Institution: London School of Economics and Political Science		
Unit of Assessment: 20 – Social Work and Social Policy		
Title of case study: Improving the fairness and efficiency of Austria's social insurance and healthcare system		
Period when the underpinning research was undertaken: 2002-2017		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	**Role(s) (e.g. job title):**	**Period(s) employed by submitting HEI:**
Elias Mossialos	Brian Abel-Smith Professor of Health Policy and Director of LSE Health	1992 to present
Jane Cheatley	Senior Health Policy Consultant	2016 to 2019
Inna Thalmann	Policy Consultant	2016 to 2017
Period when the claimed impact occurred: 2018-2020		
Is this case study continued from a case study submitted in 2014? No		

1. Summary of the impact (indicative maximum 100 words)

On 23 May 2018, the Austrian Ministry of Health and Social Affairs announced plans to restructure the country's social insurance system based on recommendations developed by LSE's Department of Health Policy affiliate research centre, LSE Health.

In December 2018, the National Council (which holds legislative power) passed an Act to implement the restructure from 1 January 2020, which would see several social insurance carriers amalgamated, thereby ensuring more equitable access to healthcare services. For example, the restructure will ensure that those covered by the social insurance system (i.e. 99% of the 8.9 million Austrian population) pay the same contribution rate and also receive access to an identical benefits package. The restructure will offer EUR1 billion of projected savings for the government.

An enactment of the restructure in January 2020 completed the changes to the social insurance system, in accordance with a model of restructure proposed by the LSE research team.

2. Underpinning research (indicative maximum 500 words)

Research objective, outputs, and methodology

The financing and provision of healthcare services in Austria is divided between self-governed social health insurance (SHI) carriers and the government. Specifically, outpatient care is financed by SHI, whereas inpatient care falls under the joint responsibility of federal and state governments. The SHI system also covers accidents and pensions insurance. Regarding SHI, 99% of the population is allocated to one (or more) of the 21 insurance carriers based on occupation and location (i.e. it is not a competitive SHI system). Once allocated, individuals and their employer must pay a contribution to their carrier, which represents a proportion of their income, in return for access to a benefits package. For certain services, individuals may also be required to pay out-of-pocket.

LSE Health (the Department of Health Policy's affiliate research centre) was chosen to lead a comprehensive review into the Austrian system given its extensive earlier research work outlining various policies to enhance healthcare systems across Europe, including in Austria. In Austria, LSE Health was previously engaged by the Main Association of Social Security Institutions to review and provide advice regarding the country's pharmaceutical sector, as well as its public health system **[1]**. More broadly across Europe, LSE Health has published several academic articles and books related to health systems and policies, including those commissioned by the European Observatory on Health Systems and Policies. Many of these papers examine countries with similar health insurance systems to Austria, such as Germany, France, and the Netherlands (i.e. social health insurance systems) **[2] [3] [4] [5]**.

In recognition of this research base, the then Austrian Ministry of Social Affairs engaged LSE Health to undertake an efficiency review of the country's social insurance and healthcare system (hereafter referred to as the "Efficiency Review"). The objectives of this Efficiency Review were to learn more about current inefficiencies within the Austrian social insurance system.

The Efficiency Review was carried out between December 2016 and August 2017, and culminated in four reports, two of which were led by Professor Elias Mossialos, with support from a team of international healthcare experts from France, the Netherlands, Germany, and Austria:

- Volume 1: International comparisons and policy options: led by LSE Health in partnership with the Institute of Advanced Studies, Vienna (IHS). All research findings and options were developed in collaboration with IHS – no specific work was carried out exclusively by IHS **[6]**.
- Volume 2: Legal analysis: led by University of Salzburg.
- Volume 3: Stakeholder submissions: compiled by LSE Health **[6]**.
- Volume 4: Situational analysis: led by Ernst & Young Management Consulting GmbH.

The methodology for Volume 1 of the Efficiency Review firstly involved a review of academic and grey literature to gain an understanding of Austria's political and federal policies, and of the existing strengths and challenges within its SHI system. Secondly, to ensure policy recommendations were formed on up-to-date objective views, LSE Health hosted two roundtable stakeholder discussions in February and May 2017. Relevant stakeholders were identified through purposive sampling, and included: all social insurance carriers and their representative body, key health workforce associations (i.e. GPs, pharmacists, dentists, nurses, and medical doctors), the patient ombudsman, the pharmaceutical industry, and Federal State Health Councillors. A total of 40 stakeholders were interviewed. Stakeholders were informed that discussions were confidential and were encouraged to provide a formal written statement to be made publicly available as part of the review. In total, 32 submissions were received **[6]**.

