

# Health Plan services managed by private administrator within Public Health Insurance – the Czech Experience

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# SUMMARY



- **What a foolish idea is it to establish managed care systems administered by a private company within the public health insurance?**
- The truth about KLIENT PRO
- Results – achievements and failures
- Key success factors

# CURRENT FEATURES OF THE CZECH HEALTH CARE SYSTEM

	<b>Structure</b>	<b>Basic rules</b>
<b>Payers</b>	<ul style="list-style-type: none"><li>• 9 Public Health Funds</li><li>• Supplementary insurance marginal</li></ul>	<ul style="list-style-type: none"><li>• Premiums defined as percentage of income set by law for all payers</li><li>• Extensive benefit package defined by government</li></ul>
<b>Providers</b>	<ul style="list-style-type: none"><li>• Private providers of outpatient services</li><li>• Most hospitals remain in hands of central or regional governments</li><li>• Overcapacity of acute hospital beds</li></ul>	<ul style="list-style-type: none"><li>• 5 year contracts between payers and providers</li><li>• Basic payment mechanisms and price limits set in collective negotiations with frequent government interference favoring providers</li></ul>
<b>Patients</b>	<ul style="list-style-type: none"><li>• Co-payments limited to drugs, dental care and selected medical devices</li></ul>	<ul style="list-style-type: none"><li>• Free choice of provider, lack of information</li><li>• No financial incentives allowed</li></ul>

• Cost control and efficiency difficult to achieve due to low motivation and structural barriers

# MAIN BARRIERS TO IMPLEMENTATION OF MANAGED CARE CONCEPTS

## Limited motivation of payers

- Strange NGO status of payers
- Regulation bans payers' price competition
- No incentives to achieve substantial savings through effectiveness
- Inadequate risk-adjustment system allows some payors to profit from cream skimming

## Limited motivation of providers

- History of repeated government bailouts of some payers and hospitals
- Low level of competition between providers
- Lack of market information

## Legal barriers

- Elaborated legal constructions necessary to reward clients for participation in cost effective systems
- Difficult bridging of the interface between private and public law

## Prejudices/scepticism

- "Physicians should not be managed" (Medical chamber)
- "Physicians are impossible to manage" (Health Funds)
- Private activities within health insurance (as opposed to health care provision) viewed with suspicion

## **WHO IS KLIENT PRO: the third attempt to start MC**

### **KLIENT PRO business**

- **PROJECT DESIGN:** localisation of managed care structures and tools
- **PROJECT IMPLEMENTATION:** Project management
- **PROJECT ADMINISTRATION:** Third party administrator (TPA) acting as an intermediary between a public payor and private (or public) providers in already developed and implemented projects

### **Current KLIENT PRO staffing**

- Managed care experts (MDs) (2)
- Project managers (2)
- IT experts and analysts (3)
- Administrative staff (5)

