

Voluntary health insurance in Bulgaria

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Bulgaria

- **AREA:** 110,910 sq km (42,82 sq mills)
- **POPULATION:** 7,517,973 (July 2004 est.)
Bulgarian 83.9%, Turk 9.4%, Roma 4.7%, other 2%
(including Macedonian, Armenian, Tatar)
- **FORM OF GOVERNMENT:**
Parliamentary democratic republic;
Unicameral National Assembly
- **HEAD OF STATE:** President
- **GDP PER CAPITA:** \$7,600
- **UNEMPLOYMENT RATE:** 12%



Funding Health Care

- **State – taxation;**
- **National Health insurance fund – contributions from employers and employees;**
- **Households;**
- **Voluntary health insurance funds (VHIFs).**

How much is spent on health?

Data obtained from the World Health Organization:

- On a national level, the average per capita expenditure on health in Bulgaria is US\$ 81
 - the total expenditure on health is 4,8per cent of GDP
- State budget expenditure on health is US\$ 67 per capita
- Private expenditure on health range up to 17,9 per cent of total expenditure on health mainly “out-of-pocket“



Determinants of the scope and size of VHI in Bulgaria

as in European member (EU) states:

- Health care system – universal coverage;
- Mandatory participation;
- The provision of comprehensive benefits;
- High level of public expenditure.

The regulatory framework for VHI in Bulgaria

- Before 1998 - health insurance – performed by life insurance companies, expressed only by reimbursement (abroad and in the country) – very limited scale;
- 1998 - Health Insurance Law (HIL):
 - Legal framework for the voluntary health insurance (VHI) in Bulgaria;
 - VHI – carried out by shareholder companies registered according to the Commercial Law and obtained license under the conditions and by the order of this Law;
 - The amendments of November 2002 in the HIL created very positive prerequisites for successful development of VHI:
 - The minimal size of the capital of a VHIFs at the time of filling application for licence is 500 000 levs instead of 2 mln. levs. Within 3 years from obtaining a licence the company must increase its capital to a minimum of 2 000 000 levs;
 - The VHIFs can possess stocks and shares of medical establishments;
 - The VHIFs shall be obliged to invest the health insurance reserves in the following assets: state securities, issued and guaranteed by the Republic of Bulgaria; real estates; bonds issued and guaranteed by the municipalities; stocks and bonds issued by trade companies and accepted for trading on a stock exchange; bank deposits; mortgage bonds.

Types of VHI

- In the context of the EU we find it more appropriate to classify VHI according to whether it:
 - **substitutes** for cover that would otherwise be available from the state - It may be purchased by: those who are excluded from participating in some or all aspects of the statutory health insurance scheme and those who are exempt from contributing to the statutory health insurance scheme because they are allowed to opt out of it (Belgium, Germany, Netherlands) - not applicable in Bulgaria;
 - **provides complementary** cover for services excluded or not fully covered by the state (including cover for co-payments imposed by the statutory health care system). Provides cover for the reimbursement of co-payments in Bulgaria;
 - **provides supplementary** cover for faster access and increased consumer choice. Provides reimbursement of co-payments, covering increased consumer choice and faster access to different health services – particularly prevalent in Bulgaria.

The rules and arrangements

- Contracts:
 - Counterparts:
 - VHIFs and insurers (employers) or family;
 - VHIFs and health care providers.
 - Contents:
 - the general terms of the health insurance packages included in the contract;
 - the health insurance packages included in the contract;
 - the type, the scope and the conditions of providing the health services and commodities;
 - the size, the terms and the way of payment of the health insurance premium.
- Forms of Insurance:
 - Individual;
 - Family;
 - Corporate clients.
- Forms of VHI according to activities done:
 - Reimbursement of medical expenses:
 - medical treatment;
 - drugs for home treatment;
 - co-payment paid by the insured person up to certain limit;
 - amounts are paid by VHIFs on the basis of documents presented by the insured persons for expenses really made.
 - Rendering of medical care based on subscriptions contracts – the insured person who is in the role of subscribers get medical care in the health establishments /primary, outpatient and in patient/ which work on the contracting basis with the VHIF. The volume of this medical care is determined in the insurance contracts.

