

Swiss Re



Israel Three Tier Health Care System

Outline

- Overview of Israel
- 3-tier Health Care System
- History
- 1995 National Health Insurance Law
- Sick Funds (Kupat Holim)
- Supplemental Coverage
- Private Health Insurance
- Other Facets to Health Care System
- Israel Health Statistics



Overview of Israel

Where on Earth is Israel?





Israel



- Population: 7.2m
 - 76% Jewish, 17% Muslim Arabs
- Area: 22,000 sq km
- Life Expectancy: 81
- Total Fertility Rate: 2.8
- Government: Parliamentary Democracy
- GDP: \$200b
- GDP per capita (PPP): \$28,000





3-tier Health Care System



Israel's 3-Tier System Snapshot

Private Health Insurance

Sold by Insurance Companies
Top-Up Benefits, Fills holes, Private Surgery

Supplemental Coverage

Voluntary, Provided by Sick Funds

National Coverage

All Citizens Guaranteed a Minimum Basket of Goods
Covered by 4 National Health Care Carriers (Kupat Holim=Sick Funds)



Israel's 3-Tier System Snapshot

Private Health Insurance

Premium ~ 2.1 b ILS (~\$600m, including CI)

About 33% of population has purchased

Supplemental Coverage

Premium ~2.5 b ILS (~\$700m)

About 73% of population has joined

National Coverage

Income to Sick Funds ~28b ILS (~\$7.5b)

100% Universal Coverage



History

History Before 1995

- 95% of population covered by some health plan
 - 4 competing health plans
- Dominated by Clalit (~70% of population)
 - Affiliated and run by Labor Union (Histadrut)
 - Premiums went to union which funded Clalit
 - USD\$1 billion deficit
- Health plans were affiliated with political parties
 - Political considerations
- Some health plans skimmed good risks

History Before 1995

- Exact benefits and Health Plans responsibilities not well defined
- Deficits lead to arbitrary cut backs
- Health system seen as unresponsive
- Lack of skilled managerial personnel
- Frequent strikes
- “Black market medicine”
 - Private Drs in Public Hospitals
- Health Ministry conflict of interest
 - Both provider and Oversight



1995 National Health Insurance Law

National Health Insurance Law

- Healthcare is a Basic Right → Universal Coverage
- Delineation of legal entitlement & defined benefits package
- Funding Mechanism Defined
- Sever link between Health Plans & Unions and Political parties
- Government covered Deficits
- 4 National Health Care Carriers (Sick Fund, Kupot Holim)
 - Must accept all applicants
 - Freedom of choice
 - individuals may change sick funds
 - In practice only 1%-1.5% change per year
- Sick Funds allowed to sell Supplemental Benefits



Health Basket Includes

- General Hospitalization
- Clinics, Doctors Visits, Specialists
- Surgery - most surgical procedures and treatments, including transplants, Cardio-vascular operations and treatment
- Examinations and diagnostics, laboratory services
- Ambulatory medical treatment, including radiology, Chemotherapy
 - at home or on an out-patient basis
- Rehabilitation
- Approved Medications
- Medical implants and appliances (defined list)
- Emergency medical services

Health Basket

- Law provides the vast majority of treatments and consultations
 - but sometimes for limited amount
 - for transplants or second opinion the law caps the coverage amount
- Not Included
 - Long Term Care
 - Dental
 - Some for children
 - Mental Health Care
 - Preventative Health Care
 - Partially Covered, but not by sick funds
 - Medication not included in Health Basket





Sick Funds

National Coverage

All Citizens Guaranteed a Minimum Basket of Goods

Covered by 4 National Health Care Carriers (Kupat Holim=Sick Funds)

