

Chilean Health Insurance System

A Source of inequity and selective social insecurity

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Chilean Health Insurance System: History

- First Western country outside Europe offering comprehensive medical care (since 1918) and social insurance legislation (1924, 1925)
- National Health Service (SNS) → until 1981
- The State was responsible for financing **and** delivery of health care
 - Services free of charge
 - 90 % of hospital dismissals
 - > 85 % of outpatient treatments
- Financing:
 - 61 % public budget (taxes)
 - 26 % social health insurance contributions
 - 13 % direct payments

Chilean Health Insurance System: Reform

Health sector reform of 1981:

- Decentralisation:
 - Division of the SNS in 27 regional Health Services (\Rightarrow SNSS)
 - Communities become responsible for basic health care
- Setting up of FONASA (National Health Fund) as public health insurance
- Admission of private funds for mandatory social health insurance: *ISAPREs* – Health Welfare Institutes)

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Chilean Health Insurance System: Reform

Socio-political background:

- Military dictatorship of Augusto Pinochet
- General austerity policy regarding social expenditure
- Continuous cut of public spending on healthcare
- Worldwide predominance of liberal economic ideas (Milton Friedman)

Characteristics of the Chilean health reform:

- Lack of regulation and control of private health insurance
- No participation, top-down-structure
- Lacking transparency, insufficient consumer information

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Chilean Health Insurance System: Reform

Goal: Competition between public and private health insurers (principle of solidarity versus principle of equivalence)

- Health insurance remains mandatory, minimum contribution 7 % of taxable earnings
- Dependent and non-dependent workers and employees have – at least theoretically – the option of choice between public and private health insurance
- The public insurer (FONASA) underlies the contractual obligation to accept all citizens; affiliation to a private insurance company (ISAPRE) requires an active step and is voluntary

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Chilean Health System: Insurance competition

ISAPRE	FONASA
Can refuse applicants	Has to accept all applicants
Individual, risk-related health plans	Collective, risk-independent health plans
Plans renewed every 12 or 24 months	Unlimited duration of contracts

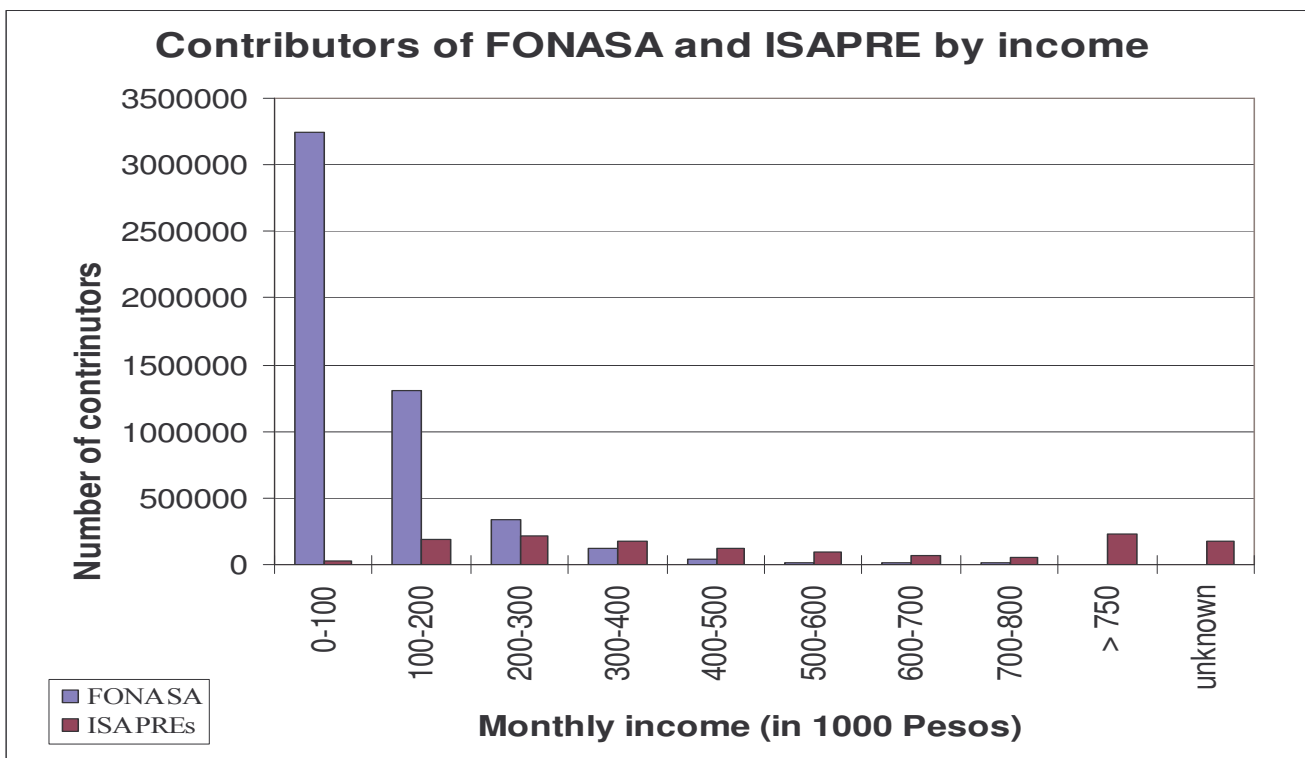
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Chilean Health System: Insurance competition

