During the Covid-19 pandemic, a new paradox emerged in the U.S. health-care system. Because of cancelled or deferred care, many providers suffered financially while, at the same time, insurers saw record profits. In the Netherlands, which also has a multi-payer system, things played out differently. Here, insurers and providers collaboratively designed and struck a unique deal whereby providers received a fixed budget as well as additional fees to overcome the effects of the pandemic. The deal was underpinned by six principles: (1) access to high-quality care, (2) healthy market competition, (3) reduction of low-value care, (4) digital health delivery, (5) collaboration between providers, and (6) protection of frontline workers. Despite the potential downsides (e.g., inefficiency in delivery, higher premiums, lower provider productivity), this deal arguably will help the Netherlands to maintain an accessible, high-quality, resilient health-care system for the future and could serve as an inspiration for U.S. health-care leaders and policymakers.

A Private-Private Partnership: The Dutch Way

The Covid-19 pandemic has added another twist in the U.S. health-care saga. While some providers initially struggled financially as elective and outpatient care were cancelled or deferred, private health insurers saw record profits in the second quarter.1 In fact, major insurance companies such as UnitedHealthcare, Anthem, and Humana doubled their profit margins, pushing Democrats to launch an investigation into insurers’ practices.2 During a time when public confidence in political and corporate institutions is low,3 the paradox of soaring insurers’ profits and unprecedented providers’ losses is painful, potentially detrimental, and likely unnecessary.
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The current approach taken by the U.S. health-care system might be insufficient. Under Affordable Care Act (ACA) regulations, insurers’ excess profits should trickle down to members in the form of rebates, but the question remains as to how much and when the members will benefit from these rebates, if at all. Providers received grants from the federal government as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, yet the way in which these grants have been distributed has attracted significant criticism. Large hospital systems seem to have disproportionately benefitted from this program, leaving smaller practices and rural or safety-net hospitals financially vulnerable.

The experience in the Netherlands shows that a different approach is possible. Specifically, private insurance companies took a proactive role and struck an unique deal with providers (e.g., primary care providers, hospitals, mental health institutions) to ensure that they will stay in business and will be better prepared for future waves of the pandemic. We think (and hope) that this experience might inspire U.S. health-care leaders to pursue a similar path as they aim to create a more resilient health-care system.

The Dutch Health-Care Response to Covid-19

The Dutch health-care system is a hybrid, multi-payer system based on managed competition between private insurers and providers. Insurers play a pivotal role in ensuring high-quality, accessible, affordable care for their members by selectively contracting with providers based on price and volume. The government sets the rules and regulations to ensure solidarity and universal coverage with mandated basic health insurance for all citizens. The Dutch health-care system is consistently reported to be of high quality, and citizens experience few unmet needs. Expenditures are in the higher range (representing 10%-13% of the national Gross Domestic Product), especially for long-term care.

Despite significant challenges earlier in the surge, the Netherlands currently has few Covid-19 admissions and deaths. During the first surge, the Netherlands was among the top-10 countries in terms of deaths per million inhabitants. Providers, mainly in the southern part of the country, suffered disproportionately, not only because of the strain on capacity but also because traditional sources of revenue, such as elective services, dried up. There was a serious risk that these providers would not financially survive the crisis, resulting in disruption of the Dutch health-care landscape.

Over the course of several months (March through July 2020), insurers and providers came together and expressed their commitment to ensure continuity of care for the year 2020. To that end, both
parties worked successfully on a deal to “neutralize” the financial effects of Covid-19 for providers. The purpose of this deal was to maintain an accessible, high-value, resilient health-care system. The deal is unique in that insurers now are paying for care that has not been (and partly will not be) provided.

"The purpose of this deal was to maintain an accessible, high-value, resilient health-care system. The deal is unique in that insurers now are paying for care that has not been (and partly will not be) provided."

**The Deal**

The deal was initiated by the health insurers via their national association (Zorgverzekeraars Nederland). Both the Dutch Health Ministry and the Health Authority (Nza) were actively involved early in the process because the deal (1) required (temporary) adjustments to reimbursement and anti-trust regulations and (2) partly overlapped with the national economic stimulus package for employers. The exact details of the deal differ according to type of care. In general, there are three components, all of which are designed to ensure provider continuity. First, providers receive a fixed budget, calculated as a percentage of their lost revenues (2020 vs. 2019 revenues). This percentage is based on the provider’s average turnover and the estimated fixed costs for the type of care provided. Second, providers are compensated for the additional costs associated with Covid-19 care, such as the costs of personal protective equipment. Third, providers receive a separate fee for care that is delivered on top of the estimated monthly volume after the first Covid-19 wave. The purpose of this component is to encourage providers to catch up on care that has been delayed, as quickly as possible, in order to keep waiting lists short. General practitioners are an exception to this system as they are mainly paid on a capitation basis; for those providers, the support consisted of a one-time add-on to the capitation fee.

For larger providers, such as hospitals, the final agreement was a result of negotiation between the health insurers’ association and the provider associations. For smaller providers, such as physiotherapists and dentists, the health insurers offered an arrangement in which the providers could choose to participate. The first offers to smaller providers were available in April 2020; however, the negotiations with hospitals lasted until the summer. Additional background information on how this deal came about and details on the deal per type of care are described in a letter to the Minister of Health, Welfare and Sports (in Dutch).

**Six Principles Underpinning the Deal**

*Ensuring Access to High-Quality Care*

In a system that is characterized by solidarity and universal coverage, all stakeholders felt the societal responsibility to guarantee access to high-quality, local care, particularly during a time when the need for health care was the strongest. In March and April 2020, insurers actively reached
out to providers to discuss any liquidity issues and to rapidly provide prospective payments, if necessary. This step helped providers to stay afloat, with no bankruptcies having been reported since the start of the coronavirus crisis.

