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Public-private partnerships for health insurance

The main issue of this presentation is a proposal for a public-private partnership in the health sector. The basic idea is to adopt the French paradigm in our explorations for a new partnership in the health sector in Greece. The country has a health sector which has a lot of spare capacity, due to an adequate number of hospitals which are adequately equipped with medical instruments and double the number of medical doctors and plenty of other facilities, and of course the main problem is the management of the public health sector, because of the serious involvement of the political personnel of the country. And this is a common theme almost everywhere, not only in this country, I have to admit.

The breakdown of the health expenditures is that more or less 60% is financed by the public budget and the rest 40% by out-of-pocket expenditures. The main idea therefore is to find a way to bring those people closer to the health insurance market, as the French have done. This 40% of the total expenditures financed by out-of-pocket resources of the citizens is something extreme all over the developed world. As a matter of fact, probably only the United States has a higher percentage, which is close to 54%, but the solution that they have adopted there is that some 37% is covered by private insurance and only 17% is burdening the budgets of the private households.

As opposed to the Greek situation, where only 6% of the out-of-pocked expenses is covered by private insurance and the rest is covered by the own resources of the people, and in my opinion this is the basic reason for the fact that during the last ten years, every year the Eurobarometer discovers that the Greek citizens are the least satisfied by the operation of the health

system in the country. And we have to do that and my proposal is based on this fact.

Of course, there are some new developments that help in this direction. The first is that finally and eventually we have created **a single health insurance fund**, which absorbs everything in the public sector as far as health insurance is concerned. And as I said, we have **a lot of spare capacity** both in the public and the private sector. We have a very strong private sector here: relatively speaking, probably the strongest in Europe, and I am talking about profit seeking health sector. And of course we have a very strong public sector, with a lot of spare capacity, but not good management, and therefore this capacity cannot be made useful for the benefit of the people.

So, what's the basic idea here? The basic idea is to rebalance the whole system and find a new tradeoff between private and public health insurance, in order to facilitate on the one hand the public budget, which is strained by lack of resources to finance health from now on - and unfortunately this trend will be increasing in the future- and the second fact is that we should solve this problem with out-of-pocket payments that burden the average household.

And my proposal is a new public-private partnership for the coverage of the health needs of the population. We do not have time now to discuss this proposal in detail, but I will try to describe the operation of the French system in short, in order to derive some conclusions about what could be done for Greece.

In France, 92% of the population is covered by private insurance and mutual insurance companies, for all deductibles and coinsurances. And as you will see later on, it's a substantial amount of expenditure and of course the French system for those of us who know it very well is one of the best worldwide and especially in Europe. And there are certain deductibles for hospital services, for primary healthcare services, for pharmaceuticals, for medical equipment and dental services. Whereas the deductible is very low in hospital services, the deductibles are increasing very rapidly and are very high when you go to pharmaceuticals and medical equipment and the dental

services. The important thing is that almost all people in the population are covered by this kind of partnership.

Another important characteristic of the French system is that the poor and the unemployed have their insurance premium paid by the state, and of course there are problems with aged people above 65, which are mainly covered by mutuals, and of course 7% of the population which are the worst cases with long-term illnesses and so forth are exempted from paying the premiums. This is the picture of the distribution of expenditure in France, that is 75% is covered by the public budget for health expenditures, private insurance covers 12% and 11% is the final burden of the private citizens. And you see the low percentages for secondary health and also for primary health and the very high burdens for pharmaceuticals, medical equipment and medical services.

Here is the situation for Greece. The 40% of total expenditure is distributed this way: 14% goes for financing hospital services, 34% for financing out of hospital health services, pharmaceuticals 17.5%, medical services and dental services 31%. What I am talking about is exactly that this package should be transformed to a private insurance product and that a new arrangement with the public sector on the logic of a new public-private partnership which would help people shift the family or household risk to the insurance companies should be made.

The average expected loss here for the average household is 10,000 euros annually and almost 40% of this represents the expected loss for out-of-pocket expenditures. A premium that would cover only the primary healthcare services from this package is around 200 euros. If we see the premium for primary healthcare services that the private insurance market currently requires, it is 55 euros, but here we have to admit that this premium does not include long-term illnesses and does not include aged people above 65. Therefore, if only 40% of the population compared to the 10% that we have now would adopt this new policy, in agreement and in cooperation of course with the State, it would have an additional premium of 2 billion euros per year.

I would like to say that this is a part of a general and broader study we undertook and completed actually at the University, where we

identified five main sectors that could contribute in the next decade to the growth of the local insurance market and the health sector is one of these areas.

Of course, the next theme is **the control of the quality** of the public and private providers, **the access** of people to the providers, **the control of induced demand** by means of medical protocols, and I would like to conclude with some expected results.

The first result of the implementation of such a scheme would be to free the average Greek family from this huge burden of private health expenditures, which I repeat is the highest in all developed world. **The second** is that the Greek State will have means, a tool to shift health expenditures back and forth, whenever the public budget is not in a healthy situation to finance the expenditures in the future; the State will have, by means of such a structure, more freedom to manage the situation in the health sector.

The cooperation of the public health fund and private insurance companies will lead to the drastic improvement of health services to the population. And hopefully, this kind of cooperation will be able to wake up the public hospitals also and induce the government to improve the management of those hospitals and fortunately the country has a lot of competent people now, with good graduate studies in health management, who could be used to staff those positions. And it would be a first test for the increased role of the private insurance in the new situation that is going to develop in the country, that is if we pass this test as an insurance market, then we will be able to go back to the State and ask for some more public-private partnerships in other areas, like pensions, like catastrophe insurance, like agriculture insurance and all other areas that could contribute to the growth of the insurance business in the local market.