Sick Funds

■ 4 Competing Sick Funds

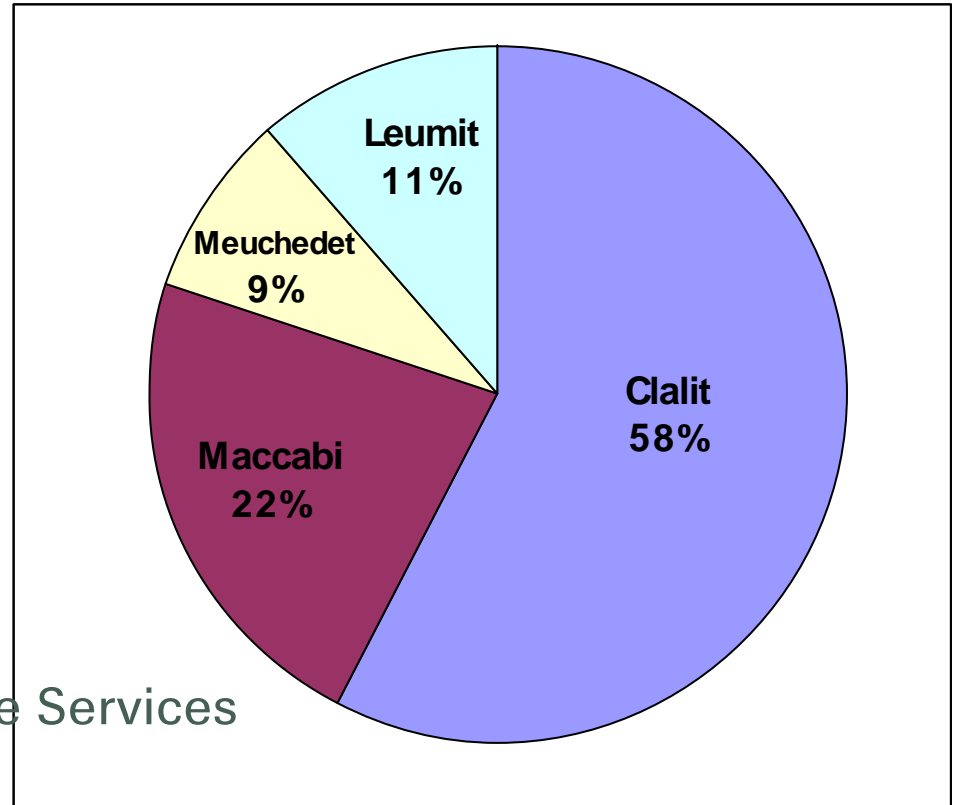
- Clalit
- Maccabi
- Leumit
- Meuchedet

■ Mutual Companies

■ Not for profit

■ Main Providers of Health Care Services

Members

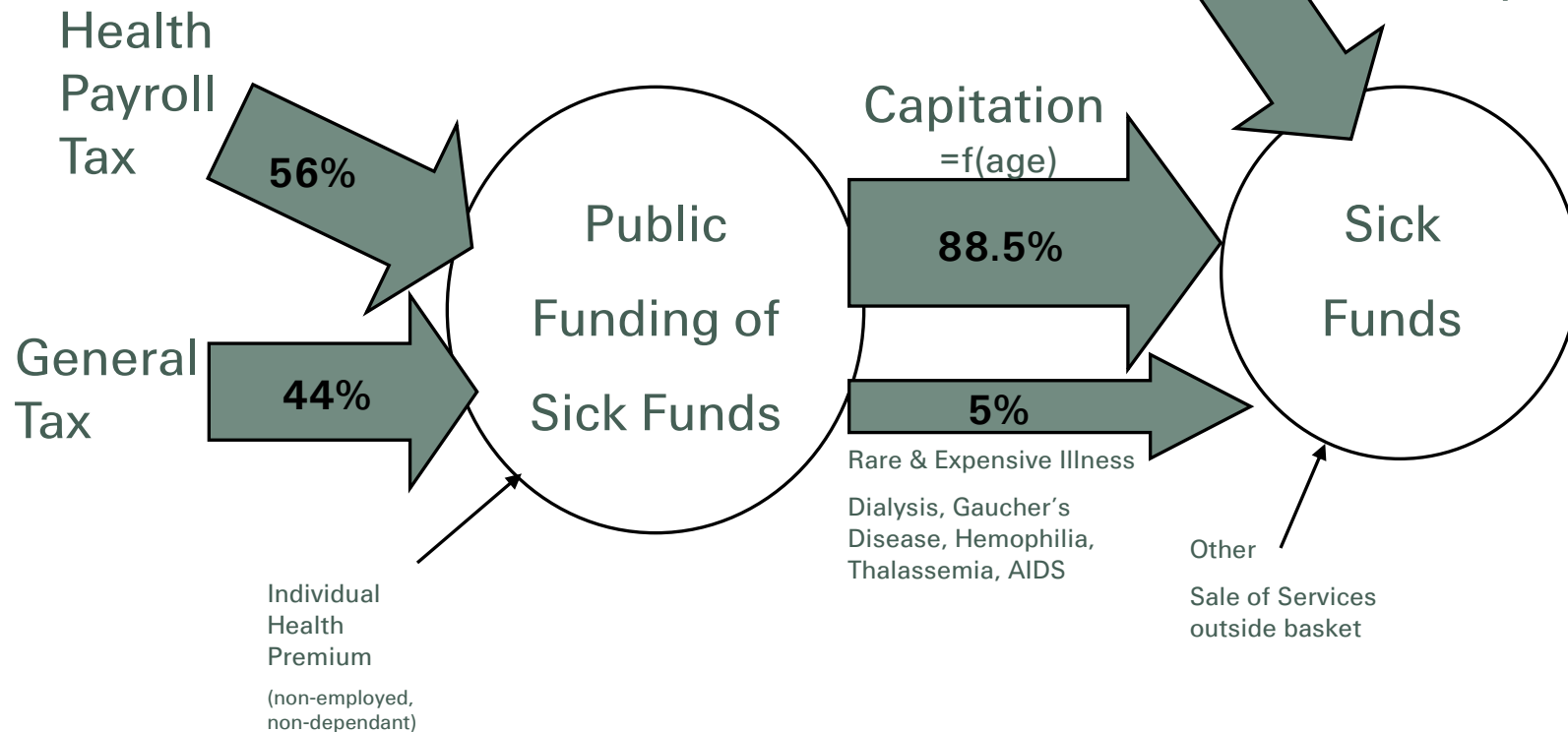




Deductibles
& Co-Pays

6.5%

Funding



Funding

■ Payroll Tax (56%)

