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A taxonomy of Health Insurance Products

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A taxonomy of health insurance products

Field	Examples of sub categories in field
Level of compulsion	Mandatory or voluntary
Role or function of insurance	Primary or additional
Scope of insurance	Personal health services, public health, social care
Nature of risks covered	High cost low frequency, Low cost high frequency
Subscription type	Personal, household or group
Underwriting	Full, moratoria, none
Insurance term	Annual or long term

A taxonomy of health insurance products cont'd

Field	Examples of sub categories in field
Payment basis	Risk rated, age rated, flat
Carrier type	Public, not for profit, for profit
Scope of financing functions	Collection, allocation, pooling, purchasing
Risk sharing	None, Re-insurance, provider payments, deductibles and co-payments
Product or price regulation	None, Minimum benefit package
External subsidies	None, Premium subsidy, tax relief, donor support
External liabilities	None, Risk Equalization Fund, Corporation Tax

Health insurance is all about
“managing risks”

Sources of risk

Bassett after Mossialos and Thompson (2004)

- Contextual risks
- Policy and regulatory risks
- Operational risks – Bowie eleven key operation competencies
- Commercial risks – Porter five forces or risks from market structures and behaviors
- Asset risks – Cash, investments and other

Categories of financial risk

Bowie and Adams (2005)

- Income risks
- Expenditure risks
- Asset risks
- Liability risks

Contextual and policy	Income risk	Expenditure risk	Asset risk	Liability risk
Poor economy – low and unstable growth	↑		↑	
High and unstable burden of disease		↑		↑
Demography – dependent population increasing	↑			
Unclear or unstable public policy context and allowed roles	↑	↑		
Arbitrary or heavy regulation		↑		↑

Product	Income risk	Expenditure risk	Asset risk	Liability risk
Low control over composition of benefit package	↑	↑	↑	↑
Low control over price of benefit package and/or low loading	↑		↑	
Low economies of scope – increase in marketing costs, decrease in risk diversification		↑		

Operation	Income risk	Expenditure risk	Asset risk	Liability risk
Low pool size	↑			
Low control over utilization		↑		↑
Low control over provider payments		↑		↑
High diversity of preferences	↑			
Low density of provision	↑			
High density of provision		↑		↑
Degree of own horizontal Integration	↓			
Degree of own vertical integration		↓		

Market structure	Income risk	Expenditure risk	Asset risk	Liability risk
Low concentration of supply	↑			
Low concentration of provision		↑		↑
Barriers to exit		↑	↑	↑
Threat of new entrants	↑			
Threat of substitute products	↑			

Behaviour	Income risk	Expenditure risk	Asset risk	Liability risk
Abuse and fraud	↑	↑	↑	↑
Moral hazard	↑	↑	↑	↑
Adverse selection	↑	↑	↑	↑
Bargaining power – suppliers		↑		
Bargaining power – buyers	↑			

Commercial competencies

Bowie and Adams (2005)

- Develop products
- Price products
- Sell products
- Collect income
- Process claims
- Manage risks
- Manage external relations
- Provide info and service
- Leverage ICT
- Manage (operationally)
- Govern (strategically)

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