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Governments Moving Away From Failing Single Payer Plans Health Insurance Added 100 Million Outside U.S.

Health insurers worldwide added over 100 million covered lives in 2008 in one of the strongest markets since health insurance was invented in the 1880s, according to official government statistics. At the same time the biggest single payer systems like the U.K. have moved away from their original model and are trying to adopt “market-based” health reform.

HPW follows health insurance markets globally, and is projecting that total covered lives will exceed one billion by 2012. Single-payer systems are declining world-wide because they are primarily based in countries which have static or declining populations, while private insurance is growing rapidly in countries with the fastest population growth.

Most of this is coming from developing countries which are for the first time ever building out a health financing system, choosing to encourage private health insurance over single-payer on five continents. Examples include China, Columbia, South Africa, Mexico, India, Australia and most of eastern Europe. Most of these countries considered and rejected a single-payer system in favor of a private insurance system, and more than a dozen more are following suit in the same regions.

Worldwide there are over 125 national health systems, most based on a mix of government funding and private insurance. But private insurance is growing faster than a government-run system in at least 25 of these nations, while public funding is under stress and straining to grow. The recession has caused more countries to move towards a private market.

Public funding is present in these countries, but only as a safety net for private health insurance, private contractors, and private delivery systems.

Private insurance is the chosen system for several reasons. In developing countries in eastern Europe there is a strong aversion to the former Soviet-style model, and western European global insurers like Allianz and Vienna Insurance Group have actually acquired the entire single payer system from the government and turned it private.

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In the Mideast several major governments have simply opted for a private insurance system from scratch, and never seriously considered having a government-run system. Estimates from this region are scarce but news reports on private system launches show that approximately 150 million were added to private insurance systems in the Mideast in 2008.

Columbia, Mexico and several other Latin countries in 2008 were in the midst of major expansions in their private health insurance systems. News reports show this may have totaled over 100 million added.

In Asia, India and China have exploding private health insurance markets with heavy American insurer market entries in 2008 alongside the major European global insurers. But most of the growth in China has come from the Chinese companies themselves, often with western partners, and future growth in the cities depends mostly on private insurance.

The government of China this year made a major policy decision to strongly encourage private health insurance in the cities. In rural areas there is a mixed “social insurance” system that collects premiums directly from farmers, then feeds it back to doctors through local governments. This system is migrating slowing into private markets too.

Biggest Single-Payer Systems Moving To “Business Model”

While the U.S. debates whether to move to a “public option” in order to influence private insurance to change, the biggest single-payer systems are moving in the opposite direction. Australia just adopted a new health reform plan that is strongly-endorsed by BUPA, the biggest private health insurer with over 3 million covered lives. No mention of a public option since Australia is rife with problems in its existing “Medicare” program.

The U.K. began seven years ago to reform its single-payer system to be more like the private sector, using decentralization and negotiated contracts with providers and suppliers. The U.K.

rose for less than 5% of GDP in health to over 9%, and waiting lists dropped sharply (Google the “Wanless Report” from King’s Fund for the only definitive assessment of what is happening in the NHS). In 2008 came the most ambitious attempt at privatization in the world’s largest single-payer system: allowing doctors and hospitals to go outside the government-run system and contract directly with private payers, and letting private insurance pay them.

That has had little impact on the prevalence of U.K. private insurance, which represents just six percent of the population compared with 94% for the NHS. But it has increased the role of private insurers. The NHS is moving as fast as possible to adopt U.S. insurer inventions like hospital DRGs, capitation and “pay-for-results” and several global carriers including U.S. insurers are bidding on various regional privatization contracts in major cities including London. An expected victory by the conservative party is likely to accelerate NHS privatization, and the Tories have already made it a cornerstone of their mandate to reform health care.

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