

Contents

1	General Introduction	1
1.1	Introduction	1
1.1.1	Many Definitions of Health Care Financing Schemes	2
1.1.2	Classifying Health Care Financing Schemes	3
1.1.3	Trends	6
1.1.4	Implications for Efficiency and Affordability	7
1.2	Aim and Contribution of This Study	9
1.3	Research Questions	10
2	Economic Rationales for the Design of Health Care Financing Schemes	13
2.1	Introduction	13
2.2	Mandatory Cross-Subsidies	14
2.2.1	Externalities	14
2.2.2	The Financial Risk of Becoming a High Risk	22
2.2.3	Moral Hazard	23
2.2.4	Summary	24
2.3	Mandatory Coverage	25
2.3.1	Economic Rationales for Mandatory Coverage	25
2.3.2	Fine-Tuning Mandatory Coverage	29
2.4	Summary and Conclusions	31
3	The Design of Health Care Financing Schemes in Different Countries	33
3.1	Introduction	33
3.2	Mandatory Cross-Subsidies in Different Countries	34
3.3	Mandatory Coverage in Different Countries	40
3.4	Conclusions	45

4	The Potential for Risk Rating in Competitive Markets for Supplementary Health Insurance: An Empirical Analysis	47
4.1	Introduction	47
4.2	The Solidarity and Equivalence Principles	48
4.3	The Determinants of the Level of Risk Rating	49
4.3.1	Level of Competition	49
4.3.2	Consumers' Willingness to Switch	50
4.3.3	Regulatory Framework	50
4.3.4	Transaction Costs	51
4.3.5	Self-Regulation	51
4.3.6	Choice of Risk Adjusters	52
4.4	Methods	53
4.5	Data	55
4.6	Results	56
4.6.1	The Potential Gains of Risk Rating in Competitive Supplementary Health Insurance Markets	56
4.6.2	Will Insurers Risk-Rate in Practice?	60
4.7	Conclusions	62
5	Competition and Solidarity in European Markets for Basic and Supplementary Health Insurance: Economic and Legal Analysis	65
5.1	Introduction	65
5.2	Combining Competition and Solidarity in Health Insurance Markets	66
5.2.1	Premium Rate Restrictions	66
5.2.2	Risk-Compensation Schemes	67
5.2.3	Premium- and Excess-Loss-Compensation Schemes	70
5.3	Analysis of the EC Legal Framework	70
5.3.1	Free Movement of Services: The Insurance Directives	70
5.3.2	Competition Law	72
5.4	Are the Four Regulatory Strategies in Conformity with the EC Legal Framework?	74
5.5	Conclusions and Discussion	76
6	Risk-Selection via Supplementary Health Insurance in Universal Mandatory Health Insurance for Basic Services	79
6.1	Introduction	79
6.2	Conceptual Framework	79
6.3	Risk-Selection via Supplementary Health Insurance	81
6.3.1	SI Markets in Different Countries: Main Features	81
6.3.2	The Determinants for the Use of SI as a Selection Device	84
6.3.3	BI Markets in Different Countries: Incentives for Risk-Selection	87
6.3.4	Evidence of Risk-Selection via SI	88
6.4	Conclusions and Discussion	90

Contents	xi
7 Conclusions and Discussion	93
7.1 Introduction	93
7.2 The Design of Basic and Supplementary Health Care Financing Schemes	94
7.3 Implications for Efficiency and Affordability	97
7.4 Epilogue	101
References	103
About the Author	115