# KLIENT PRO's PROJECTS AND CURRENT SCOPE OF OPERATIONS

## KLIENT PRO PROJECTS

- Independent Practices Association (IPA)
- Managed care plan

## Current scope of operations

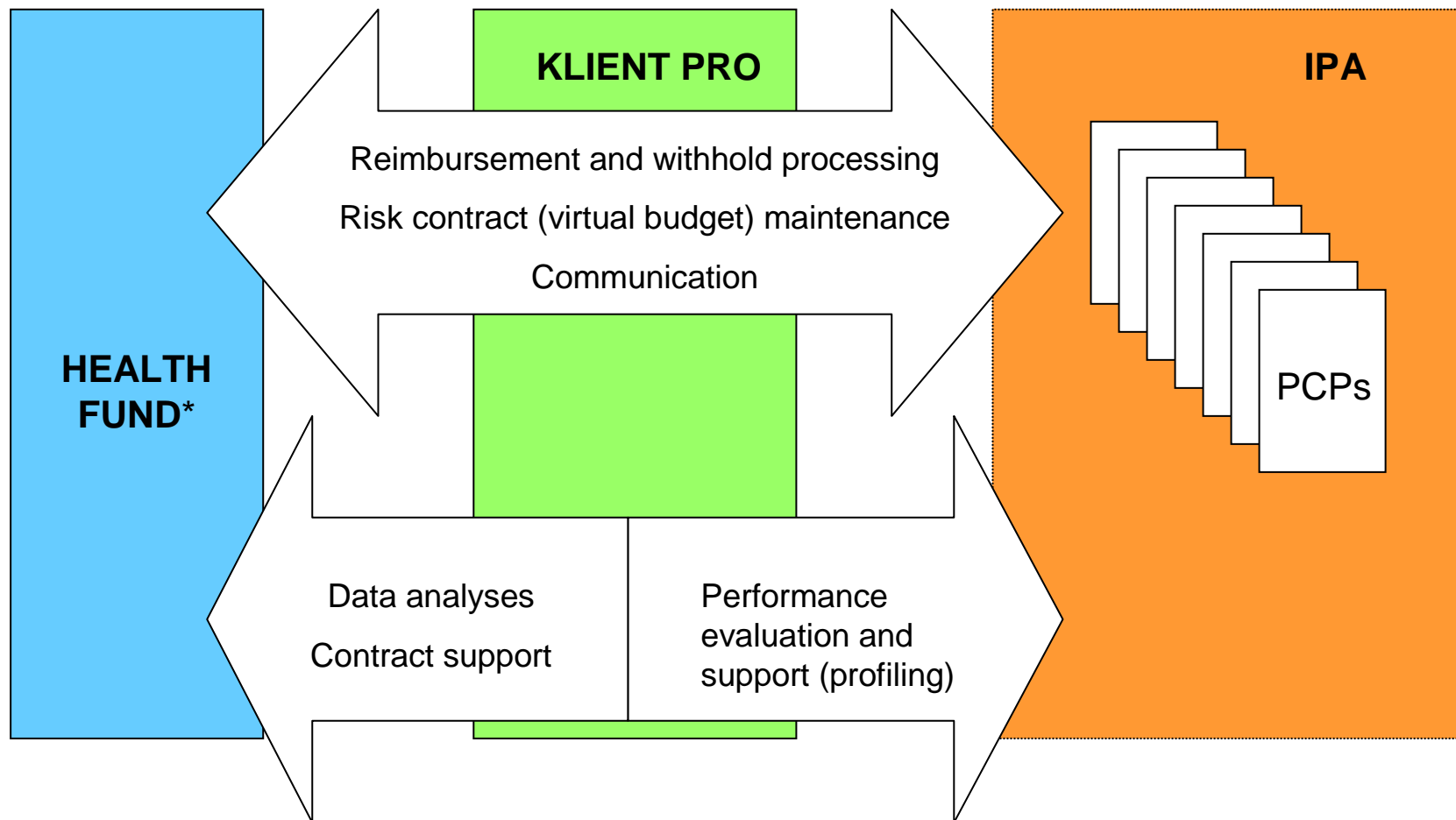
### **REGION : Northern Moravia**

### **Partnership with HZP**

- IPA only administration:
  - 50 PCPs
  - 40 000 enrollees involved
- MC Plan administration:
  - IPA with 60 PCPs
  - 2 hospitals
  - 1 medical center
  - 36 000 enrollees involved
  - 4000 Health Plan members