Salary per month	Employee	Employer	Total
Up to 4809 ILS (~\$1300)	3.10%	3.85%	6.95%
Up to 79750 ILS (~\$22,000)	5.00%	5.43%	10.43%

■ General Tax Revenue (44%)

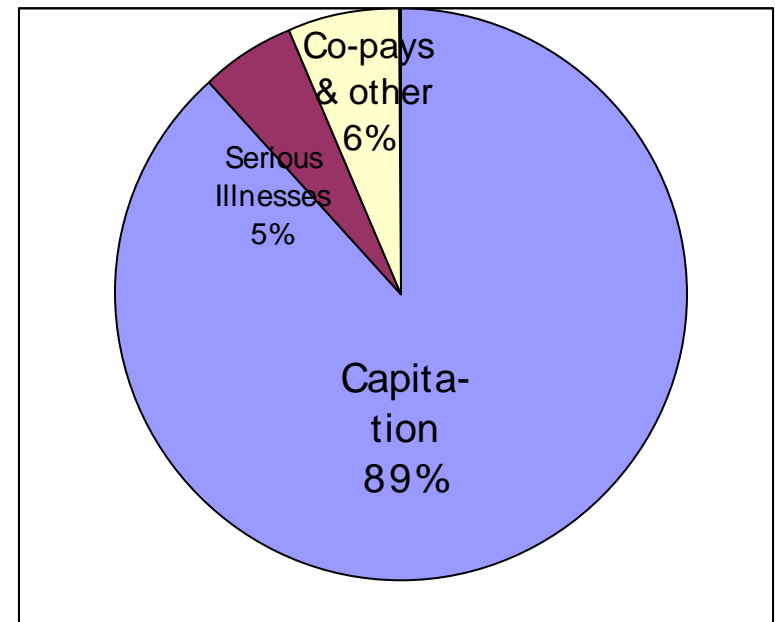


Income to Sick Funds

Income

Capitation	24 982	88%
Serious Illnesses	1 439	5%
Co-payments & other	1 822	6%
Total	28 243	

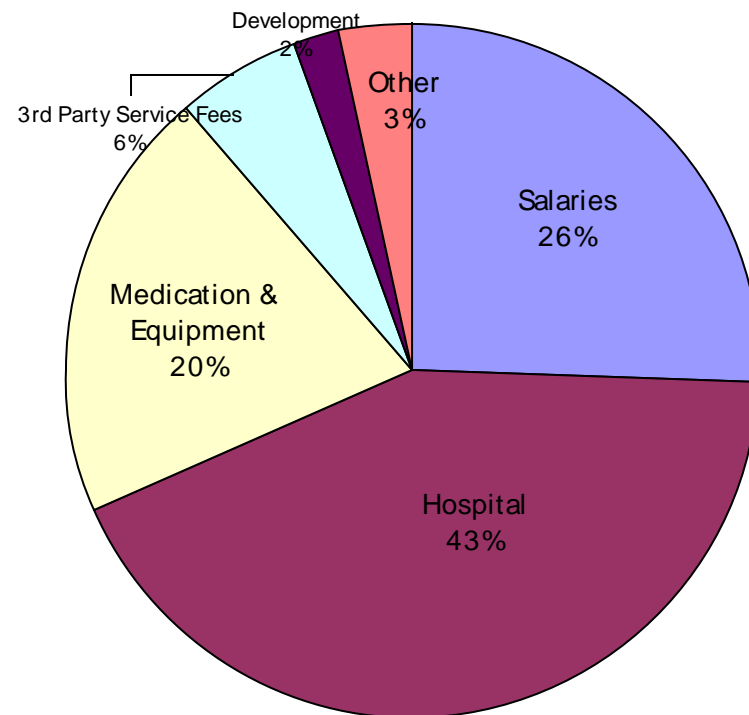
2009 est, m ILS



Sick Funds Outgo

Outgo

Salaries	7 538	26%
Hospital	12 544	43%
Medication & Equipment	5 978	20%
3rd Party Service Fees	1 767	6%
Development	618	2%
Other	1 001	3%
<hr/>		
Total	29 447	