Key findings of the research

The Efficiency Review identified a range of inefficiencies in the SHI system:

- *Challenge 1:* Despite equal contribution rates required across the 21 SHI carriers, benefit packages were not legally harmonised and therefore citizens did not have parity of coverage. As a consequence, SHI carriers covering individuals with relatively poor risk profiles (e.g. high proportion of older and/or unemployed persons) offered lesser benefits, both in-kind and in-cash. For example, LSE Health analysis of all benefit packages found that differences in the financial situation of carriers, economic needs of insured populations, and pricing tariffs had led to a three- to eight-fold variation in medical aid allowances **[6]**.
- *Challenge 2:* Differences in the financial situation of carriers are typically counteracted by a comprehensive risk-adjustment mechanism. In Austria, however, the Risk Equalisation Fund comprises just 1.64% of contribution payments and incorporates only nine of the 21 carriers. Consequently, funds are not distributed equitably across carriers.
- *Challenge 3:* Given the SHI system allocates people to carriers based on location and on employment status, it was possible to be insured by more than one carrier (indeed, 33% of contributing individuals had multiple insurers) **[6]**. This created inequity, as those with multiple insurance have a wider range of providers and payment options to choose from.
- *Challenge 4:* At present there is no single coding system for healthcare services, which makes it difficult to compare prices. Consequently, the price of services which fall under the responsibility of SHI are not transparent.

Through this research LSE Health developed a number of policy recommendations to address these challenges, which are outlined in Section 4, below.

3. References to the research (indicative maximum of six references)

[1] Two reports for the Main Association of Austrian Social Security Institutions:

Mossialos, E., Ziniel, G., Merkur, S., Walley, T., and McGuire, A. (2005). *Public policy and the Austrian pharmaceutical market: options for reform*. LSE Health and Social Care, London School of Economics and Political Science. Available at: http://eprints.lse.ac.uk/13191/

Ladurner, J., Gerger, M., Holland, W. W., Mossialos, E., Merkur, S., Stewart, S., Irwin, R., and Soffried, J. (2011). *Public health in Austria: an analysis of the status of public health*. Observatory

Studies Series, 24. World Health Organization. ISBN: 9789289002493. Available at: http://eprints.lse.ac.uk/43950/

[2] Mossialos, E., Dixon, A., Figueras, J., Kutzin, J. (Eds). (2002). *Funding health care: Options for Europe*. Open University Press. Available at: https://www.who.int/health_financing/documents/cov-europe_funding_options/en/

[3] Thomson S. and Mossialos E. (2006). Choice of public or private health insurance: learning from the experience of Germany and the Netherlands. *Journal of European Social Policy*, 16(4), pp. 315-327. DOI: 10.1177/0958928706068271.

[4] Mossialos, E. and Lear, J. (2012). Balancing economic freedom against social policy principles: EC competition law and national health systems. *Health Policy,* 106(2), pp. 127-137. DOI: 10.1016/j.healthpol.2012.03.008.

[5] Mossialos E. and Thomson, S. (2002). Voluntary Health Insurance in the European Union: A Critical Assessment. *International Journal of Health Services*, 31(1), pp. 19-88. DOI: 10.2190/K6BP-3H1R-L41M-HVGE.

[6] Mossialos, E., Cheatley, J., Thalmann, I., Czypionka, T., Polton, D., and Jeurissen, P. (2017). *Efficiency review of Austria's social insurance and healthcare system. Volume 1: International comparisons and policy options;* and *Volume 3: Stakeholder Submissions.* LSE Health. *Volume 1* is available online: https://www.lse.ac.uk/business-and-consultancy/consulting/consulting-reports/efficiency-review-of-austrias-social-insurance-and-healthcare-system-volume-1. *Volume 3* is a German-language document submitted directly to the Austrian stakeholder. It can be provided to reviewers on request.

Evidence of quality: **[1]** are policy reports for a key Austrian stakeholder, funded by the Main Association of Austrian Social Institutions. The report on the public health system was officially published by the European Observatory on Health Systems and Policies, which is an organisation supported by the World Health Organization (WHO), the World Bank, the European Commission, the European Investment Bank, and a range of European governments. **[2]** is a book published by the Open University Press (European Observatory on Health Care Systems series) and funded by WHO. **[3]** is a peer-reviewed academic publication made available within the *Journal of European Social Policy*. **[4]** is a peer-reviewed academic publication made available within the *Health Policy* journal. **[5]** is a peer-reviewed academic publication made available within the *International Journal of Health Services*. **[6]** is a policy report bringing together information from academic and grey literature, as well as stakeholder interviews and submissions. It was designed to be read by key Austrian stakeholders and was funded by the Austrian Ministry of Social Affairs.

4. Details of the impact (indicative maximum 750 words)

Policy recommendations

In response to the inefficiencies identified through the research, LSE Health proposed four options to restructure the SHI system, each of which identified a unique way of amalgamating and/or improving coordination across the 21 social insurance carriers. Each model was developed with reference to extensive stakeholder feedback, and based on an extensive review of international arrangements (i.e. from European countries with SHI systems), including their strengths, weaknesses, and applicability to the Austrian context. For each model, an analysis of the "rationale" (i.e. benefits) and challenges, including legal implications, was provided.

The models were presented by Mossialos and relevant ministers to the media and key stakeholders on 23 August 2017. Owing to their development for political decision-makers, the models were proposed without selection of a preferred model, and included:

- *Model 1, Partial Amalgamation:* one national accident insurance carrier, one national pension insurance carrier, one employed health insurance carrier (i.e. regional carriers, corporate insurance, civil servants, and rail worker carriers), and one self-employed insurance carrier (i.e. self-employed and farmer insurance carrier).
- *Model 2, Limited Amalgamation:* one national pension insurance carrier, one national self-employed insurance carrier, one health insurance carrier (excluding civil servants, and rail

carriers), one accident insurance carrier (excluding civil servants), and one health and accident insurance carrier for civil servants.