Health insurance packages

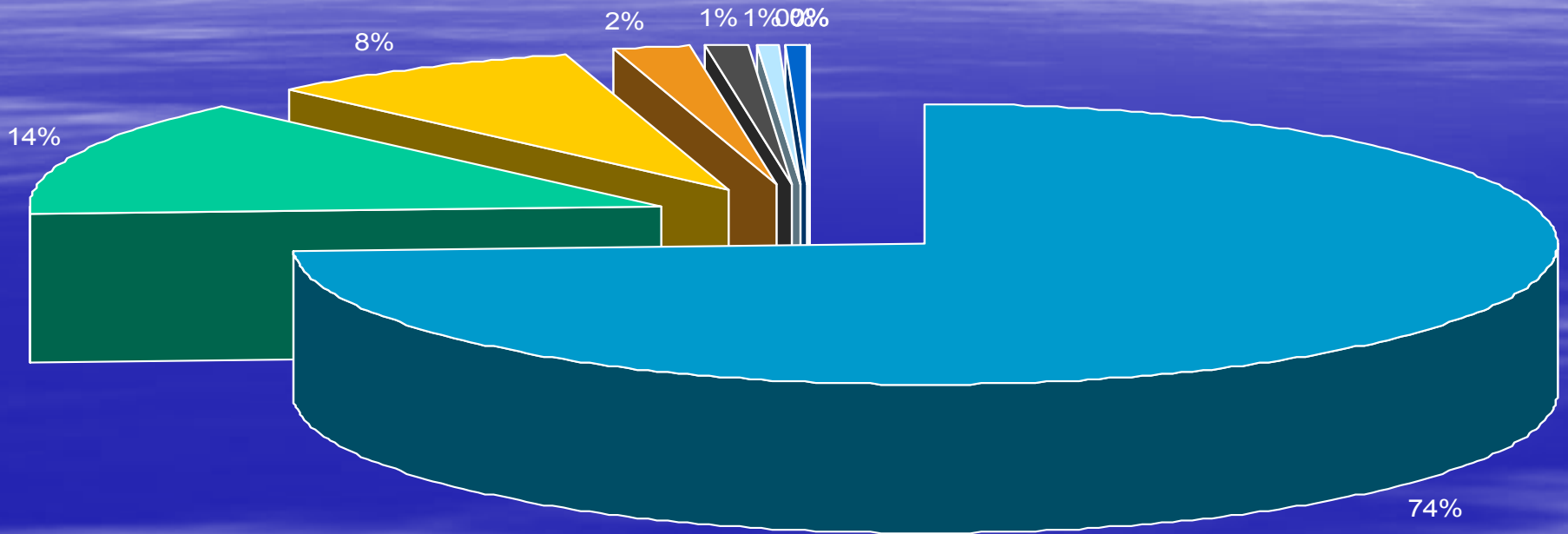
- Improvement of health and disease prevention;
- Outpatient health care (primary and specialized);
- Inpatient health care;
- Dental care;
- Health supporting social activities;
- Reimbursement of costs (drugs co-payment).

Historical Retrospection and current status

- 1998 – Health Insurance Law;
- 2000 - Two duly registered VHIFs;
- 2003 - Another four VHIFs:
 - annual reception-based income of BGN 6,4 million;
 - highly saturated market with the Bulgarian Health-Insurance Co. “Zakrila” controlling 88,2 per cent, and United Health-Insurance Fund “Doverie” 6,63 per cent.
- 2004 – another five VHIFs:
 - Very slightly increase in annual reception-based income of BGN 7,4 million.

