



# Become Part of a New Insurance Culture!

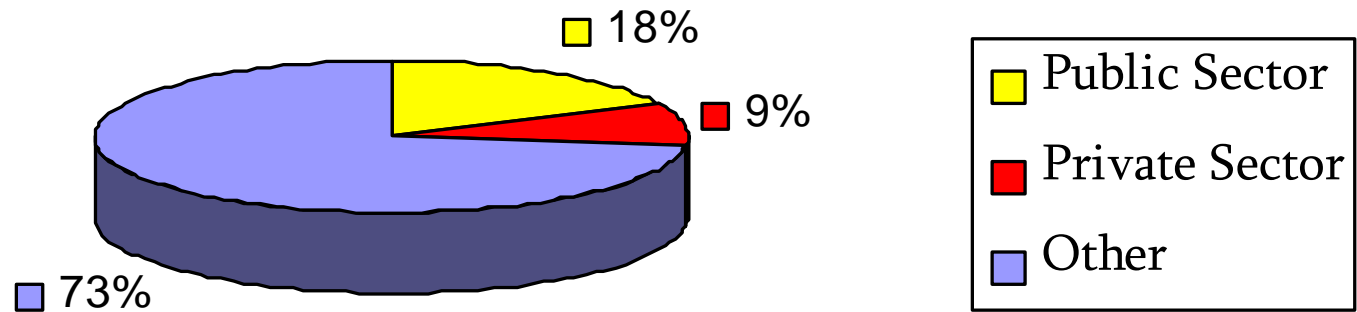
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# Georgia's Social and Economic Indicators (2007)

- Population – 4.4m;
- Number of people employed in the formal sector– 600000;
- The population aged over 60 – 780000;
- Gross National Income (per capita) – 3100 GEL;
- Per capita health care spending – 260 GEL;
- Application to hospital - 6.3%.

# Health Care Spending in Georgia (2007)

- Total spending - 1,4bln. GEL;
- Health care spending as a share of the Gross National Income - 8% (10-15% in developed countries);
- The structure of spending.



## What do the figures show?

- Georgia is lower-middle-income country;
- Tax rates in Georgia are lower than average;
- The ratio of people employed in a formal sector to pensioners is one employed/one pensioner;
- Taxpayer citizens account for 15% of Georgia's total population;
- Out-of-pocket payments are the principal means of the financing of health care; the state share does not exceed 20%.

## Social protection system opportunities

- Scarce budget funds;
- Social systems based on the principles of solidarity will not work in Georgia!
- Actually the health care system has been long “privatized” – It is financed basically.

Policy Choice #1:  
How should social budget be managed?

- Each citizen should get an equal share;
- Only to those that cannot afford themselves (the poor, the elderly...);
- Some combination of the above two.

*Attention: The volume of social benefits will decrease along with an increase in the number of beneficiaries.*

Policy Choice #1:  
How should social budget be managed?

- Decision: State funds will be spent primarily on target groups;
- 'Social Safety Net' conception.

