

MDGs by 2015, a huge gap is clearly evident. And it is here that the role of alternative health financing options becomes important.

Private health insurance certainly has a place – albeit small – in bridging the mismatch between the current health financing strategies and the nation’s health sector financing goals.

The second question: who benefits when private insurance companies operate in the health sector and why? Here it must be understood that private insurance industry largely act as a source of financing health in individual or group settings and with reference the latter, through employers, in particular.

The third question: Where are the impediments then, which need to be addressed?

This is a particularly relevant question given that after the passage of the Insurance Ordinance 2000 certain areas in non-life insurance such as motor insurance did quite well whereas the social sector was unable to reap the benefits of policy change. There are several reasons for latter. Firstly, there is lack of demand for health insurance owing to high cost of service. Secondly, the major bulk of Pakistan’s workforce is in the informally employed sector and the absence of financial guarantees to the insurer results in limited incentives for health insurance companies to cover the informal sector.

Thirdly, there are issues at the end of health providers with the market being fragmented and professional practices not being accredited. Health care providers also do not ‘buy into’ health insurance given that this has tax-related implications. These considerations underscore the need for building appropriate incentives at several levels.

The fourth question: what are these incentives, where are the handles and what are the solutions? The solutions lie in carefully balancing incentives for the three key players in this arrangement – Insurance companies, Providers and Employers – through appropriate policy interventions.

As far as the first stakeholder is concerned – *Insurance companies*, it is important to attract companies that can draw a large number of people in a pool; however this is dependent on the capacity of the insurance company and only those with large institutional bases, investment capacities, and a rich domain experience are able to create such incentives. An analogy can be made with the growth of mobile phone industry in the developing countries and indeed in Pakistan where companies have leveraged on their domain experience in the developed world. Appropriate incentives can be given through the FDI policy of the Government of Pakistan and the regulatory environment which the Government provides to regulate financial practices of health insurance industry. For example, insurance regulations can be eased and tax rebates and a certain level of financial protection can be given to attract appropriate insurance companies. However these conducive measures should be balanced with careful regulation of the financial practices of health insurance industry, patient centered standards and norms; transaction standards, health service providers’ privacy rules, procedures for claims processing and modes of payment, accountability procedures and other administrative back office procedures – clearly pointing to significant institutional capacity which will be required at Pakistan’s end to regulate this market. Then there would be concerns that easing of insurance regulations and opening up of a new sector is at the cost of the local industry’s interest. However there may be ways of obviating this concern through measures such as cap on equity etc. Useful lessons can be learned from other countries that have developed similar policies.

The second stakeholder is the employer. This is essentially the single largest factor which determines the growth of the insurance industry within the country. A review of the growth of private insurance companies in the developing countries shows that growth is generally paralleled with economic growth in general and growth of the formally employed sector, in particular. In some developing countries, rise in business process outsourcing created opportunities for global employment practices thereby creating an environment where employers subscribed to health benefits. For a start, the Government of Pakistan can offer tax rebates and other incentives to employers for introducing/mainstreaming the health insurance approach to financing health in institutional settings.

The third stakeholder is the provider, to whom appropriate incentives should also be given to subscribe to health insurance. One way of doing this would be through underwriting a large number of people in a pool – an opportunity providers would wish to avail and may compete for, hence brining down costs. Only insurance companies with the right capacity will be able to do that, as already discussed. On the supply side, the provider

market should be consolidated. As opposed to preventive healthcare where State mandated healthcare agencies play a pre-dominant role, a number of actors within the healthcare system other than the State play a role in providing personalized curative healthcare, which is what private insurance industry generally works around. The sector constitutes a set of diverse group of unregulated health care providers. Clearly the regulatory side of credentialing of doctors, licensing and accreditation of service delivery facilities, continuing medical education, performance assessment, quality assurance mechanisms and the monitoring of errors is an important regulatory imperative in order to institutionalize health insurance. And it is within the framework of these regulatory interventions that appropriate incentives for enhancing the use of insurance as a health financing option can be built. There is evidence that the right policy interventions do work! For example, motor insurance showed growth over the last decade. In many ways, it may not be fair to compare this with health insurance due to the differences in the nature and frequencies of risks involved – people get sick more often than they lose cars to accidents and robberies! Notwithstanding, conducive measures need to be explored for the health sector and the handles on the impediments need to be understood.

Over the last few decades, of the 54 private health insurance companies operating in Pakistan, group health insurance is offered by seven insurance companies and individual health insurance by only one company – Allianz EFU. Clearly we are not a conducive market for private and group health insurance. However, with economic growth and consequently and hopefully, the adoption of global employment practices, it is expected that employers will increasingly subscribe to health benefits. The health sector can only tap the potential within such arrangements if they know where to intervene through normative and regulatory interventions on the health side to capitalize on this specific health financing opportunity. The health sector will, it seems, have an opportunity to ride a wave; but they must know how to do it well.

The author is the Founder President of the NGO Heartfile and Pakistan's Health Policy Think Tank/Forum. E mail: sania@heartfile.org