

Is There a Role for Private Health Insurance in Developing Countries?

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Outline

- 1) Motivation**
- 2) Data and Methodology**
- 2) PHI Patterns and Trends**
- 3) Policy Options**
- 4) Outlook**



Motivation

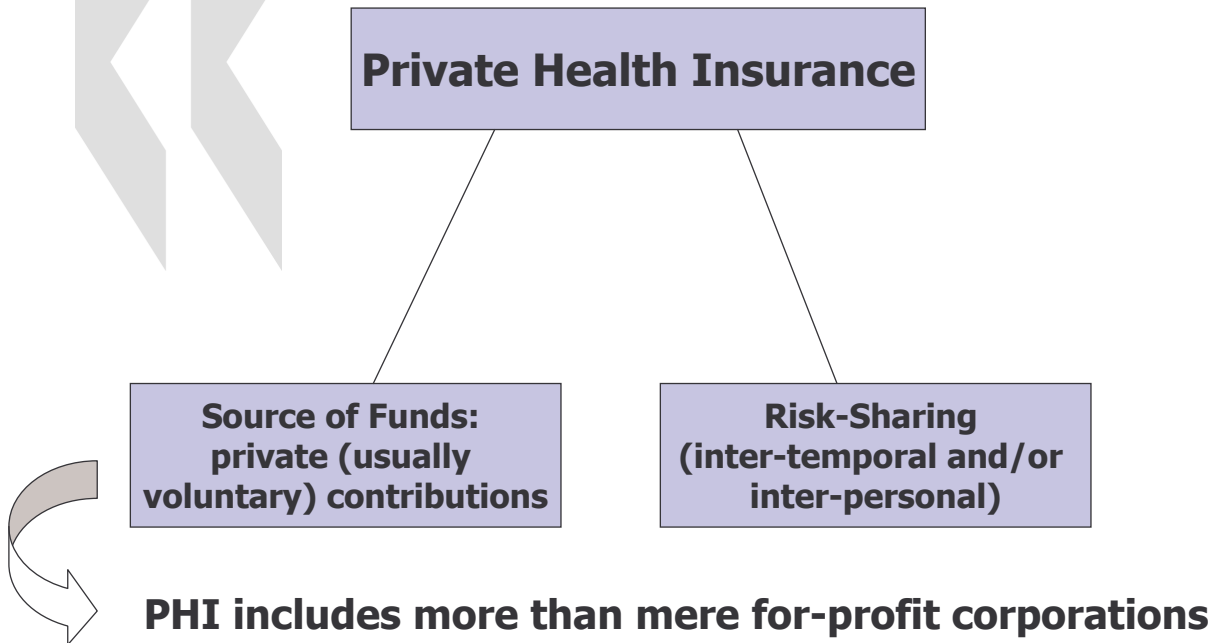
- High and often “hidden costs” of illness for the poor
- From estimating “needs” to analyzing channels and conditions
- Interesting institutional innovations to cope with health risks (e.g. PHI)
- Lack of comprehensive overview of PHI in developing countries



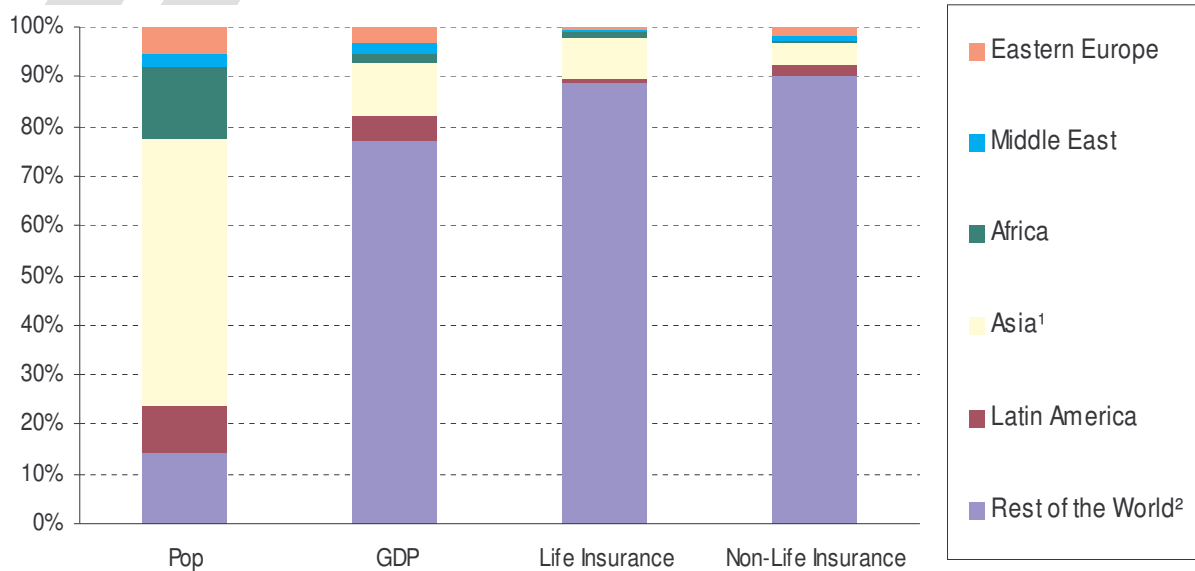
Data and Methodology (1)

