



Fact sheet 1

The role of health-care performance pricing in the organisation of Social Health Protection/Universal Health Insurance

Assessment of the problem

No Universal Health Insurance without a transparent, rational and standardised fee-paying system.

The pricing of services is the setting of prices for the purchase of care services. Regardless of who pays the bills (the State, the patient, a health insurance company, etc.), the purchase price of the services must correspond to the costs incurred by the health service to produce them. If expenditure is not matched by revenue, the system collapses.

Pricing on the basis of real costs will allow balancing revenues and expenditure. This statement seems simple, but in practice matters are **not that linear** because of:

- **Fragmentation of funding** sources: Each party covering part of the 'bill' (salaries paid by the State or by means of revenues, subsidy of the offer, payment by the patients, by the partner, by the State, etc.) with varying approaches within a same system or between systems.
- **Costing is not a simple mathematical calculation:**
 - It is underpinned by **valuation choices** that can influence services: What is the cost of a 'promotion' service, of 'counselling', of a doctor's consultation?
 - There is not always agreement on the **definition of standard care**: Does the routine monitoring of a pregnant woman require one, two or three ultrasounds? What laboratory tests are useful in the diagnosis of a fever of undetermined origin?
 - **Rational prescription of medicines** is not self-evident: How to manage the difference between the cost calculated according to standards and the real cost of prescribing medicines in health care?
 - **Medicalisation of care**: The tendency of providers to medicalise care, either as a result of their training or for financial gain. How to fight such medicalisation? Does diarrhoea require a routine stool examination?

- **Non-compliance with pricing**: Direct payment by the user remains an important source of payment for care. Insufficient control of the fees charged leaves room for staff to hold patients to ransom.
- **Poor information of the population on fees**: Users who do not know the prices cannot defend their rights.
- **Revenues and expenditure accounting** is often rudimentary because of a lack of accounting management tools.
- The **variation in prices between health care institutions**, either because of status such as management autonomy or because of a lack of regulation, leads to prices varying from one health care structure to another.

All these factors too often lead to a **non-transparent, often inequitable pricing system that the competent authorities cannot properly monitor**. In such an environment, national or universal health insurance is hard to organise:

- contracting with the health entities cannot be standardised
- financial resources cannot be forecast
- social control and advocacy for service users becomes complex

One pricing system

The State is responsible for a pricing system for the whole country, which meets the following quality criteria:

- standardised, uniform rates in the country in accordance with the level of care
- transparent rates for the patients and for the UHI (which can therefore be forecast)
- reasonable and equitable
- rates based on services and rational prescriptions



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To achieve this, everywhere systems move away from **'fee-for-service' pricing** which leads to huge abuses of medicalisation and over-prescription and to exorbitant 'intellectual services' premiums.

As an alternative, pricing systems are moving towards **'flat rate' pricing** based on an average cost per illness episode, per medical condition or diagnosis, per hospital service, per capita (capitation). Thus, for example, the follow-up of a pregnancy, including childbirth, may correspond to a single fee, including all necessary examinations and medication. This rate is transparent, easy to control and corresponds to standardised quality standards.

Flat rate pricing can play a role in the development of Universal Health Insurance by reducing, by its nature, some of the difficulties encountered with fee-for-service pricing for the following factors:

- a certain **standardisation of care**: it is thus an incentive for the efficiency of services;
- **simplification and defragmentation of pricing**, making it more predictable and transparent, with fewer rates and a better understanding of what one is paying:
 - For the insurer, it facilitates contracting with the health service, its programming, management and control, particularly by auditors.
 - For the health service, it facilitates budget planning and monitoring, price compliance monitoring, invoicing, etc.
 - For the population, clear, simple, advance information on what will be paid in the service allows the patient and their family to prepare for the expenses and to lodge a complaint in case of non-compliance with the rates.

The **efforts to establish and maintain a (flat rate) pricing system** should not be overlooked:

- A sufficiently accurate estimate of the costs of producing the services (costing)
- Standardised care tools (therapeutic protocols, list of medicines by level, etc.)
- Resource management efforts in the health services, which have a duty to provide the full range of services, such as the management of medicines and other consumables
- Transparent management of financial resources in health facilities

- Control mechanisms, including by the UHI.
- Rates Monitoring and Evaluation mechanisms adapted to the dynamic flat rate prices
- A harmonisation of rates, also for the private sector.

For setting rates **criteria other than economic and management factors** should be included, for example for quality of care. Costing can be used as an incentive to take better account of promotional, preventive, chronic disease care or care at an adequate level of the health system, e.g. preferential rates for those who follow the referral framework.

This fact sheet is part of a series of 8 fact sheets

1. The role of health-care performance pricing in the organisation of Social Health Protection/Universal Health Insurance
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6. Operationalising and professionalising a single national SHP/UHI Insurance system
7. Options for the organisation of Social Health Protection (SHP) and Universal Health Insurance (UHI)
8. Building universal health insurance that maximises equity: risk analysis and mitigation measures, a decision support tool

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