ISAPRE	FONASA
Contribution calculated for each group according to expected expenditure	Contributions according to wage income only (up to upper ceiling)
Principle of equivalence between <ul style="list-style-type: none"> ● contribution and risk ● contribution and coverage 	Principle of solidarity <ul style="list-style-type: none"> ● contribution according to wage ● coverage according to need

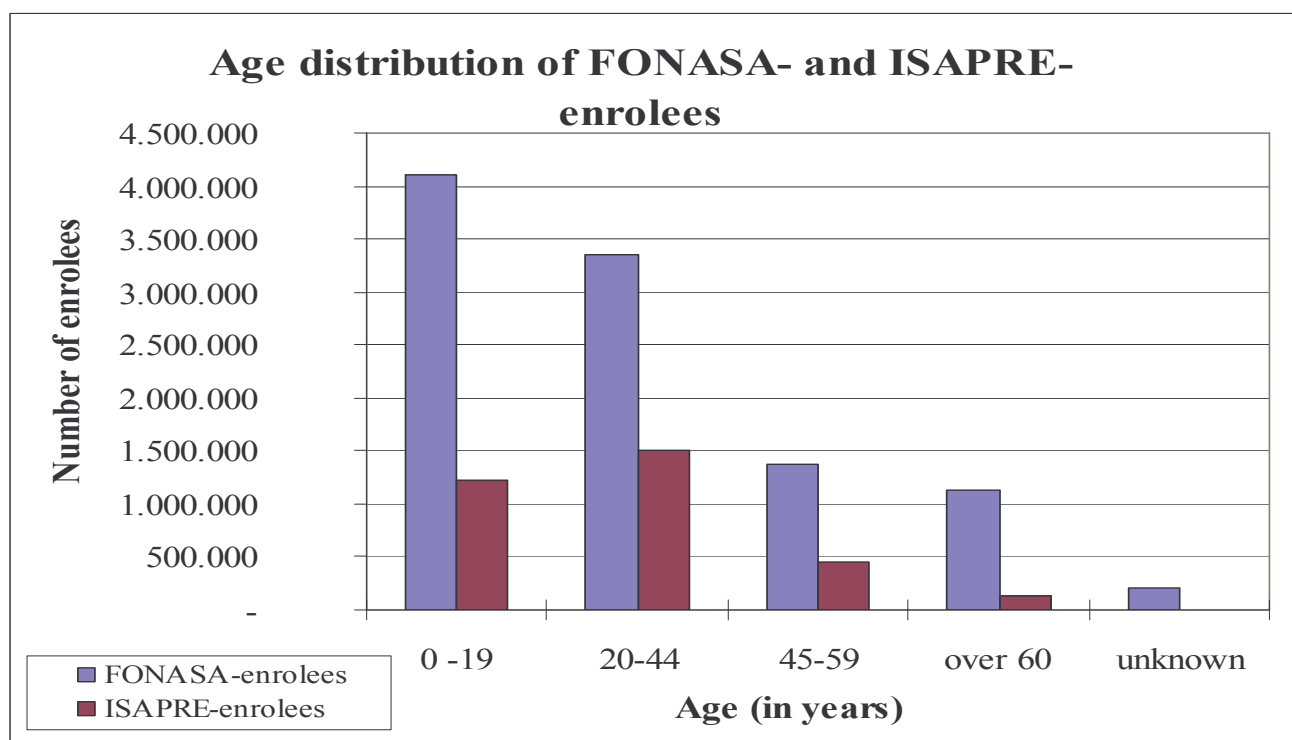
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Chilean Health System: Insurance competition



