



Supplementary Health Insurance from the consumer point of view



Are Israelis consumers doing an informed rational choice when purchasing Supplementary Health Insurance?

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ABSTRACT

Background: The National Health Insurance Law in Israel ensures basic health basket eligibility for all its citizens. A supplemental health insurance plan (SHIP) is offered for an additional fee. Over the years, the percentage of supplemental insurance's holders has risen considerably, ranking among the highest in OECD countries. The assumption that consumers implement an informed rational choice based on relevant information is doubtful. Are consumers sufficiently well informed to make market processes work well?

Objectives: To examine perspectives, preferences and knowledge of Israelis in relation to SHIP.

Methodology: A telephone survey was conducted with a representative sample of the Israeli adult population. 703 interviews were completed. The response rate was 50.3%.

Findings: 85% of the sample reported possessing SHIP. This survey found that most of the Israeli public parched additional insurance coverage however did not show a significant knowledge about the benefits provided by the supplementary insurance, at least in the three measurements used in this study.

Conclusions, policy implications and recommendations: The scope of SHIP acquisition is very broad and cannot be explained in economic terms alone. Acquiring SHIP became a default option rather than an active decision. It is time to review the goals, achievements and side effects of SHIP and to create new policy for the future.

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1. Introduction

Israel has one of the best national health services in the Western world and universal compulsory social National Health Insurance that entitles all citizens to a broad and uniform benefits package. The OECD Review of Health Care Quality in Israel from 2012 declares: Israel has estab-

lished one of the most enviable health care systems among OECD countries. . . health care in Israel is of high-quality and is delivered in an efficient and effective manner [1]. National surveys show Israelis' high satisfaction with the health care system [2]. However, Israelis are in pursuit of additional protection by purchasing all types of voluntary health insurance plans.

Israel's four health maintenance organizations (HMOs) have been marketing voluntary supplemental or complementary health insurance plans (SHIP), making it possible for members to choose their surgeon; get extra pregnancy

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tests not covered in the regular national basket; receive a second medical opinion and additional services [3]. The insurance is not individually tailored, but rather a predefined package where the premium is defined by age alone. The fund is permitted to change the costs and conditions from time to time, without the mutual agreement of the customer [4]. Nursing care is not included in supplementary coverage and is thus charged separately. Over the years, there has been a considerable increase in the percentage of supplemental insurance policyholders among the public, and the rate is already over 70% of the population [5,6] and still rising.

Furthermore, since most HMO members already have this supplemental insurance, in order to feel “protected”, people are easily convinced to upgrade their supplemental insurance. Three of the public health funds provide both lower and upper layers of coverage, but the upper one includes all services provided in the lower level, whereas the ‘Leumit’ HMO provides two parallel supplementary plans. The rate of upgrading to the upper level insurance coverage increased in 2011 relative to the previous year by 17% at ‘Clalit’ HMO, reaching 24% of all members (the upper level insurance was only launched in 2007), by 6% at ‘Mehuhedet’ HMO, reaching 36% of all members, and only by 3% at ‘Maccabi’ HMO where 84% of members are already insured by the upper level insurance [4].

However, being covered by basic national insurance and having a supplementary insurance plan, seems to be insufficient for Israelis. They have also started purchasing commercial health insurance [6], which in most cases brings to double or dual insurance [7]. Insurance is the biggest expenditure for health among households in Israel [8,9], and the growth in the purchase of insurance policies is the main factor behind the rise in private health expenditures over the past decade. Consequently, a large insurance market has developed with Israel ranking among the highest in the OECD countries [10].

Neo-liberal economists will explain that this situation reflects the value consumers attach to this commodity. According to neoclassical economic theory, producers (insurers) react to this demand and the market economy provides an effective method for determining the level of production of this good. In a competitive economy, the resulting resource allocations are efficient. The Neoclassical economic approach to modeling consumer choice under uncertainty assumes that consumers act “rationally” when making insurance purchasing decisions, meaning that they are cognizant of the relevant features of the health plans under consideration, and that they carefully weigh the health risks they face and the potential costs of the medical care that they may consume. It is posited that consumers are risk averse and that they have a “utility function” that assigns a level of satisfaction to different possible standards of wealth (or health). Since the consumer does not know his or her future health care demand with certainty, he or she is said to choose the health plan that maximizes expected utility [11].

Surveys in USA have studied consumer knowledge about health insurance. For example, two household surveys administered at six American sites assessed knowledge by comparing families’ responses with policy data

collected from the carrier [12]. They found that the vast majority of families understand insurance policies that specify one or two parameters in their benefit provisions. However, more complex payment structures are not well understood. A few studies in the US examined the level of knowledge about health care insurance coverage among Medicare beneficiaries [13]. Results indicate that they typically do not have high levels of knowledge either about Medicare or about their supplemental health insurance. Studies examining factors influencing the likelihood of customer defection from health insurance plans found that the level of objective and subjective knowledge about alternative insurance plans has a direct effect on the likelihood of defection—above and beyond satisfaction level [14].

In the surveys conducted in Israel by The Myers-JDC-Brookdale Institute in 2001 and 2003 questions regarding knowledge about the public’s rights in the Israeli national health system were included. Their findings also show very low levels of knowledge in relation to supplementary health insurance [15]. In the 2001 survey, 40% reported receiving no information from their HMO during the last year regarding SHIP.

In the insurance market, and especially in health insurance, the capability of most consumers to learn and evaluate relevant information is questionable. Are consumers sufficiently well informed to make market processes work well?

We conducted a telephone survey among a representative sample of the Israeli adult population in order to examine consumers’ level of knowledge and reasons for purchasing the HMOs’ Supplementary Health Insurance plans.

2. Methods

A telephone survey was conducted among a representative sample of Israeli adults.

2.1. Population and sample

A representative sample of the adult Israeli population (aged 21 years and over) who have a national telephone company (Bezek) phone at home.¹ A probability sample of statistical areas was conducted according to socio-economic characteristics, followed by random sampling of households in each statistical area selected. The final sample included 700 subjects.

2.2. Data collection

Interviews were conducted during October and November 2011 by the B.I. and Lucille Cohen Institute for Public Opinion Research at Tel-Aviv University. The questionnaire was adapted to the participant’s native language, thus interviews were conducted in Hebrew, Arab and Russian. At least five attempts to contact each

¹ According to the Central Bureau of Statistics, 82.2% of households had one phone line at least in 2010.

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