The role of private insurance in the new economic context

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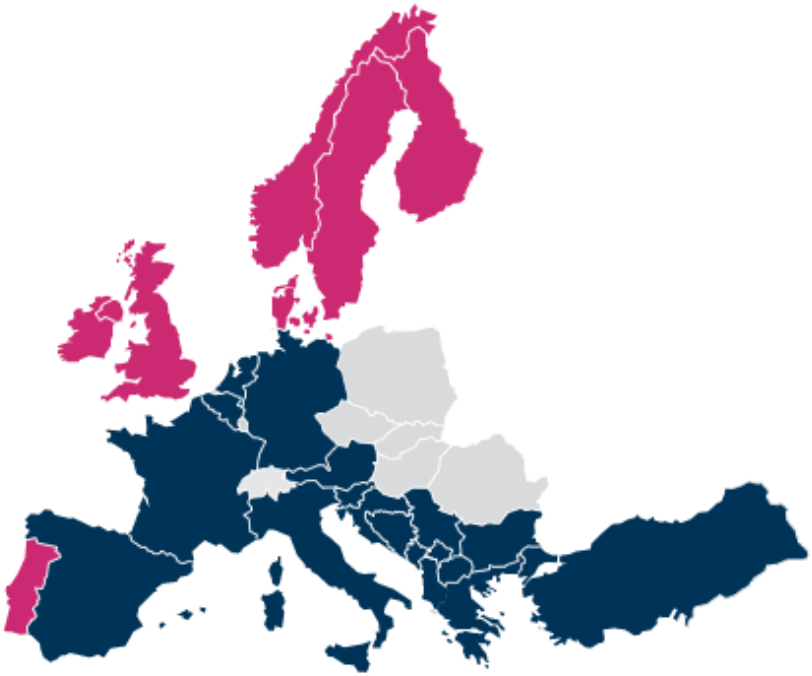
Social welfare profile

The goals

- Pension
- Health
- Disability



The Beveridge welfare state

- Universal welfare rights
- Each individual has a right to social and health protection
- Funded by taxes
- Disconnected from professional status

The Bismarck welfare state

- Social protection rights are awarded to those who work and their families
- Funded by employer and employee contributions

The Common Problem

- Welfare systems have been designed for ages up to 60
- Today people live up to 80

Source: Project DCSTE (Diffusion de la Culture Scientifique, Technique et Economique), funded by the European Commission

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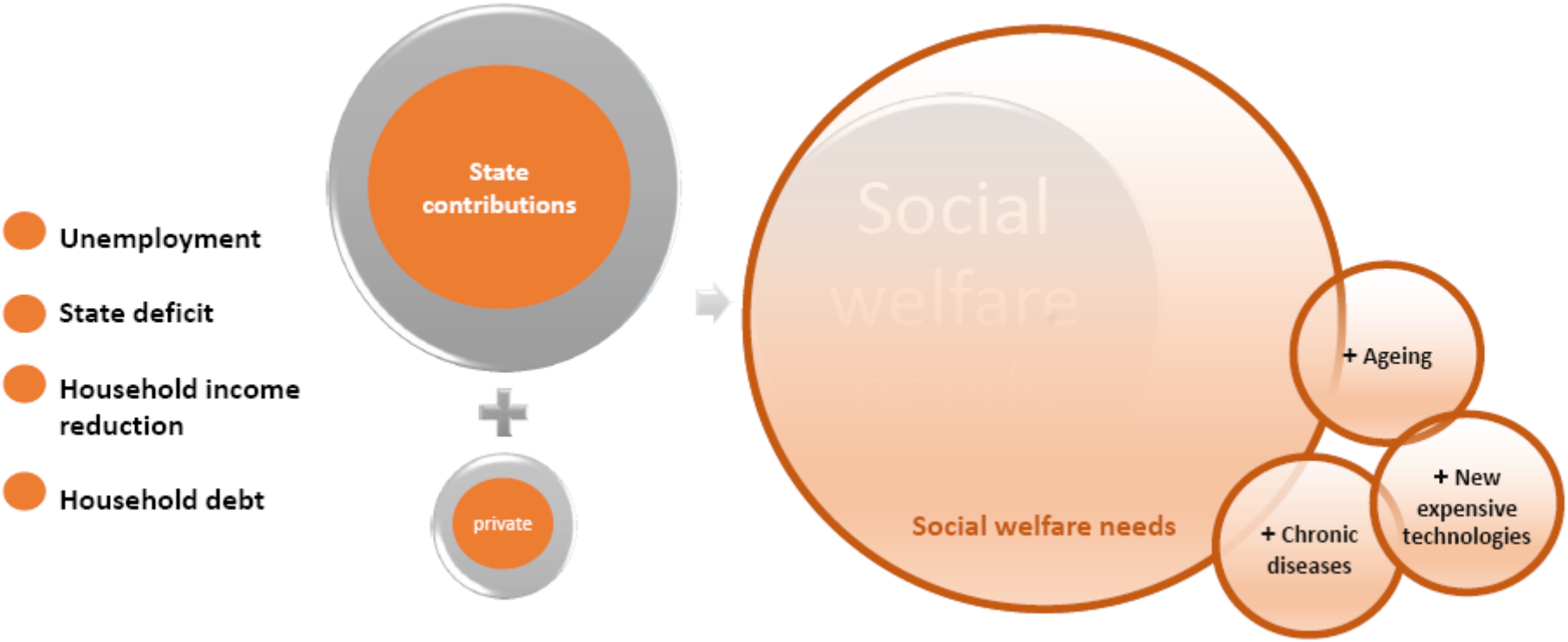
Changing social welfare in Europe



