



- **Lec n.** : Slides "Revision"

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## Paying for Healthcare



Revision

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### Financing – the national health objectives:

National health policies focus on:

- **Improving** the population's health,
- **Preventing** diseases and health hazards
- This is **limited** by the extent to which they are **affordable**
- Depending on the **choice** of financing mechanisms and sources, the achievement of national health objectives will be **independent of national budget constraints**

#### Affordability القدرة على تحمل التكاليف

- The extent to which something is **affordable**, as measured by its **cost** relative to the amount that the **consumer is able to pay**.
- Affordability needs to be assessed also in relation to the:
  - **capacity** of individuals, **employers** and other public programs, such as **social insurance** schemes.

The **method of financing** consists of the way in which financial resources are **mobilized** and how they are **utilized**.

It relates to different **factors** including:

- ✓ · the approach to **mobilize** financial **resources**; تعبئة الموارد
- ✓ · the institutional and organization **delivery structure**;
- ✓ · the **allocation of resources**; تخصيص الموارد
- ✓ · the Mechanisms for **paying and incentive** method for health providers;

The **choice of method** will impact on:

- Who **bears** the financial **burden**,
- The amount of **resources** available, and
- Who manages the **allocation** of resources.

**Equity** takes place at different levels:

- **Financing**.
- **Access** to health care,
- **Health status** ,
- **Risk protection**.



**Resource mobilization:** how the health system generates and collects revenue



**Pooling:** combining financial resources from multiple sources to share the financial risk of paying for healthcare



**Purchasing:** mechanisms to pay providers for healthcare services

The set of allocation criteria must be **publicly acceptable**.

Health financing policies should have the ability to:

1. Improvement of health outcomes,
2. Provision of financial protection,
3. Ensuring consumer satisfaction .
4. Providing policy-makers with the tools that will aid health financing policy in developing countries.

### Health service financing sources

- Private expenditure
- Public expenditure
- External aid

#### Options for financing health

1. Taxed –based health financing
2. Social health insurance financing
3. Private health insurance financing
4. Direct payment health financing

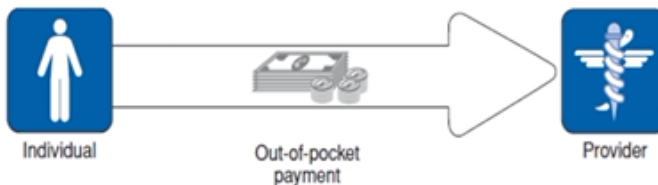
## Out-of-Pocket Payment

Economists argue that health care is not considered just another typical consumer item.

The need for and cost of health care services are unpredictable. unpredictability

Patients need to rely on physician recommendations due to asymmetry of information

The demand for health services is partially involuntary and is often physician- rather than consumer-driven

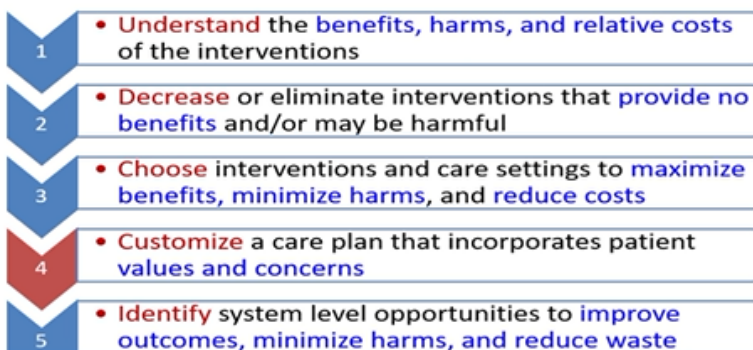


### Direct payment ( Out of pocket ) health financing system

- Fees of health care are received **directly from patients.**
- Advantages:
- It **prevents misuse of health services**
- It makes beneficiaries recognize the **actual cost**
- **It provides incentives** for the health care providers

#### Disadvantages:

- Great degree of **inequity** and prevent poor people and those with chronic diseases from the appropriate care.
- Fees **should not be the only source** or even the main source of fund .



#### •**Government spending on health: accessibility** and **sustainability.**

- For those people without care due to **lack of financial means.**

#### •**preventive care.**

- Public funds can be better rationalized to provide **emergency care** services regardless of insured status or ability to pay.

#### **Privately funded health care:**

- Greater **quality and efficiencies** through **increased access** to and **reduced waiting times** .

- **Reduces the requirement** for governments to **increase taxes** to cover health care costs.



### WHAT IS HEALTH INSURANCE

Health insurance is a type of insurance coverage that covers the cost of an insured individual's medical and surgical expenses.

Insurance is a **FINANCIAL GUARANTEE**.

- At some point in our life, we may probably need expensive medical care
- Health Insurance, like other kinds of insurance, protects us against significant financial loss.
- It ensures us can afford medical help when we need it.

