



# Healthcare reforms in the Netherlands: towards regulated competition

the international conference on

## *Health Care Reform: Asia-Pacific Experiences and Western Models*

Hong Kong

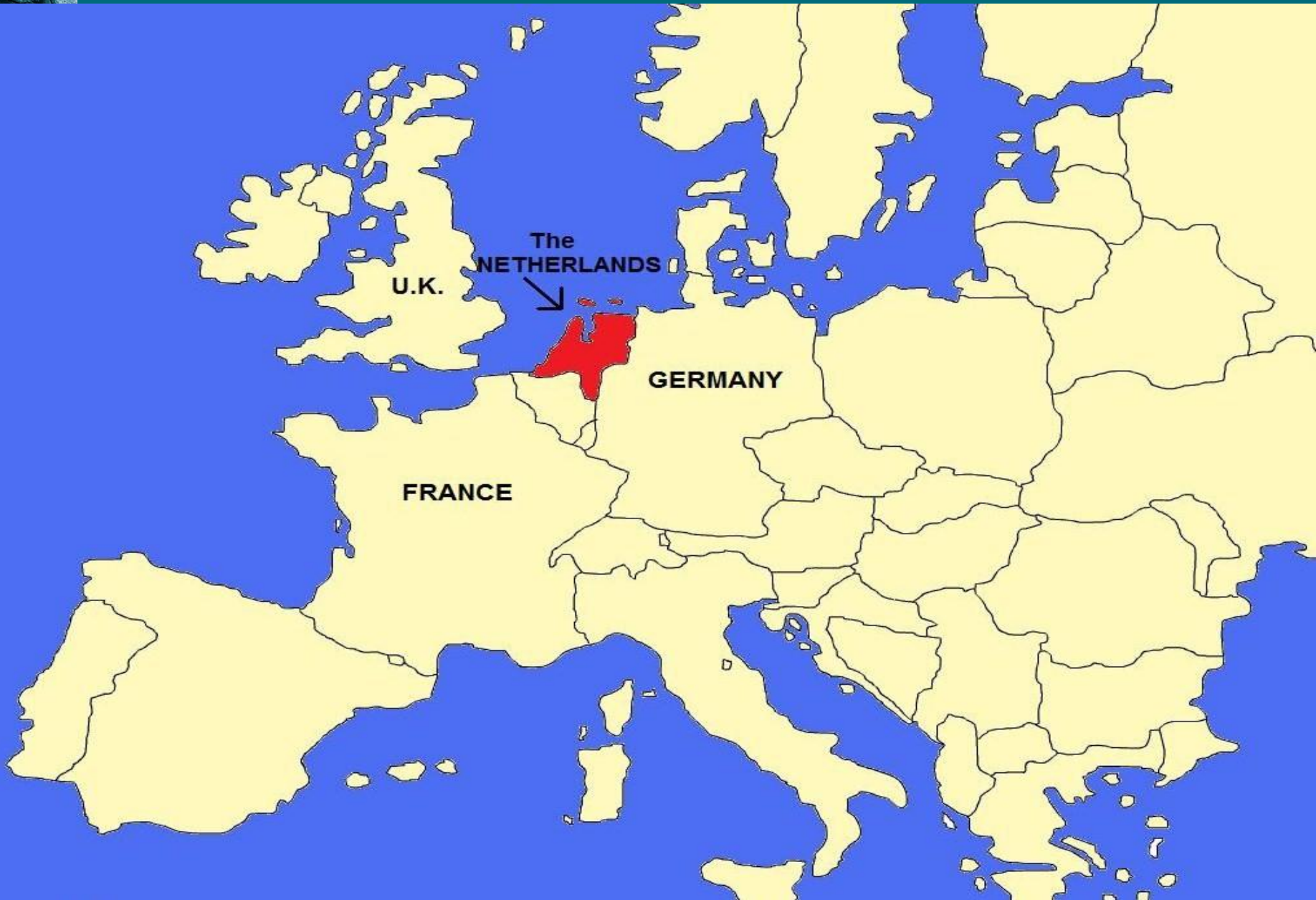
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# *The Netherlands*

Erasmus University Rotterdam





# *Dutch health care system*

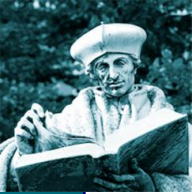
- Health care costs 2010: about 10% GDP;
- Much private initiative and private enterprise: physicians, hospitals, insurers;
- Still much (detailed) government regulation;
- Health insurance before 2006 a mixture of:
  - *mandatory* public insurance (67%),
  - *voluntary private* insurance (33%).
- From 2006: *mandatory private* insurance (100%).



