

Press Release March 15, 2011

Taub Center: The recent long overdue change in the risk adjusted (capitation) formula for the allocation to sick funds (“plans”) is meant primarily to narrow gaps in availability of medical services between the Israeli Center and the periphery, mainly the North and the South. Nevertheless, flawed implementation is unlikely to yield the annual additional estimated NIS 1.8 billion from reaching the South and NIS 0.7 billion from reaching the North, as per the new formulation.

From the beginning of the year the health system has put in place a new capitation formula for allocation of some NIS 27 billion, which is 80 percent of the public budget for financing healthcare services in Israel – those services given by the various sick funds. The new formula is meant to bring about a change in allocation primarily to the advantage of the periphery.

Professor Dov Chernichovsky, head of the Health Policy Program at the Taub Center and professor of economics in the Department for Health Administration at Ben-Gurion University of the Negev, analyzes the background for these changes and their significance. He concludes that according to the manner of implementation for these changes, little will really change for the benefit of the periphery.

Prof. Chernichovsky stresses that the continued rise in population health gaps and in accessibility to healthcare services between Tel-Aviv and the central region, and the North and South, requires a significant change in the allocation of health resources in the country. The Israeli data show that infant mortality in the periphery is double that in the center of the country (4.6 per 1,000 live births in the North and South versus 2.3-3.0 per 1,000 in the center and Tel-Aviv area) and life expectancy rates in the South are some three years less than in the central region.

Regarding accessibility to services, the gaps between the Center and the periphery are evident in different measures. For example, with regard to healthcare workers: the South has some ten professional healthcare workers per 1,000 residents (adjusted by need) and in the North, there are about eleven per 1,000 residents. In the Jerusalem, Haifa, and central area there are some sixteen workers per 1,000 and in the Tel-Aviv area there are eighteen per 1,000. Gaps are also found in the availability of hospital beds: in the southern region there are about 1.1 beds per thousand; in the northern region there are some 1.6 per thousand; and, the rate is between 2.1 and 2.5 beds per thousand population in Tel-Aviv and the central region. Also, measures of the distance to the nearest hospital or to the regional hospital present significant gaps in accessibility to healthcare services and their quality. Residents of the South and North have to travel on average between 15 and 20 kilometers to the nearest hospital versus an average of three kilometers for residents of the Center.

Worse still, to a great extent these gaps overlap and reflect wider socioeconomic gaps. That is, there is a high causal relation between socioeconomic and health situation and accessibility to healthcare services. What is more, as has been found in several studies of the Taub Center, the policy in the area of supplementary insurance contributes to an intensification of health gaps between the Center and the periphery by reinforcing demand for private medicine in places with high incomes and greater ability to pay – that is, in the Tel-Aviv and central region.

Data of the National Insurance Institute quoted in the recent study show that the new formula hardly changes the resource allocation between the sick funds, despite the differences in their representation primarily in the North and South. Prof. Chernichovsky notes that while the change is supposed to encourage competition between the sick funds in the periphery areas, there is really no mechanism in the implementation of the new formulation that can assure an increase in healthcare services in the periphery. Worse than this, there is no mechanism that insures that the allocation for the periphery reaches its target. In contrast to what is accepted elsewhere in the world and contrary to the Netanyahu Commission's recommendations, there is no regional level allocation to accompany the change in formulation.

According to preliminary estimates, the sick funds in the North and South are by the new formula entitled to an additional annual allocation of between NIS 0.7 and NIS 1.8 billion, mostly at the expense of the Haifa and Jerusalem area allocation. Prof. Chernichovsky calls on the government to immediately enact regional allocations for the healthcare system or, at the least, a pilot program in the South without changing the current character of sick fund operations.

The Taub Center for Social Policy Studies in Israel, headed by Professor Dan Ben-David, is an independent, non-partisan institution for socioeconomic research based in Jerusalem. The Center provides decision makers, as well as the public in general, with a big picture perspective on economic and social areas. The Center's interdisciplinary Policy Programs – comprising leading academic and policy making experts – as well as the Center's professional staff conduct research and provide policy recommendations in the key socioeconomic issues confronting the State.

For details or to arrange an interview please contact publicist Yitzhak Rabihiya, "Rav Tikshoret," cellular phone 054-799-9209.