



# WORLD HEALTH ORGANIZATION

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## Social health insurance

### Report by the Secretariat

#### INTRODUCTION

1. A question that remains of paramount importance in most countries is how to provide their population access to basic health care at an affordable price. Users should be the core objective of a health financing system, in the spirit of the Declaration of Alma-Ata and of health for all. Although there are different definitions of the concept of universal health-care coverage, they all require mechanisms to collect funds, to pool them in a way that protects people from financial catastrophe and the risk of poverty associated with out-of-pocket health payments, and to purchase the necessary services.

#### OBJECTIVES OF HEALTH FINANCING SYSTEMS

2. WHO has defined the purpose of health financing schemes as to make funding available, and to set the right financial incentives for providers, so as to ensure that all individuals have access to effective public and personal health services. A well performing health financing system, and by the same token a well performing social health insurance scheme, should have the following targets:

- to generate sufficient and sustainable resources for health
- to use these resources optimally
- to ensure that everyone has financial accessibility to health services.

In addition, the performance of such a scheme should be assessed with respect to the final goals of a health system, namely, health status, responsiveness to the people who are served, fairness in the financial contributions of households, and equality in health and responsiveness.

#### DIFFERENT OPTIONS FOR FINANCING HEALTH SYSTEMS

3. Essentially two main options exist for raising revenue for universal coverage and associated financial-risk protection. One is a system whereby **general tax revenue** is the main source of financing health services. Funds are pooled essentially by the government and used to purchase health services, usually from a mix of public and private providers. The other is **social health insurance**

whereby workers, self-employed people, enterprises and government pay contributions into single or multiple social health insurance funds on a compulsory basis. Within social health insurance, a number of functions (for example, registration, collection of contributions, contracting and reimbursement of providers) may be executed by parastatal or nongovernmental sickness funds, or by private companies, as is the case in some countries. Community health insurance may also exist in the transition phase to universal coverage. It applies certain principles of social health insurance, such as pooling of members' contributions and risks. The major difference, however, is that it is run on a voluntary basis.

4. **Mixed health financing systems** also exist, whereby part of the population is covered by general tax revenue, and other specified population groups, by health insurance. In addition, *within* each of these broad options, private health insurance can also play a supplementary role in financing health services that are not part of the universal benefit package.

5. Out-of-pocket payments exist in most systems. In either tax-based or insurance-based systems, they take the form of copayments for services covered by the financing system, or payments for supplementary services or interventions.

## **PRECONDITIONS FOR HEALTH FINANCING BASED ON SOCIAL HEALTH INSURANCE**

6. A number of low- and middle-income countries, including for example, Indonesia and Kenya, are in the process of finalizing a social health insurance bill; Cambodia is studying the feasibility of social health insurance; Viet Nam passed a basic social health insurance law more than 10 years ago and is proceeding with implementation.

7. Nonetheless, a number of conditions need to be satisfied and key questions answered before a country can embark on the establishment or extension of social health insurance. These questions relate first to the labour market. If self-employed people and workers in the informal sector dominate the labour market, how feasible is it to register them and collect contributions? Furthermore, if payroll contributions are intended to constitute the major part of total health insurance contributions, will they increase labour costs to such an extent that they will have a negative impact on employment? Secondly, are sufficiently skilled administrative staff available to build and run the health insurance institutions? Thirdly, will there be a legal framework that determines, among others, the objectives of a country's health insurance scheme, the rights and duties of insured members, and the roles and functions of the organization(s) that are operating it? Fourthly, is a health care infrastructure in place that will be able to provide the health services that are part of the health insurance benefit package? Lastly, is there a broad consensus among society's stakeholders (especially insured members and patients, health care providers and employers, and government) to comply with the basic rules and regulations of a health insurance scheme?

