Where private **plans fit in**



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When a public service does not meet expectations and there is money to invest, an immediate solution is to pay for a private alternative. In Brazil, increased incomes have been reflected most obviously in sales of cars and more demand for private education, but growth in formal employment has also brought about an increase in collective health insurance plans subsidized by companies. Yet although they are on the wish lists of many Brazilians, according to a study by the Institute of Applied Economic Research (IPEA), health insurance plans are still considered expensive, even if they provide better services.

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More complex and expensive technologies to perform diagnostics, a lack of rationality in their use, and stricter regulation—Law 9656 of 1998 and supervision by the National Health Agency (ANS) since 2000—are among the factors market participants mentioned to justify the high price of the plans. Marcio Coriolano, president, National Federation of Private Health Insurance (FENASAÚDE), argues that "We cannot offer the flexibility to give the consumer the option to choose the protection he wants according to his pocket [when] increases in medical costs exceed general inflation in the economy."

Of the 47 million users of private health plans in 2011 in Brazil, 77% were in group plans. This implies two realities: beneficiaries and their families depend on continuing employment for health

insurance coverage, and once they retire, they may not be able to afford a plan to help cover health expenses.

Adversity

"The rules of the market and an aging population start to determine very adverse contracts and price structure," says Mônica Viegas Andrade, coordinator, Study Group on Health Economics and Crime, Department of Economics, Federal University of Minas Gerais. "And the fact is that although the public system provides medical centers of high quality and complexity, elective and outpatient care does not work well. Overlaps of public and private health care services reflect inequalities in income, ensuring access only to the ones that can pay," she says. Paulo Hirai, director, SantéCorp consulting, notes that paying for a health plan can be 10 times more expensive for the elderly than for someone 25 years old, "and we are aging rapidly."

"We're talking about the market. There is no charity," Coriolano says. "What we can do is offer alternatives." FENASAÚDE, along with others, has sent a proposal to ANS for a product like a supplementary pension plan that could improve the funding to cover the population. "It's a model like health saving accounts in the United States," he says. "The ANS and the Private Insurance Agency (Susep) have been studying this model for two years. We hope it will be adopted this year, with enough of a tax exemption to allow a capital gain."

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Hirai explains that in this system, the beneficiary pays health expenses up to a maximum limit; above it, the plan pays. "The advantage is that if the health expenses limit is not used, it will be available to finance the health costs of the beneficiary in old age." Hirai believes this model could provide a benefit to the health system as a whole: "For companies, it will require more competitive management models, with more balanced choices about diagnoses, treatments, and surgery," he says. As an illustration, he notes that the U.S. government estimates that health spending—totaling US $2.7 trillion a year—could be a third less if services were better managed. Hirai adds that "It would encourage consumers to opt for a healthier standard of living, because they would also have to pay for services used." He notes that more than 70% of the spending plans cover the care of chronic diseases, such as hypertension, heart disease, and diabetes, which are affected by a patient's lifestyle.