

Assessment guidelines: Exam HGOV4100 – Fundamentals of Health Care Systems. Exam date: October 12<sup>th</sup>, 2023, 09:00-13:00 (4 hours)

No examination support material is allowed.

Both part A and part B must be completed. Part A accounts for 40% of the exam grade, while part B accounts for 60%. In Part A, Short answers, you must answer six out of the seven questions. In Part B, Essay, you must choose either 1) or 2).

### Part A - Short answers

Define the following concepts. Illustrate each definition with an example.

a) Moral hazard

*Definition: People tends to behave riskier when one is protected from its consequences, e.g., by insurance.*

*Example: A typical example is more reckless driving when having a car insurance.*

*Comments: Most students (>85%) had correct definition and illustrative examples.*

b) Incomplete information

*Definition: Incomplete information means lack of "ex ante" information or information of the past.*

*Example: A typical example from health care is that the GP lack elements of information of the patient's medical history.*

*Comments. Only 30-40% had the correct definition. Many mixed up with imperfect information*

c) Adverse selection

*Definition: Adverse selection occurs when buyers and sellers have different information. The result is the unequal distribution of benefits, with the party having the key information benefiting more.*

*Example: Insurance companies that ends up with 'high risk' patients*

*Comments: 85-90% got it right.*

d) Risk adjustment

*Definition: A process that considers the underlying health status of a patient or inhabitant when setting the payment.*

*Examples: Risk adjusted capitation for GPs, risk adjustment of grants to hospitals.*

*Comments: 80% got it right.*

e) Fiscal sustainability

*Definition: The ability of a government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures.*

*Example: Future health expenditure*

*Comments: >95% git it right.*

f) Prospective payment system

*Definition: Provider payment based on fixed prices*

*Example: The DRG-system, capitation, etc.*

*Comments: >90% got it right*

g) Retrospective payment system

*Definition: Payment based on actual costs*

*Example: Per diem-based reimbursement (like Norway during the 70s), FFS (like in the US)*

*Comments: >90% got it right*

## Part B - Essay

- 1) Financing of GPs can be done through salaries, fee-for-service, or capitation (or through combinations of these three elements). Describe the different financing systems and discuss how different systems may affect the GPs' service level, including the number of patients treated, referral practice, and follow-up on patients with chronic diseases. Be sure to carefully define basic theoretical concepts and the assumptions for your reasoning.

*A successful answer can be divided into two: 1) A general presentation of financing systems, including definition of the three payment systems, 2) a discussion of how the three payments systems affected the number of patients treated, referral practice and follow up of chronic patients.*

*The general presentation may start out by the 2x2 table where retrospective vs prospective and activity based vs. fixed payment systems make up the two dimensions. Precise definitions of these four concepts are crucial: Retrospective – reimbursements based on actual costs. Prospective – financing based on expected costs. Activity based – financing will reflect activity. Fixed – financing will be independent of activity level (in the short run). The three payment systems should be placed within the table and described more in detail.*

*In general, we expect capitation and salaries to give incentives for follow up of chronic patients, however this can also be the case in FFS-system since the incentives for many consultations are strong. FFS will also lead to fewer referrals than the two other systems and give incentives to treat many patients.*

*Those who managed to discuss the problem within a principal-agent framework are given a plus, but this approach is not necessary to achieve a high grade.*

- 2) The Netherlands implemented a reform in their social health insurance system in 2006. In the first part of the essay, describe the main elements of the new system, including the risk allocation mechanisms that were applied to handle variation in the risk of the insurance companies' enrollees. Following the reform, the Netherlands experienced high expenditure growth and a reduction in waiting times for elective treatment. How do you explain these effects? Let us assume that Dutch politicians would like to curb future health expenditures. Can this be achieved without changing the main elements of today's system? If yes, how? If no, how would you change the system to achieve the objective of lower expenditure growth?

*The main elements of the system include mandatory insurances purchased in a competitive private insurance market, definition of a basic benefit package, a comprehensive risk equalization system between a risk pool and the insurance companies and free choice of insurers. The payments into the*

*risk pool are income related (like progressive taxes). In particular, the understanding of the risk adjustment mechanism that reduces the incentives for adverse selection is of importance and the successful exams go into details here.*

*The explanation of the effects of introducing the system (higher expenditures and lower waiting times) must be sought in people's desires – they simply would like to pay more to get a better health care system. To curb future growth in expenditures two strategies can be followed. Within the system higher competition between the insurance companies could work. So could governmental initiatives to preventive health care.*

### Grading:

A: 11 students

B: 14

C: 3

D: 4

E: 0

F: 2 students

In total: 34 students