Singapore Centre for Applied and Policy Economics (SCAPE)
Department of Economics

Policy Forum

Title: Measuring the effects of removing subsidies for private insurance on public expenditure for health care

Speaker: Dr Terence Chai Cheng
University of Melbourne

Date: 4 September 2012, Tuesday
Time: 4.00 pm - 5.30 pm
Venue: Lim Tay Boh Seminar Room (AS2 03-12)
National University of Singapore, 1 Arts Link, Singapore 117570

Chair: Assoc Prof Tilak Abeysinghe
Department of Economics, NUS

Abstract

The effects of mixed public and private finance on the efficiency and equity of health systems are much debated but of great policy importance as fiscal pressure generates calls for greater private finance. The provision of public subsidies for private insurance has been justified on the grounds that private insurance can relieve fiscal and capacity pressures off the public health care system.

This presentation describes an econometric study that is developed to examine the widely perceived argument that subsidies for private insurance are ‘self-financing’. The econometric model comprises a series of simultaneous equation models that analyse the interrelated decisions on the intensity and type of health care use, and insurance. The model is used to simulate the effects of removing subsidies for private insurance in the context of the mixed public-private system in Australia.

The simulation results predict an increase in public expenditure that is considerably lower than the cost of subsidising private insurance. This suggests that eliminating subsidies could potentially yield substantial public sector savings. The results are driven largely by the substitution of public for private care, and to a lesser degree changes in the intensity of hospital care use. The implied estimate of the price elasticity of demand for private insurance is -0.18, which is approximately one-half the magnitude of the estimates obtained in countries such as Canada, Spain and the UK.

About the speaker

Terence Cheng is a Research Fellow at the Melbourne Institute of Applied Economic and Social Research, The University of Melbourne. A health economist by training, Terence’s research interests are in the fields of Health Economics and Applied Econometrics. His current research activities are in the areas of the economics of demand for health care and insurance, and the economics of physician labour markets. Terence has a keen interest in the application of advanced econometric techniques to address research questions with a strong public policy focus. He is currently working on issues related to the financing of private health care, and private health insurance in Australia. His research has been featured in the media outlets such as The Sydney Morning Herald, The Conversation and The Australian Doctor.

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Terence is a member of the Australian Research Council (ARC) Centre of Research Excellence in Medical Workforce Dynamics and the MABEL Australian Longitudinal Survey of Doctors Study (mabel.org.au). He is also an affiliate of the Health, Econometrics and Data Group (HEDG) at the University of York. He received his B.Soc.Sci and M.Soc.Sci from the National University of Singapore and obtained his Ph.D from the Australian National University.

Admission is free and all are welcome; we would appreciate it if you could register @ https://esurvey.nus.edu.sg/efm/se.ashx?s=1CC7023E4D1758B3

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