

Economic regulation and supervision of health services

Preparing for the 17th EPSO conference in Porto, May 2014



European Partnership for
Supervisory Organisations
in Health Services and Social Care



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Outline

1. What is economic regulation of health services?
2. Motivation for discussion within EPSO
3. The role of economic regulators of health services
 - The Portuguese Health Regulation Authority
 - Survey among EPSO members

What is economic regulation of health services?

- Text book definitions of economic regulation:
 - imposition of rules by government, backed by the use of penalties, that are intended specifically to modify the economic behaviour of individuals and firms in a given sector
OECD (2002)
 - use of non-market instruments to address issues of quantity, price or quality of goods or services offered in the markets
Folland et al. (2012)

What is economic regulation of health services?

- Economic dimensions of health care that deserve regulatory attention:
 - **Markets for health care services**
 - Market variables (price and quantity)
 - Competition
 - **Business relationships**
 - Patient / provider (consumer protection)
 - Third-party payer / provider (business conduct)
 - **Efficiency in resource allocation and utilization**
 - Costs vs outcomes

What is economic regulation of health services?

Economic dimension	Regulatory problems (not exhaustive list)
Market variables	<ul style="list-style-type: none">- high prices- insufficient quantity (large waiting times or lack of access)
Market competition	<ul style="list-style-type: none">- high concentration in markets- unlevel playing field (not same set of rules for all)- anti-competitive behaviour
Consumer protection	<ul style="list-style-type: none">- informational asymmetries- switching and search costs
Business conduct	<ul style="list-style-type: none">- informational asymmetries- principal-agent relationship
Efficiency	<ul style="list-style-type: none">- escalating health care costs- cost-effectiveness of innovation- financial failure

Motivation for discussion within EPSO

- Increasing relevance of problems in the health care sector with economic roots
- Economic and financial crisis puts pressure on all actors involved and raises regulatory challenges
- Most notable in countries that are being more affected by the crisis, but relevant to all other countries

Motivation for discussion within EPSO

- EPSO is privileged ground for benchmarking and best practice exchange
- Not much attention from EPSO to the regulation and supervision of economic aspects of health care (exception is RQIA (NI) survey on the impact of economic recession on healthcare)
- A great part of the discussion may be generalized for health care and also social care

Motivation for discussion within EPSO

- What to discuss?
 - Major economic regulation challenges in the health care sector
 - Role of health regulators and supervisors (statutory responsibilities)
 - Powers and approaches (activities)
 - Best practices / state of the art
 - Link between economic regulation and other regulatory concerns
 - ...

The role of economic regulators of health services

- Portugal: brief overview of the intervention of the ERS (Health Regulation Authority)

Responsibilities in the field of economic regulation:

- Assuring transparency in business relationships (full information to patients)
- Assuring that patients' financial rights and interests are protected
- Giving advice to the Competition Authority on issues related to health care markets
- Giving advice to the Ministry of Health and other public entities on prices set administratively (i.e., non market prices)



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Powers and approaches:

- Handling patient's complaints
- Carrying out investigations
- Resolving contractual disputes between providers and payers
- Giving advice and recommendations
- Publishing studies and reviews



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Additional responsibilities we do not have:

- Price setting
- Business performance assessment (financial and managerial)
- Health Technology Assessment
- Enforcing competition law in health care markets
- Setting rules to access markets



The role of economic regulators of health services

Survey among EPSO members

- **Goal:** to provide an overview of what role are health care regulators and supervisors playing regarding the economic dimensions of the health care sector
- **Questionnaire** with three parts:
 - Main economic problems of the health sector
 - Missions and responsibilities of regulators and supervisors
 - Regulatory and supervisory powers and approaches



The role of economic regulators of health services

Survey among EPSO members

- **Schedule:**
 - Send questionnaire after Copenhagen
 - Receive responses until end of January 2014
 - Present results at Porto conference May 2014
- **After survey:**
 - Working group for best practices exchange?