## **TRANSITION TOWARDS UNIVERSAL COVERAGE THROUGH SOCIAL HEALTH INSURANCE**

8. Given the many tasks involved in preparing and implementing social health insurance, countries that opt for this financing method are likely to need a transition period. Many countries that currently have universal coverage often needed decades to achieve it. In a sample of eight countries that adopted the health insurance method of financing – Austria, Belgium, Costa Rica, Germany, Israel, Japan, Luxembourg and Republic of Korea – the period between the first law related to health insurance and

the final law voted to implement universal coverage was never less than 20 years. Clearly, lessons have been learnt from these experiences and a transition period would not be expected to be so long today, but is nonetheless necessary.

9. The move towards full health insurance coverage is an incremental process, with systematic expansion of population coverage over the transition period. The organizational arrangements introduced to achieve this expansion have varied in different countries. They ranged from the steady expansion of membership in multiple sickness funds, initially run on a voluntary basis, to extension of membership steered by a government-driven social health insurance organization. The speed of transition has also differed from country to country. Factors that speeded up the process in countries with a mature health insurance scheme are the level and growth of income, the size of the formal sector, the availability of skilled labour to administer the system, the degree of solidarity in society, government's stewardship, and the population's trust in government. The speed of implementation in low- and middle-income countries will also depend much on similar factors.

10. Given that the transition towards a fully fledged health insurance scheme can take several years, guidelines are needed for countries that are developing such a system and have to monitor progress. Practical indicators have therefore been defined that evaluate performance in each of the three main subfunctions of health financing, i.e. revenue collection, pooling and purchasing.<sup>1</sup>

## **GOVERNMENT'S STEWARDSHIP IN DEVELOPMENT OF SOCIAL HEALTH INSURANCE**

11. It is usually considered that it is the government's role to oversee the development of social health insurance in collaboration with all the stakeholders, ranging from self-employed people, workers and employers to the population at large. From international experience, government stewardship has indeed been identified as an essential facilitating factor. The first stewardship function is to address the principal design features of the scheme. These are:

- timeline for the systematic coverage of the population or specific population groups
- definition of the contributors and beneficiaries
- financing sources for health insurance contributions
- allocation of these revenues and methods for paying providers, and
- organizational and administrative framework.

These design features need to be addressed in a social health insurance law.

12. The second function is continued stewardship of implementation. Government will be involved in launching the scheme and ensuring that, among other conditions, administrative capacity is effectively in place, the health services in the benefit package can be provided, and the development of

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<sup>1</sup> Document EIP/FER/FOH/PIP.04.1, available on request.

the scheme can be monitored and evaluated. The performance framework referred to above can be used to monitor and evaluate progress achieved.

## **THE CHALLENGE FOR WHO**

13. WHO is committed to working with Member States as they seek to ensure that all people have access to health care at an affordable price. In several countries in the different WHO regions, WHO is involved in providing technical advice on design and implementation of social health insurance. Some WHO regions have established or are about to establish a policy on social health insurance. Applied studies and comparative analysis of social health insurance are also under way to build a basis for the technical advice. In addition, software tools are being developed to help policy-makers evaluate the financial feasibility of health insurance within a macroeconomic context.

14. The main challenge for WHO at present is the capacity to respond efficiently to the rising demand for technical advice and cooperation in all areas of health financing and policy, including health insurance. Although countries have high expectations in terms of technical support from WHO, it can be provided to only a limited number in light of existing resources. Creativity will be needed to meet such expectations and to build up support to countries undertaking the transition to universal coverage through social health insurance.

15. WHO is also seeking to ensure that countries receive advice based on consensus among international and bilateral agencies with expertise in implementation and financing of social health insurance. Such a consensus would facilitate the movement of interested countries towards the development of health insurance with broad international support. In this respect, collaboration is growing between WHO and a group of bilateral and multilateral agencies in defining approaches and providing technical support to countries.

## **ACTION BY THE EXECUTIVE BOARD**

16. The Board is invited to note the above report.

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