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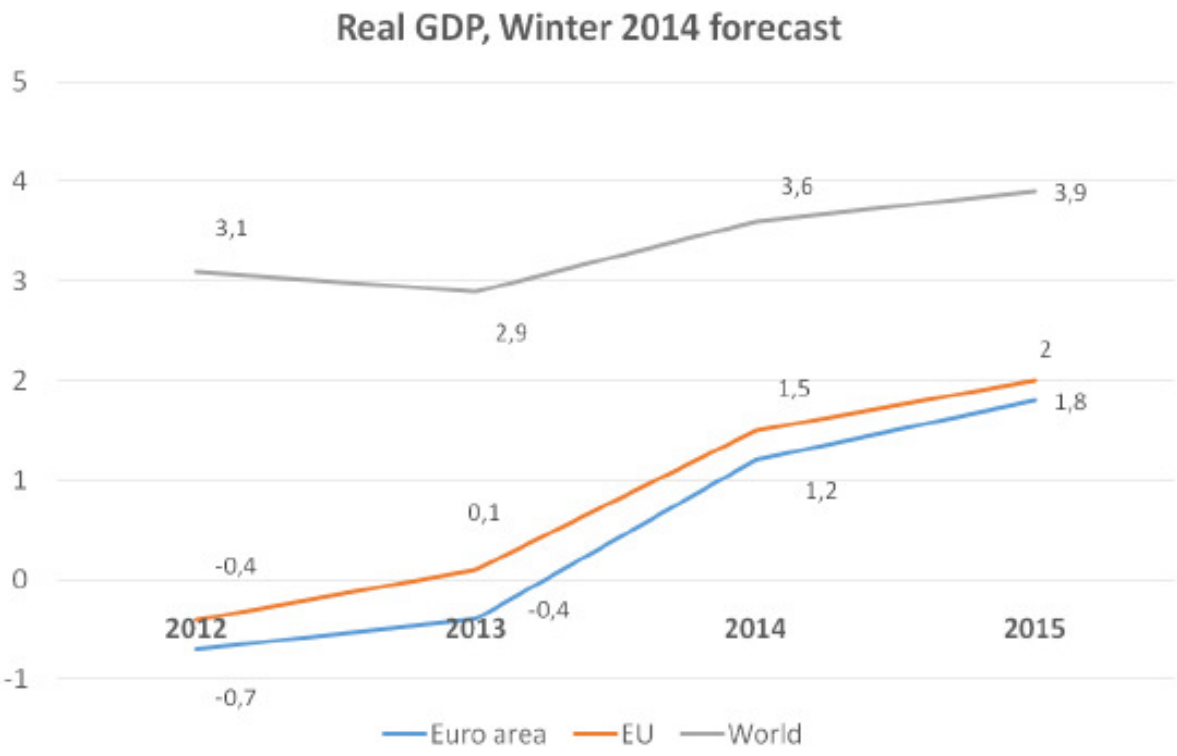
Europe is faced with economic downturn