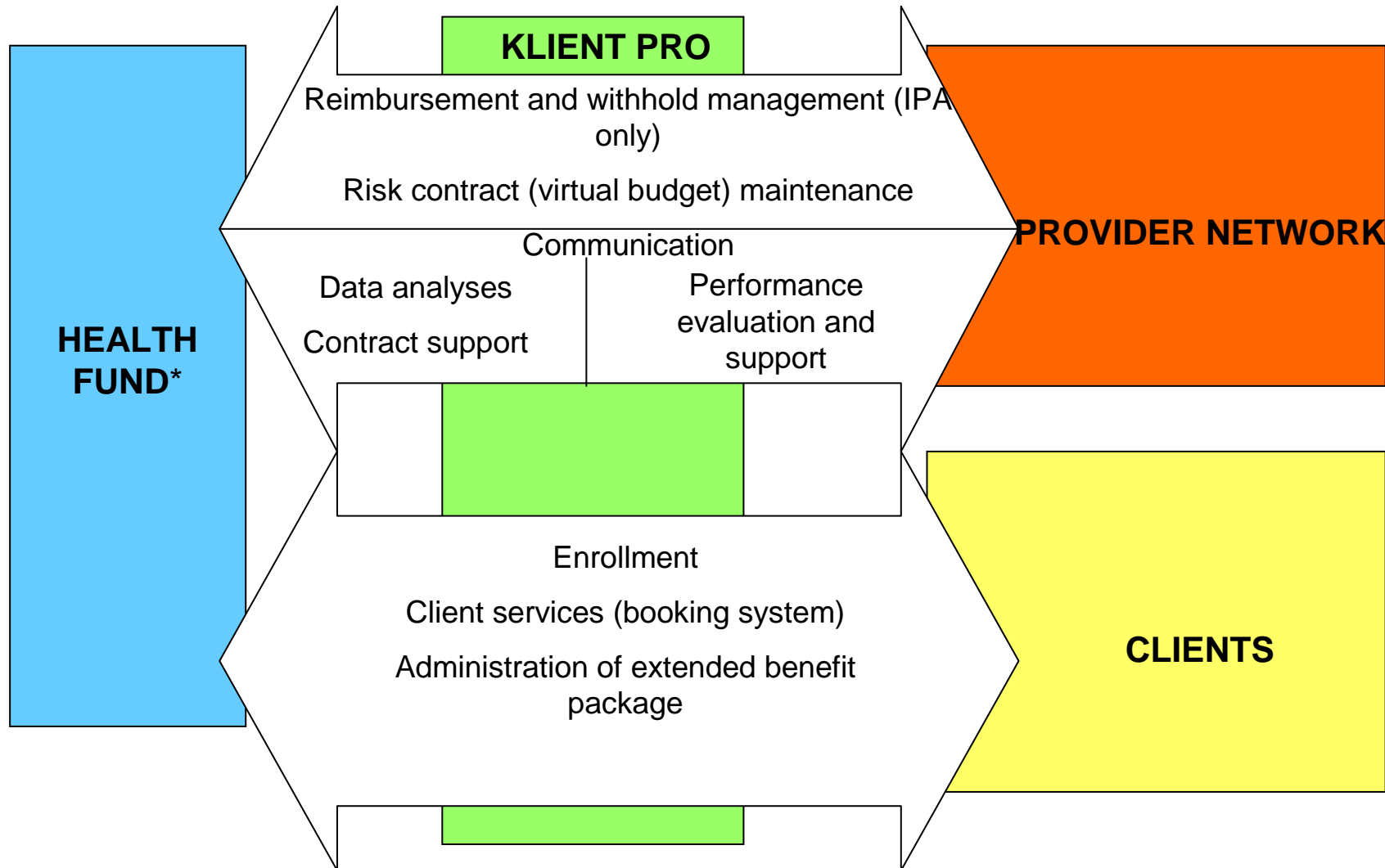
### **MC Plan implementation for EMN and HZP**

# INDEPENDENT PRACTICES ASSOCIATION



\* Metallurgical Employees' Health Insurance Fund

# MANAGED CARE PLAN



\* Metallurgical Employees' Health Insurance Fund

# KLIENT PRO's TOOLS AND SKILLS

## VIRTUAL BUDGET TECHNOLOGY

- **CONTRACT**
  - balance between actual and predicted capitation health care costs
  - Prevention of cost shifting
  - risk adjustment
  - high costs exclusion
  - no carve outs
- **TECHNOLOGY**
  - data processing on behalf of health fund
- **ADMINISTRATION**
  - virtual financial account maintenance

