

Can "Regulated Competition" for Health Insurance Control Health Care Costs, Preserve Access, and Serve Society? The New Dutch Health System

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The Dutch Health Insurance Reform is Highly Relevant for the United States

- Same size as several US states in the USA; Netherlands is a country of 16 million people.
- “Rapidly increasing expenditures and lowered political acceptance to commit public finance to cover the deficits” . * (Agrell & Bogetoft, 2007)
- Incremental movement towards a neo-liberal, entrepreneurial, business-oriented, private sector health insurance system.
- Values of the market, individual responsibility for health, and subsidies for the poor to purchase.

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The Dutch experiment is market-oriented regulated-competition; it tests Enthoven's model

- Guaranteed issue (with risk equalization for insurers).
- Universal coverage by individual mandate (required purchase).
- Price competition for a standard health insurance benefits package.
- Community rating.

Methodology

- Careful reading of government documents.
- Synthesis of already existing data from national polls.
- Statistics available in the public domain (Dutch National Bank).
- Reports from private sector consulting firms.
- Qualitative interviews with Dutch Parliamentary policymakers.

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Goals of the Dutch Health Insurance Reform

- Reduce costs.
- Increase choice.
- “Improve efficiency and quality”.
- Maintain access.

Maarse and Ter Meulen, 2006)

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Substance of the Dutch Health Insurance Reform

- ✿ Required purchase with subsidies for those with low-income (30%).
- ✿ Community rating.
- ✿ Guaranteed issue (with equalization pools for insurance companies).
- ✿ All insurance companies (mostly for-profit) must compete on a level playing field by offering a basic health insurance package defined by law.

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Substance of the Dutch Health Insurance Reform (Contd)

- ✦ Insurers compete on the price of the basic package (regulated as to content).
- ✦ Citizens can change insurers every year or if insurers make changes between annual renewal periods.
- ✦ Insurance companies seeking to compete on quality.
- ✦ Group purchasers pressuring insurance companies to perform on quality as well as price.

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Substance of the Dutch Health Insurance Reform (Contd)

- ✦ Insurance companies expected to make profits on supplementary policies.
- ✦ Policies may vary on “benefits in kind” or “reimbursement”.
- ✦ Restricted list of providers is legal (selective contracting for discounts by insurance companies).

Is the Dutch Experiment a Success? Short-Term Results

- Consumer premiums have increased.
- Total health system costs have not been reduced.
- Incentives for personal accountability are being revised.
- Competition for “market share” is razor-sharp.

Is the Dutch Experiment a Success? Short-Term Results (Contd)

- Insurance companies showed large losses at an increasing rate for each fiscal quarter of 2006.
- Insurers fail to negotiate efficiency with providers.
- Consumers note increased cost of insurance going into year 2.
- The first year consumers aggressively “shopped” for insurance and many changed insurers
- But many fewer “shopped” the second year.

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Is the Dutch Experiment a Success? Short-Term Results (Contd)

- Consumers are not choosing policies on the basis of price alone; equally important are:
 - ▶ belonging to a group-purchaser plan
 - ▶ attractiveness of supplementary policies
- Consumers are largely dissatisfied and slow to adjust:
 - ▶ choosing a policy is said to be harder
 - ▶ quality is perceived to be lower

Conclusions

- Dutch policy makers intend to go forward with market-oriented regulated competition, undeterred.
- Based on the Dutch experience caution for market-oriented health system reform is warranted.
- Limitations apply: results may change in the future in either direction.

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