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. Mirela 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.

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.

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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

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.

On the other side of the argument Bitrán points out that “Isapres weren’t created to insure all Chileans ... They were created to insure the people who chose to join them.”

Ricardo Bitrán