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Chilean Health System: Insurance competition



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Chilean Health System: Insurance competition

Public opinion: Priorities in health financing

	First priority	Total mentions
Low co-payment	26 %	38 %
Low co-payment in hospital	14 %	23 %
Better coverage of services	12 %	15 %
Access to drugs	5 %	16 %
Severe diseases	5 %	9 %
Faster service	3 %	5 %

Source: Survey of the Fundación Salud y Futuro

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Health sector reform Chile: Results

- Cream skimming
 - 90 % of FONASA-enrolees earn less than 400 US-\$,
 - 66 % even less than 200 US-\$ per month
- Risk selection
 - Even during the peak of private insurers in 2000 (> 30 % of total population), only 2,5 % of persons over 65 years were enrolled in an ISAPRE
- Increase of individual health expenditures:
 - Higher contributions in order to avoid worse risk coverage
 - Partly high co-payments for using the health system (recently improved coverage of catastrophic diseases: Maximum two monthly incomes)

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Chilean Health System: Comparison Co-pays

Main criteria for selected diseases:

Epidemiological relevance
 General/individual economic impact
 Diverse complexity
 Operationalisation/standardisation

Health problem	Treatment	Hosp. days
Gall stones	Laparoscopic cholecystectomy	5
Gall stones	Conventional cholecystectomy	2
Acute Appendicitis	Appendectomy	3
Uncomplicated pregnancy	Normal delivery	3

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Chilean Health System: Comparison Co-pays

Health problem	Treatment	Hosp. days
Coronary heart disease	Triple coronary bypass	14 (4 ICU)
Oesophagus cancer	Radiotherapy of oesophagus cancer	15
Femur fracture	Osteosynthesis femur fracture	10 + 2
Acute depression	Consultation acute depression	3

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Chilean Health System: Comparison Co-pays

The sample:

Family structure:

- Family type 1: Male enrolee 25, wife 24, son 3 years
- Family type 2: Male enrolee 40, wife 39, son 15, daughter 14 years
- Family type 3: Male enrolee 55, wife 54 years.

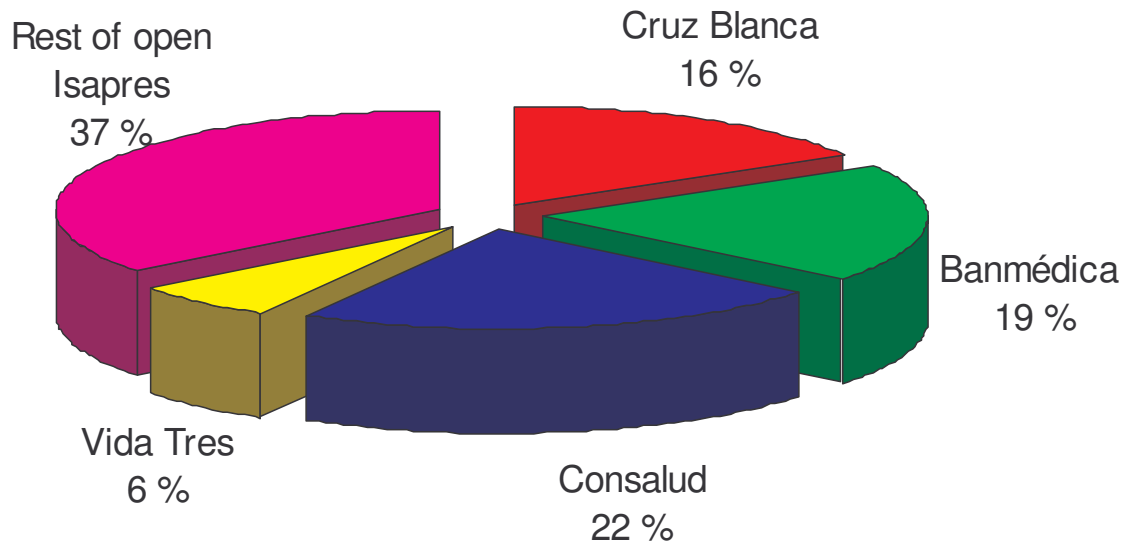
Income groups:

- Monthly wage of 400, 700, 1100 and 1600 €

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Chilean Health System: Comparison Co-pays

Private Insurance Companies: Market share



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Chilean Health System: Co-payment FONASA

Health problem	Co-payment (€)	Co-payment (Pesos)
Gall stones	93,35	49.288
Gall stones	96,31	50.852
Acute Appendicitis	62,78	33.148
Uncomplicated pregnancy	55,69	29.404
Coronary heart disease	963,22	508.582
Oesophagus cancer	238,68	126.024
Femur fracture	148,34	78.324
Acute depression	41,37	21.844

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Chilean Health System: Co-payment ISAPRE

Health problem	Average co-payment (€)	Range of Co-payments (€)
Gall stones	69,31	0 - 354,47
Gall stones	93,45	0 - 710,03
Acute Appendicitis	62,65	0 - 548,07
Uncomplicated pregnancy	60,52	0 - 283,94
Coronary heart disease	281,81	0 - 1222,42
Oesophagus cancer	342,05	0 - 2654,94
Femur fracture	154,93	0 - 1815,04
Acute depression	327,49	138,78 - 411,32

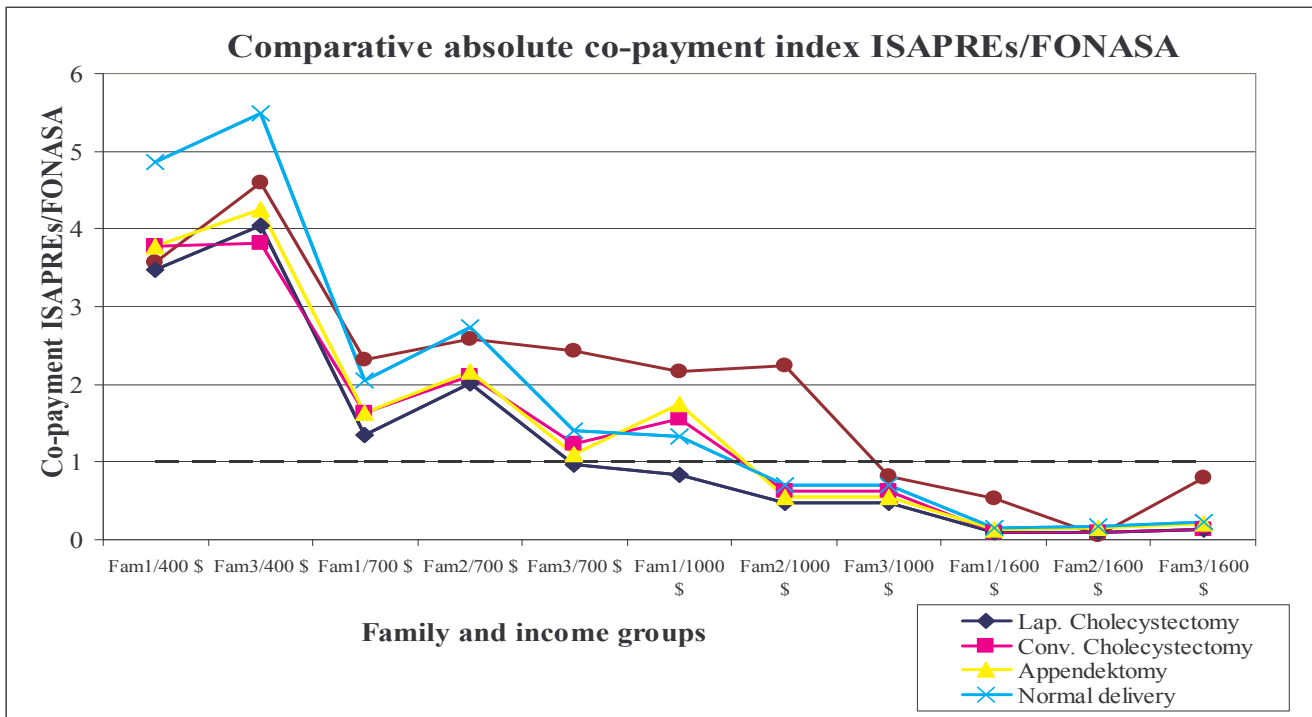
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Chilean Health System: Comparison Co-pays