- 2005 – Eleven duly registered VHIFs;
- 163 thousand people have signed contracts for VHI;
- Approximately 130 thousand people have signed contracts with the Bulgarian Health-Insurance Company “Zakrila” Plc.;
- Two of the newly licensed companies have no customers at all;
- BGN 150 to 300 per annum is the price of the health-insurance premium per capita depending on the package of services for which the contract is signed;
- Limit of the health insurance expenditure per capita:
 - Up to BGN 700 for outpatient healthcare;
 - Up to 25 000 for inpatient hospital care.

Market Share (as per the VHIF Income Report)



БЗОК "ЗАКРИЛА" АД

ОЗОФ "ДОВЕРИЕ" АД

ДОМ "ЗДРАВЕ" АД

" БУЛСТРАД - ЗДРАВНО ОСИГУРЯВАНЕ" АД

ЗОК "НАДЕЖДА" АД

ЗОФ "МЕДИКО-21" АД

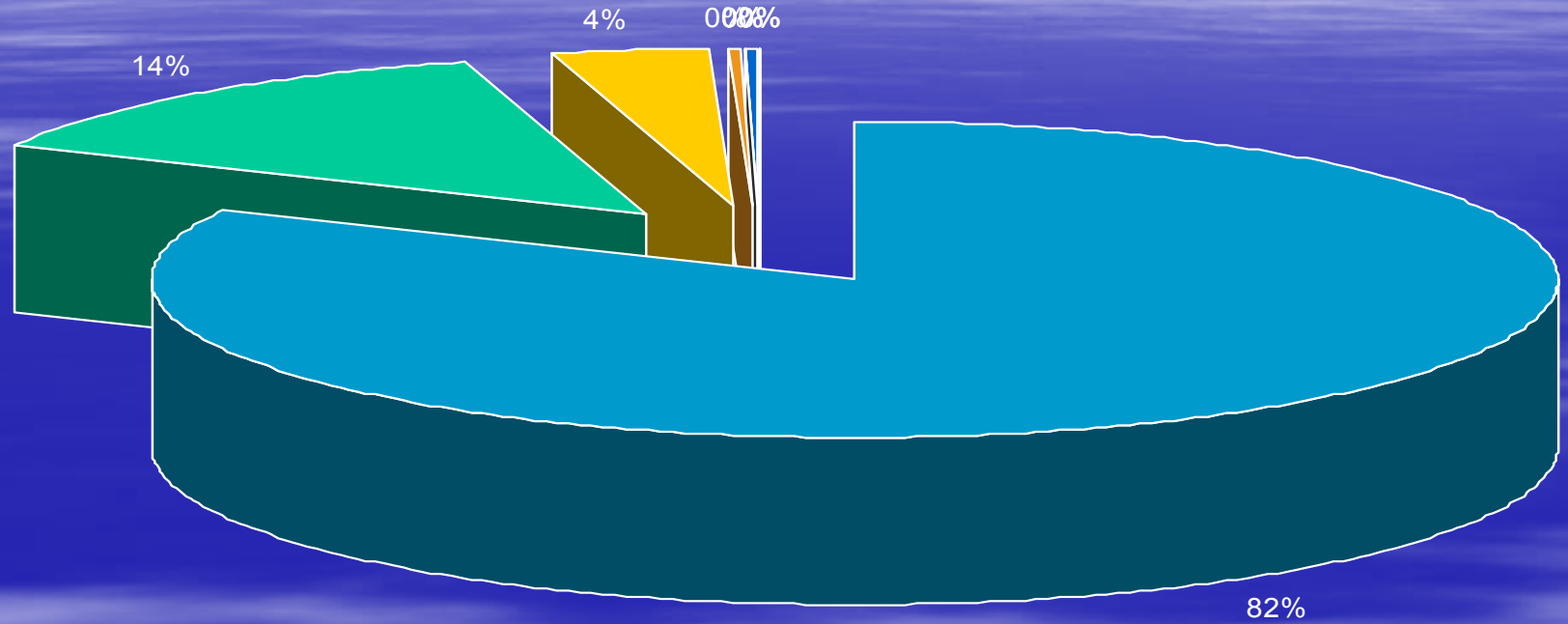
ЗДРАВНООСИГУРИТЕЛНО АКЦИОНЕРНО ДРУЖЕСТВО "ДЗИ" АД

БЗОФ АД

ЗОК "БЪЛГАРИЯ ЗДРАВЕ" АД

ЗОД "ПЛАНЕТА" АД

Market Share (as per the VHIF Health Insurance payments Report)