### WHY YOU NEED HEALTH INSURANCE?????

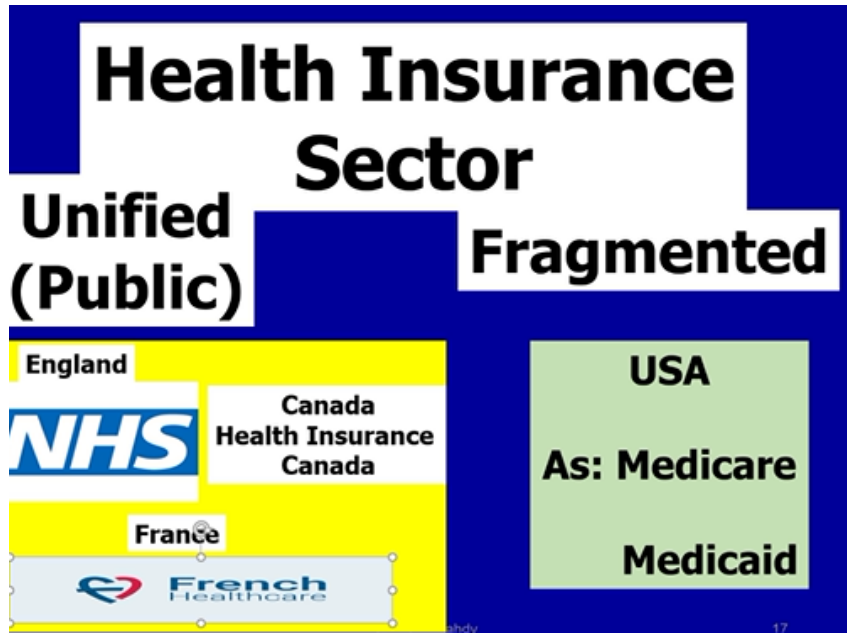
1. HI protects you from high unexpected **costs**.
2. Makes quality treatment **affordable**.
3. **Cashless** services.
4. Insurance status, type of coverage, and out-of-pocket costs affect **adherence** to recommended **treatment plans**. (× non-compliance)
5. Given large differences in coverage/affordability, we must all seek to modify patient care to **improve quality** and safety and **decrease unnecessary costs**.

The more **unpredictable and costly** the events become, the more it makes sense to **POOL our savings** with others to cover these expenses (in other words, to **purchase insurance**)

**Premise: (Insurers rely on the fact that not all enrollees will actually use their insurance)**

**Pre-existing Conditions**

An **insurer may refuse to cover treatment** if the condition existed **prior to enrolling** in a health insurance plan

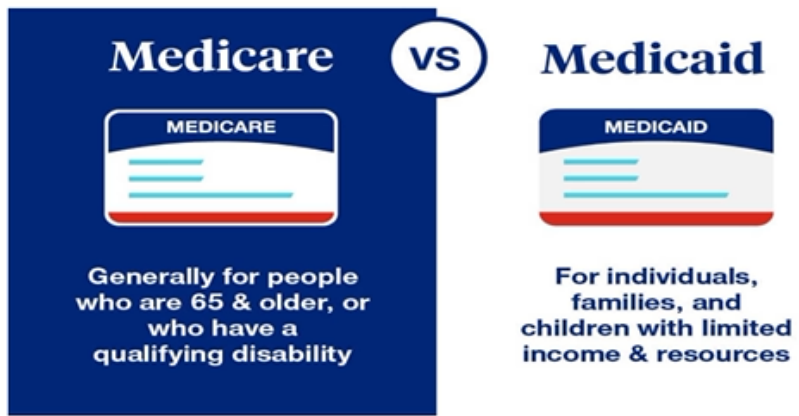


**MEDICARE**

(Health Insurance for those **65 and older**)

**MEDICAID**

(Health Insurance for the **poor**)



## Contract or Policy or Plan

The **agreement** which is issued by the **insurer** (**insurance agency**) to the **insured** (**subscriber**) and states the commitments of each side.

### Premium or Prepayment

What the insured pays to the insurance agency in **regular installments** **أقساط منتظمة**, calculated by an **Actuarial** **خبير أقساط التأمين**

Premiums are a small but **certain (fixed) financial loss** that **risk-averse people** would prefer to pay **rather than to gamble** on a potentially catastrophic hospitalization.

- **Subscriber** **المشترك**

The person to whom the **contract is issued**



- **Dependent** **تابع**

The person who **lives with** and is sponsored by the subscriber

- **Member** **عضو**

A participant whether a **subscriber or a dependent**

- **Benefits** **المزايا**

What the insured receives in terms of **service as stated** in the contract.

- **Enrollment** **تسجيل**

### Enrollees

An individual is enrolled when he **fulfils the plan's requirements**.

## SELECTION

Sorting into plans based on **health status**

- **Sicker people** join insurance plans: more generous benefits and **higher premiums**,
- **Healthier people**: less benefits and **lower premiums**.

