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Policy Brief

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Challenges of the Universal Healthcare Program and Ways to Overcome Them





Policy Brief

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Timeline of the Universal Healthcare Program

The Georgian State Universal Healthcare Program was launched in 2013 and is run by the Social Service Agency. The program was aimed at providing health insurance to all citizens of Georgia who, as of July 1, 2013, had neither state nor private insurance. All pre-existing state insurance programs were run by private insurance companies. These programs provided health insurance only to socially vulnerable and retired citizens, children under 5, students, children with disabilities, and persons with significant disabilities.

In 2014, all of the pre-existing state health insurance programs were terminated and their beneficiaries were transferred to the Universal Healthcare Program, after which private insurance companies were no longer involved in state programs.

The Universal Healthcare Program provided the citizens of Georgia with important social guarantees. However, the scale of this program gave rise to risks in the following areas:

- Growing budget expenditure
- Effective management of the program
- Development of private insurance business

This policy brief aims to study the challenges faced by the Universal Healthcare Program, and develop recommendations on how to overcome them, as well as how to ensure the program is implemented in an efficient and uninterrupted manner.

Costs of the Universal Healthcare Program

The 2015 budget plan of the Ministry of Health allocated GEL 470 million to the Universal Healthcare Program. 90% of this amount had already been expended by the third quarter of 2015, requiring budget revision and additional funds for ensuring its uninterrupted implementation. The final budget of the program in 2015 amounted to GEL 573 million or 22% more than the planned amount in the beginning of the year.

Considering the previous years' experience, the 2016 budget plan allocated GEL 570 million to the program. As of the first quarter of 2016 GEL 162 million had already been expended, which is GEL 40 million more than the amount expended during the same period in 2015. This figure suggests that the planned amount will once again prove insufficient and that the Ministry will have to seek additional funds to ensure uninterrupted implementation of the program in 2016

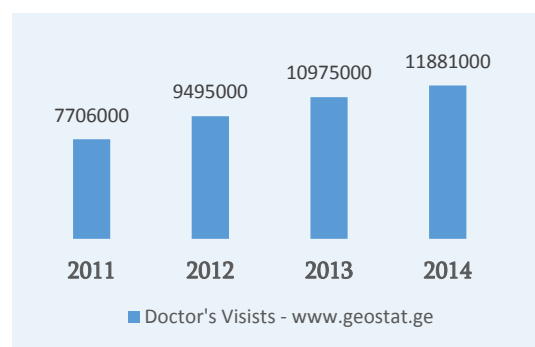
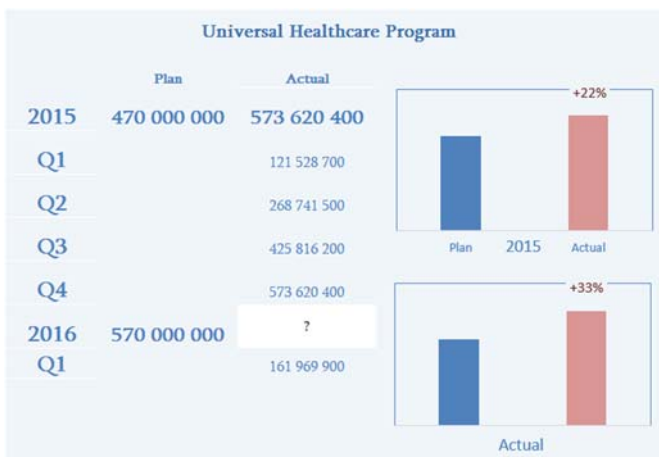
Sources of Unplanned Expenses

The above analysis reveals that annual budget planning is a major problem for the Universal Healthcare Program. The following are the main factors contributing to the unplanned expenses of the program:

Increasing healthcare costs – healthcare costs are increasing worldwide due to the introduction of new technologies and new drugs, price inflation, and so forth. According to Geostat, healthcare costs in Georgia increased by 5.6% from May 2015 to May 2016 (9.8% for outpatient services and 4.2% for medical products and equipment).

Free service effect – the Universal Healthcare Program gave the citizens of Georgia free access to those medical services that were previously inaccessible. This resulted in a significant increase in the number of doctor's visits. According to Geostat, this number increased by 54% from 2011 to 2014.

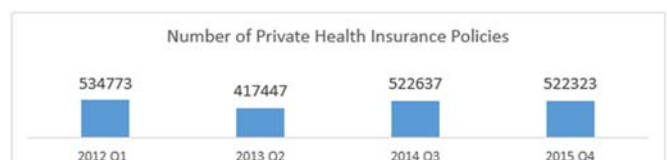
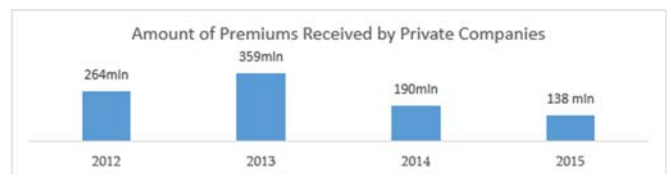
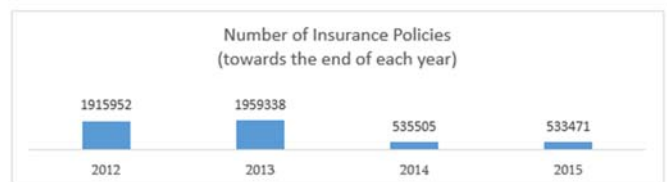
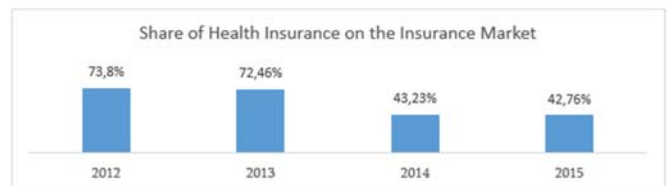
Over time, the increasing awareness about the program will most probably lead to even further increase in the number of doctor's visits, which, in turn, will increase the cost of the program.