- *Model 3, Health and Accident Amalgamation:* one national pension insurance carrier, and one health and accident insurance carrier (split according to the nine states).
- *Model 4, Insurance Coordination:* maintain current structure with a formal mechanism to encourage coordinated activities and enhanced risk-adjustment.

Impact of policy recommendations on the restructure of the social insurance system in Austria

In a presentation by the Council of Ministers on 23 May 2018, the Austrian Government cited LSE Health's Efficiency Review in its announcement of a restructure of the country's social insurance system, describing the restructure as a means to "*provide more healthcare for the patient and create a simpler, citizen-oriented system*" **[A]**. Plans to restructure the social insurance system were later formalised in an Act passed by the National Council, which together with the Federal Council holds legislative power in the country (Social Security Organisation Act SVG-OG) **[B] [C]**. Specifically, as per Model 2 proposed within the LSE Health Efficiency Review, the new model would:

- Amalgamate the nine regional and five corporate health insurance carriers into one national employed health insurance carrier (the "Austrian Health Insurance Fund").
- Amalgamate the social insurer for the self-employed and social insurer for farmers into one social insurance carrier for the self-employed ("SVS").
- Amalgamate the social insurer for public employees (BVA) and the social insurer for railways workers (VAEB) into one social insurance carrier ("BVAEB").
- Maintain the current pension insurance carrier (however, it will no longer be responsible for public employees and the self-employed).
- Maintain the current accident insurance carrier (however, if it is unable to reduce expenditure its functions will be merged with the Austrian Health Insurance Fund) **[B] [C]**.

The restructure reduces the number of social insurance carriers from 21 to, at most, five. A restructure of the social insurance system, which has an impact on 99% of the Austrian population of 8.9 million, addresses each of the key challenges identified by the underpinning research:

- *Challenge 1, non-uniform benefit packages*: by amalgamating carriers, the variation in benefit packages will be reduced significantly. Therefore, **equity of access to healthcare services and associated costs will improve**, particularly for those who were previously insured by a carrier with a poor risk profile. It is expected that benefits from carriers will be harmonised by 2021 **[D]**.
- *Challenge 2, limited risk-adjustment of funds across carriers*: increasing the size of each social insurance carrier (which will occur due to an amalgamation of carriers) increases the size of risk pools within the system. Therefore, good and bad risk are more likely to outweigh each other under the restructured social insurance system, thus **a more equitable distribution of funds will be achieved**.
- *Challenge 3, unfair advantages to those with multiple insurance*: under the new system, it will not be possible for insurance carriers to hold multiple forms of insurance and therefore **this unfair advantage is removed**.
- *Challenge 4, limited price transparency*: by amalgamating carriers, variation in coding practices and prices of healthcare services will be reduced. As a result, **price transparency will be improved, which may incentivise carriers to reduce prices**.

In addition, the government has stated that the reforms will save an estimated EUR1 billion by 2023. Savings were calculated based on estimated reductions in administrative costs, synergy effects (e.g. joint purchasing and consolidation of IT), as well as by not replacing vacant positions over time (i.e. over the next 10 years, the total number of people employed in the social insurance system is expected to fall by 30%) **[C]**.

Changes to the social health insurance system in Austria were implemented in January 2020, with the government enacting the Model 2 amalgamation on the basis of a political evaluation of the benefits and disbenefits outlined in the LSE report **[E]**.

5. Sources to corroborate the impact (indicative maximum of 10 references)

[A] Presentation to the Council of Ministers – Future Organisation of Social Insurance, 23 May 2018. In 2018, the government announced its plans to restructure the social insurance system based on recommendations outlined in LSE Health's Efficiency Review of the Austrian social insurance healthcare system **[6].** In German, with English-language translation provided.

[B] Announcement by the National Council, the house of the Austrian Parliament, of an Act to restructure the Austrian social insurance system, December 2018. In 2019, the National Council announced that it had passed an Act to introduce changes to the social insurance system based on LSE Health's recommendations. Confirmation of the law taking effect on 1 January 2020 is recorded in the Library of Congress Legal Monitor. A German-language version of the full legal text (published 22 December 2018) is also provided.

[C] "Turn 21 into five: Government proposes a reform of the health insurance system", *Die Presse*, 22 May 2019. In German, with English-language translation provided. 2019 *Die Presse* circulation = 76,000.

[D] "Cash reform sealed under much criticism", *Österreichischer Rundfunk* (ORF – Austrian Broadcasting Corporation), 13 December 2018. In German, with English-language translation provided. ORF is Austria's national public service broadcaster and largest media provider.

[E] Supporting statement from Martin Brunninger, Director General – Austrian Social Insurance, 2 November 2020. While Mr Brunninger was not in post at the time of the review and did not influence LSE's selection to lead the research programme, he has subsequently taken up this position to lead the implementation.