**Moral hazard** is a situation in which one party gets involved in **a risky event** knowing that it is protected against the risk and the **other party will incur the cost**, also, having insurance may encourage **enrollees to use more care**



### Copayments:

A **fixed cost per episode of care**, such as a doctor's visit or hospitalization

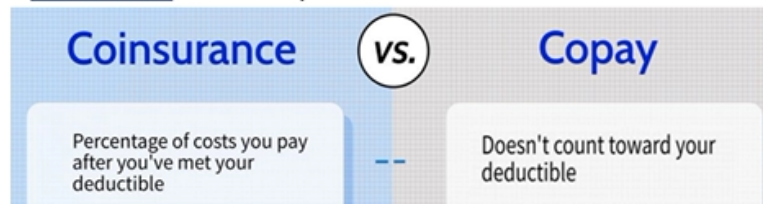
### Coinsurance:

A **fixed percentage of the cost of care**, such as 10 or 20 percent of the cost of a doctor's visit.

The **advantage** of co-insurance is that it **reduces the price** of the service and still provides the patient with an incentive to **seek out less costly** providers

- **Deductibles** الخصومات

A **fixed** amount that the **enrollee has to pay before** **insurance** covers expenses



### **Insurance includes a "stop loss".**

Once the patient's out-of-pocket medical expenses (**deductible and co-insurance**) reach a **certain dollar amount**, then the **patient is no longer responsible** for additional out-of-pocket payments.

At the same time, "**limits**" and "**maximums**" are similarly used to **protect the insurance company from large losses**

- Insurance companies often include a **lifetime limit** on how much they are willing to reimburse for a patient's medical expenses.
- **Expenditures above that limit become the responsibility of the patient**

# Types of Health Insurance

## Administratively

- A. **Governmental**  
(**compulsory** by law)  
non-profit, funding is  
through **taxes**.
- B. **Voluntary** (**private**  
**agencies**) for profit

## Benefits point of view

- A. **Cash Indemnity Plans**
- B. **Service – Benefit Plans**
- C. **Combination** of both

### A. **Cash Indemnity Plans** prefixed sum of money

**Regardless of the actual expenditure**

- The **insured pays** the hospital or doctor **and later files a claim** for cash reimbursement.
- The **amount** is often a **fixed amount** per hospital day or admission or a **percentage** of the bill.

- B. **Service – Benefit Plans:** The plan **pays** to the **doctor and the hospital** while the **insured pays only for services and extras** not included in the contract

## Group VS Individual plans

### Group Plans (Employment-based health insurance):

- A **group buys insurance for everyone** in the group.
- **Employer purchases** group plans for their members, and pays most of premium, so, it is **provided by an employer** as a **benefit to its employees**.

### Advantages:

- **less expensive**, can enroll even **if pre-existing conditions exist**.

### Disadvantages:

- **Options are limited**, can **discontinue the insurance at any time** as long as everyone in the plan is dropped.

## Individual Plans:

People who are self-employed, or whose company does not offer health insurance as a benefit, can buy health insurance directly from an insurance company.

### Advantages:

- policy written for his needs., Discounts can be offered for healthier people.

### Disadvantages:

- more expensive, for pre-existing condition exists, very expensive to cover, **Young people** who are relatively healthy often do not see the need for it, a health-care provider can refuse to treat patients.

### **In Jordan,**

Imp.

Nearly **75 %** of the Jordanian populations are **insured** under one health insurance scheme or another, and

1. The **majority** of health insured population (98.8%) has **one source** of health insurance.
2. Jordan has two large components of (**government sector**), the **CIP** (Civil Insurance Program) and **RMS** funds which cover nearly **71 %** of the Jordanian population.
3. The **private sector** contributed **14%**. **UNRWA** (United Nations Relief and Works Agency) and **other sectors** contributed 4.2% and 10% respectively.
4. The **Royal Military Services (RMS)** is the **largest insurer**

- **All children under 6** are health insured by the Ministry of Health (**Civil Health Insurance**).
- About a quarter of the **non-Jordanian** population is health insured representing about 14% of the total number of insured.

**All visitors to Jordan are required to have travel insurance.**



# Problems Facing Health Insurance

## 1. Population Coverage

## 2. Availability of Medical and Paramedical personnel

- This includes **geographical** distribution, **specialties**, (planning for **availability through medical education and proper distribution**).

## 3. Financing

- Increased number of **enrollees**
- Participation of **employers**
- Subsidy from the **government** دعم حكومي

## 4. Availability of Health Facilities: include:

- **Hospitals** (general and specialized) health centers,...
- **Remodeling of the existing health service organizations** (laying stress on the out-patient departments)
- **Establishment of simple and inexpensive health centers in remote areas** مناطق نائية
- **Development of the Regional & Referral System**

## 5. Payment to Doctors

### A. Fee- for-service:

- Payment is based on the **type and number of services** and according to a fee schedule.
- The fee is uniform (**same fee for every type of service for all Doctors**).

### B. Flat Rate (per capita): British system.

- The doctor is paid according to the **number of persons on his list**. Payment is fixed whether the patient is cured after one visit or after 10 visits

### C. Salary Method:

- **Monthly salaries** are paid for part-time or full-time services

## 6. Unemployment and maintenance of coverage

- Insurance policies usually include a clause بند which gives the right to **terminate the contract** if the subscriber **ceases to pay the premiums** (in case of unemployment).



## 7. Administration and control

- **Scientific management, Cost control, Decentralization**

## 8. Over-use

- Usually in the **first few years**
- **Overcome through health education of the public**