



The Need for Supplementary Health Insurance in Iran

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Abstract

Global experiences show that it is practically and economically impossible to aggregate all services in the form of public health insurance with the increasing diversity in patient care services, and any institution which receives per capita payments, is able to provide all services. Considering the growing diagnostic costs in our country, it is not practically feasible to use more up-to-date and expensive medical technology and the introduction of new therapies that cover the treatment costs in the form of basic health and state-owned insurances; as a result of the progress of this trend, more and more people will be deprived of appropriate health services on a daily basis; therefore supplemental insurances are used in many countries to cover some services.

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Introduction

Structurally, supplementary health insurance is based on partnership and provides three types of services: service complement, cost complement, integrating cost and service complements. These types of insurance are offered as a group in some countries. The partnership of the insured and the employer provides employee health insurance premiums in most countries. In the case of the self-employed individuals and other segments of society, insurance premiums are usually paid by the insured and governments generally contribute to the payment of insurance premiums of prioritized people. Global experience in most cases indicates that a private sector partnership is effective and beneficial for enrichment of supplementary health insurance with an emphasis on accurate government monitoring. Studies have also shown that it is useful to consider a franchise for covered services between insurance companies in a competitive manner so that consumption patterns are controlled and unnecessary demands are avoided.¹⁻⁴

Article 29 of the Iranian Constitution states that "failure to cover all health care services will put the health of the person at risk". Considering the structure and functioning of a health insurance company, it appears that supplementary health insurance does not fit the current organizational structure, despite the extent of the population covered. It is necessary to modify this structure in order to adapt to new conditions. Examination of successful experiences in implementing supplementary health insurance in the European Union (EU),

especially in France, the most successful insurance system in the world, indicates that the rules and systems governing the market should not be included in the healthcare principles. Individuals should be urged to participate in health insurance schemes based on their level of income, while care should be provided based on medical need, not financial participation.⁵

Supplementary, Complementary and Surplus Insurance

The global insurance industry divides supplementary health insurance into three main groups based on the type of service coverage. The first group is double health insurance in which supplementary health insurance covers services that are covered by fundamental insurance to facilitate service delivery or expedite payment, increasing the number of private sector contractors and other services. The second part is surplus service insurance in which the complementary insurance covers services not covered by the fundamental insurance, such as cosmetic services. The third is surplus cost insurance, in which the supplementary insurance covers surplus costs that are not covered by the fundamental insurance, such as first-class beds or other expenses that are mostly related to well-being. Supplementary insurance services include those services not covered by fundamental insurance. The services that are considered to be a sub-group of fundamental insurance are extensive. At present, supplementary insurance is committed to providing part of a service that is included in the fundamental insurance list, but is not fully covered.

Iranian supplementary insurance companies have a unique

way of covering health insurance services that is not available in other countries and which has seriously affected the health market in Iran. In addition to covering some of the services not covered by basic insurance, Iranian supplementary insurance companies also attempt to cover the cost of services covered by the fundamental insurance, but that are several times the cost covered by fundamental insurance. For example, if the price of a test is 1 000 000 rials and the fundamental insurance pays 300 000 rials, the insured is obligated to pay the remaining 700 000 rials. Supplementary insurance will then cover the remaining 700 000 rials. This trend is referred to as surplus health insurance. Supplementary health insurance should primarily cover services such as cosmetic surgery that are not covered by fundamental insurance. This is a structural mistake in terms of the name. Surplus insurance has been wrongly designated as supplementary insurance. When supplementary insurance covers the current state of treatment at the national level, they are in actuality surplus health insurance.

Result of Global Experience: Reduced Out-of-Pocket Payments

The range of healthcare services provided to patients is so extensive that it is not economically feasible to provide all services in the form of fundamental health insurance to the public sector. No institution can provide all services using fixed per capita income. Global experience has shown that the supplementary insurance available in many countries cover these services and the majority of these institutions are privately owned. For example, in the United Kingdom, where full insurance coverage is provided in a comprehensive manner, people can use supplementary insurance for private healthcare services. In France, public and private insurers are pioneers in terms of coordinating their efforts to achieve greater efficiency in healthcare systems.