- **Co-payment for enrolees of private insurances:**
 - Broad variation of cost-sharing: 0 - 91 %
 - Widely unforeseen financial burden
 - “*Quality skimping*” regarding protection against financial health risks
 - Social injustice
 - In absolute terms related to income
 - In relative terms being inversely proportional to income
 - Insufficient answer to current epidemiologic challenges

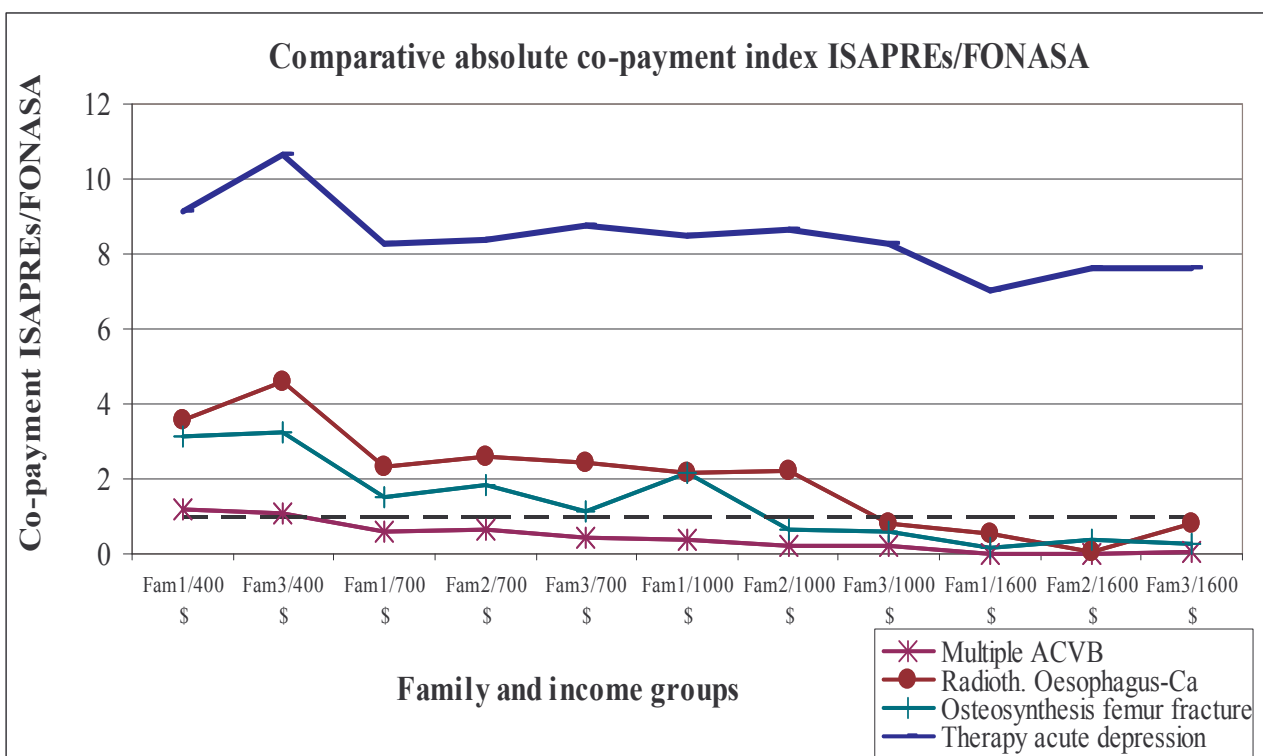
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Health sector reform in Chile: Results



