

Patient Payment

Healthcare policy, Management and Economics, Public Health, Lecture 10

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Patient Payment

- ▶ In all countries patients pay for some types of health care, in full or in part
- ▶ The relative importance of patient payments as a source of funding differs a lot between countries—from as low as 10% or 15% in Northern Europe to more than 50% in poor countries
- ▶ The high share in poor countries could be explained by their lack of institutional arrangements to organize a 'financial intermediary' that collects and manages funds for risk pooling and redistribution

Co-payment, co-insurance, or co-funding

- ▶ When patient payment is being referred to as co-payment, co-insurance, or co-funding, it means that a third-party payer is also involved in the financing
- ▶ 'Cost sharing' means that patients are sharing the costs with those who subsidize them

Co-payment, co-insurance, or co-funding

- ▶ If the co-payment is a fixed charge beyond which the third party pays the remainder, there is an incentive for the provider to increase the price: a higher price will *not* reduce demand but increases the income received from the third party

Deductibles

- ▶ The use of deductibles is a common feature of insurance contracts
- ▶ Solution to the problem of adverse selection is partial insurance, i.e. the person insured is covered for financial loss beyond the level that they think they can afford. Below this level, they are prepared to pay all expenses. Above this level, the insurance company picks up the bill. In this way, there is no moral hazard below the ceiling.

Thank you

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