

Hospital models in other parts of the world – the French model

Daniel LENOIR
Chief Executive Officer

Kulmie SAMANTAR
Head of International Affairs

Fédération Nationale de la Mutualité Française
www.mutualite.fr



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Hospital models in other parts of the world – the French model

Summary:

- Presentation of Social Security in France
- Presentation of Mutualité Française: complementary insurance and care facilities
- Major trends of health related expenses
- Hospitals in France: role and repartitions; opportunities and challenges
- Orientations for Mutualité Française

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Presentation of Social Security in France

- **Main risks covered** :
 - Sickness
 - Pensions
 - Family and other allowances
 - Accidents at work & Occupational Diseases - *Compensation*
- *Since May 2005*
 - A National Solidarity Board & for Autonomy (Elderly and Long Term Care)

Presentation of Social Security in France

- Constitutional Principle
- Compulsory and universal coverage aim
- **Principle** : Social Insurance, National Solidarity, contributions are not linked to the risks incurred
- **Financing** : Social contributions but taxation is raising
 - Social contributions from employers/employees : 50%
 - Supplementary social security contribution* : 36%
 - Indirect Taxation (tobacco, alcohol) other contributions : 7,6%
 - Other budget transfers (National and local) : 6,4%

**Contribution Sociale Généralisée is a tax initiated in 1991 and targeted to fund the Health Insurance Budget.*

Source: National health insurance fund, 2006

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Presentation of Social Security in France

Social security is still a system where deficit is a heavy burden:

	2005	2006	2007	2008
Social Security as all	-11,6	-8,7	-11,7	-12,7
Sickness branch In billion €	-8	- 5,9	- 6,2	- 7,1

The Government is pushing to transfer on a permanent basis a part of the deficit on complementary schemes.

Presentation of Mutualité Française: complementary health insurance and care facilities

- The **compulsory** health insurance does not cover all the expenses. A co-payment that varies from 20 to 40% is in place (for some drugs it can go up to 65%). This out-of-pocket expenditure is made of co-payment and extra fee charges by providers. This co-payment is on most of the cases covered by the **complementary** schemes.
- The main players, all private players either commercial and non-for profit (mutuals) freely decide the level of the complementary cover: **which is at least the share not covered by the compulsory regime** (i.e. the co-payment).
- With the last Health insurance reform of 2004, this freedom of action is relatively limited by: creation of health paths, conditioning the fiscal regime of health insurers.
- **A new form of co-payments not covered by complementary schemes has taken place (front end deductibles).**

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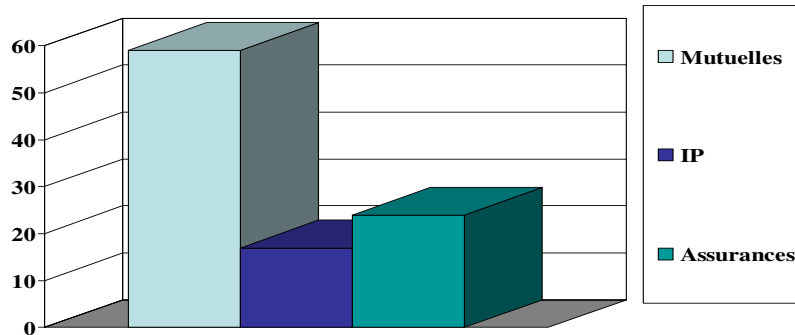
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Presentation of Mutualité Française: complementary health insurance and care facilities

Market shares complementary health insurance in 2007

Non-for-profit: Mutuels (59%); Professionals Pension Schemes (17%);

For profit: Commercial insurers (24%)



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Presentation of Mutualité Française: complementary health insurance and care facilities

With the Mutuality Code of 2002, Mutuels had to separate their activities:

- Less than 700 mutuels for insurance activities (mainly for complementary health insurance. Concentration is underway)
 - 36 million people covered
 - 18 billion € (earned premiums for all health mutuels)

- Around 1000 mutuels or entities manage more than 2000 care facilities
 - 100 clinics
 - 640 optical centers
 - 400 dental centers
 - 160 hearing aids centers
 - 77 geriatric center
 - 70 pharmacies

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Major trends of health related expenses

- Health expenses in France:
 - Social Security : 77 %
 - Complementary schemes: 13,1%
 - Households : 8,6%
 - State, regions and Medical aid: 1,4%

Major trends of health related expenses

Health related expenses and consumption of medical goods has been multiplied by 3,5 in 50 years.

- 2,5 of GDP in 1950 to 8,8 of GDP in 2005. They are 10,6% of GDP in 2006

- United States: 15,3%
- Germany: 10,7%
- UK: 8,3%
- Italy: 8,9%
- Sweden: 9,1%

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Major trends of health related expenses

	1950	1982	2005
Hospitals expenses In %	43,1	54,2	44,5
Ambulatory care	27,1	24,2	27,3
Drugs (out patients)	25,3	17,5	20,8
Other (out patients)	4,5	4,1	7,4

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Major trends of health related expenses: the weight of chronic diseases

- The driver of increase of health expenses is: the development of chronic diseases (ageing population and medical progress);
- There is a limitative list of 30 pathologies entering in the chronic disease group. All related treatments from hospital, surgery and drugs is covered at 100% by the national health insurance scheme. There is an attempt to have the narrowest approach for chronic disease.
- 14% of the patients suffering from chronic disease represented 64% of the overall health expenses. The number of patients concerned by such diseases grew at a rate of 5,7 % per year from 1994 to 2004.
- The average annual reimbursement of a chronic disease patient is 8 713 € in 2006.
- Those long and costly diseases will be responsible of 90% of the total increase of health expenses.