Effective management of the program – the costs of the program largely depend on the efficiency with which the Social Service Agency (SSA) manages the program. Due to the sheer scale of the program, the SSA has been unable to fully oversee medical institutions. The sharp increase in the number of emergency surgeries after the launch of the Universal Healthcare Program has raised questions about the SSA’s ability to prevent the attempts of medical institutions to artificially worsen or change a patient’s diagnosis for the purpose of receiving additional income. A 2015 study by Curatio International Foundation found a 314% increase in the number of emergency surgeries after the launch of the program. Effective management of the program is complicated by the fact that the SSA does not have access to accurate information on citizens insured by private insurance companies. After the launch of the program, private insurance companies refused to provide the SSA with information on insured citizens citing protection of personal data. For this reason, program beneficiaries are still being determined using data from July 1, 2013. As a result, citizens whose private insurance was terminated after July 1, 2013, have been insured with the starting package of the Universal Healthcare Program, while citizens who received private insurance after July 1, 2013, have not been excluded from the state program and currently have double insurance. Double insurance means that private insurance companies compensate beneficiaries for only those services that are not covered by the state program. This significantly increases the number of beneficiaries and costs of the state program.

Impact on Private Insurance

Prior to the launch of the Universal Healthcare Program, 74% of the insurance market in Georgia was held by health insurance. According to the Insurance State Supervision Service, towards the end of 2012 private insurance companies had a total of 1,915,952 health insurance policies (contracts) (in both private and state insurance programs). During the same year, insurance companies had received GEL 264 million in insurance premiums. In 2014, private insurance companies were wholly eliminated from the state healthcare program, leaving them only with private insurance policies, the number of which amounted to 535,505 towards the end of 2014. Insurance premiums received by private companies also declined to GEL 190 million in 2014 and their share went down to 43% of the insurance market.



The launch of the Universal Healthcare Program posed a risk of reducing the number of private insurance beneficiaries. This number did decline significantly during the initial stage of the state program. However, after the second quarter of 2014 it started increasing again and has already almost reached its pre-launch amount. In order to attract beneficiaries, private insurance companies started offering insurance services that were not being covered by the state program. The increase in private insurance policies was mostly due to an increased demand for corporate insurance plans in state institutions, which, in turn, could have been due to the overall growth of the public sector.

Challenges Facing the Program

Now, nearly three years after the launch of the Universal Healthcare Program, its financial performance has made clear that the planning process did not involve careful consideration of possible risks. The program did not have a strategy or an action plan that would ensure its effective and coherent development. Maintaining the program in its current form is associated with a number of risks:

- The increasing cost of the Universal Healthcare Program could result in the government no longer being able to allocate the funds required for its uninterrupted implementation and timely compensation of medical institutions.

For example, in 2014 the State Audit Office found cases of overdue payments to medical institutions by the Ministry of Health. IDFI also requested information on this matter from the Social Service Agency, which denied the existence of any overdue payments.

- Also, a risk factor is the fact that according to Georgian law the SSA is unable to access information on citizens that are insured by private companies. This greatly complicates the process of identifying beneficiaries for the state program.

- The lack of a long-term development plan for healthcare programs is a significant threat to the development of the private insurance market. State programs greatly influence how private insurance companies plan their activities. Therefore, the inexistence of a state program implementation plan creates an unstable environment for private companies and hinders the development of the private insurance market.

Recommendations

Considering the challenges facing the Universal Healthcare Program, the Georgian government will most probably have to make some modifications in the near future. The Prime Minister has already alluded to this by stating that the program would probably be modified after the 2016 parliamentary elections. IDFI believes that the following recommendations need to be taken into account in order to increase the effectiveness of the program:



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1) A strategy and a long-term action plan for the Universal Healthcare Program need to be developed. A long-term vision of the development of the program will increase the stability of the program as well as the private insurance sector.

2) The government should consider modifying the program into a targeted one, where priority will be given to socially vulnerable persons, persons with disabilities, large families, retired citizens, young children and low income citizens. The program development strategy and action plan should detail the different stages of this modification.

3) Considering international best practice, the universal healthcare strategy should include the introduction of an obligatory health insurance system through a public-private partnership format.

4) The monitoring system of public funds allocated for the program should be improved, in order to minimize the likelihood of dishonest behavior of medical institutions.

5) The Law on Personal Data Protection should be amended to enable the government to have access to information on citizens who are insured by private insurance companies.

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