## IPA PHYSICIAN SUPPORT KIT

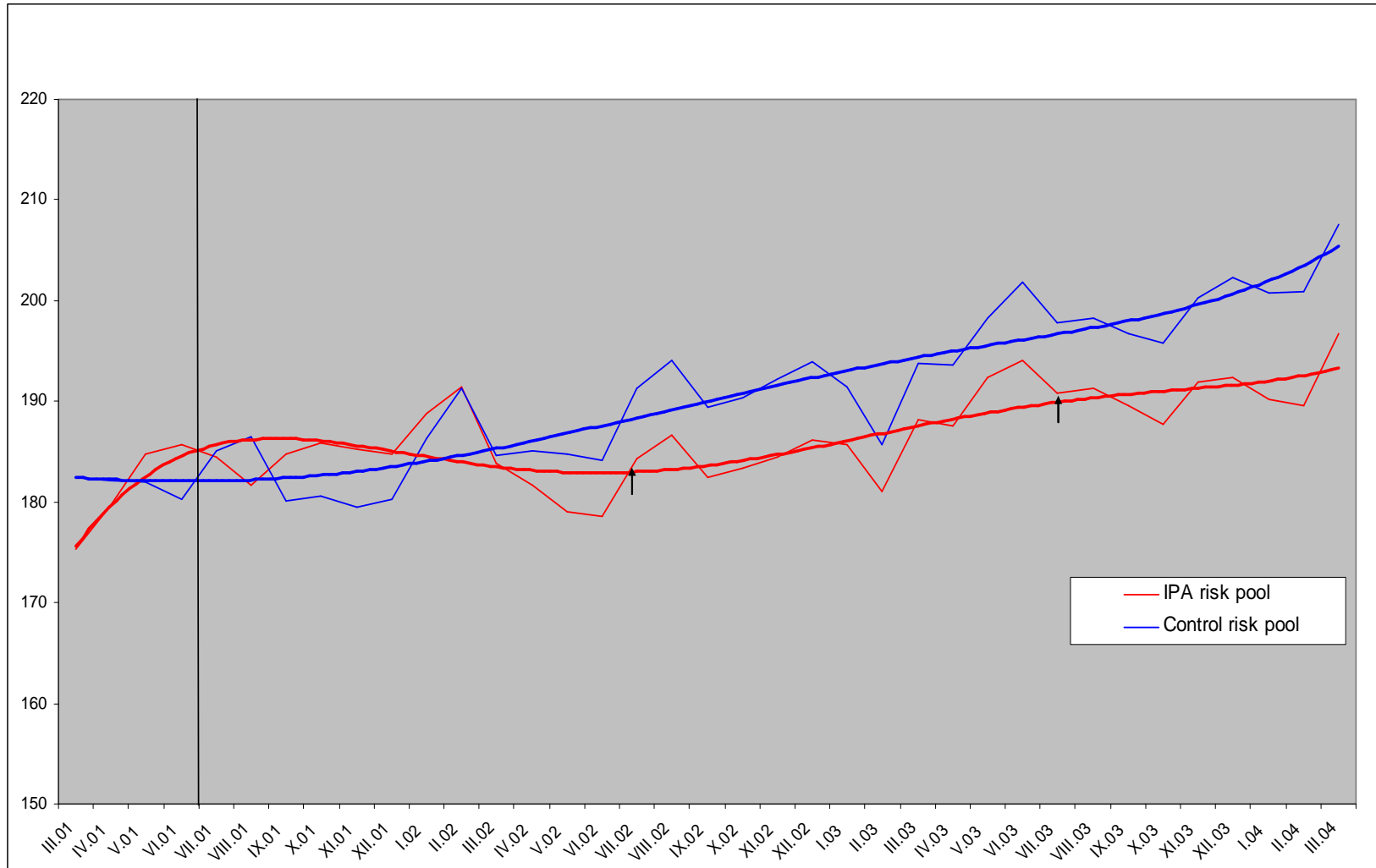
- **CONTRACT**
  - personal data security
- **TECHNOLOGY**
  - data processing on behalf of the health fund
  - intranet/internet application
  - on- line redaction system
  - local database distribution
  - upload/download support
- **CONTENT**
  - primary care related information sources
  - IPA related issues (meeting reports, financial reports, balances)
  - patients personal health accounts
  - profiling report set
  - analyses
- **ADMINISTRATION**
  - CD package regularly distributed (data and software updates)
  - operational meetings
  - interactivity – data transfers