## Social system until 2005

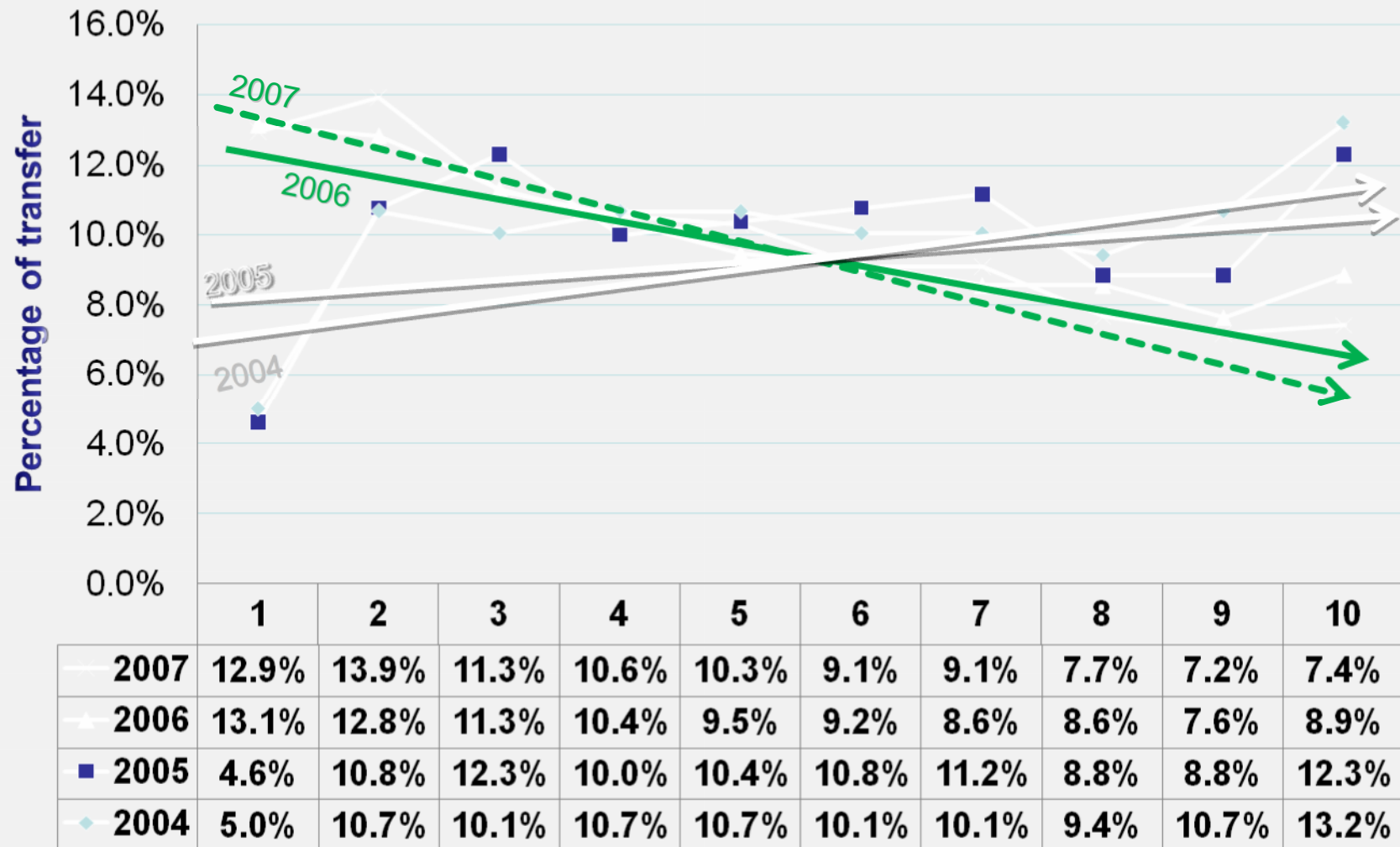
- Social aid is provided for target groups of different categories;
- State health care programs are universal – each citizen gets equal but very limited benefit.



## Social system reform: The year 2005

- The central database of beneficiaries of social aid based on needs assessment;
- Purpose: To increase social transfers in favor of the poor population.

## Changes in the share of social transfers received by decile groups in 2004-2007



## Health Care Reform in 2006

- Along with an increase in objectives of providing social aid, objectives of state health care programs should also increase;
- Existing “universal” programs” should be gradually replaced by programs focused on target groups.

# Policy choice # 2: To buy health care or health insurance?

The idea of killing two birds with one bullet!

- Even if programs for beneficiaries were perfect, the health care system would be defective without the resolution of problems of non-beneficiaries;
- There is no alternative to health insurance of the population not covered by state programs;
- The design of state programs in the deregulated environment should contribute to the resolution of non-beneficiaries' problems.

## Policy choice # 2: To buy health care or health insurance?

- Resolution: Providing access to health insurance for beneficiaries;
- Insurance voucher;
- The money is given directly to a person;
- Supporting private relationships;
- The best way to provide information/involvement.

## Beneficiary satisfaction

	Satisfaction with Medical Services	Satisfaction with Financial Assistance
Not satisfied	10,9	5,2
Satisfied more or less	18,1	39,8
Satisfied	71,0	55,0
Total	100,0	100,0

## Current results of health care financing reform

- 1,1m people insured by the end of 2008 (100 000 in 2006);
- Uninsured population;
- Around 1m of employed people and their family members;
- 550 000 old age not poor pensioners;
- 1,5m self-insured.

