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Economics

Managed Competition and Health Insurance Reforms in Georgia

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Reforms implemented in the health care system of Georgia in 2008-2010 were intended for creation and support of competitive environment in the medical marker. Since 2010 competitive health insurance was changed by monopolistic system of insurance companies within one corresponding region. The goal of the research is to study the reasons for transferring from competitive to monopolistic health insurance system. In the framework of qualitative research deep enquiry of experts was conducted. Research results confirm that competitive insurance model increases free choice of insurers by the beneficiaries, as well as the quality of medical service, positively affects effective management of insurance health programs, holding the rise of healthcare expenses, transparency of insurance products and awareness of the insureds. After changing the competitive insurance model to a monopolistic one, the right of free choice for either insurers or providers was limited. *© 2023 Bull. Georg. Natl. Acad. Sci.*

managed competition, competitive insurance model, competitive health insurance, medical market

Increase of expenses on healthcare is one of the main problems of healthcare policy of many countries and for its solving various methods are used. One of the effective mechanisms for holding healthcare expenses is a competitive system of financing the healthcare [1]. Not only one organization (for example: ministry of health or social insurance company) is managing the state healthcare program in competitive system but numerous insurance companies [2]. Participation of many payers in the management of state health program creates competition between them. The government, itself, regulates competition for reaching social goals (effectiveness and an accessibility) [3]. Such symbiosis of competition and regulation is called managed competition, as well. The background of it was the concept developed by the American economist Alan Einthoven and his European followers on "Managed Competition Model" [4]. Introduction of managed competition model started in 1993 in Netherlands and later in other countries, as well: Germany, Belgium, Switzerland, Israel, Czech republic, Slovakia. In these countries, before introduction of competition principles, insurance companies were implemented mainly according

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geographic areas i.e. in one region of the country only one insurance company was acting (such system is called single payer system). After transfer to competitive insurance model the insureds were awarded the right of choosing insurance companies. It is accepted that competitive system helps holding the rise of healthcare expenses and effective management of state health programs [5].

Managed competition uses rules coming from rational microeconomic principles. Competitor profit and nonprofit companies negotiate with providers of medical services concerning costs and quality creating price competition [6]. Advantage of multi payer financing system in comparison with single payer financing system is caused by the fact that competition between companies are conditioned with insurance premium, insurance packages, suggested medical service quality, also premiums and profits considered for additional insurance package [7]. Thus, the customer chooses the insurance company selling a favorable insurance package for an affordable price. Despite this, the competitive model stimulates insurance companies to create different additional insurance package in addition to basic one. The abovementioned stimulates customers to give advantage to the insurer which offers additional bonus services. In the result, health care expenses decrease as the responsibility on various services not included into the universal health care program is imposed to private insurance companies.

Another significant factor of managed competition is free choice, more awareness to make a choice [8]. The abovementioned enables the insured to make desirable, optimal choice when choosing insurance package. Competition between the providers of medical service and insurers is main driving power of managed competition.

Marketing elements in healthcare sector presents a new and unic version in the system of social insurance [9]. Responsibilities are distributed between insurers, providers and patients. The insurer tries to suggest high quality service, the insured evaluates critically services suggested by each insurance company and makes decision to choose a desirable insurer. The role of government has been changed, as well, instead of system driver it became a defender of health market functioning. The government controls quality and accessibility of medical services. In the result of regulation mechanisms instituted by the social insurance companies are not allowed to deny insurance of beneficiaries. They are not authorized to make difference between beneficiaries according insurance risks and are obliged to insure all beneficiaries.

After 2003 Rose revolution liberal government directed towards rapid economic growth through the market orientation. The main principles of health care reform include the transition towards complete marketization of the health sector: private provision, private purchasing, liberal regulation. The government has taken a number of important steps, such as: (1) reducing tax rates; (2) introducing fewer licenses and permits for doing business; (3) less regulation by the state; (4) aggressive privatization policy; (5). These changes resulted in sharp economic growth. Health care reform was considered a continuation of changes already undertaken in other sectors as part of the national development policy, rather than separate or specific reforms, calling for particular planning and considering of specific characteristics of health care and health care markets.

