

HGOV4100 Fundamentals of health care systems, Fall 2024 - Assessment guidelines –

Both parts shall be answered. Part A will count 40% and part B will count 60% as the grade for the exam is calculated. In *Part A Short answers* you should answer five out of the six questions. In *Part B Essay* you should choose either 1) or 2).

Part A Short answers

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

1) Asymmetric information

Definition: One actor has more information than another.

Example: A physician has more information of the patient's diagnosis than the patient himself/herself

Comments: Most students (>90%) had correct definition and illustrative examples.

2) Uncertain information

Definition: The effect of an action is unknown, not fully known or known with a probability

Example: The effect on the patient's functional ability of hip surgery for an older patient is usually not fully known.

Comments: Most students (>90%) had correct definition and illustrative examples.

3) Incomplete information

Definition: An actor lacks information of the past when making a decision.

Example: A physician does not have full information of the patient's medical history when making a treatment decision

Comments: Approximately 80% had correct definition and illustrative examples.

4) Basic benefit package

Definition: A basic benefit package refers to a standardized set of healthcare services and treatments that are deemed essential and necessary for the overall well-being and basic healthcare needs of individuals or a defined population

Example: Many students referred to the Netherlands where the basic benefit package is well defined

Comments: Approximately 80% had correct definition and illustrative examples.

5) Prospective payment system

Definition: Provider payment based on fixed prices

Example: The DRG-system, capitation, etc.

Comments: App. 75% got it right. However, quite a few mixed up with when the payment was accomplished stating that a prospective payment system implies that the budget in total were

known to the hospital before a fiscal year started. This is correct only for a capitation system not for an activity-based system where the total budget will depend on activity (however the price will be known ex ante).

6) 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

Either

1) Managed competition.

The Netherlands implemented a radical reform in their social health insurance system in 2006. In the first part of the essay, describe the main changes of the system, including the risk allocation mechanisms that were applied to handle variation in risk of the insurance companies' enrollees.

The first years following the reform, the Netherlands experienced high expenditure growth and reduction in waiting times to elective treatment. How do you explain these effects?

Let us assume that the Dutch politicians would like to curb future health expenditures. Can this be done 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 new 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 candidate should mention the main criteria in the risk allocation formulae like age, gender, former diagnoses.

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. In other words, the willingness to pay was higher than the former system managed to reveal and realize.

To curb future growth in expenditures two main strategies can be followed. Within the system higher competition between the insurance companies could work. So could governmental initiatives to preventive health care. In this last part, the grade should reflect the student's ability to well-structured reasoning.

or

2) Activity based financing.

As a specialist in hospital financing systems, you are invited to the Minister of Health's office to discuss how to tackle the problem of increased waiting times to elective treatments.

Make a presentation of the DRG-system and a capitation-based financing system for hospitals. Discuss how the two systems and a mix of the two systems are assumed to affect a) waiting time to treatment, b) clinical quality and c) cost control. What would be your recommendation to the minister?

A successful answer can be divided into two: 1) A general presentation of financing systems, and 2) a discussion of how the payments systems affect a) waiting time to treatment, b) clinical quality and c) cost control.

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 could be useful but to concentrate only on the concepts that are crucial to the two system in focus should also work: Retrospective – reimbursements based on actual costs. Prospective – financing based on fixed prices/expected costs. Activity based – financing will reflect activity. Capitation based – financing will reflect the need of the population.

In the normative part good grades were awarded for answers including a systematic comparison between the two models and their effects on the three goals. By systematic we mean that the effects of the different models on the main goals were discussed one by one. A few key words can be found in the table:

	<i>Waiting times</i>	<i>Clinical quality</i>	<i>Cost control</i>
<i>Capitation</i>	<i>May be longer unless the global budgets are very high</i>	<i>High</i>	<i>Excellent as long as the payer doesn't end up bailing out inefficient units</i>
<i>Activity-based (DRG)</i>	<i>Lower as the payer carry al risk by increased activity</i>	<i>High (at least there are none or few studies indicating the opposite</i>	<i>Lower</i>

Many of the candidates ended up by recommending a combination of the two models. This could be a good idea. However, as the problem to be solved is long waiting time, the activity-based component should be relatively high.