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Hospitals in France: role and repartition; opportunities and challenges

- France counts 3 kinds of actors:
 - **Public sector** – 1006 Hospitals representing 53 billion € of gross income and receiving 58% of recoveries;
 - **Private sector** – 825 Hospitals representing 11 billion € of gross income and receiving 28 % of recoveries;
 - **Private sector non-for-profit** – 569 Hospitals representing 8,5 billion € of gross income and receiving 14% of recoveries;
- The bed capacity will be of around 460 000 beds (for complete hospitalization) and of around 48 000 units (for partial hospitalization);
- Something like 22 million recoveries per year of an average duration of 6,1 day in Medical, Surgical and Obstetrician hospitals category (called MCO).

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Hospitals in France: role and repartition

Major highlights:

- **Socialized funding:** Hospital funding is almost exclusively from Social security reimbursements: whatever the legal form or status (i.e. Purely public, private and non for profit);
- **Economical importance:** Hospitals represent half of the expenses of compulsory health insurance (overall expenses were around 150 billion € in 2007)
- **The weight of Public** hospital sector in France:
 - 60% of structures
 - 72% of Medical staff
 - 80% of the bed capacity
- **Political importance:** often the first employer of the city where it is located, very strong symbols attached to it, very often major political (mainly local) stakes. Hospitals are sometimes used to fix population and employment in non urban areas.

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Hospitals in France: role and repartition

Major trends:

- Slight reduction of the share of the hospital in overall health expenses;
- But expenses continue to grow more than forecasted in comparison of resources.
- The private sector growth is mainly explained by a more important increase of activity in comparison of the other actors.

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Hospitals in France: opportunities and challenges

A new tarification

Before 2004:

- the public sector alongside the private non for profit sector (including mutuals hospitals) were receiving a global financial envelope by Social Security to perform their activity.
- the private sector: clinics were funded on the basis of a daily activity, a lump sum (forfait) billing linked to medical acts performed and medical fees (freely defined sometimes).

Those separate billings methods avoided:

- a real assessment of public hospital performance
- a win/win situation for public-private partnership

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Hospitals in France: opportunities and challenges

A new tarification

A single billing method based on activities for both public and private hospital sectors has been implemented in 2005. It is a form of DRG.

The tarification based on activity (T2A) has begun as of January 2005 for all sectors. It covers almost all the activities.

Convergent tarifications for both public and private will be fully operational in 2012.

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Hospitals in France: opportunities and challenges

Other Challenges:

T2A is only one response among other hospital reforms attempts:

- Since this funding method is based on activities, there is a strong risk of inflationary behaviors. This may lead to a stronger specialization of some hospitals.
- a new nomenclature and list of medical acts and tariffs
- a quality policy based on accreditation and evaluation
- Difficult cooperation between ambulatory care and hospital care

Success and Challenges for Public sector

- **Success:**

- Universal and permanent access;
- Training and Research

- **Challenges:**

Reduction of market share, because of:

- Lesser efficiency aggravated by lack of coherent Governance
- Risk of anti-selection because of T2A
- Lesser attractive for health professionals

Success and Challenges for Private sector

- **Success:**

- Economic efficiency
- rapid adaptation to T2A
- Dragging Medical doctors and surgeons but in great part because of extra charges

- **Challenges:**

- High ROI requested by investors
- Extra charges of health professionals
- Necessary respect of universal and permanent access

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Success and Challenges for Private non for profit sector

- **Success:**

- Participation to the Public sector's missions
- Opposable tariffs (mainly because of absence of extra charge)
- Economic responsibility

- **Challenges:**

- Atomized presence on the territory
- Too weak concentration
- Weak financial investment tools
- Lesser attractive for health professionals

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Hospitals in France: role and repartition; opportunities and challenges

From the compulsory health insurance side:

Hospital counts for 44% of compulsory health insurance paid out by Social Security:

- 92% of hospital costs are funded by Social Security
- 4% of hospital costs are funded by Complementary schemes (mainly mutuels)
- the rest is paid by households.

From the Mutuels side:

If complementary schemes share represents only 4% of the overall hospital costs, it represents 12% of overall expenses paid by mutuels:

- 6,7% for billing in private hospitals
- 5,5% for billing in public hospitals

There is a major trend for mutuels members to go to private clinics and the coverage of mutuels is increasingly high for extra charges (single room, medical fees, allowances).

This tendency will continue even more because of the Government orientations to transfer public deficits to complementary schemes.

Orientations for Mutualité Française

Mutuals as health complementary insurer:

Major stakes:

- Promote a high standard of quality for all
- Encourage health care continuity,
- Implement a cost containment policy based on control and reduction of extra medical fees.

Major breakthrough:

- Priorité Santé Mutualiste:
 - database on quality measurements,
 - liaison facility between referral doctor, treatment center and patient,
 - negotiation of tariffs and definition of areas where extra medical fees are allowed.

PSM is a trademark of this major project.

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Orientations for Mutualité Française

Mutuals as care facilities provider:

Major stakes:

- Elaborate and implement a common hospital policy in Mutualité Française's major orientations and actions of our mutuals
- Encourage integration of our hospitals in a Group
- Define a cost-efficient management and guarantee their economic balance
- Institution of a financial investment fund to develop related activities
- Promote high standards of quality in all hospitals of the group.

Major breakthrough:

- Creation of a mutual hospitals group (GHMF) in November 2006 promoting the vision of combining performance and general access to care.

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Thank you for your attention

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