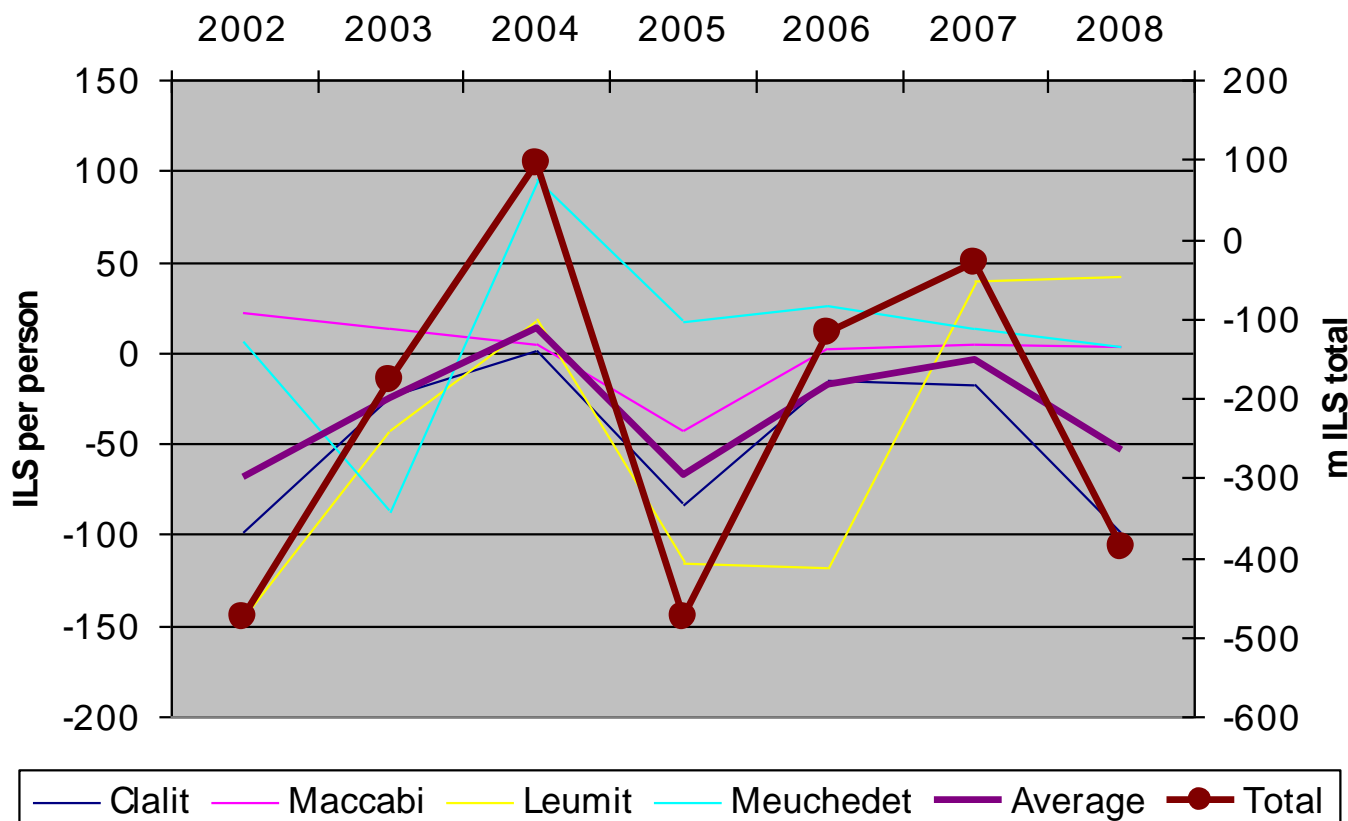


2008 actual, m ILS



Sick Fund Gains & Losses

Gains & Losses



Income ~
28b ILS

Losses ~
200m pa

<1%

Surplus/Deficits

■ Most have surplus

- Clalit +2.00b ILS Surplus
- Maccabi +0.25b ILS Surplus
- Leumit - 0.80b ILS Deficit
- Meuchedet +0.30b ILS Surplus
- Total +1.75b ILS Surplus



■ Contrast very favourably to other countries



Supplemental Care

Supplemental Coverage

Voluntary, Provided by Sick Funds



Supplemental Coverage

- “Additional medical services” not “insurance”
 - Supervised by Ministry of Health
 - Insurance is regulated by Commissioner of Insurance
- Coverage must be approved by the Ministry of Health
- Long-term care and Medication not in Health Basket specifically excluded
- Membership is voluntary
- Sick funds cannot discriminate against new entrants
 - No Underwriting
- No PEC, but allowed waiting periods for the coverage
 - Generally 3-24 months, depending on coverage



Supplemental Coverage

- Premiums are set by age group.
 - Nonetheless, younger ages subsidize older.
- Rates may change subject to Ministry of Health approval
- All sick funds offer two different service levels of coverages
- **Reduces Pressure on 1st Tier**
- **Financial Gains help supplement losses on 1st Tier**

Population

- About 73% of population has supplemental benefits
- Varies by Sick Fund:

	Plan Level	
	Lower	Upper
Clalit	70%	10%
Maccabi	85%	82%
Meuchedet	68%	27%
Leumit	65%	59%