# Current results of health care financing reform (continued)

- Key challenges;
- New infrastructure;
- Newly regulated environment;
- New business relationships;
- Ensuring quality and access;
- Conflict resolution.



## People employed in the non-formal sector

- Difficult to mobilize to sign group insurance contracts;
- It is difficult for them to enter the insurance system;
- Antiselection;
- Difficulty of selling an insurance product under the installment scheme;
- Cash collection;
- Inflexibility of legislative base (an insurance agreement).

# Policy Choice: Insurance service stabilization

- ‘Cheap State Insurance Program’ – Each lari paid by a Georgian citizen for insurance services is added two lari from the state budget;
- Basic coverage;
- ‘A chance to become part of a new insurance culture ’

## "Cheap Insurance"-Insurance Product

Component	Limit	Co-payment
Medical service required as a result of accident	5000 GEL	0%
Urgent in-patient services	2000 GEL (insurer's limit 1000 GEL)	50%
Urgent out-patient services	300	0%
<b>Primary health care</b> <ul style="list-style-type: none"> <li>• Visit to a doctor/nurse</li> <li>• General blood test</li> <li>• General urine test</li> <li>• Blood glucose level</li> <li>• Creatinine</li> <li>• Electrocardiography</li> </ul>	Visits not limited Clinicolaboratory 3 Electrocardiography 2	0%

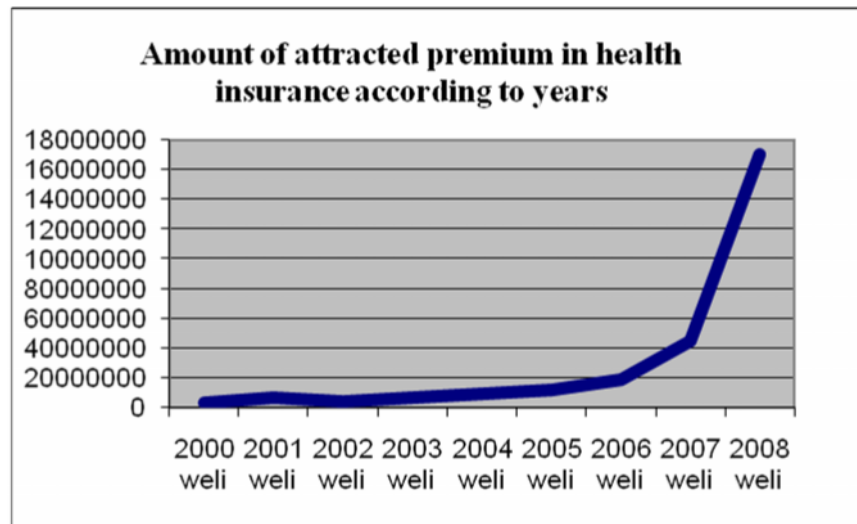
## “Insurance for the Poor”- Insurance Product

Component	Limit	Co-payment
Planned surgeries	15000 GEL	0%
Urgent in-patient and out-patient services	No limit	0%
Chemotherapy and x-ray therapy	12000 GEL	0%
Birth	400 GEL	0%
Primary health care • Family doctor • 10 types of out-patient examination • Hospitalization-related examinations	No limit	0%

## Insurance and insurance system parameters

- ‘Insurance – Financial services for the coverage of potential future, in certain cases unknown and most of the time predictable costs in exchange for a periodic fixed payment (insurance premium).

## Health insurance development dynamics



- Key problem of insurance medicine: The insurance manages future risks rather than already existing problems, the way it is used currently in Georgia.

## The number of insured population by the end of 2008

Insurance Program	The number of the insured
The state health insurance program for the people living under the poverty line (the poor)	666 651
The state health insurance program for teachers	83 239
Other state-funded health insurance programs	58 611
Insurance programs for public institutions	51 359
Corporate insurance programs	184 610
Contracts signed with individuals	28 296
Total	1 072 766

## Financial indicators(insurance of people living under the poverty line)

The number of insured people	565 374
Attracted premium	77 245 088
Earned premium	37 769 379
Paid losses	21 991 366
The provisions for reported but not settled claims	3 868 402
The provisions for reported but not settled claims	3 071 415
Administrative costs	2 382 176
Acquisition costs	5 132 119
Net loss ratio	76,6%
Combined loss ratio	96%
Operational results	1 323 900