## **KLIENT PRO's TOOLS AND SKILLS - CONTINUED**

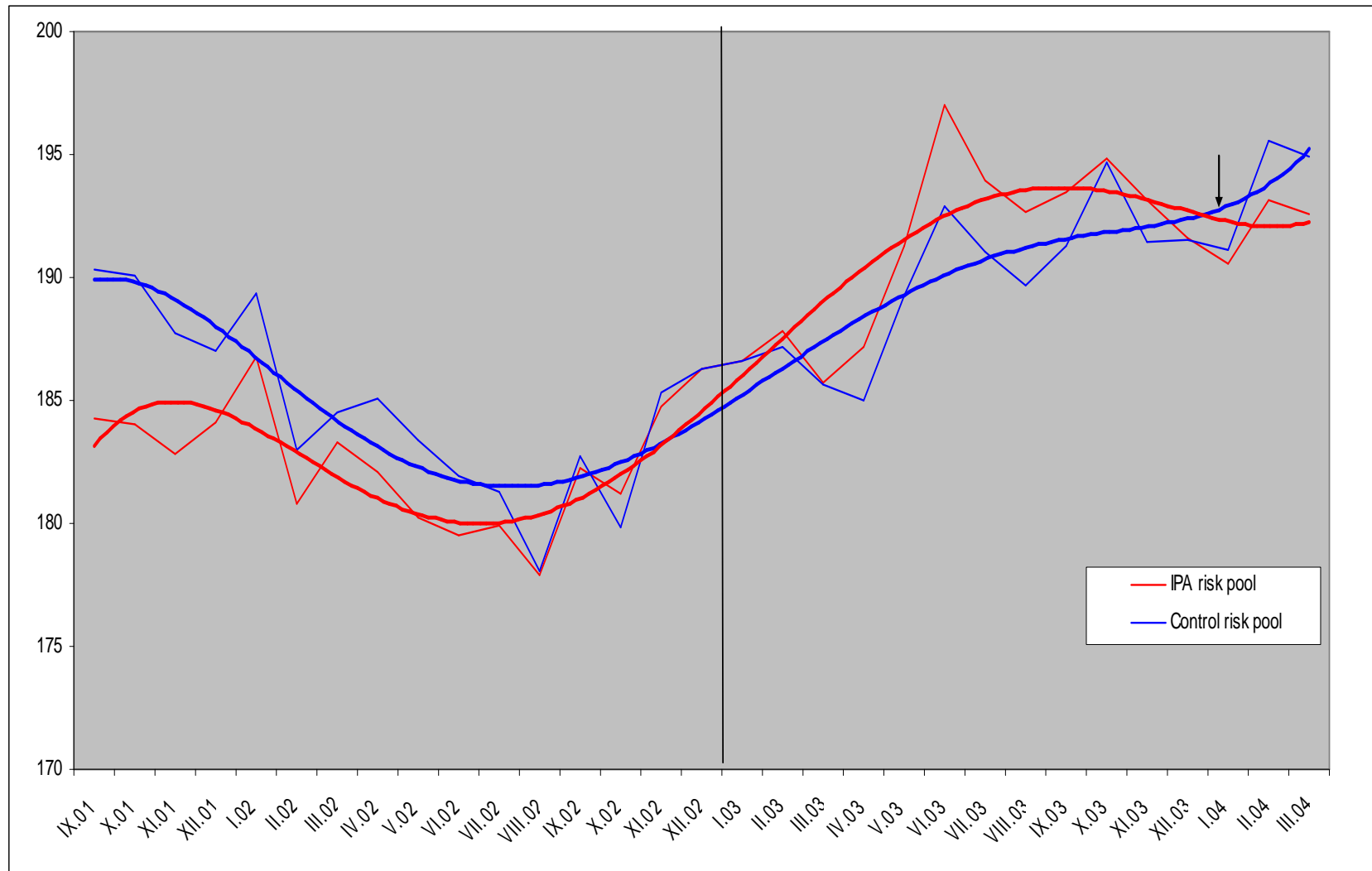
### **CLIENT MOTIVATION PROGRAM**

- **CONTRACT**
  - Resources depending on savings on virtual budget
  - Responsibility for financing on the providers' side (a part of savings achieved)
  - Trust fund operated by KP
  
- **CLIENT MOTIVATED TO:**
  - Compliance with PCP as a gatekeeper
  - Healthy lifestyle activities and prevention
  - Prudent health care consumption (personal health account)
  
- **BENEFITS:**
  - Booking system for outpatient follow-up controls
  - Voucher-based extended benefit package
    - Wellness, fitness
    - Pharmacy and related benefits
  