The government radically changed the vision of health system regulation, giving a dominant share to private health providers and purchasers [10, 11]. Competitive insurance system was founded. The insurance companies were given the right to participate in the management of state health care programs and the insureds – free choice of insurance companies [12, 13]. By introduction of competitive model Georgia responds to the effective model of managed competition. All licensed health insurance companies in Georgia were allowed to participate in the management of

state health care programs. The government determined requirements for insurance companies and provided healthy competition conditions between insurance companies. This created competitive insurance system, the insurance companies were given the right to participate in the management of state health care programs and the insureds – had right of free choice of insurance companies.

Introduction of insurance vouchers as financial instruments was the most significant element for creating competitive environment in the health care system of Georgia [14]. The State Agency of Social Services awarded the voucher to the citizens for financing the health insurance. Voucher owner citizens or beneficiary families had the right to choose insurance company freely.

In 2010, the rules of financing the state health care programs were changed, particularly, the insured was deprived the right to choose insurance company freely and it was changed with obligatory relationship with one insurance company. The Georgia was divided into 26 medical regions. The insured concluded contract by voucher with the winner company in the medical region corresponding to the inhabited area [15-20].

The goal of the research is to study peculiarities of the development of competitive insurance model in the healthcare system of Georgia.

Methodology

In the framework of qualitative study deep interview was conducted with healthcare experts using a semi-structured questionnaire. The interview was verbal and it was recorded with the concent of the respondent, in the purpose of accuracy and orientation on details. After finishing the operative part of the research transcripts were prepared based on the recorded material. For the analysis of data the Glozer and Lodel's method [21] of obtaining the data and the Meuzer and Nagel's method [22] of rephrasing and thematic comparison were used.

Previous contacts and recommendations were used for making the list of interview candidates. Chosen respondents were sent a written invitation by e-mail for participation in the project. Eleven from 12 interested parties positively replied and consented to participate in the interview. All respondents consented to be questioned for at list one hour. The study was conducted in February and June of 2020 in Tbilisi. The length of deep interview was about 60-90 minutes.

The work is based not only on the scientific analysis of interested parties' opinions but also the review of existing literature. This method is especially used as an instrument for revealing main problematic issues for further research.

Results and Discussion

In the framework of qualitative research deep interview was conducted with experts. The results of experts' interview confirm that the competitive insurance model increases free choice of the insurer. The choice of customers is the main mechanism for driving the managed competition. Free choice of the customers stimulates the insurer to consider customers' preferences and conclude selective contracts with the providers of medical services who deliver high quality services [23]. This motivates physicians and hospitals to improve the quality. The same results have been obtained in other studies [24].

By the opinion of experts, the competitive insurance model positively affects the quality of medical service. This is conditioned by the right of insurance company to choose the provider. Selective contracting with providers is a significant aspect of competition. In such cases the physicians and hospitals have more motivation to improve the quality of medical service as their choice is implemented by the quality indices developed in advance [25].

In a single-payer system, when the universal health care program is implemented by the Social Service Agency, monitoring of expenses is weak. It is very difficult for one payer to control cost of services presented by medical organizations. The

single-payer system does not have such possibility to fulfil supervision of the universal health care program throughout the country.

According to experts, during a competitive insurance model insurance companies try to control the cost of services, for which they study in detail each patient's hospitalization cases. Competitive insurance system positively affects the transparency of insurance policy and awareness of insured ones to compare existing insurance products and choose products desirable for them. Transparency of medical services is obligatory for insurers and providers of medical services to agree on the price and the quality. Each product must be clearly determined to enable the customer to choose the desired product and evaluate the quality.

Experts agree that the insured must be aware of their rights and possibilities concerning health insurance basic packages and packages suggested by the insurance company that will enable them to choose the desired insurance company. The customers must have information on prices and quality of insurance and medical product.

