



Unit 1: What can health economics teach us ?



3. A systemic approach to the health care system

- Hi, I am Alberto Holly Professor Emeritus at the University of Lausanne. Today I want to talk about a systemic approach to the health care system. The goal is to provide an outline of the main actors in the health care system and of the relationships between them. These actors are health care providers, insurance providers and patients – called consumers in health economics. This system is represented by a triad meaning a triangle that we call a medical triad. On this graph you see the triangle involves a) the patients, or consumers, b) the insurance providers, more generally third-party payers and, finally, in the last corner c) health care providers. This triad is part of a system in which the state mostly fills the role of a regulator and is not necessarily a health care provider or an insurance provider. The state is basically the regulator of the health care system. When it comes to financing the system, I want to talk about the three main financing functions. First, there is collecting revenue. Second, there is the pooling of revenues and third, the allocation of revenues which is the health care purchasing function. It is crucial to understand that these functions are interdependent: you cannot analyze them separately when studying a health care system.
- Health financing function #1: Collecting revenue** Collecting revenue is how the health system collects the contributions made by households, companies and a variety of other institutions. There are different ways of collecting revenue. Taxes, of course are one way to finance the health care system but depending on the system you can also have mandatory contributions to a health insurance fund or voluntary contributions to private funds for private health insurance with risk-based premiums. You should also know that a big aspect of financing is direct payment to the health provider, known as out-of-pocket expenditures. Remember that term: it is used often. Another aspect to consider which is linked to changes in the health care system, especially in the US, is that of health savings accounts, accounts into which individuals must allocate part of their revenue. Finally, when you examine these forms of financing, consider distinctly prepayment options – where you pay before using the health care system in any way – as well as options where you pay only when using the system. Those two aspects are crucial because they highlight questions that concern equity in financing the health system.
- Health financing function #2: Pooling revenues.** This is about collecting and managing all the revenue contributed. It is usually the role of an insurer in the health care system. Pooling spreads out the various risks across all of the members of the system. Health financing function #3: Purchasing health care. The third and most important function is health care purchasing. This is a process through which the collected revenues are redistributed to health care providers depending on the care they provide. This purchasing can be done either passively or strategically. A few years ago, passive purchasing was the norm: insurance providers would simply reimburse anything that was claimed or pay health care providers according to the invoices they received. Today, it does not work like that anymore. We do mostly strategic purchasing, which means we intervene to maximize the performance of the system. This can be done in several ways, first and foremost by considering the types of health care supplied among the range of care. The range of care is without a doubt the first thing we look at when we purchase health care: if the procedure is not on the list, the insured party must pay out-of-pocket for all the procedure. This is essential. Once you have the list of procedures you need to determine how the care is given, the type of care given, whether it is acceptable, which health care providers supply it and how to pay them, etc.





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- ➔ Health care purchasing also involves the role buyers can have in the managing and planning of care via contractualization that is to say via selective contracts. We call this care management, not to be confused with managed care. Care management means considering the patient's health care as a whole and not only the care related to a specific disease. The goal is to provide evidence-based medicine, to be as efficient as possible.
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