Europe is recently showing modest signs of improvement

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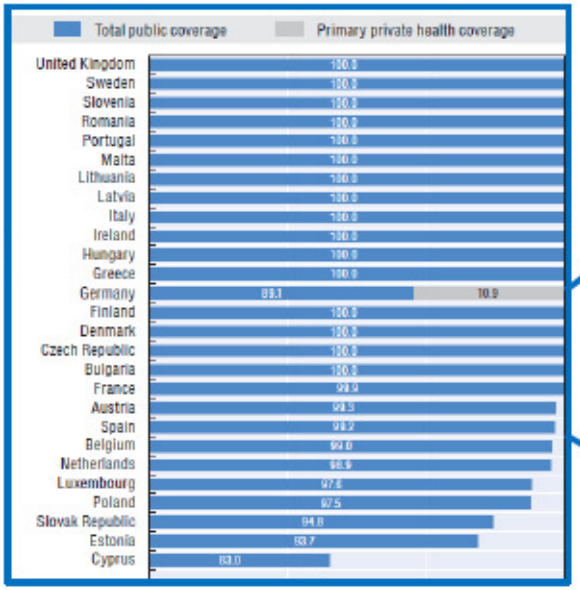
The funding "gap" can be filled by complimentary private insurance

Health insurance coverage for core set of services, 2010 or latest



Private health insurance coverage by type, 2010 or latest

The Netherlands has the largest supplementary market in Europe **(89% of population)**, whereby private insurance pays for prescribed pharmaceuticals and dental care not publicly reimbursed