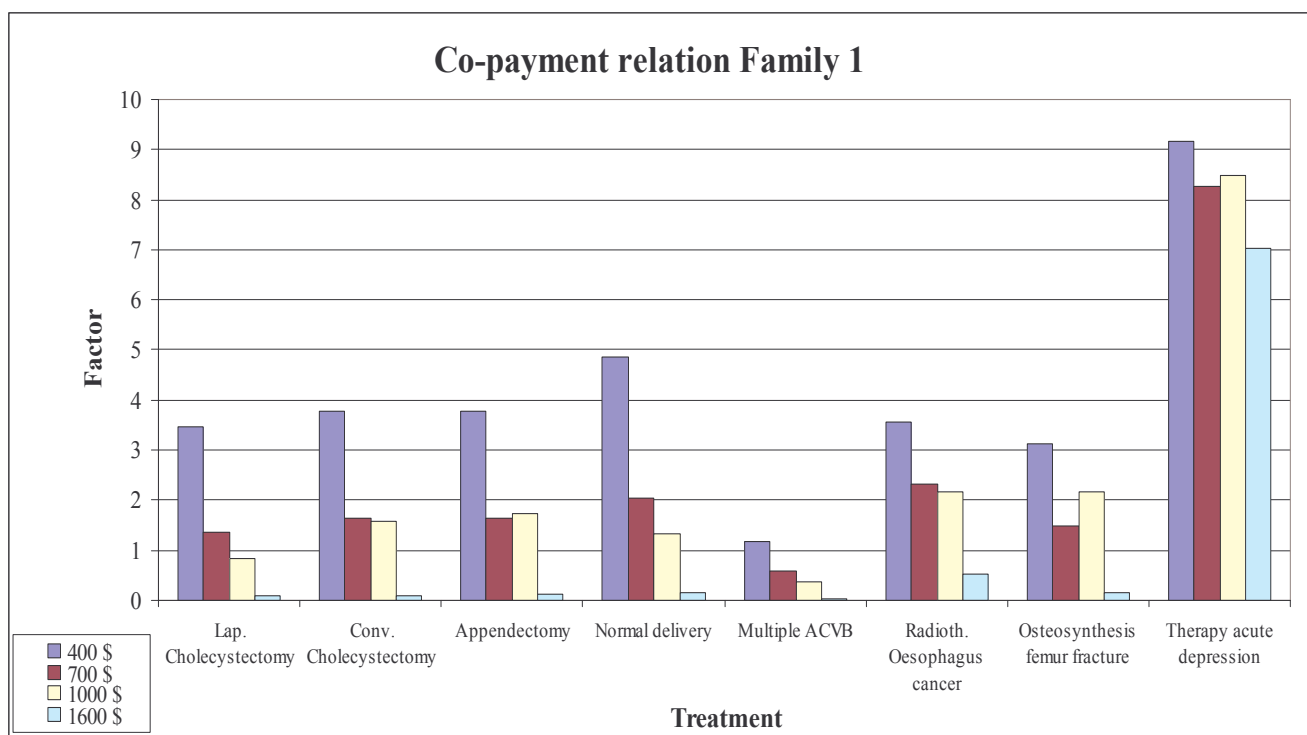
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Health sector reform in Chile: Results



