Voluntary health insurance in Europe

Country experience

Edited by:

Anna Sagan

Sarah Thomson

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Health system context

The health financing mix

In 2014, public spending accounted for 50.8% of total spending on health, with OOP payments and VHI accounting for 46.2 and around 1%, respectively (WHO, 2016).

Entitlement to publicly financed health care and gaps in coverage

Formally, all Ukrainian citizens and foreign citizens and stateless persons permanently residing in Ukraine have the right to receive medical care in state-owned health facilities free of charge (Verkhovna Rada of Ukraine, 1996). The government has also listed a second group of services that do not threaten the life or the health of patients that may be provided to all citizens in return for user charges. Vulnerable population groups and people with specific, socially significant and serious diseases benefit from reduced price or free outpatient medicines. Overall, the government benefits package is not clearly defined, so in the presence of insufficient financing the boundary between free and non-free health care is blurred. Informal payments are an issue and access to health services is a problem. Survey data show that in 2012, 13.9% of households were not able to purchase essential medicines, 8.2% did not see a doctor when necessary and 3.9% did not obtain necessary inpatient treatment because of the costs involved (Ukrstat, 2012).

Overview of the VHI market

Market origins, aims and role

The introduction and development of VHI began with the introduction of the Insurance Law in 1996. VHI plays a *supplementary* role, providing people with greater choice of provider, a higher level of comfort in hospital and faster access to essential diagnostic and curative services. It also provides access to medicines and services that are included in the state benefits package; these should be publicly financed, but are not in practice due to the low level of public funding for the health system.

Types of plan available

VHI plans can be divided into different categories: VIP (treatment in private clinics of the highest level), Elite (lower-level clinics and coverage limits) and Classic or Standard plans (basic or partial cover in state-owned health care facilities). Most plans cover some spending on medicines and devices that are in theory covered by the state (Shpot, 2011).

Why do people buy VHI?

Although the VHI market has grown since 1996, the share of the population covered continues to be non-significant, largely due to the prohibitive cost of premiums, which makes VHI inaccessible for most people. According to different data sources, VHI covers between 1 and 1.5 million people (or 2.4–3.3% of the population) (Grishan, 2011; LSOU, 2012; Zagrebnoi, 2011). Employers buy VHI on behalf of their employees to promote staff loyalty and health mainly in sectors where the job market is competitive and there are shortages of qualified staff – for example, financial services, investment or legal firms and parts of the IT and telecommunications industry (INGO Ukraina, 2012; WHO, 2010).

Individual VHI policies are usually bought by people who have existing health problems to reduce OOP payments, to obtain a higher level of comfort in hospital or to avoid waiting lists for services where demand outstrips supply (Petrov, 2009).

Since the mid-1990s, quasi-VHI has been provided through nongovernmental, non-profit-making sickness funds. Sickness fund cover aims to lessen the burden of OOP payments, especially for medicines, and is bought by individuals and organizations (Lekhan, Rudiy & Richardson, 2010).

Who buys VHI?

More than 90% of people with VHI are corporate clients. Corporate policies account for up to 80% of VHI premium income (Sidorenko, 2011). Insurers usually differentiate the quality of VHI cover by category of employee, so top-level managers get the most expensive VIP policies (Lux), middle managers get the slightly cheaper Elite cover and regular workers get the standard, basic package at the Classic or Standard level or a more limited package of benefits. Take-up of individual VHI is concentrated among people with higher incomes.

Insurers generally exclude people aged over 60–70 years, people registered as severely disabled or those defined as high risk due to a pre-existing condition such as cancer, TB, diabetes, chronic kidney failure requiring dialysis, mental health issues, alcohol or drug addiction and HIV or AIDS.

Voluntary contributions to sickness funds are usually made by individuals and, to a much lesser extent (around 2% of total VHI premium revenue), by some private employers.

Who sells VHI?

Insurers selling VHI are general commercial entities, of which there are around 100 in total, but only around 20 interested in VHI (Yavorskaya, 2008). The market shares of the leading companies are shown in Table 33.1. Alongside insurers, there are also around 200 sickness funds. These are registered as charitable organizations and provide VHI on a non-profit-making basis. Their activities are regulated under the Laws on Citizens' Associations and Charity and Charitable Organizations.

The largest insurer in the VHI market is the general insurance company Neftagazstrakh (Ekonomichna pravda, 2011). Its main corporate client is the former State Administration of the Ukrainian Railways (Ukrzaliznitsya, recently converted into a public joint-stock company with 100% of the shares owned by the state), which covers the country's six state railways; 270 000 railway workers (82% of the total railway workforce) and 180 000 pensioners who used to work in the sector are covered by VHI. This insurer's VHI premiums are among the lowest, at UAH 600 or €54 (UAH 1 = €0.09 in 2011) per year in 2011. Moreover, due to the large number of people insured, the annual

Table 33.1 *Overview of VHI insurers in Ukraine, 2010*

Insurer (year of market entry)	Market share (%)		Annual cost of premium	Regulated by	Legal status
	Share of total number of insured	Share by value of total premium income (place in ranking)			
Neftagazstrakh (1995, VHI since 2003)	40	9.2 (2nd place)	Ukrainian hryvnia (UAH) 600 (€57)	Financial regulator Natskomfinuslug	Commercial
Ilychevskoe Insurance Society (1997, re-registered in 2005)	5.5	5.6 (5th place)	No data		
Providna (1995)	5	15.3 (1st place)	UAH 1200–6000 (€114–570)		
Oranta (1993)	4	1.6 (19th place)	UAH 7000–20 000 (€665–1900)		
Allianz (2005)	3	2.6 (11th place)	UAH 400–12 000 (€38–1140)		

Source: Specialized Internet project of Forinsurer magazine (http://www.forinsurer.com/) on health insurance in Ukraine, *Forinsurer: health insurance*, available online at http://med-insurance.com.ua.