- **ADMINISTRATION**
  - Integration role of administrator
  - Voucher distribution
  - Reimbursement

# Costs trend comparison: IPA makes difference (region Trinec)



## Costs trend comparison: does IPA make difference ? (region Ostrava)



## ACHIEVEMENTS

- Proven financial model for managed care operations based on public private partnership
- Skills and tools for managing patients' and physicians' behavior
- Proven ability to contain costs (IPA in comparison with same risk peer population)
- Improved co-operation between primary care physicians and the Health Fund
- Competitive advantage for the participating Health Fund

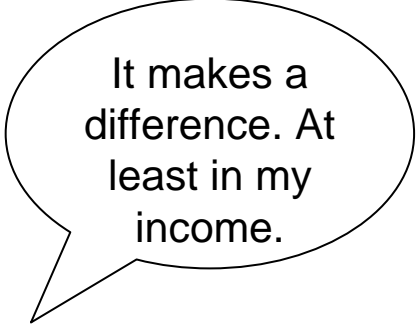
## FAILURES

TOO MANY EXPECTATIONS

### Opening the market:

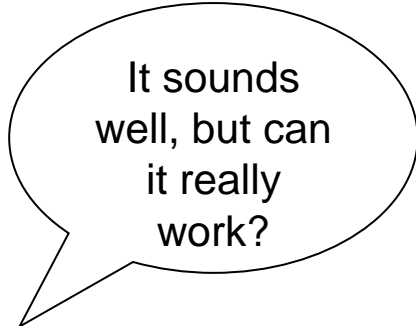
- Proven concept of
  - Public-private partnership
  - Managed care system within the statutory health insurance

## **PARTICIPANTS' THINKING**



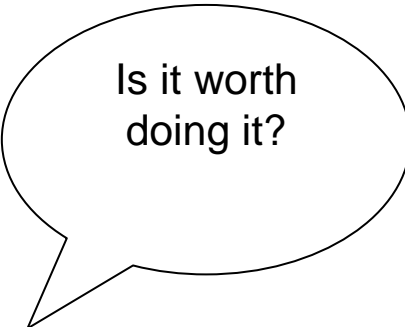
It makes a difference. At least in my income.

**Participating PCP**



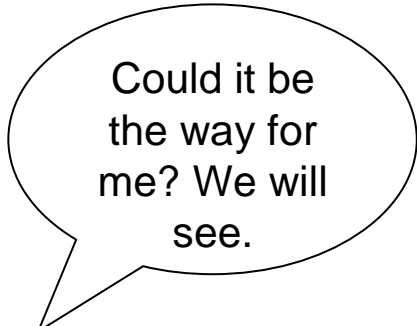
It sounds well, but can it really work?

**Plan's client**



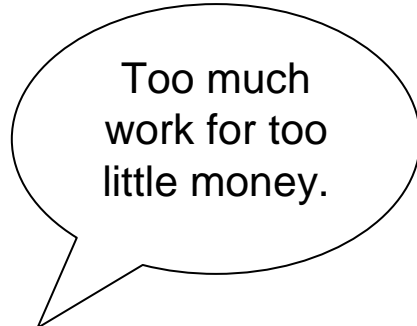
Is it worth doing it?

**Health insurance fund**



Could it be the way for me? We will see.

**Hospital chain representative**



Too much work for too little money.

**Administrator**

## LOOKING BACK – KEY SUCCESS FACTORS

- Reliable public partner with a strategic plan to build cost management capabilities – Metallurgical Employees' Health Insurance Fund
- Emergence of a regional private provider chain
- Vision and dedication over time (business judgment?)

## KEY FUTURE ISSUE: THE MARKET DEVELOPMENT

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### **Growing cost consciousness of payers**

- Growing deficit of the statutory health insurance system difficult to sustain due to increasing level of public debt
- Introduction of new risk adjustment system
- Likely enhancement of payer contractual freedom

### **Increased level of provider competition**

- Transfer of regional hospitals from central to regional governments followed by change of hospital status to standard business organizations

### **Development of political and legal environment**

- Increased questioning of “value for money” provided by the public system
- Growing call for a reform among key players