Source: OECD, Health at a Glance, 2013

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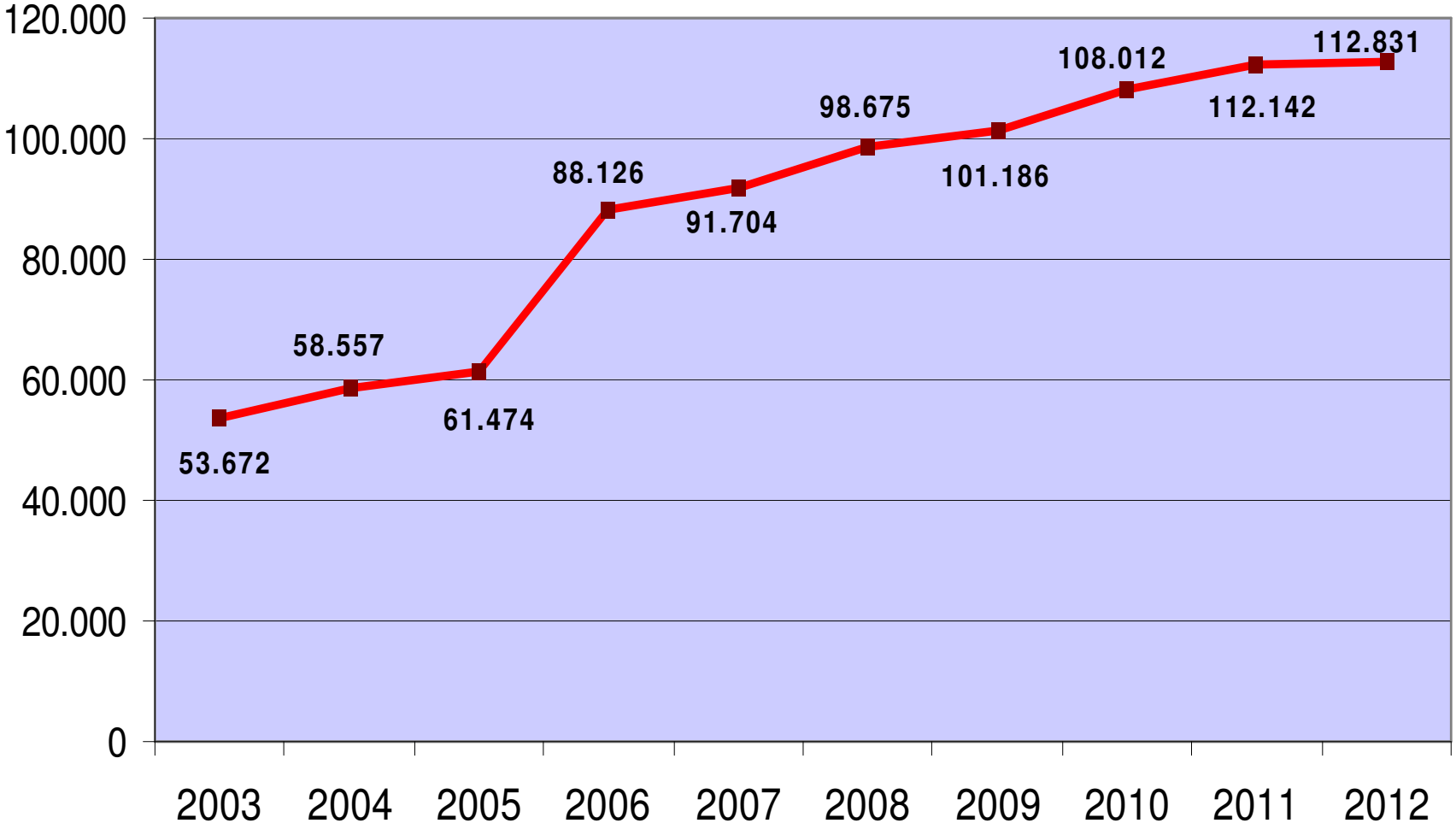
Private Health Insurance Premiums in Europe
(€ mill.)



Source: Insurance Europe – European Insurance in Figures Feb. 2014

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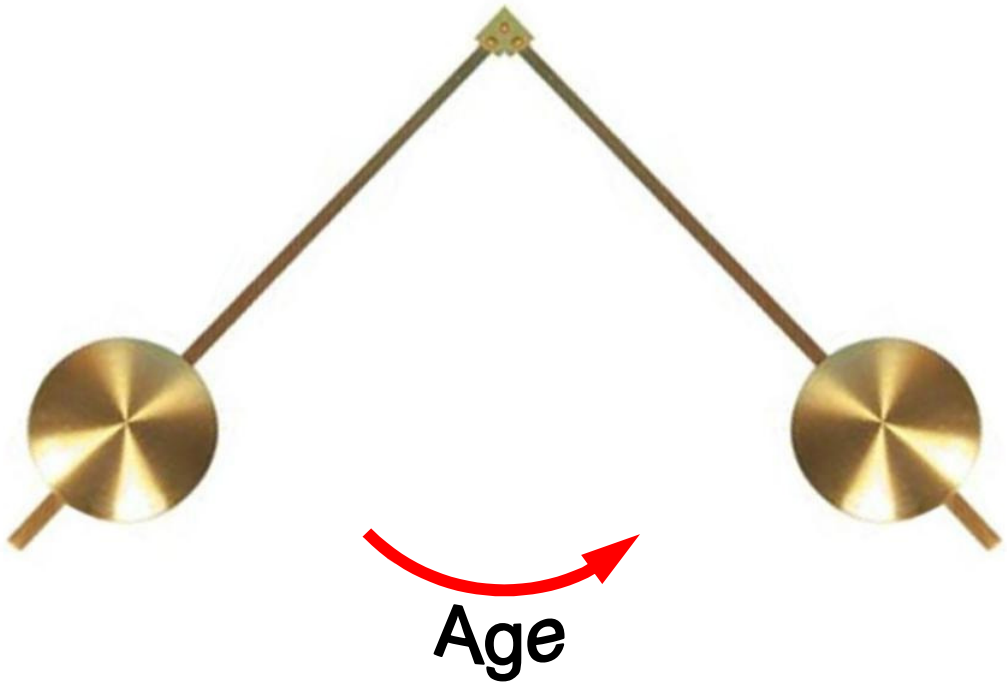
The Impact on Insurance Industry