Note: UAH 1=€0.095 (2010 avarage).

insured sum guaranteed is UAH 20 000 (€1800). The VHI premium is taken directly from railway workers' wages, but half of the amount is paid by the Ukrainian Railways Administration. The size of sums insured for different types of treatment is shown in Table 33.2.

The largest sickness fund is the Zhytomyr oblast Sickness Fund (registered in 2000). At the beginning of 2013, it had around 200 000 members (15.6% of the oblast's total population). Monthly contributions from members amounted to UAH 25 (€2.3 per month or €28 per year; UAH 1=0.092 in 2013). Fund members were guaranteed unlimited cover for medicines, irrespective of the price or the number of prescriptions, and cover for necessary laboratory or diagnostic tests as prescribed by a physician. In 2012, sickness fund revenues reached UAH 38.7 million (€3.7 million; UAH 1=0.096 in 2012).

Insurer relations with providers

Private insurers are not usually integrated with providers. Insurers can contract any registered and accredited medical facility (public or private) and prices are negotiated.

Public policy towards VHI

There is no VHI-specific regulation. VHI is regulated under the Law on Insurance (1996), which covers general conditions for insurance, and the Law on Financial Services and State Regulation of the Financial Services Market (2001), which is the general legal basis for providing financial services. The State Commission for the Regulation of the Financial Services Market (2003) issues licences for insurance activities.

Table 33.2 *Sums insured under VHI policies by the Neftagazstrakh insurance company, by clinical intervention, 2011*

Types of procedure covered	Intervention	Maximum sum insured per year
Hospitalization	Therapeutic treatment	UAH 800 (€72)
	Surgical treatment	UAH 1000–2000 (€90–180)
	Pregnancy and birth	UAH 700–1000 (€63–90)
	Anaesthesia	UAH 150–300 (€14–27)
	Intensive care	UAH 1200-5000 (€108–450)
	Different types of procedure (for example, stent, open heart surgery)	UAH 6000–16 000 (€540–1440)
Day care	Day care	UAH 400 (€36)
Different diagnostic procedures	CT, MRI, nuclear medical imaging (for example, PET)	UAH 600 (€54)
	Angiogram	UAH 1400 (€126)

Source: Website of Neftagazstrakh insurance company (http://ngs.biz.ua/); unpublished (internal) company materials..

Note: UAH 1=€0.09 (2011 avarage).

Debates and challenges

VHI is not widespread for several reasons. First, insurers are not always keen to engage in VHI activities, considering it to be too complex and unprofitable; the sums paid out in claims are considerably higher for VHI than they are for other kinds of insurance – up to 73% of total premiums collected (Gorun, 2010; Zagrebnoi, 2011). Second, employers are generally not interested in buying VHI for employees and their families, partly because there is no fiscal incentive for them to do so (Chubinskii, 2011). Third, the development of individual VHI is inhibited by the high cost of premiums relative to the population's generally low wages.

A government report entitled *Concept for the development of the insurance market by 2010* envisaged state support for the development of socially relevant types of insurance through the introduction of tax incentives (Government of Ukraine, 2005). A revised tax code adopted in 2010 proposed a range of tax incentives to increase demand for VHI, including giving businesses the right to reduce the level of social tax they paid on wages if they provided all their employees with VHI. However, these tax incentives were not included in the final version of the law.

Another issue under discussion is the establishment of a specialized health insurance company, but no decision has yet been taken.

Since the 1990s, there has been discussion about the introduction of a mandatory health insurance scheme with a clearly defined package of benefits, an increase in the volume of budgetary funding for health and a clearly defined role for VHI. However, although several draft laws have been put before parliament, consensus on this issue has not yet been achieved.

VHI has not had a significant impact on the way the health system operates because the vast majority of health care providers are not included in VHI plans. Medical care for most people with VHI cover is provided in the same state-owned facilities used by people without VHI, with the same medical technologies and often with the same level of amenities. Managers of state facilities tend to prioritize treatment of people with VHI because of the additional revenue they generate for the facility. However, doctors working in these facilities are not interested in treating people with VHI, who are less likely than others to make informal payments. In private facilities, where informal payments are absent, offering faster access to services is an explicit practice.

The contracting process generates substantial transaction costs for health care facilities and multiple insurers, as VHI plans vary widely in terms of what they cover and prices must be negotiated with each insurer. The introduction of a uniform pricing system would help lower transaction costs. Insurers would also like to see uniform clinical protocols applied in all health care facilities treating patients with VHI, to ensure good quality of care.

The future of VHI

Reducing the scope of the publicly financed benefits package would be a starting point for VHI market development, but could have serious implications for equitable access, equity in financing and financial protection for households. Changes to public coverage aside, without extensive tax incentives for individuals and businesses, the VHI market is likely to struggle to expand significantly. The difficult economic and political situation of the last few years has had a negative impact on the VHI market and the market for other types of insurance. Increasing nominal VHI revenue in the last two years is misleading; it reflects devaluation of the national currency, coupled with the fact that imported drugs account for the bulk of VHI costs, rather than an increase in the number of people with VHI. Experts note that the number of VHI subscribers, especially corporate ones, has in fact been declining. Prospects for further VHI market development are therefore regarded as being negative.

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