

Public tensions, private woes in Chile

In 1981 Chilean health-care insurance was partially privatized to offer more choice to those who could afford it. Twenty-seven years later the government is struggling with the resulting inequities. Mireia Bes reports.

Chile's health-care sector was opened up to the forces of the market by a new law in 1981 that allowed private insurance companies, called Isapres, (Instituciones de Salud Previsional) to compete for business. Prior to that, all Chileans were obliged to pay 4% of their income into the state-run Fondo Nacional de Salud (FONASA). The new law gave people, who could pay more, a greater choice and access to better services. "The idea was to allow people who were obliged to contribute 4% of their incomes to FONASA – a service they rarely if ever used – to take their 4% to the Isapre of their choice," says Ricardo Bitrán, an economist and Chilean health finance consultant. And if they wanted to contribute more for better service, they could do that too.

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Camilo Cid

The resultant transfer of funds out of the public scheme, FONASA, fed the private Isapre schemes until 1997, when nearly 25% of the Chilean population was insured privately. But the same funds transfer created a deficit for FONASA, which the government sought to rectify by raising mandatory contributions to 7% of individual incomes. Since then, there has been a progressive decrease in the Isapres' share of the market, and at present they insure only 15% of the population.

One of the reasons for this decline is that as the Isapre beneficiaries grew older, they found themselves confronted by higher premiums imposed by the private schemes to reflect increased risk. Ageing

Isapre adherents unwilling or unable to pay the higher premiums returned to the public scheme. Meanwhile, because the Isapres could refuse to cover new clients due to pre-existing conditions, many joined the public scheme because they had no other option.

This movement of higher-risk people away from the Isapres has placed a burden on the public sector that some consider unfair. Camilo Cid, economist and researcher working in the public sector says: "When people who have been with the Isapres their whole life start to become ill, they realize they can't go on paying those [high] premiums, and then they move to FONASA. This is a double inequity, because people who haven't contributed to the public system end up spending huge amounts of the public system's money."

In 2000, the Isapre private insurance schemes responded to public criticism that they were only insuring those who least needed their services by offering what they called catastrophic insurance coverage, effectively broadening the claims they were willing to cover. A round of government regulation followed, culminating in 2005 in a new law called Plan de Acceso Universal con Garantías Explicitas (AUGE), which established a list of 56 priority health problems that both FONASA and the Isapres were obliged to cover.

For Bitrán, the AUGE legislation is a significant step forward as it includes commitments to quality and timeliness of treatment. AUGE also sets a ceiling for consumer co-payments. President Michelle Bachelet, who came to office in 2006, has promised to increase the list of 56 illnesses and conditions covered to a total of 80 before finishing her four-year-term, but it remains to be seen whether she will achieve that goal. In 2008, the Isapres had to adjust their premiums to 8% or more because there was a considerable increase in payouts attributed to AUGE, a situation which has resulted in even more people going to FONASA.

"About 53% of health expenditure is spent on 70% of the population,

while the remaining 47% is spent on 17% of the population," says Cid, citing Ministry of Health figures. "It is neither proportional nor equitable." Those figures do not cover insurance schemes for the military, which represent around 5%. Meanwhile, about 8% of the population is not covered by any scheme at all.

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On the other side of the argument Bitrán points out that "Isapres weren't created to insure all Chileans, both rich and poor. They were created to insure the people who chose to join them and who are willing to pay at least 7% of their salary to be insured through them." That said, because the private insurance schemes tend to reject higher-risk consumers, they inevitably increase the risk, and therefore the cost of premiums within the public system. Moreover FONASA is burdened with a high proportion of people considered poor or destitute – a group which represents a staggering 40% of all FONASA beneficiaries. These people pay neither the 7% contribution, nor the co-payments due on receipt of services.

Supporting the public health insurance scheme and its members is of course a laudable act of social solidarity, but it also begs the question: shouldn't the richer consumers with the private Isapres schemes share the burden?

Cid believes that further reform will be necessary to make the current system more equitable, for example, by requiring private insurers to compensate FONASA, for the greater risks and additional financial burdens it shoulders. Whether reform will come about is another matter. For Cid, any meaningful discussion of the problem is unlikely in the short-term. "It seems that from time to time some doors open to political and technical discussion, but at the moment they are closed again because there are municipal elections coming up in Chile, and no one wants to speak about this complex issue openly," he says. ■