Medicare supplementary insurance in the United States covers services not provided by basic Medicare insurance. These fundamental insurance schemes in the United States cover only vulnerable segments of the population and other segments must obtain private insurance. The US experience of competition among private insurers is disappointing from the macro perspective. The competition between public and private insurers in Chile has also proved to be unsuccessful. Colombia, which has modest revenue growth, has been a pioneer in integrating private mechanisms while maintaining its solidarity.

EU member states are trying to maintain a high level of solidarity for public insurance coverage, although there is no fit between taxes and individual participation in order to finance compulsory coverage according to the vulnerability of individuals. These countries generally agree that rules and systems governing the market should not be included in the healthcare principles and that people should be urged to participate in health insurance schemes based on their income, not their risk rate. Moreover, the proportion of health-care expenditures provided by EU member states has decreased (especially for outpatient and medical products), meaning that people must provide part of their expenditures

themselves. This decrease in compulsory coverage has led many citizens to seek treatment only as emergency cases and delay treatment for issues that are not covered (such as dental treatment).

European citizens are protected against disease risk through public or compulsory social systems, but also enjoy supportive mechanisms such as private insurance, commercial and nonprofit institutions that cover a maximum range of services. These measures have expanded and provide decent access to healthcare services through the provision of extensive services in which the level of cost reimbursement and the range of services and goods provided depend on the services available in different public schemes. Germany, Australia, Belgium, France, Luxembourg and the Netherlands offer supplementary health insurance along with a social insurance system. These schemes come under the framework of a national healthcare system to cover those whose income is above than a certain amount or, in Denmark, for those who are able to choose their care provider.

Supplementary treatment insurance is secondary to fundamental insurance, assuming that it provides the freedom to choose between options, including access to private healthcare services, that are not available in a state system. For example, the English Mutual Benefit Association for Urban and Post-Telecommunications Employees treats members at their own civilian hospitals or contracting agencies when national medicine fails to meet the therapeutic needs of the members due to the long waiting list. Obviously, considering its nature, this method is unique to countries such as England, Denmark, Sweden, the Netherlands, Italy, Portugal, Spain and Greece, where there is a national medical system. Surplus insurance gives people a choice between it and the public system. They will be exempt from paying the premium to the public system by choosing this type of coverage, but will not be entitled to the benefits of the public system. If a person chooses this option, he/she will be deprived of all rights related to the public service system. This method exists in Germany and the Netherlands and the rules for this coverage include a certain income level, above which some social groups can use private insurance schemes.

Replacement insurance coverage has also been established in some countries, such as Belgium, for self-employed workers who do not want to be covered by public schemes. It was stipulated in the 1990s that countries that intend to enter the EU should have a social insurance system and, thus, in addition to providing a clear vision of their basic insurance schemes, they should put into place supplementary schemes. Poland established its social coverage in 1999, but a large number of service providers refuse to provide care to patients because of the inadequate resources of the Compulsory Health Insurance Fund.

France has one of the best insurance schemes in the world, both in the public and private sectors. French insurance industry researchers consider the main function of supplementary health insurance to be reducing the patient out-of-pocket expenses. In Hungary, the first supplementary healthcare insurance company was established by the National Health Insurance Fund, but the bilateral benefit association in

this country is limited to activities that enhance health status and focus on disease prevention and preventative health care. Slovenia, the Czech Republic and Slovakia have good coverage for basic care and patients must cover part of the cost of dental, ophthalmic and dental treatment.

The European Parliament's Committee on Social Affairs emphasizes the need for a minimum package of health services that should be established on the basis of public need and prioritizing basic public services. Studies on the cost of healthcare services in compulsory schemes indicate a failure to achieve the high level of social protection objectives of the European treaty. This treaty has set minimum and common rules for private insurers to provide the best possible coverage to members. These regulations include a framework for the level of responsibility in a given category, avoidance of selectivity in risk distribution, guaranteed lifelong service delivery and the absence of differences based on ethnicity.