# *Reforms since the early 1990s*

Towards regulated competition (NO free market):

- Risk-bearing insurers will be the purchasers of care on behalf on their members;
- Government will deregulate existing price- and capacity-controls;
- Government will set the ‘rules of the game’ (= regulation) to achieve public goals.



# *Health Insurance Act (2006)*

- Mandate for everyone in the Netherlands to buy individual private health insurance;
- Standard benefits package: described in terms of functions of care;
- Broad coverage: e.g. physician services, hospital care, drugs, medical devices, rehabilitation, prevention, mental care, dental care (children);
- Mandatory deductible: €165 per person (18+) per year.



# *Health Insurance Act (2)*

- Much flexibility in defining the consumer's concrete insurance entitlements;
- Selective contracting and vertical integration in principle allowed;
- Open enrolment & 'community rating per insurer' for each type of health insurance contract;
- Subsidies make health insurance affordable for everyone;
- Risk equalization.





# *Evaluation Health Insurance Act dec09*

The HI Act-2006 is a succes in the sense that:

- No political party or interest group has argued for a return to the former system with a distinction between sickness fund and private health insurance.
- There is broad support for the option to annually choose another insurer or health insurance contract.



# *Positive effects*

- Good system of cross-subsidies (‘solidarity’);
- Standard benefits package available for everyone, without health-related premium;
- Annual choice of insurer/contract;
- Strong price competition among the insurers;
- Increasing information about price and quality of insurers and providers of care);
- Increasing insurers’ activities in purchasing care;
- Quality of care is on top of the agenda.





# *Preconditions managed competition*

1. Risk equalization
2. Market regulation:
  - a. Competition Authority;
  - b. Quality Authority;
  - c. Solvency Authority;
  - d. Consumer Protection Authority;
3. Transparency
  - a. Insurance products  
(Mandatory Health Insurance &  
Voluntary Supplementary Insurance)
  - b. Medical products



# *Preconditions managed competition*

4. Consumer information;
5. Freedom to contract;
6. Consumer choice of insurer;
7. Financial incentives for efficiency;
  - a. Insurers;
  - b. Providers of care;
  - c. Consumers;
8. Contestable markets:
  - a. (sufficient) insurers;
  - b. (sufficient) providers of care.



# Are the preconditions fulfilled?

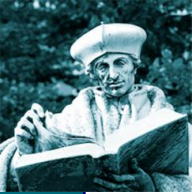
Precondition	1990 (SF)	2010
Risk equalization	--	+
Market regulation:		
Competition Authority;	-	++
Quality Authority;	+	+
Solvency Authority;	NA	++
Consumer Protection Authority;	NA	+
Transparency		
Mandatory Health Insurance	++	+
Voluntary Supplementary Insurance	-	-
Medical products	--	- / +





# Are the preconditions fulfilled?

<b>Precondition</b>	<b>1990 (SF)</b>	<b>2010</b>
Consumer information	- -	- / +
Freedom to contract	- -	- / +
Consumer choice of insurer	- -	+
Financial incentives for efficiency:		
Insurers;	- -	- / +
Providers of care;	-	- / +
Consumers;	- -	+
Contestable markets:		
(sufficient) insurers;	- -	++
(sufficient) providers of care.	- -	- / +



# Conclusions

- Evaluation of Health Insurance Act:  
*On balance positive,  
despite some serious problems.*
- So far the reforms were focussed on the **health insurance** market;
- Although insurers have some degree of freedom to contract with providers of care, there is still a lot of government regulation with respect to prices.
- The next years the reforms will focus on the **provider** market.



# Challenges

- Are insurers capable of being a prudent buyer of care on behalf of their insured?
  - If **NOT**, what then is the rationale of a competitive insurance market with all problems of risk selection?
- Is government prepared to give up its traditional tools (i.e.: supply-side regulations) for cost containment?
- The Dutch health care reform is work-in-progress. So far, the jury is still out.