can play in times of uncertainty</b>	<ul style="list-style-type: none"><li>• In times of shocks (e.g. COVID-19), private health insurance role could be key particularly in models 4 to 8 as it can build on the existing infrastructure, relationships and social behavior and cultural acceptance. Governments should encourage this role and provide employer incentives to sustain its provision.</li></ul>
<b>6</b>	<b> Encourage collaboration and cross-utilization of private and public infrastructure and expertise to improve the public system and overall outcomes</b>	<ul style="list-style-type: none"><li>• Policymakers should adopt regulation, incentives and performance frameworks to public and private players to support cross-utilization of infrastructure and for healthcare staff to be able to work across systems and transfer the knowledge gained in the private system.</li></ul>
<b>7</b>	<b> Policymakers can support the development of a private insurance model through clarity of its role but also targeted incentives to encourage uptake</b>	<ul style="list-style-type: none"><li>• These incentives can target 1) individuals through an income tax rebate, credit or threshold or based on value delivered to health system 2) regions or provinces depending on the socioeconomic level and healthcare priorities 3) employers by providing tax credits to companies</li></ul>