БЗОК "ЗАКРИЛА" АД

ОЗОФ "ДОВЕРИЕ" АД

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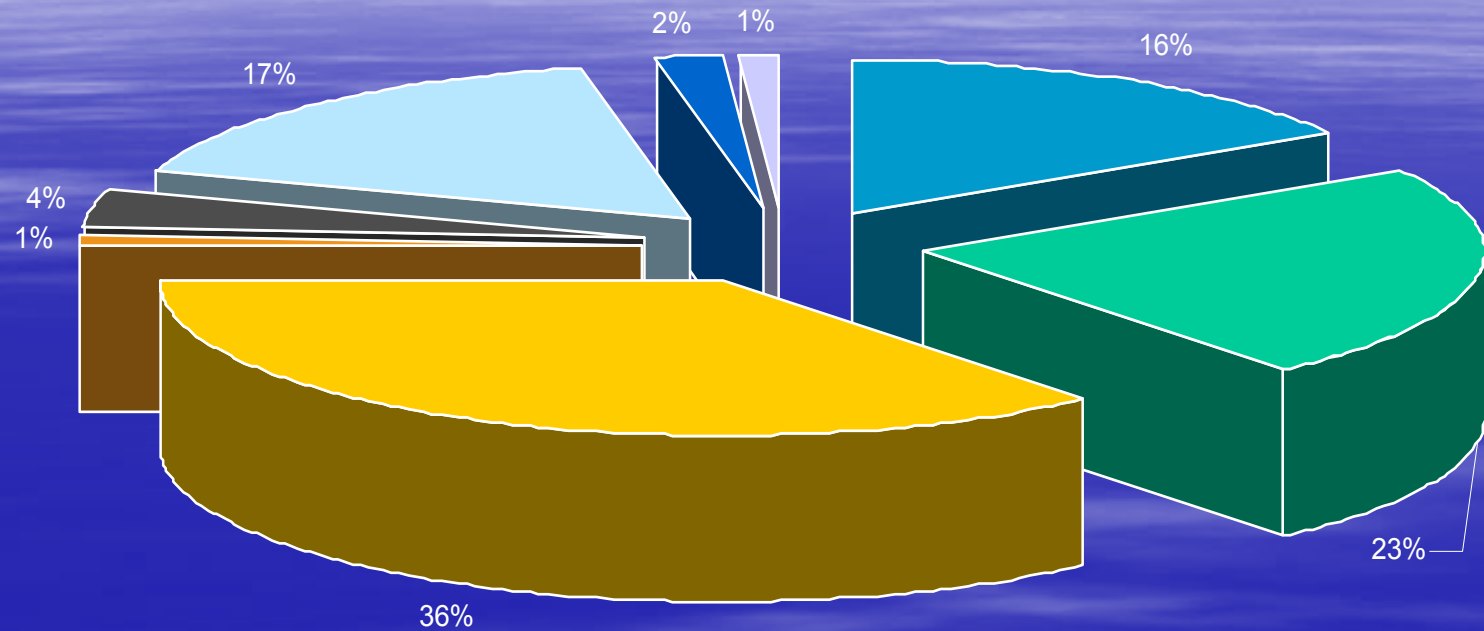
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Distribution of the different packages/ benefits according to the contracts signed