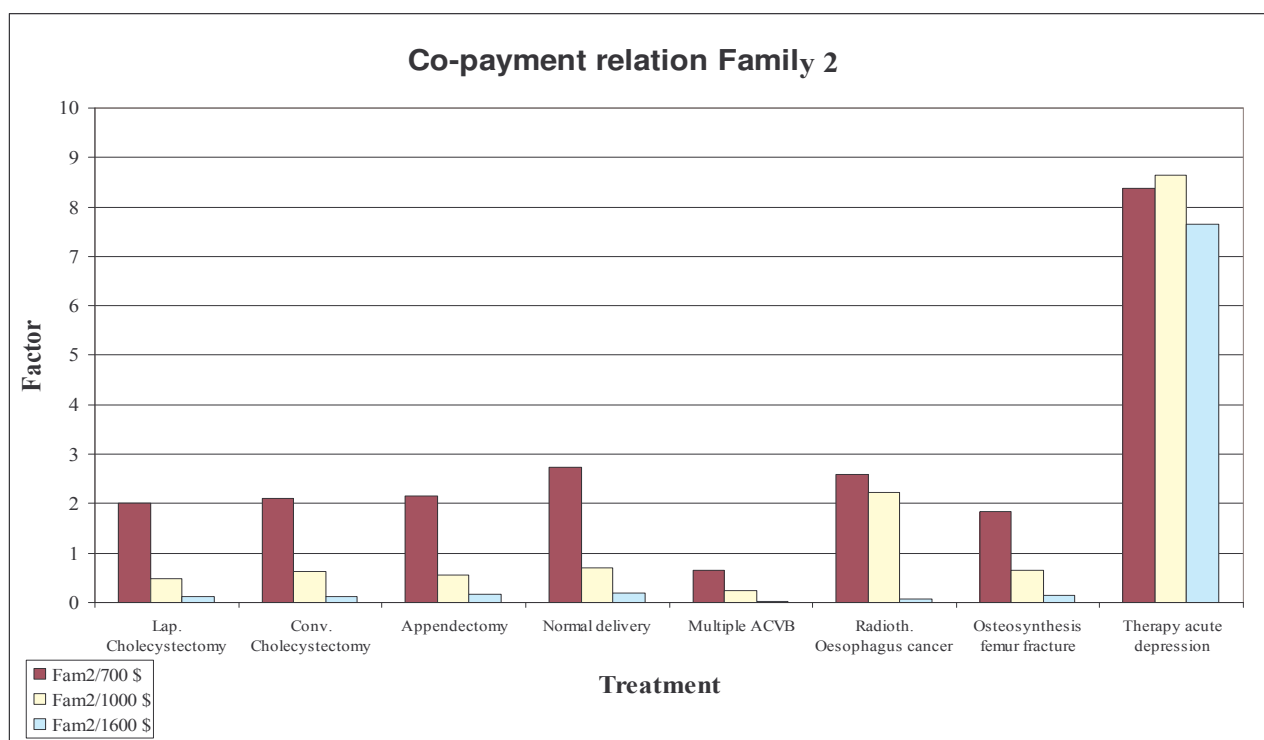
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Health sector reform in Chile: Results