- Premiums average ~ 324 ILS (~\$87) pa



Loss Ratio, Expense Ratio & Profit of Supplemental Schemes

	Clalit	Maccabi	Meuchedet	Leumit	Average
Loss Ratio	75%	88%	68%	64%	77%
Exp Ratio	22%	10%	26%	28%	19%
Other & Profit	3%	2%	6%	8%	4%
2008 Gains (m ILS)	30	16	16	18	Total 80



Coverages Include

Relatively Low Caps

- private consultations with medical specialists in Israel and abroad
- private surgical procedures in Israel
- transplants, surgery and treatment abroad
- discounts at dental clinics
- discounts at complementary (alternative) medicine clinics
- partial reimbursement for the purchase of medical equipment
- hospitalization convalescence
- For Women
 - partial reimbursement for examinations including fetal systems scan, genetic testing, amniocentesis
 - postpartum convalescence
 - IVF
- Children
 - child development treatments
 - partial reimbursement for purchase of equipment (inhalers, earplugs, hip splints for infants, orthopaedic insoles, ophthalmic lenses, etc...)
 - discounts in dental and orthodontic treatments



Relative Cost of Coverages (2008)

Coverage	Clalit	Maccabi	Meuchedet	Leumit	Total
Private Surgery	34%	40%	29%	42%	36%
Immunization & Medications	14%	11%	32%	18%	16%
2nd Opinions	17%	8%	8%	11%	12%
Pregnancy & Childbirth	8%	12%	8%	10%	10%
Dental	6%	13%	8%	0%	8%
Child Services	3%	1%	5%	3%	3%
Surgery Abroad	0%	2%	1%	1%	1%
Medical paraphernalia	7%	7%	3%	9%	6%
Alternative Medication	5%	3%	1%	4%	4%
Other	5%	2%	5%	4%	4%



Private Health Insurance

Private Health Insurance

Sold by Insurance Companies

Top-Up Benefits, Fills holes, Reduces Waits



Private Health Insurance

- Premium ~ 2.1b ILS
 - Including Critical Illness
- Profitability
 - Individual Business profitable
 - Loss Ratios 50%-60%
 - Group more competitive, lower premiums
 - Marginally profitable
- Full Underwriting
- About 1/3 of population has purchased this third layer
- Steep slope in rates for older ages





Coverages Include

- Private Surgery
- Surgery Abroad
- Med Opinion
- Transplants Abroad
- Special Operations Abroad
 - Life Saving
- Per diem Hospitalization
- Medicines
- Dental
- LTC
- Adverse Surgical developments
 - Death after Surgery
 - CI after treatment
 - LTC after treatment
 - PHI after treatment
- Instruments
- Examinations
- Maternity checks
- Alternatives to Surgery
- Genetic checks
- Others

Relative Cost of Coverages (2008)

Private Surgery	51%
Alternative Therapies	28%
Maternity & Fertility	6%
Medical Opinions	5%
Medication out of Basket	4%
Surgery Abroad	2%
Transplants & Special Op Abroad	2%
Per Diem Hospitalization	1%
Other	1%
Examinations	0%

Comparison of 2nd & 3rd Tiers

- Most people (~70%) that have Private Health Insurance also have Supplemental Coverage → Substantial overlap
- Private Insurance has much higher caps
 - For Private Surgery, Supplemental Coverage will only cover about half of the cost on average
- For Surgery or Transplants Abroad supplemental coverage is insignificant
- Commissioner of Insurance requires that Insurance Companies that sell Private Health Insurance must offer top up to Supplemental Coverages
 - In practice not sold much
- Only Insurance Companies can sell cover for Medications not in Health Basket & Long Term Care



Other Facets to Health Care System



National Expenditure on Health Care

43b ILS ~ US\$1 2b

■ Main sources of financing for health care in Israel (as % of total):

- Public: 68%
 - General taxation 39%
 - Health tax 26%
 - Other 3%
- Private 32%
 - Deductibles & Co-pay 11%
 - Supplemental & Private Health Premiums 9%
 - Optical Care 4%
 - Other 8%
 - Mainly Philanthropists
- Source: Bin Nun & Kaidar 2007.

■ Health Expenditure by type of Service:

- Public clinics and preventive care 41%
- Hospitals and research 39%
- Dental care 9%
- Private physicians 4%
- Medicines and medical equipment purchased by households 3%
- Government administration 1%
- *Source: CBS 2008a.*

Medical Technology Assessment

Guns vs Butter

- How much should a government (society) spend on new medical technologies (medications) vs other priorities?
- Which new technologies (medications) should be funded and which should not?
- Answers are explicit in Israel law
- Annually budget is set by Ministry of Health by political wrangling
 - Amount for new technologies explicit
- Public Commission decides what to include
 - given budget



