

# Example of essay on the parallel existence of public and private insurance sector...

[Business](#), [Customers](#)



The soundness of the health care system in any country is based on the role and prevalence of the public and private sectors in delivering care. People pay for their health benefits and cost either through the public or government insurance schemes or manage it through the private sector. Health insurance providers differ in each country and in some countries the government plays a bigger role providing universal health care to its citizens through tax funded programs. There are also other countries where the government plays a limited role and health insurance is largely handled by the private sector. In the US, although there is a sizeable government presence, a 2014 report on Health Insurance coverage in the US for the year 2013 shows that 62% of people were covered by the private sector as opposed to 34.3 % covered by the government sector (Smith and Medalia, 2014). Countries like the USA, UK, Germany and Canada have government funded public insurance programs such as the MEDICAID, TRICARE, CHAMPVA in the USA, NHS in the UK, GKV in Germany and a publicly funded health care system in Canada.

There is a parallel existence of private health insurance providers even in countries where there is a good public health insurance plan and there are many reasons for this. There are also many advantages and disadvantages in both these sectors. Public health insurance is advantageous as it covers almost the entire population and does not exclude the poor because they cannot afford it. Private insurance on the other hand are for only those who can afford it. However universal health care also does not mean that everyone gets the care that they deserve. There is no direct accountability for customer satisfaction combined with a very limited focus on customer

convenience. For example in the UK where the majority of the population is covered by the NHS or the National Health Service, people also opt for a private health insurance provider because of the long waiting list that is involved (Besley, Hall & Preston, 1996). Rising inflation, costs of medicine and a growing demographic brings down the reach and efficiency of the public sector paving way for the private players in the health insurance sector. The private sector however direct accountability to the customer has and is focused on customer convenience due to the presence of competition from the public sector and other private player in the market.

Whereas Public health insurance schemes are funded by taxes, private health insurance can be expensive and not many people can afford it. And because the public health insurance sector is dependent on taxes and relies on government decisions it is not very flexible and is prone to dependence on political and legislative direction, vested personal interests and bureaucratic problems. The private sector however is friendlier towards the customer as any inconveniences and sloppy service can result in the customer going with another health insurance provider. In the government health sector there is an emphasis on preventive cure and public health and there is an extensive network of hospitals and curative centers. Preventive cure and public health safety is absent when it comes to the private insurance sector where the paying customer is king. Public health insurance when done effectively trumps over private insurance because of its cost free or low cost health care and the relative monopoly it enjoys in some services thanks to government subsidies. The private health insurance sector is very vulnerable to price fluctuations in the market and the rising cost is

transferred to the customer. In many countries the existence of the private health insurance companies is possible only because the companies are required to provide insurance to their employees. Employer insurance accounts for a large percentage of private health insurance. When the public system is effective, people rarely opt for private health insurance providers. Both systems have their benefits and disadvantages and it is up to the customer to decide on an insurance scheme that would satisfy their needs.

## References

Besley, Tim & Hall, John & Preston, Ian (1996). " The demand for private health insurance: do waiting lists matter?" *Journal of Public Economics*. 72(2), 155-181.

Smith, Jessica & Medalia, Carla (2014). *Health Insurance in the United States: 2013: Current Population Reports*. Retrieved from <http://www.census.gov/content/dam/Census/library/publications/2014/demop60-250.pdf>.