

Competition: The Cure - A look at the Healthcare System in Jamaica

By

Desroy Reid
FAIR TRADING COMMISSION

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Fair Trading Commission
Unit 42A, New Kingston Business Centre
30 Dominica Drive, Kingston 5
Jamaica
Telephone: 876.960.0120-4
Fax: 876.960.0763
<http://www.jftc.gov.jm>
ftc@cwjamaica.com



Imagine being gifted a car of your choice. The only catch is that you must keep that car for the rest of your life. How would you treat that car? Would you service it frequently and do your best to ensure that it never breaks down? Of course, you would! Imagine

Similarly, we are given one body, and this body must last us our entire lifetime. Our service stations, if or when we need them, are our healthcare facilities, gyms, and eateries. Health practitioners, instructors and chefs are our mechanics. Motor vehicle insurance eases the financial burden of servicing our cars and, similarly, health insurance eases the burden of servicing our bodies.

At a relatively minimal cost, we can create our gyms at home, and we can cook our own meals, but to create our own operating theatres and laboratories is not so cost-effective or particularly safe. It is for this reason as well as the fact that healthcare is a universal right, that governments generally are the largest providers of healthcare service. This is the case for the healthcare system (HCS) in Jamaica.

Challenges

Unlike your car, if you cannot afford to service your body, you cannot just park or discard it when it is not working. For this reason, universal access to healthcare has been the prerogative of governments worldwide, including Jamaica. Universal access to healthcare means that no citizen of a country should be denied access to healthcare on the basis that they cannot afford it).

Not only should citizens have access to healthcare, but this must be done in a timely manner. Regarding healthcare, service quality is a critical consideration; after all, it could mean the difference between life and death. According to a Gleaner Commissioned Bill Johnson poll in 2016, accessing healthcare in public facilities in Jamaica, oftentimes involves prolonged waiting

times and poor customer service from healthcare workers. This results in some persons choosing to avoid healthcare services altogether, while others— including those without health insurance— choose to access the relatively more expensive healthcare services through private facilities.

Diagnosing the problem

Patients face a trade-off when seeking medical attention in Jamaica. In the public HCS, medical attention is more affordable than in the private system, but customer service quality (especially waiting times) is significantly lower. The relatively low customer service quality which characterizes the public healthcare system has been attributed to a lack of adequate funding to cover the cost of services provided and to upgrade the infrastructure to meet the needs of the patients. The relatively high price of private healthcare services is due in part to limited options for patient care and insurance services, and a lack of adequate information on the services offered by providers.

This dilemma faced by patients, who experience low customer service quality at public healthcare facilities versus the relatively higher prices at private healthcare facilities, could be resolved by introducing a greater level of competition. A competitive environment provides adequate incentives and opportunities for service providers to offer the highest quality services at the most affordable prices, thereby increasing consumer welfare.

The Cure

In Jamaica, there is limited opportunity for competition in the public system. The delivery of healthcare services in the public system is not driven by market forces but is driven by the government's objective to maximize the number of patients who access healthcare services. Accordingly, there is limited opportunity for public patients to enjoy the benefits typically induced through competition. Through its Public-Sector Partner Pharmacy Programme, however, the Government of Jamaica (GOJ) has improved the customer service quality experience of public patients seeking to buy prescription medication. The extended waiting times experienced when seeking medical attention in the public system remains a concern.

There is a relatively great opportunity for competition in the private system as the primary motivation of private healthcare service providers is to maximize profits. The insurance sector is a significant part of the private HCS. Increased competition in this sector would be beneficial to consumers. A 2016 Bill Johnson Poll stated that only 32 per cent of Jamaicans had health insurance. When asked for the main reason for being without insurance, 44 per cent indicated that insurance was unaffordable. Further, a May 2018 report from the Insurance Association of Jamaica (IAJ) indicated that the insurance market is highly concentrated, with the market leader controlling over 60 per cent of the market. The IAJ also reported that five significant health insurance companies were serving the market. The insurance market overall is said to value over JMD 80 billion as measured by premiums collected in 2019.

Overall, profits for the market leader have been increasing steadily year on year with the most recent data showing a 10 per cent increase for the year 2019. The growth in profits of the

market leader has been accompanied by an even larger increase in premiums year on year of 15 per cent. Contrastingly, the pay-out ratio of premiums collected to benefits paid out decreased from 64 per cent in 2018 to 61 per cent in 2019.

A cursory glance at the data suggests that insurance providers could enter the private system in a timely manner and are likely to offer their services profitably at current prices. Accordingly, the prospect for facilitating competitive entry in private HCS will hinge on the extent to which policymakers could increase the opportunity and incentives for new players to enter the market at a scale and scope which would mitigate the excessively high prices. More research is needed, however, to confirm this prognosis.

Conclusion

Healthcare is a right. We understand that servicing our cars is critical for their continued usage and likewise we should service our bodies. A competitive healthcare market ensures that patients are satisfied and can be more productive. Lack of competition will lead to patients facing higher prices, limited choices, relative to a competitive market. Patients spend billions of dollars on healthcare, and the lack of competition in key segments of the system is detrimental to individuals who consume healthcare, to businesses that sponsor health insurance and to competitors who find it harder to compete.