Medical Technology Assessment Public Commission

- Committee make up
 - Sick Fund, Ministry of Health, Ministry of Finance, IMA, Economists, Expert in Health Policy, Other Public Figures outside of Health
- Various groups submit recommendations
 - Sick Funds, pharmaceutical companies, the IMA, patient organizations
 - Subcommittee technical review and costing
 - Cost benefit (duration & quality of life) analysis
 - Supported by Ministry of Health Staff
- 2006/7 considered 400 approved 75
 - Mostly medication
 - Mostly life-extending, as opposed to Life-Enhancing





Tipat Halav A drop of milk

- Well baby care and vaccinations
- Run by
 - Municipalities
 - Health Funds
- Work closely with schools to insure all are vaccinated
 - 93% of children are vaccinated
 - 96% vaccinated for measles, EU average is 91%

Hospitals

■ General / Acute Care Hospitals

- 14,607 Beds, ratio of 2.1 / per 1000 population
- OECD Average is 4.1 / 1000
- Deliberately kept low to keep care community focused
- Budgetary constraints limit plan to increase # beds



■ Who owns hospitals

- Government 46%
- Clalit 30%
- Other 24% (mainly Charity Organization, Hadassah)

■ Form 17: Issued by Sick Fund before admittance to Hospital

■ Public Hospitals have Private wings for Private Surgery

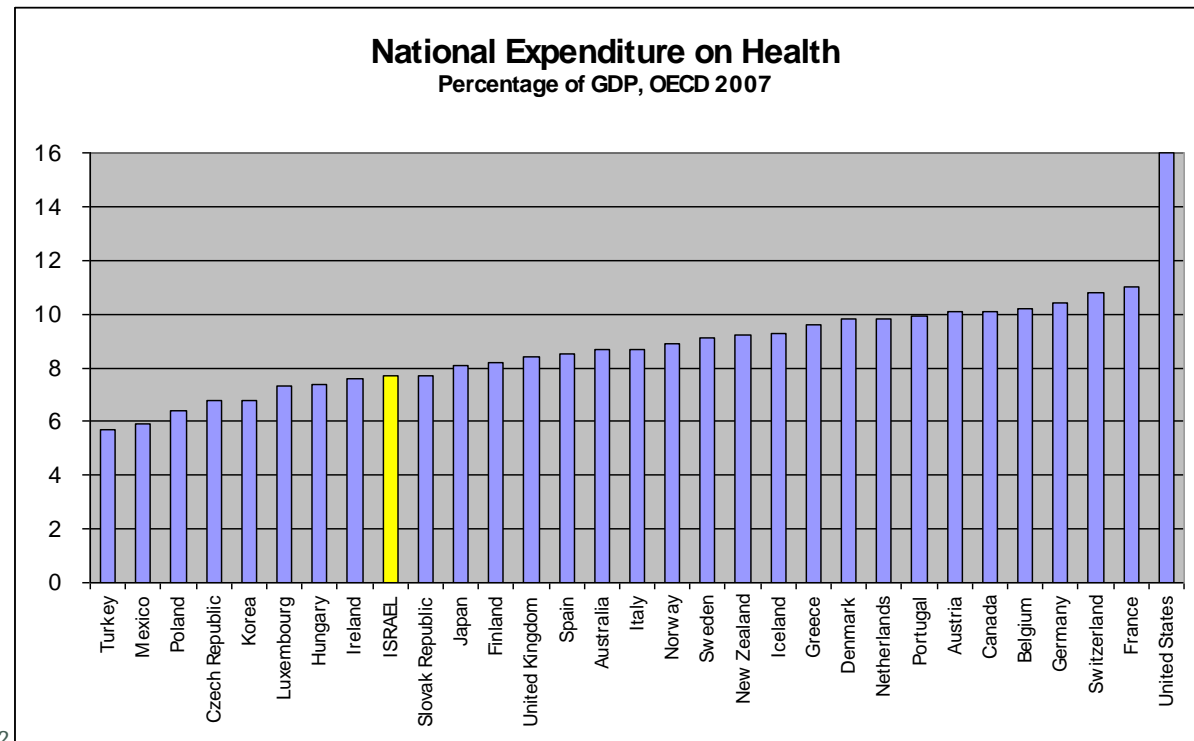


Israel Health Statistics

National Expenditure on Health Percentage of GDP

- 7.7% of GDP
- 50th most expensive of 193 according to WHO

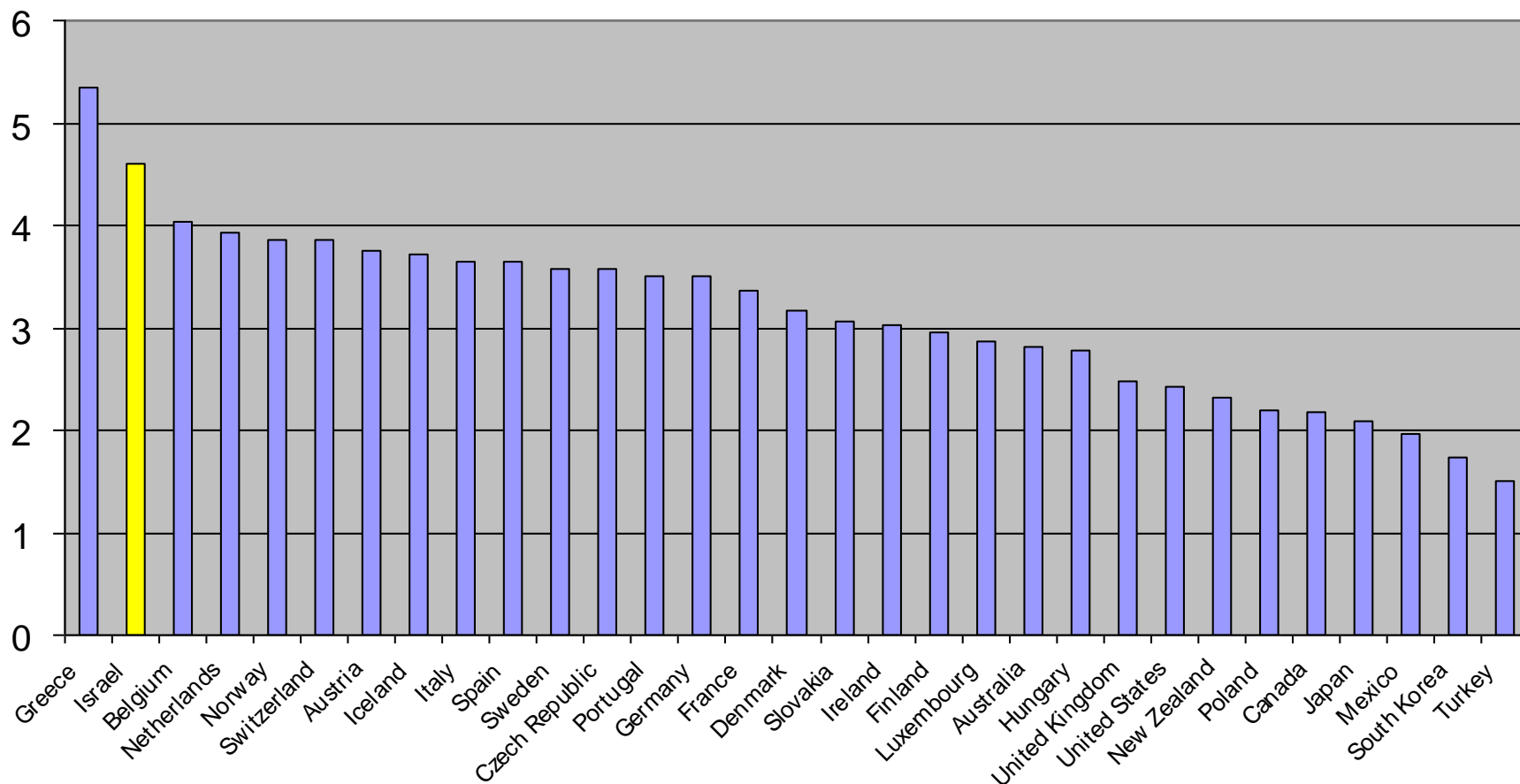