Old needs

- Life
- Property & Casualty

New Needs

- Health
- Pension

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Features of the Greek Health System

- Dual system
- Health expenditure (2011)
  - 9.1% of GDP
  - 65.1% Public – 34.9% Private
- Duplicate coverage
  - People pay twice for the same coverage
  - Low penetration of Private Health Insurance
  - High Out-of-Pocket expenditure
- Oversupply of health professionals
- Regulatory distortions
  - Oligopolistic pricing in private hospitals
  - Underdeveloped primary care sector
- Long queues in public health sector with increasing dissatisfaction

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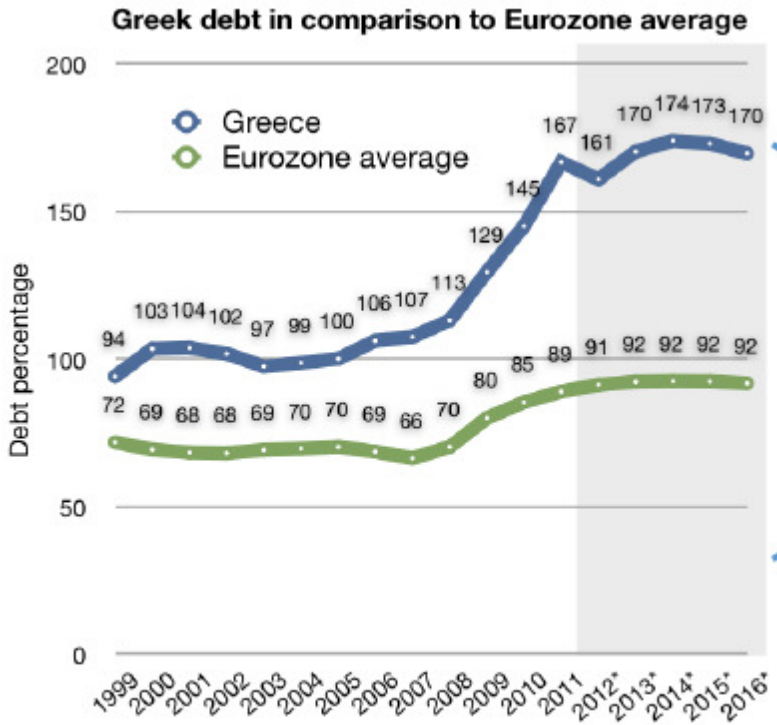
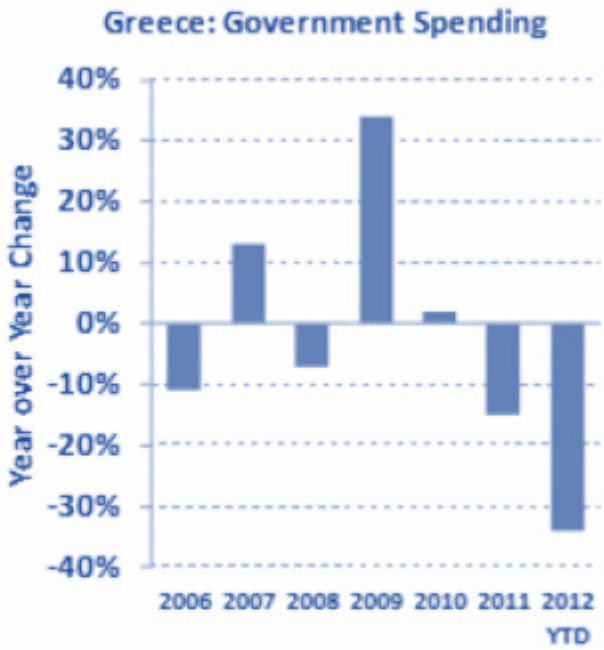
The Greek state deficit necessitated unprecedented cuts in public spending