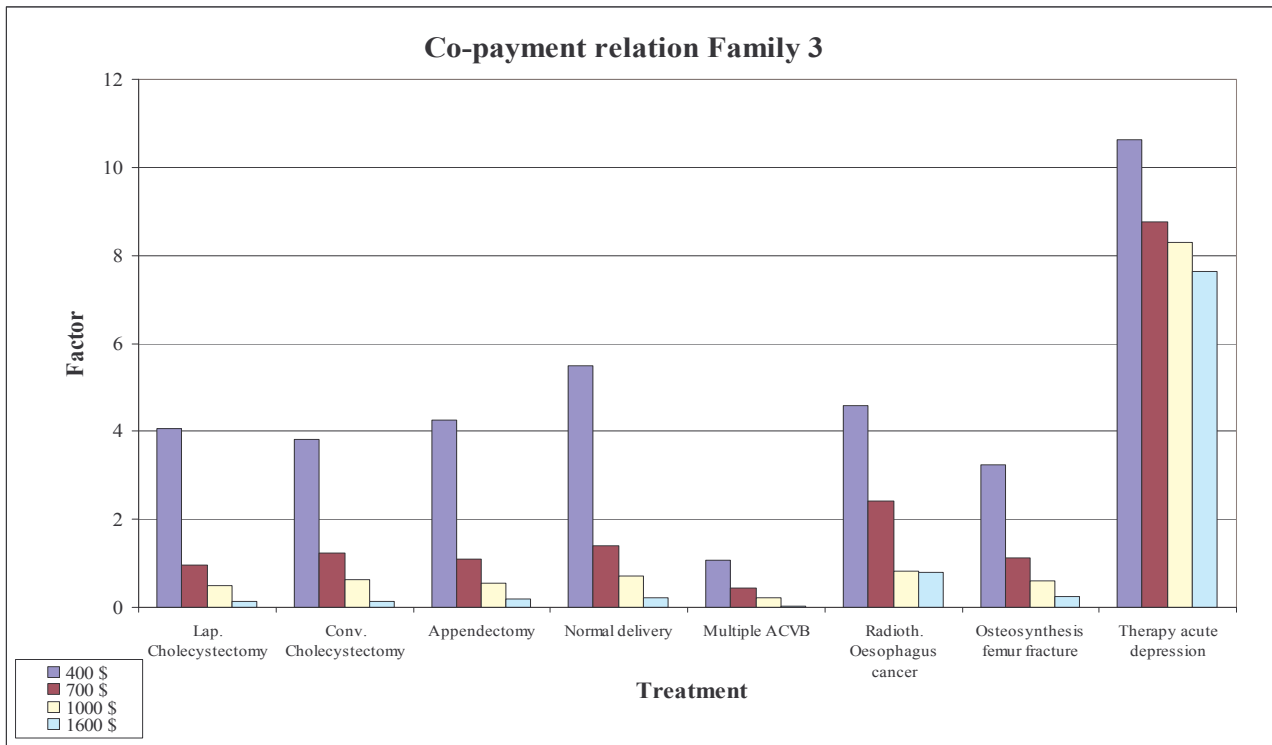
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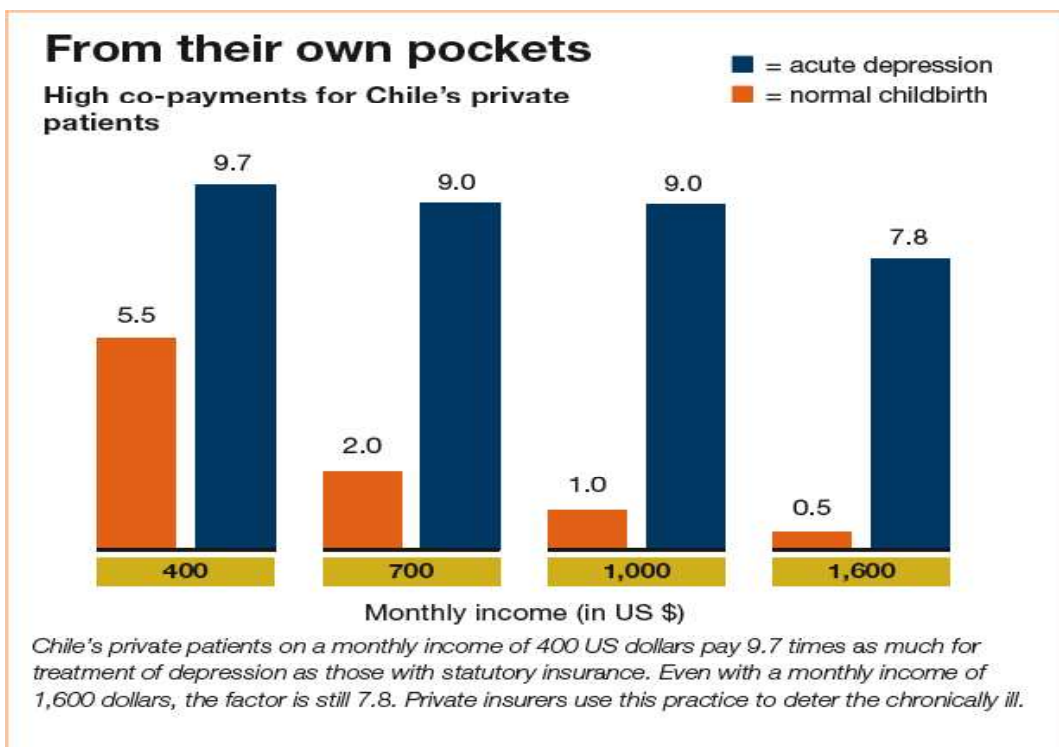
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Health sector reform in Chile: Results



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Health sector reform in Chile: Results



Relationship of out-of-payments ISAPRES / FONASA for selected treatments

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Chilean Health System: Insurance competition

Basic elements of health insurance competition in Chile:

1. Mandatory health insurance for all citizens
2. Social fairness of financing \Rightarrow exogenous (wage related) definition of contributions
3. Health insurance competition excludes the poor
4. Private health insurance companies determine their target groups
5. Competition focussing on “good risks” and high income groups

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Chilean Health System: Insurance competition

Basic elements of cost-sharing in Chile:

1. Social cushioning of co-payments in public sector only: waivers and exemptions in place
2. Application of the principle of equivalence on the side of expenditure:
 - a. Variable coverage of health costs
 - b. Partly high, generally unpredictable co-payments
 - c. The lower the contribution, the higher the cost sharing
 - d. Insufficient consideration of epidemiologic needs

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