- National Health Accounts (WHO)
- Country an/or regional studies
- Actuarial information (e.g. private re-insurance companies)

Data and Methodology (2)

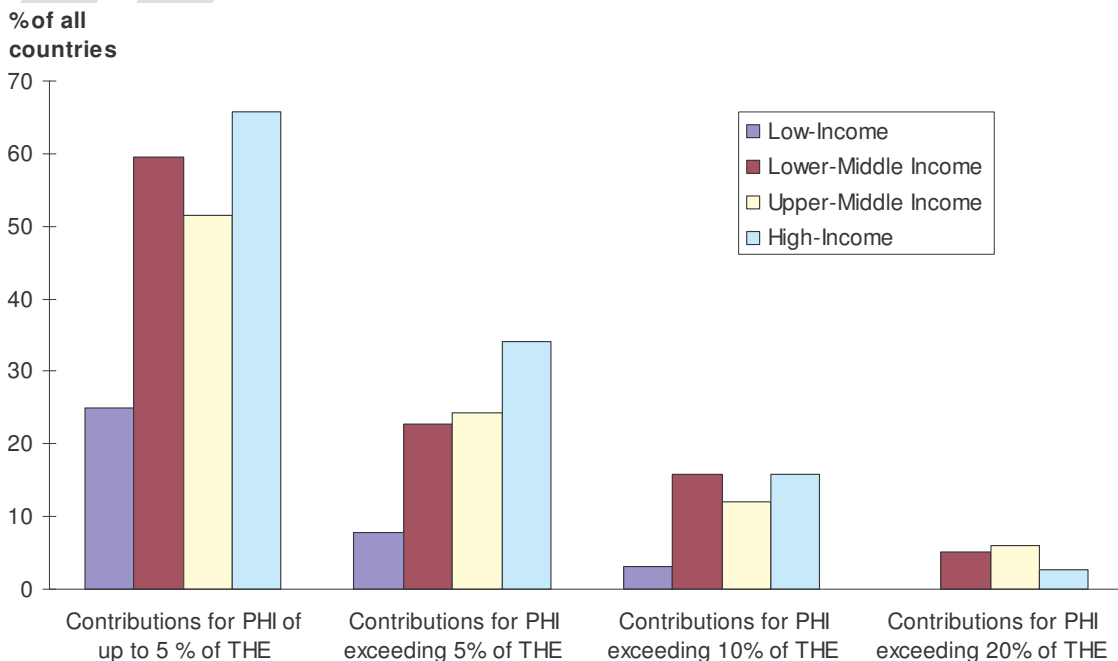


PHI Patterns and Trends (1)



Source: Own Calculation
1: Asia without Japan
2: Rest of the World mainly covering OECD countries

PHI Patterns and Trends (2)



PHI Patterns and Trends (3)

Among the countries with high spending on PHI (~20% of THE) we find:

- Zimbabwe (19%)

Low-Income Country
(THE ranges between 10 and 150 Int. Dollar)
- Brazil (21%), Namibia (23.3%), and South Africa (42.3%)

Lower-Middle-Income Countries
(THE ranges between 50 and 500 Int. Dollar)
- Chile (22.6%), Uruguay (37.4%)

