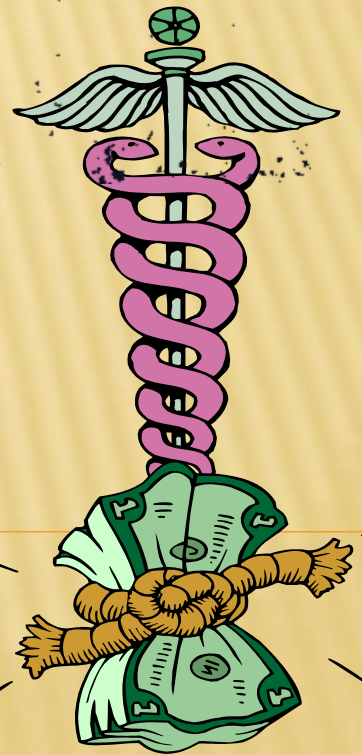


HEALTH
insurance

Post graduate course 2025

HEALTH INSURANCE



FUND POOLING



Financial resources available in the **pool** are not tied to a particular contributor.

Benefits:

- ✘ Protecting every member against high health expenditure
- ✘ Pooling allows **cross-subsidy**,



HEALTH INSURANCE SYSTEM



Insurance organizations pool financial resources of members, & share risks of medical spending. Insurance is a type of **risk pooling**.

Why is health insurance needed ?

- Uncertainty of health care needs.
- High cost of medical care.
- Risk-averse nature of individuals.

Health insurance Problems

- Moral hazard.
- Adverse selection.

Insurance



Complications

Disease

Relapse
Recurrence

Chronicity
Disability
Death

Management

Primary & preventive care are not insured. Why?

MORAL HAZARD



- **Over prescription & consumption:** patients & Drs joint interest to maximize insurer reimbursement regardless to price (**Over Doctoring:** ↑ fees)
- Insured individuals have less incentives to take health precautions.

Solutions:

- Cost co-payment by insured party.
- Referral system (gate keeping) via family Dr system (but loss of choice freedom).

ADVERSE SELECTION



- Private insurers tend to “cream off” healthiest people i.e. no insurance for disabled, sick, poor, & elderly
- Only people expecting significant health expenditure get insured.

Solutions:

- Risk selection (for equity achievement)
- Effective screening prior to enrollment

HEALTH INSURANCE SCHEMES



Measures to raise health system funds:

- **Social health insurance**
- **Private health insurance**
- **Community based health insurance**



Advantage of health insurance schemes (compared to tax) is people are less reluctant to pay if money will protect their health.

SOCIAL HEALTH INSURANCE



Compulsory insurance for civil servants

(ease of collection & high income).

Every eligible person **must** enroll & pay a **percentage** of salary as premium.

Minimum package of insured services is defined
(**Basic medical care, maternity, catastrophic**).

A sliding scale premiums promotes equity for basic care, drugs, hospitalization of non-chronic conditions

SOCIAL HEALTH INSURANCE



Advantages:

- ❑ Finances health directly
- ❑ Pool allows subsidy (healthy/rich → sick/poor)
- ❑ No problem of adverse selection.
- ❑ Less prone to government decisions.

Disadvantages:

- ❑ Health insurance culture is not developed.
- ❑ Needs developed managerial skills.
- ❑ High administrative costs for poor countries.
- ❑ Depends on proportion of formal workers.

PRIVATE HEALTH INSURANCE



Offered by profit & non-profit firms on individual & group basis.

Premiums based on **actuarial** (statistical) analysis.

Helps health system financing function by providing complementary coverage for social health insurance

→ Health spending /capita is positively associated with proportion of population covered by private insurance,

EMR examples: Lebanon, Morocco.

PRIVATE HEALTH INSURANCE



Advantages:

- ❑ People have choice.
- ❑ Helps to develop “health insurance” culture.
- ❑ Improves health system financing
- ❑ Develops social insurance.

Disadvantages:

- ❑ Premium is much higher.
- ❑ Premiums risk based (sick have limitations)
- ❑ Not concerned with fairness in financing.
- ❑ Takes the healthy/rich from social insurance

COMMUNITY-BASED INSURANCE



Community organizes, finance, a limited-scale health plan (**Community participation**)

Government may provide technical/financial support but not run it.

Covers health needs in informal & rural areas

Risk selection to avoid adverse selection is a major concern here.

Administrative costs and profit account for large share of the premium (up to 50%).

COMMUNITY-BASED INSURANCE



Advantages:

- ❑ Easy population identification & collection.
- ❑ Covers self-employed, informal workers.
- ❑ Develops democratic organization of society.

Disadvantages:

- ❑ Problem of risk pooling & adverse selection
- ❑ An epidemic wipes out resources.
- ❑ Not successful in management.
- ❑ Requires social mobilization.

Prof D.



Thank

You

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