In the absence of such criteria, private insurers will be under pressure from market forces and will determine premiums based on health risks. They will make risk-based choices and exclude those who suffer from serious health problems or have inadequate funding. As a result, individuals will have limited access to private insurers and, ultimately, to the full range of care required. Supplementary insurance is not required to accept the regulations of public systems unless they are responsible for representing these services. For example, such services are provided by mutual benefit associations in France because the cost of providing such basic healthcare services is low. It is better for supplementary insurers who have a major role in providing healthcare coverage to guarantee access to quality and necessary care under certain terms and conditions. Ireland is an example of this system. In this country, all insurance companies that follow the policy of providing private healthcare are required to adhere to principles that include premiums for social solidarity, full freedom for people less than 65 years of age to join the schemes, lack of discrimination in terms of age and age-related risks and guaranteed life expectancy. In this regard, there are also compensatory mechanisms among insurers for balancing risk structures.⁶⁻¹⁰

Improving the Health System

The most important functions of insurers is to improve the performance of the health system. The principle of insurance is based on participation in which everyone should participate as much as possible to advance pre-designed goals. The following principles should be taken into account while designing health insurance: equal distribution, community participation, inter-departmental collaboration and appropriate technology.

Supplementary insurance has essentially been developed to improve these principles. From this perspective, the structure of supplementary insurance can be divided into the following forms: those designed to complement services, those designed as cost supplements and those designed to complement costs and services. These types of supplementary insurances are formed to provide services when there is a service gap or a cost gap that exists in basic insurance. If all 5 types of insurance are

considered together, it can be concluded that there is a service gap in basic insurance and gaps in accessing services. This has caused the insured to believe they are entitled to services from other sectors. Supplementary insurance bridges the service gap and this is the cause of the formation of supplementary insurance systems.

Supplementary health insurance, like many other types of insurance should be implemented as either group health insurance or individual health insurance. Supplementary health insurance is generally combined with group insurance such that individuals are insured as a group. Exceptions to this include third-party and travel insurance.

The significant role of supplementary insurance is related to out-of-pocket consumer expenses. Global experience has shown that if supplementary insurance is properly structured commensurate with the community market, it can control expensive tariffs on the private sector and equalize tariffs through competition and bargaining power.⁶

There are limited resources in the health sector of Iran; however, basic health insurance providers in Iran, despite their weaknesses, have significant strengths in comparison with many countries. The coverage of all outpatient services and the wide range of insurance services in Iran is greater than in many other countries. However, the feasibility of a country's success rate is affected by developments in high-cost diagnostic and therapeutic technologies and practices. Global experience has shown that the use of supplementary insurance has significantly increased the demand for and use of healthcare services.¹¹ The following opportunities and requirements are in place to implement and enhance the role of supplementary insurance in the current state of the country:

1. Commercial insurance companies have acquired several years of experience in providing supplementary insurance.
2. Governmental and nongovernmental institutions and organizations tend to provide employee supplementary insurance.
3. It is anticipated that legal problems relating to private insurance activity will be resolved in the near future.
4. There has been activation of the private sector in providing healthcare services in many cities.
5. There is no coverage for many services in basic insurance packages.
6. Many people cannot afford to use healthcare services.
7. There is an absence of supportive systems for seniors and people with disabilities.
8. Many clinics and health centers do not accept health insurance cards.
9. There is uncertainty about the ability to cover expensive surgeries such as organ transplants.
10. The public sector is at times unable to pay for medical expenses of individuals.
11. Group participation is necessary to pay for medical expenses.

Conclusion

Supplementary health insurance is a new insurance industry

in Iran. The figures from Central Insurance Statistics of Iran indicates that this insurance has a lower profitability rate. The importance of identifying deterrent factors and attempting to resolve them as well as identifying factors that promote the industry have led to the creation of a cycle which will improve health care and increase the country's growth and development as well. Strategies and recommendations must be effective in order to improve the supplementary health insurance industry in the country using the experiences of developed countries.

Authors' Contributions

All authors contributed equally to this research.

Conflict of Interest Disclosures

The authors declare they have no conflicts of interest.

Ethical Approval

Not applicable.

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