After the creation of the regional monopolistic insurance model, the right of free choice of insurers and providers was limited. Insured lost not only the right of choosing an insurance company but also a quite significant right – to choose a hospital. Competition between insurance companies disappeared. Insurance companies became monopolies in the corresponding region.

The system where one insurance company acts in each region is a single-payer system as the patient has a relationship only with the insurance company presented at inhabiting area (region, city). In a non-competitive environment, the insurance company is in a monopolistic condition. The medical staff itself is forced to conclude a contract with the insurance company on any compensation rate as it does not have another choice. All the abovementioned negatively affected the quality of medical service and patient satisfaction. Due to this, the principle of free choice is the most important for the implementation of the patient oriented system. The same results have been obtained in other studies [26].

According to experts, the choice of medical institution in some countries is limited and there are other effective regulators then competition [27, 28]. Low level of insurance education greatly affected the cancellation of competitive insurance system. The great part of inquired experts, presenting the medical organizations and insurance companies, consider that free choice is the most important principle of health care system function.

Conclusion

Research results confirm that the competitive insurance model increases free choice of insurers by the beneficiaries, the quality of medical services; positively affects effective management of state healthcare programs, contributes to healthcare cost containment, transparency of insurance products and the awareness of the insured. After 2010 the competitive insurance model has changed with the regional monopolistic insurance model, so the right of free choice of insurers and providers by the consumers was limited, which negatively affected their satisfaction.

ეკონომიკა

მართული კონკურენცია და ჯანმრთელობის დაზღვევის რეფორმები საქართველოში

თ. ვერულავა

კავკასიის უნივერსიტეტი, მედიცინისა და ჯანდაცვის მენეჯმენტის სკოლა, თბილისი, საქართველო

(წარმოდგენილია აკადემიის წევრის ა. სილაგაძის მიერ)

საქართველოს ჯანდაცვის სისტემაში 2008-2010 წლებში განხორციელებული რეფორმები მიზნად ისახავდა დარგში საბაზრო რეგულატორების განვითარებას, კონკურენტული გარემოს ჩამოყალიბებას და ხელშეწყობას. კონკურენტულ სადაზღვევო სისტემაში სადაზღვევო კომპანიებს მიეცათ ჯანდაცვის სახელმწიფო პროგრამების მართვაში მონაწილეობის, ხოლო დაზღვეულებს სადაზღვევო კომპანიების თავისუფალი არჩევანის უფლება. აღსანიშნავია, რომ “კონკურენტული სადაზღვევო მოდელის” კონცეფცია 1990-იანი წლებიდან დაინერგა ევროპის ზოგიერთ ქვეყანაში. კონკურენტული მოდელის შემოღებით საქართველო ეხმიანებოდა მსოფლიოში ჯანდაცვის სისტემის ერთ-ერთ ყველაზე თანამედროვე და პროგრესულ ხედვას. 2010 წლიდან შეიცვალა ჯანმრთელობის დაცვის სახელმწიფო პროგრამების დაფინანსების წესები. თითოეულ რაიონში გამოცხადდა ტენდერში გამარჯვებული სადაზღვევო კომპანია, რომელსაც დაეკისრა დადგენილ ვადაში საავადმყოფოს მშენებლობის დასრულება და ამოქმედება. შედეგად, დაზღვეულს წაერთვა როგორც სადაზღვევო კომპანიის, ასევე საავადმყოფოს არჩევის უფლება. ამით, სადაზღვევო კომპანიებს შორის კონკურენცია შეიცვალა შესაბამის რაიონში მონოპოლიური სისტემით. ნაშრომში შესწავლილია ჯანდაცვის სისტემაში განხორციელებული ცვლილებების, კონკურენტული სადაზღვევო სისტემიდან მონოპოლისტურ სადაზღვევო სისტემაზე გადასვლის მიზეზები, მისი დადებითი და უარყოფითი მხარეები.

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