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THE PROCESS AND MANAGEMENT OF CHANGE – TRANSITION TO A HEALTH INSURANCE SYSTEM IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

Report of the Second Meeting of the Working Party on Health Care Reforms in Europe

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ABSTRACT

While both the western and the eastern halves of the WHO European Region need health care reform, the eastern countries face much greater challenges. To address some of these, participants from 16 countries attended the Second Meeting of the Working Party on Health Care Reforms. The Meeting addressed the process and management of the transition to health care systems based on health insurance in the eastern countries. The participants discussed policy, reform and process issues, and the role of international assistance in this transition. Their conclusions indicated some of the requirements for a fruitful reform process and a sound health insurance system.

Keywords

HEALTH CARE REFORMS
INSURANCE, HEALTH
FINANCING, HEALTH
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INTRODUCTION

The Second Meeting of the Working Party on Health Care Reforms in Europe took place in Essen, Germany, from 19 to 21 October 1993. The three German institutes that were designated by the Federal Ministry for Health to assist the countries of central and eastern Europe (CCEE) and the newly independent states (NIS) of the former USSR in transforming their health care systems hosted the Meeting: GSF – Forschungszentrum für Umwelt und Gesundheit/MEDIS Institut für Medizinische Informatik und Systemforschung (GSF/MEDIS), Gesellschaft für Versicherungswissenschaft und -gestaltung e.V. (GVG) and Institut für Gesundheits-System-Forschung (IGSF). Thirty-six participants from sixteen countries attended as did representatives from the European Commission and the World Bank (Annex 1).

A key theme of the First Meeting of the Working Party on Health Care Reforms in Europe, held in Madrid in 1992, was the need to monitor the progress of health care reform in countries and to encourage learning about health care policy in different countries. In addition, it was noted that the CCEE and NIS were experiencing a common set of problems and challenges in financing health care and strengthening management that merited closer study and analysis. In particular, economic reform dominated life in these countries. The challenges and problems confronting the CCEE and NIS dwarfed those in western Europe. Western countries had dominated the discussion about health care reform, much of which was thus irrelevant to the CCEE and NIS. For example, the issue of costs in the CCEE and NIS focused not on containment but on how to increase the funds allocated to health care.

The transition from a centralized, state-owned health care system to one based on health insurance is a major challenge to each of the CCEE and NIS. In varying degrees, the countries lack the necessary infrastructure to secure the effective design and implementation of reform. In addition, they are at different stages in the reform process. In some, a health insurance system is already operating, while others seek an appropriate model for health care.

The Meeting in Essen had four main objectives:

- to offer a forum for the exchange of experience of the reform process in the CCEE and NIS;
- to advise countries still in the process of setting the course of the change process;
- to evaluate the process of change to health insurance in the countries where health insurance exists; and
- to evaluate the consulting activities of western countries to optimize further cooperation.

The Meeting was an important link in the chain of events leading to the WHO conferences on health policy and health reform, planned for 1994 and 1995, respectively. The Meeting's theme – the process and management of change: transition to a health insurance system in the CCEE and NIS – is an important topic for the many countries committed to reforming their health care systems along these lines. In addition, the aims of the Meeting included: creating a basis for future cooperation between the CCEE and NIS, improving the coordinating of international and bilateral consultancy activities and aid policies, analysing and evaluating the consultation process and developing future strategies, and documenting the state of the reform process.

DISCUSSION AND CONCLUSIONS

The principal issues and themes to emerge from the Meeting fall into four groups: policy issues, reform issues, process issues and the role of international assistance.

Policy issues

A major policy issue confronting countries reforming their health care systems is not whether the state and government should have a role but rather the form this role should take. Governments everywhere are active in health care systems in a funding and/or regulatory capacity. Linked to this issue is the matter of

accountability and of securing it in a way that allows the proper visibility of decisions to the public. Decentralization may be seen as desirable, but it has to be properly managed to avoid fragmentation and a consequent loss of accountability.

Health care reform is a means to an end. Countries preoccupied with reform issues can all too easily forget why the reforms were enacted. It is therefore vital to have a strategy that provides a framework and sets the direction for reform. Reforms that are based on market mechanisms give rise to concern on three counts:

- adverse consequences for equity and/or equality;
- market failure associated with an imbalance in the information available to patients and service providers, adverse selection of consumers and the shifting of costs or risks; and
- the inflationary qualities of risk pooling and service provision by the private sector.

Countries acknowledged, however, that maintaining the *status quo* is not an option and that health care systems, over many years, have fallen prey to provider capture, have become insensitive to patients as users of services, and have been slow to change and adapt. The notion of managed competition is intended to represent a middle position whereby the advantages of the market-place (gains in efficiency) are harnessed to a system of regulation and management that prevents the disadvantages of this approach. Managed competition can apply to national health systems and health insurance schemes, but is a largely untested concept in both. Its successful use requires a well developed management infrastructure, which most of the CCEE and NIS cannot deliver, at present.

A further key issue is deciding whether the principle of solidarity or collectivism or that of individualism is uppermost in the reform process, particularly where market components are at the heart of many reform moves. Intentionally or otherwise different financing systems result in a bias towards one or the other of these principles. In stressing the consumer's interests, for example, many

health care reforms appear to attach greater importance to individual preferences and needs than collective ones.