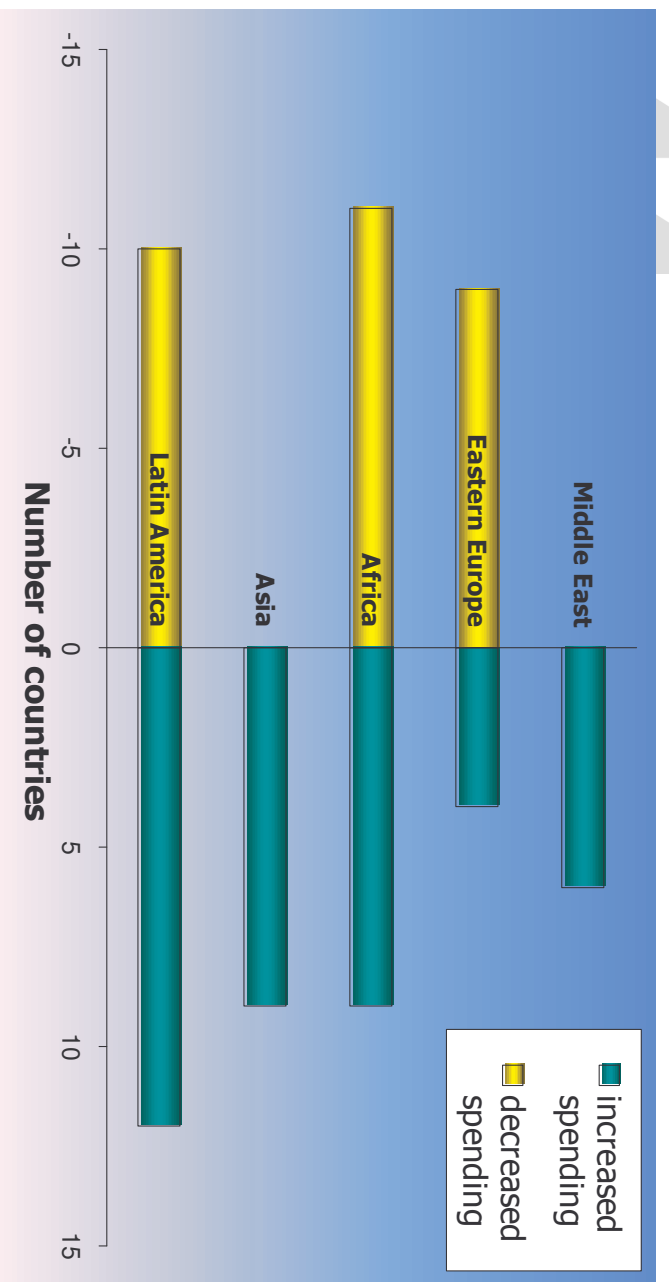
Upper-Middle-Income Countries
(THE ranges between 200 and 1000 Int. Dollar)
- USA (35.6%)

High-Income Country
(THE ranges between 638 and 4487 Int. Dollar)

PHI Patterns and Trends (4)

- **Latin America:** wide distribution of PHI (PHI > 10% of THE in 7 countries) – mostly HMO
- **Asia:** surprisingly low significance of PHI with rare exceptions – mostly government initiated programs
- **Africa:** small scale schemes, community based programs (Mutual Health Insurance, MHI); low coverage and locally restricted outreach
- **Eastern Europe:** PHI disappointment after market liberalization; reactivation of state involvement
- **Middle East:** PHI mainly for foreign workers or travel abroad

PHI/THE – Trends (1997-2001)



PHI Patterns and Trends (5)

- Overall growing importance of PHI, but still at a low level
- Differentiation of developing countries
 - *Income*
 - *Region*
 - *Institutional capacity*

Policy Options

Depend on various factors, e.g.:

- the role PHI should play in the health system (complementary and/or supplementary coverage)
- a country's institutional capacity to correct market failures
- the development stage of the insurance industry

Policy Options: Sub-Saharan Africa

PHI improvement of status quo; but important limitations

- Scaling up of schemes and institutional strengthening
- Improving link to the public health sector (PPP)
- Linking up with PRSPs
- Donor support

Policy Options: Latin America

Performance of PHI rather disappointing

- Accessibility
- Responsiveness
- Efficiency (e.g. cost escalation)
- Quality

Policy Options: Asia

Promising outlook for PHI

- Liberalization and market development
- Innovation at local level – micro-insurance
- Recent reforms in India and China
- But: important trade-offs to be handled, e.g. supporting new industry versus ensuring regulation and consumer protection

Policy Options: The Role of the State

- **reduce inequalities and prevent discrimination** (i.e., quotas, prevent fully risk-rated premiums, non-discrimination regulation)
- **set an institutional framework that allows efficient and stable PHI development** (i.e., competition, financial requirements, clear definition of PHI's role in health care system)
- **make sure that possible gaps in health care coverage are filled** (i.e., complementary coverage for the sick and the elderly, public vaccination and immunization campaigns)



Outlook

- **Currently, PHI only has marginal significance, but**
- **.....will gain importance and deserves greater attention**
- **Policy recommendations depend on case-to-case analysis while some regional trends emerge**
- **PHI offers both opportunities and threats that need to be identified and remedied**



Discussion

- What are basic regulatory requirements?
- How can PHI better serve the needs of the poor?
- How can PHI schemes be better integrated into a country's health system?