Source: Eurostat, IMF

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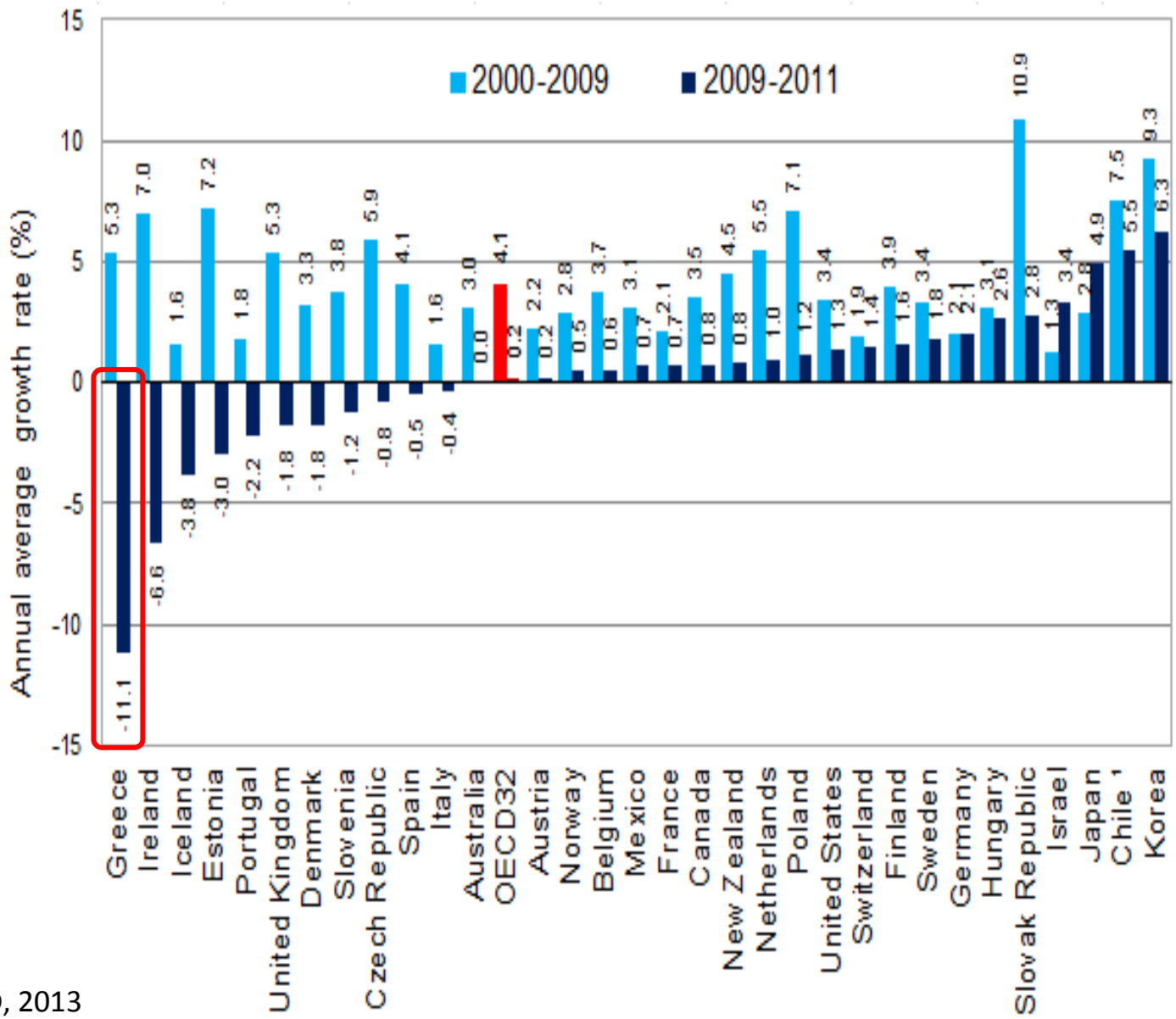
With deepening recession…