- 9th cheapest of 31 according to OECD



Sources: http://www1.cbs.gov.il/shnaton60/st28_02

http://www.photius.com/rankings/total_health_expenditure_as_pcent_of_gdp_2000_to_2005.html

Physicians per 1000 population OECD Country Rankings



Sources: http://www.geographic.org/country_ranks/physicians_per_capita_country_ranks_2009.html

<http://www.mfa.gov.il/MFA/History/Modern%20History/Israel%20at%2050/The%20Health%20Care%20System%20in%20Israel-%20An%20Historical%20Pe>

Life Expectancy Infant Mortality

■ Life Expectancy at birth

- 80.73
- 12th highest in world (out of 224 countries)
- Singapore is #4 at 81.98 deaths/1,000 live births

■ Infant Mortality

- 4.22 deaths/1,000 live births
- OECD average is 5.20
- 18th lowest in world (out of 224 countries)
- Singapore is #1 at 2.31 deaths/1,000 live births

Sources: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2102rank.html?countryName=Israel&countryCode=is®ionCode=me&rank=12#is>

<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2091rank.html?countryName=Israel&countryCode=is®ionCode=me&rank=207#is>

WHO Health System Attainment and Performance Rankings

- WHO Ranked all 191 member states by 8 criteria
- Israel Overall Rank 28
 - Health Level 23rd
 - Health Distribution 7th
 - Responsiveness Level 20th
 - Responsiveness Distribution 3rd -38th (tie)
 - Fairness in financial contribution 38th
 - Overall goal attainment 24th
 - Health expenditure per capita in international dollars 19th
 - Level of health Performance 40th