**Safeguarding Market Competition**

By “subsidizing” care that is not delivered, this deal may undermine competition between providers in the short term, but insurers and providers alike are convinced that the deal is necessary in order to ensure a competitive health-care market in the intermediate to long term. This deal will help to maintain a diversified marketplace with small and large providers, which gives patients enough options from which to choose (including the option to retain their current provider), gives insurers leverage with which to negotiate lower prices and higher quality, and gives providers an incentive to improve and differentiate their services.

**Encouraging High-Value Care and Preventing Low-Value Care**

Despite ample evidence and promising campaigns such as the Choosing Wisely Initiative, low-value care continues to persist in health-care systems in high-income countries. Depending on the patient population, 10% to 40% of care is considered to be low-value, offering limited clinical benefit. Low-value care is present in the Netherlands as well, although its extent tends to be lower than those in other European countries. Both insurers and providers leveraged this deal to promote high-value care and avoid low-value care when resuming deferred care. Following the deal, they collaborated on determining what types of care to prioritize (e.g., prioritizing radial fracture surgery over carpal tunnel syndrome surgery) and, partly based on Choosing Wisely Initiative, what types of care not to deliver at all when resuming care.

**Expanding Digital Health Delivery**

To further promote high-value care during and beyond the pandemic, stakeholders also made the commitment to promote the adoption of digital health solutions such as video visits and remote patient monitoring. Regulators agreed to ease regulations and rules, thereby giving providers the flexibility to introduce new communication solutions with stable revenues. As patients seem to appreciate these digital services, insurers and regulators are currently working on developing new payment schemes to bolster the progress that has been made and to accelerate the adoption nationwide.

**Promoting Collaboration Between Providers**

The social capital within the Dutch health-care system is relatively strongly developed, as evidenced by stakeholders’ willingness to collaboratively seek solutions for major challenges. Building on that tradition, leaders in the health-care system quickly came together to prepare and organize hospitals for Covid-19 patients. Because of this deal, providers were not afraid of losing revenues and were willing to quickly refer their own patients to other facilities. These developments have helped the Netherlands to avoid the situation that unfolded in New York City, where hospitals were reluctant or unable to refer patients to other facilities, leading to an unequal distribution of cases. In the Netherlands, a national coordination center at the Erasmus University
Hospital effectively coordinated Covid-19 hospitalizations and intensive care unit admissions throughout the country during the first wave. At a regional level, primary care providers and hospitals accelerated their plans to move patients away from hospitals and to jointly organize care closer to patients’ homes.

**Protecting Frontline Workers**

All stakeholders recognized the efforts and sacrifices made by frontline workers. This deal ensured that frontline workers did not have to worry about their jobs and could continue to focus on patient care. This aspect of the deal also will have strategic value in the long run. Providing job security to frontline workers will help to keep them motivated and will help to retain as many workers as possible, which will be vital during future waves of the pandemic. However, a poll of >1,400 nurses in July 2020 suggested that 50% of those who worked in Covid-19 units do not wish to work there during a second wave, not only because of the psychological consequences (e.g., exhaustion, traumatic experience, burnout) but also because of a lack of appreciation by executives and politicians. Although the Dutch government awarded a one-time €1,000 bonus to nurses, politicians are currently discussing a structural pay increase for nurses.

**Be Wary of Potential Downsides**

We think that this deal is promising and timely, but it may have at least three downsides. First, as providers realize that the incurred costs will largely be covered, they might be less inclined to improve efficiency and reduce costs. Equally important, the pandemic spurred tremendous public support for physicians and nurses, and rightly so; however, this factor decreases the leveraging power of insurers to focus on cost reductions at this time. Second, it is not unlikely that the increased health-care costs associated with Covid-19 will partly be passed on to patients in the form of higher premiums or out-of-pocket spending. This development could affect not only access to care but also the already low public trust in insurers. A 2019 survey showed that only 30% of respondents believed that insurers add value to Dutch health care. Although public knowledge on the role of insurers is limited, people in general tend to perceive insurers to be mostly driven by profit and less concerned with care quality. The general public also contends that insurers should not interfere in the doctor-patient relationship and that patients should always have the freedom to choose any provider. It should be noted, however, that virtually all health insurance companies in the Netherlands are not-for-profit cooperatives that allocate any profits to the reserves that they are required to maintain or return them in the form of lower premiums. Third, with stable revenues in 2020, provider productivity might go down, leading to longer waiting lists. Although the third component of the deal is intended to stimulate productivity, it remains to be seen whether the separate fee is lucrative enough (or represents the right kind of support) to make providers more productive at a time when frontline workers are still recovering from the first wave of the pandemic.

**An American Version of the Deal?**

Despite the real downsides, none of the stakeholders flinched and all were willing to live up to their commitments. This unique deal created financial stability for all stakeholders during these
unsettling times while also leveraging this opportunity to make the Dutch health-care system more resilient and ready for the future.

“This unique deal created financial stability for all stakeholders during these unsettling times while also leveraging this opportunity to make the Dutch health-care system more resilient and ready for the future.”

The U.S. chose to pursue a different approach, which may come at the cost of a more concentrated health-care market dominated by a few large providers. We believe that this approach could have profound implications for the U.S. health-care system and on patients in the long run. Insurers in the U.S. can draw inspiration from the Dutch experience to improve the current health-care infrastructure. Specifically, they can leverage their strong financial position to support providers in need, ensure that their members continue to access high-quality care, and collaborate with providers to fundamentally reshape the U.S. health-care system.

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