Source: OECD, 2013

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But prospects are improving…

- After 5 years of deep recession, it seems Greece is returning to growth this year
- The Business expectations Index has a strong upward trend
- Greece has achieved a budget surplus in 2013 and further improvement is expected in 2014
- Debt will be more viable if additional actions to restructure it are taken
- The Trade balance was positive in 2013 and the same is expected for 2014
- Unemployment is declining after reaching 27.4%, but it is expected to remain at a high level (15% - 20%) even after years of GDP growth
- The successful recapitalization of banks will improve liquidity
- The taxation system is expected to become more equitable
- Society seems to be more mature and conscious of the need for changes

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Reforms in social welfare system in Greece

- Pension
  - Unification of pension funds
  - Increase of pension age
  - Dramatic reduction of pensions
  - Basic pension €360 from 2015
  - Further reform anticipated
- Health
  - EOPYY (National healthcare fund)
  - PEDY (National Primary Healthcare Network)
  - Pharmaceutical expenditure
    - e-Prescription
    - Positive / Negative lists
    - Price reductions
    - Generics
    - Patient co-payments
- Reforms designed and implemented abruptly
  - Implementation difficulties
  - Negative reactions from all parties with vested interests

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Current health trends in Greece

- Income decreased due to recession
- Out-of-pocket not sustainable

- People turned to the Public system
- Dissatisfaction with long queues

- Private Health Insurance seen as the vehicle to return to the Private Health Sector

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Regardless of the reform…

- The government can't carry the burden
- There are major challenges ahead
  - Longevity of the population
  - Continuous cost increases in healthcare
- Supplementary / Complementary role of private insurance, will reduce the burden

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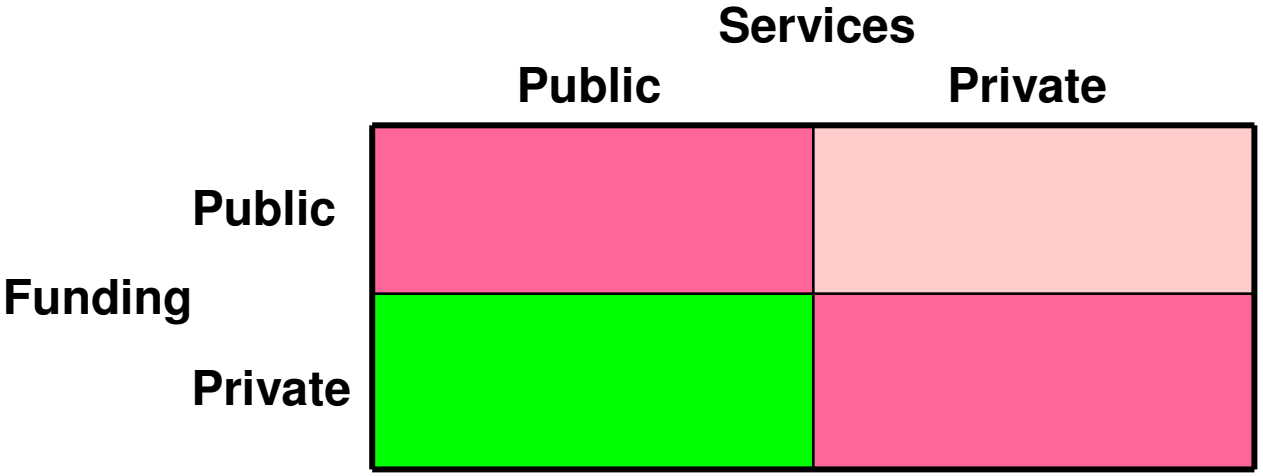
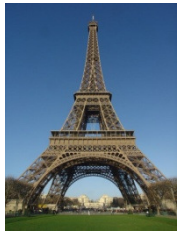
The way forward: Collaboration



Prerequisites:

- Communication
- Trust & common vision
- Tax incentives
- Basic package definition
- Realistic goals
- Measurement of results

Successful examples:



Thank you

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