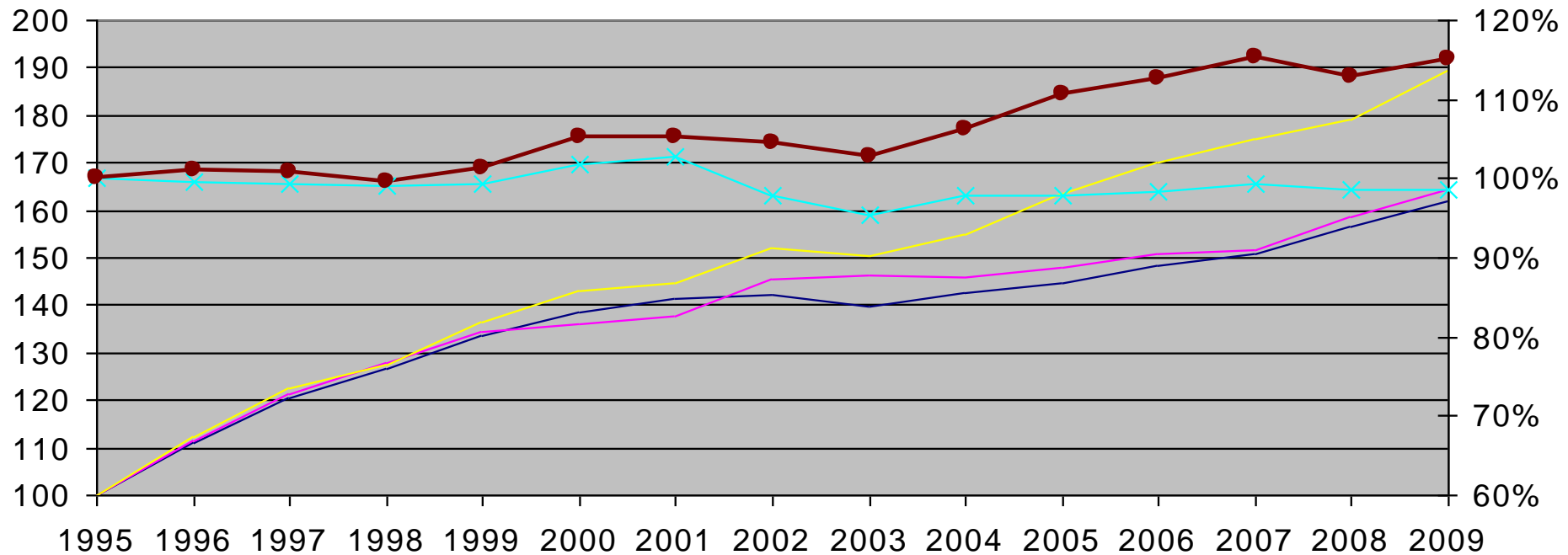


Source: http://www.photius.com/rankings/world_health_systems.html



Medical Inflation Low to Non-Existent

Nominal and Real Health Indices



Medical Inflation Low to Non-Existent

- Health Price Index Inflation 1995-2009
 - 3.5% pa nominal; -0.1% pa Real
- Hospital per Diem Cost Inflation 1995-2009
 - 4.7% pa nominal; 1.0% pa Real
- Private Insurance Surgical Costs
 - -2% pa Real
 - Due to change in procedures and reduction in Real Surgeon Fees

Satisfaction Survey

- Brookdale Institute 2007 Satisfaction Survey
- 88% Satisfied or Very Satisfied with Sick Fund
 - Little Variation by Sick Fund (85%-94%)
- Waiting time at clinic
 - 63% up to 15 min, 20% 15-30 min, 17% 30+ min
- Waiting time to see specialist
 - 43% < week, 18% 1-2 weeks, 39% 2+ weeks
- 56% agree that “it was not at all difficult to get medical treatment when I needed it”
- 66% women 50+ had mammogram test in the previous two years
- 48% had blood-pressure test in the previous six months
- 46% of the 65+ had flu vaccination



Criticism

- Public Financing only accounts for 64% of cost
- 36% private financing
 - Co-pays for medication & Doctor visits
 - Supplemental and Private Health Insurance Premiums
 - 12% said that they had forgone some medication or treatment due to cost during the last year (Brookdale Institute 2007 Satisfaction Survey)
- Inefficient coordination between Private Health Insurance and Supplemental Coverages
- Lack of Public Funding for Dental and Long Term Care
- Shortage of Organ Transplants
- Shortage of Hospitals in Periphery

Summary: Why so successful?

- Well thought out three tier system
 - 4 Competing Sick Funds
 - First Tier
 - Universal coverage
 - Funding (Per Capita)
 - Basic needs covered
 - No Large Deficits
 - 2nd & 3rd Tiers take pressure off of first tier to be everything for everyone
- Emphasise community care (Clinics) over Hospitals
- High Ratio of Doctors per population
 - Relatively low Doctors salaries
- Well thought out mechanism for new technologies (medications)



Thank you



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