Improvement of health and disease prevention

Inpatient health care

Health supporting social activities

Complex medical care

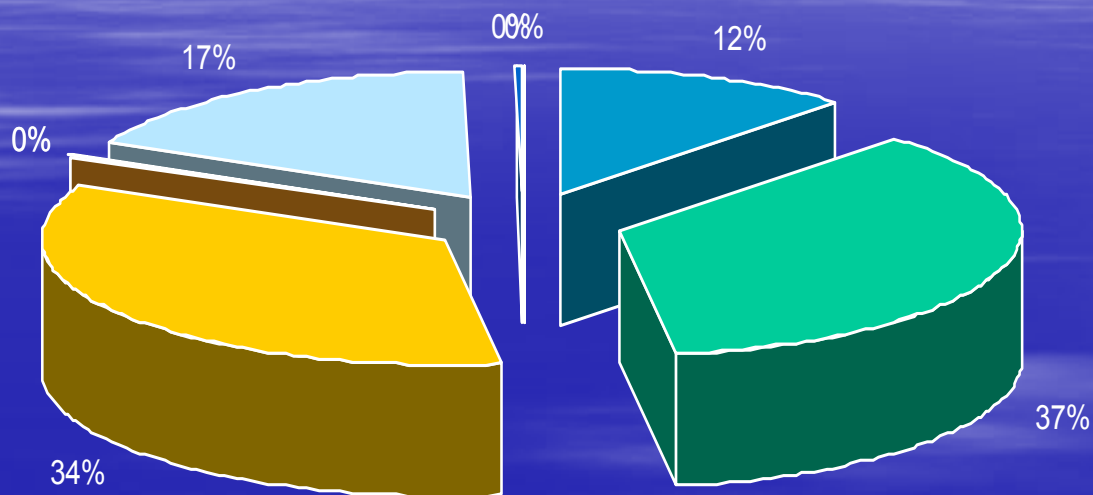
Outpatient health care

Dental care

Reimbursement of costs

Other packets

Distribution of the payment by packages corresponding to the contract signed



■ Improvement of health and disease prevention

■ Inpatient health care

■ Health supporting social activities

■ Complex medical care

■ Outpatient health care

■ Dental care

■ Reimbursement of costs

■ Other packets

Background reasons for the poor market presentation of voluntary health insurance

- Lack of traditions in the field of voluntary health insurance;
- Economic status of the population;
- Lack of clear differentiation between the healthcare services covered by the basic package the NHIF provides for, and those services that are not covered thereby and still are subject to voluntary health insurance;
- Poor quality of the healthcare services provided for by healthcare public and private establishments;
- The tax concessions are not enough to stimulate the employer to insure complementary his employees.

Trends and challenges

- Sustainable economic development as a key factor of development of the VHI;
- Improvement of the legislative and normative acts related to further regulation and differentiation on the parameters and scope of the voluntary and mandatory health insurance;
- Tax obligations and concessions;
- Improving the quality of the services provided as well as of the assessment criteria;
- Improving mechanisms for a regulation and ongoing control of the activity;
- Exchange an information and experience of some European practices and standards in the field of voluntary health insurance market development.

Tasks

Carry out Assessment regarding:

Demand side of the voluntary market development in Bulgaria:

- healthcare needs, preferences,
- demand for voluntary health insurance, the socio demographics and income
- levels of those who demand it
- insurable and non insurable risk and risk aversion
- willingness and ability to pay
- which risks are insured which one are not
- moral hazard/ free ride on the demand side and
- duplication/ overlap with NHIF coverage
- number of people with dual coverage
- prices elasticity
- transaction costs, etc

Supply side of the voluntary market development in Bulgaria:

- market structure
- competitive environment
- legal framework, regulation and administrative procedures
- organizational, institutional and management issues
- any vertical integration with the providers (managed care)
- what is the benefit package and its variance according to variance in premium setting
- adverse selection and cream skimming on the supply side
- choice and coverage
- expenditures (level, distribution and variance) etc