A mixed funding arrangement for health care may ensure stability in so far as it avoids a reliance on a single, possibly precarious source of finance. The issue of equity remains, however, and may be compromised by diversity in funding. The efficiency of such a system may be called into question if the transaction costs increase appreciably

Finally, health insurance secures health care, not health. To equate the two is quite misleading. The roles of public health, preventive medicine and other areas of public policy that affect health need examination and, if necessary, protection. Overlooking them is all too easy. Conceivably, health care reform could jeopardize these activities, and skew health care towards acute hospital care.

Reform issues

Countries reforming their health care systems must define their understanding of the terms health and health care. They can see health as a social right in need of public protection or as a social commodity to be purchased, much like other consumer goods. Defining these terms explicitly and with reasonable precision is important. Failure to do so only results in tacit choices.

In addressing issues such as the nature of health and health care, reformers must look at care in its economic, political, social and historical context. For this reason, reform is ultimately specific to the circumstances in each country. It cannot be exported without adaptation. What is right for one country may not be so for another.

The next choice to be made lies in deciding what kind of financial base for the health care system is appropriate: taxes or social health insurance. This is primarily a strategic, political question, rather than a technical one. Throughout the WHO European Region, the public share in health care finance is high and growing. All governments are involved in funding health care to a significant degree. The issue is not whether government

involvement is desirable, but how large the role of the state should be. The reasons for government involvement are:

- a desire to reduce or alleviate poverty;
- the importance of public goods in situations of market failure; and
- evidence of market failure in health care and private health insurance.

The role of the state and public sector in health care needs definition. This role could include:

- setting and enforcing standards for packages of access to and the quality of services;
- monitoring the behaviour of service providers and insurers;
- evaluating the performance of providers;
- carrying out centralized data collection; and
- accrediting insurers and members of the health professions.

Health insurance is a blend of conceptual thinking, a country's culture, and the exercise of pure politics. Social health insurance holds considerable appeal for the CCEE and NIS, largely because of its transparency. It entails a more direct relationship between the people paying for health care and those receiving it, and the public can see where the money goes. In the CCEE and NIS, which depend on the state budget for health care funding, health care is suspected of being starved of resources. Social health insurance is seen as a solution to this problem because it seems to be less vulnerable to shifts in macroeconomic policy, and to offer a greater degree of stability. Nevertheless, this solution gives no guarantee of additional resources for health care if the economy as a whole is unable to support such growth. Government interest in limiting the total resources available for health care remains a fact, regardless of the method of financing.

A key lesson from health care reform in general is that all countries are experimenting, learning by doing. There is no best or

single solution or right answer. There is no definitive "cookery book" for health care reform. This increases the need to evaluate reforms as they are implemented and to pilot-test new developments.

Process issues

More knowledge about health care policy is needed, as is the exchange of such knowledge both among the CCEE and NIS and between them and western countries. In particular, evaluation and assessment are important in the following areas:

- the quality of services;
- outcomes for patients;
- the effectiveness of competition (whether high administrative costs eliminate any gains); and
- the identification of risks.

In most countries, discussions on health care reform have centred on ensuring desired health outcomes, establishing the effectiveness of health care and medical interventions, and improving research and development to promote decision-making based on knowledge. In addition, the quality of services has been a prominent topic. At present, evidence is lacking to demonstrate the success of reforms in improving health outcomes.

A dilemma for countries reforming their health care systems, especially the CCEE and NIS, is that the pace of change is outstripping the capacity of systems to adapt. Moreover, the process entails the danger of losing the valuable features of the former systems, such as a commitment to equity and access to care for all those in need. Infrastructure support – in the forms of advice and diagnosis, management systems and training – is therefore of critical importance. International aid agencies have a particular responsibility here.

Health care reform concerns not only the financing and managing of health systems. It also concerns deciding on the appropriate method of remuneration for providers: salary, capitation payment or fees for services or per case. Countries searching for

new methods should think carefully before implementing a system that gives harmful incentives. Fee-for-servies systems of remuneration, as evidence from the United States demonstrates, lead to the overuse of services and high cost inflation. The Czech Republic, which has introduced such a system, is experiencing such problems.

In approaching health care reform, countries should set up pilot schemes and learn from their results before applying the changes more widely. Developments in market approaches, such as managed competition, remain unproven. No one knows if competition will either improve the health of a population or control the costs of care. Issues of adverse selection and cream skimming of consumers require close study to identify any erosion of the solidarity principle espoused by policy-makers.

Role of international assistance

Technical assistance is a major issue for the CCEE and NIS. Many in the CCEE regard it as a form of dependence and interference in their internal affairs. On the other hand, the scale of the reform process in those countries makes foreign assistance almost inescapable. In addition, a myth in the CCEE and NIS is that western countries do not need technical assistance. Western countries are heavy users of management consultants, which constitutes technical assistance by another name.

Any technical assistance project should have precise terms of reference to clarify the respective responsibilities of and to prevent misunderstanding between aid agencies and governments.

The coordination of international assistance is essential and could be improved. Aid agencies tend to compete, while countries seek to play donors off against each other. This results in an inefficient and ineffective use of assistance.

The contact between CCEE and NIS and western countries could be improved, particularly in obtaining practical experience with running health systems. Countries often receive only an academic perspective. Links between the CCEE and NIS are as

important as those with western countries, and the development of comparisons should be investigated.

Much technical assistance focuses on the short term, when countries often need long-term sustained support, based on an understanding of their circumstances and problems. Replicability ought to be the aim, so that assistance results in the development of an institutional infrastructure. Then the country can proceed to produce the necessary expertise to take over from the outside advisers and ensure that their advice is followed.

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