How the Netherlands became the most agile and cost effective health insurance market in Europe

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Agenda

1. The Dutch health insurance system
2. Are Dutch healthcare insurers really that agile and efficient?
3. Case study VGZ
4. How do they do it?
5. How can Mexican healthcare insurers benefit from the Dutch experience?
The Dutch health insurance system

The Netherlands

- 17 million inhabitants
- 12 healthcare insurers
- € 70 billion spent on healthcare
  - € 22 billion hospital care
  - € 30 billion long term care

![Diagram showing health expenditure per capita in OECD countries, 2011.](image)

1. In the Netherlands, it's not possible to distinguish clearly the public and private share for the part of health expenditure related to capital expenditure.
The Dutch health insurance system

Plans before the reform in 2006

- **ZFW** (Regulated sickness funds for income < 32,000)
- **Private insurance** (Voluntary for income > 32,000)
- **Public insurance for civil servants**
- **Long term Care (Regulated)**
- **Supplemental private insurance**
- **Remaining care**
- **Curative care; acute and regular medical care**
- **Long term care for elderly, disabled and patients requiring psychiatric treatment**
The Dutch health insurance system

Plans after the reform in 2006

- Basic healthcare insurance
- Supplemental private insurance
- Long term Care (Regulated)
- Remaining care
  - Curative care; acute, regular medical care and short-term psychiatric care (e.g. GP, hospital care, pharmaceutical care, medical devices)
  - Long term care for elderly, disabled and patients requiring psychiatric treatment
The Dutch health insurance system

Managed competition

• Compulsory package (benefits) for basic insurance set by the Ministry of Health

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<table>
<thead>
<tr>
<th>Insured</th>
<th>Healthcare insurers</th>
<th>Healthcare providers</th>
</tr>
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<tbody>
<tr>
<td>Are free to choose an insurer</td>
<td>Are competing on premium, quality of healthcare, and service (level)</td>
<td>Are competing on price and quality of care for contracts with insurers</td>
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• In 1.5 month approximately 3.5 million Dutch citizens were enrolled for the compulsory scheme at a new payer (3.5 million cancellations, 3.5 million enrollments)
Are Dutch healthcare insurers really that agile and efficient?
Making a difference in a saturated, commoditized market
Are Dutch healthcare insurers really that agile and efficient?

Market characteristics
- A saturated market
  - Compulsory health insurance scheme offered by private insurers
  - The majority of customers purchased one or more supplemental insurance products
- Complex benefits
- Massive transaction volumes

Agility
- Product differentiation in supplemental insurance
- New distribution channels (individual sales almost entirely Internet based)
- Labels for targeting specific customer groups (e.g., young people)
- Targeting groups (> 65% of the market) with specific pricing and coverage extensions
- Provider contracting with a focus on healthcare quality (and therewith cost containment)
- Focus on loyalty through customer intimacy, providing service and meeting service levels
Are Dutch healthcare insurers really that agile and efficient?

• Cost containment to increase margins and create financial buffers
Are Dutch healthcare insurers really that agile and efficient?

• Low prices and fierce competition require Dutch insurers to make optimal use of technology to contain costs
  – Reduce operating cost
  – Control claims burden
  – Healthcare contracting

• While
  – Meeting service levels
  – Increasing accuracy in claims processing
  – Complying with regulatory requirements, product rules, provider contracts, etc.
Case study VGZ

- A **rule-based** approach that allowed VGZ to achieve a maximum level of automation in the claims and billing processes
- ‘**Co-production’** as a strategy to shift work to the members

<table>
<thead>
<tr>
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<th>VGZ</th>
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<tbody>
<tr>
<td>Insured lives</td>
<td>4.200.000</td>
</tr>
<tr>
<td>Annual # claim lines</td>
<td>190.000.000</td>
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<tr>
<td># FTEs in claims shop including Authorizations (34hr/wk)</td>
<td>Approx. 175</td>
</tr>
<tr>
<td>Auto adjudication rate</td>
<td>99.2%</td>
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Case study VGZ

How is 1 Euro spent at VGZ?
Case study VGZ
Leveraging Business Intelligence for provider contracting

- 26,000 hip replacements per year with a total cost of €200 Million Euro
- Big differences between hospitals
- Improve quality by selectively contracting providers and reduce costs as spin-off.
Case study VGZ
Leveraging data mining for fraud reduction using claims data
How do they do it?

Standard Oracle applications that support the core business processes of healthcare payers addressing the unique industry requirements
How can Mexican healthcare insurers benefit from the Dutch experience?

- Adopt an IT approach that translates human effort (calculations, checks, etc.) into system rules
- Implement a standard process flow optimized for straight through processing
- Standardization of procedure code sets
- Use Internet/Mobile as a sales channel and ‘co-production’
- Contain healthcare costs through quality based provider contracts and reference pricing
- Customer service
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