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Private health insurance in sickness risk management in Poland: current situation and development prospectsems*

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Abstract. The purpose of the paper is to analyse private health insurance in Poland and its development opportunities in the context of increasing need for private health care financing. Private health care financing can be considered as one of the methods of sickness risk management applied by households and enterprises. In Poland, despite theoretically wide scope of health services provided by the public system, a significant percentage of households uses privately funded medical services, which are out-of-pocket financed. Out-of-pocket payments contrary to premiums paid for private health insurance are usually unexpected, what provides a direct burden on household budgets, especially important in the case of pensioners, families with many children and people with relatively low incomes. In the paper an overview of health insurance market in Poland compared to European trends is presented. The current situation and the main challenges for the development of private health insurance are discussed.
Keywords: private health insurance, health expenditure, health care financing, sickness risk.

Частное медицинское страхование в управлении рисками заболевания в Польше: текущая ситуация и возможности развития

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Аннотация. Целью данной работы является анализ частного медицинского страхования в Польше и возможностей его развития в контексте растущей потребности в финансировании частного здравоохранения. Частное финансирование здравоохранения может рассматриваться как один из методов управления рисками заболевания, применяемых домашними хозяйствами и предприятиями. В Поль-

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Статья подготовлена в рамках сотрудничества кафедры «Страховое дело» Финансового университета при Правительстве Российской Федерации, зав. каф., д-р экон. наук, проф. А.А. Цыганов, д-р экон. наук, проф. Н.В. Кириллова, кафедры «Страхование» Экономического Университета г. Познани, Польша, зав. каф., д-р экон. наук, проф. Я. Лисовский, д-р экон. наук, проф. П. Маниковский и кафедры «Страхование» Экономического Университета г. Вроцлава, Польша, зав. каф., д-р экон. наук, проф. В. Ронка-Шмелович, доц., PhD М. Борда.

ше, несмотря на теоретически широкий объем медицинских услуг, предоставляемых государственной системой, значительный процент домохозяйств пользуется финансируемыми из частных источников медицинскими услугами, которые оплачиваются по факту. Подобные платежи наличными, в отличие от премий, выплаченных за частное медицинское страхование, как правило, неожиданны, и потому являются прямой нагрузкой на семейный бюджет, что особенно важно для пенсионеров, многодетных семей, детей и людей с относительно низкими доходами. В статье представлен обзор рынка медицинского страхования в Польше по сравнению с европейскими тенденциями. Рассмотрена текущая ситуация и основные проблемы для развития частного медицинского страхования.
Ключевые слова: частное медицинское страхование, расходы на здравоохранение, финансирование здравоохранения, риск заболевания.

1. Introduction

In most European countries health care is financed from a combination of public and private sources with a dominant role for the former. Because of the domination of statutory coverage, funded by compulsory social health insurance contributions and/or tax revenue, private health insurance is usually considered as an additional method of health care financing. Taking into account the global tendency of increasing demand for health care services and constrained public funds, policymakers are forced to expand the roles for additional private methods of health care financing, such as health insurance products. Health insurance products are designed to cover the medical costs of illnesses or accidents for individuals or groups. In addition, insurers can offer critical illness, disability or long-term care (LTC) insurance.

Private health insurance can be analysed as one of the methods of sickness risk management. Sickness risk, also called risk of poor health, belongs to personal risks which directly affect an individual [1]. They involve the possibility of the complete loss or reduction of earned income, extra expenses and the depletion of financial assets. The risk of sickness includes both the payment of catastrophic medical bills and the loss of earned income. The costs of medical treatments have increased substantially in recent decades. Unless people have adequate health insurance (public and private), private savings or income to meet these expenses, they will be financially insecure. In extreme cases, the inability of persons to pay catastrophic medical bills can be an important cause of personal bankruptcy.

The role and development possibilities of private health insurance (PHI) are mainly determined by the range of statutory health care coverage. In the international literature four main types of private health insurance are distinguished according to its function in the health care system [2–6]):

- basic health insurance — provides compulsory coverage for all residents, if the universal public health care system does not exist (the Netherlands, Switzerland);
- substitutive health insurance — provides coverage for people excluded from or allowed to opt out of the public system (e.g. Austria, Germany, the Czech Republic, Estonia, Portugal);
- complementary health insurance — covers services excluded or not fully covered by the public system, including cover for statutory user charges (e.g. France, Belgium, Denmark, Slovenia, Latvia);
- supplementary health insurance — provides supplementary cover for faster access and increased consumer choice (e.g. Ireland, Poland, Romania, Spain, the UK).

In most European countries private health insurance is sold on a voluntary basis, with the exception of the Netherlands and Switzerland, where basic private health insurance has been regulated by the government and is obligatory for all residents. The role of private health insurance in a given health care system directly affects the size of the market and the percentage of population covered, however other institutional, economic and cultural factors can not be ignored, when the current situation and development possibilities for health insurance markets are discussed.

The aim of the paper is to provide an overview of health insurance sector in Poland in relation to European trends. The current situation, significance on the market and main principles of PHI products are presented. Finally, the challenges concerning further development of the Polish health insurance market are indicated.

2. Private health insurance market in Europe — main characteristics

Health insurance represents the third largest part of the total insurance market in Europe and the

second largest non-life insurance business line. In 2014, the share of premium collected from health insurance accounted for 10% of the European total gross written premium, preceded by life insurance (61%) and motor insurance (11%). The total health insurance premium collected by European insurers reached almost EUR 119 billion, representing an increase of 2.2% compared to the previous year [7]. This translates into an extra EUR 5 per capita that Europe's citizens paid for health insurance in 2014 compared to 2013. Over the last few years, despite the economic crisis, health insurance has remained among the most dynamic non-life business lines, mainly due to rising consumer demand induced by ageing populations and increasing health care costs. In 2014, average health insurance premium per capita amounted to EUR 202. This value was little below average premium paid for motor insurance (EUR 220) and well below average life insurance premium (EUR 1202).

Fig. 1 presents the amount of health insurance premium per capita in selected European countries in 2014. Taking into consideration the analysed ratio, health insurance sector is led by the Netherlands, followed by Switzerland, Germany, Slovenia and Austria. However, it should be mentioned, that in 2006 the Netherlands introduced a new health insurance system that is both compulsory for all residents and private, therefore the amount of health premium (both total and per capita) recorded in this country is the largest.

The European countries are very diversified according to the amount of health insurance premium per capita what results from differences in the level of development of insurance markets, the range of public health care financing as well as social and cultural factors. This huge gap is particularly noticeable when comparing health insurance premium recorded in Western European countries (e.g. Germany, Austria, France) to corresponding values noted in Central and Eastern European countries (e.g. Poland, Hungary, Romania).

The benefits paid by the private health insurers in Europe amounted to nearly EUR 93.5 billion

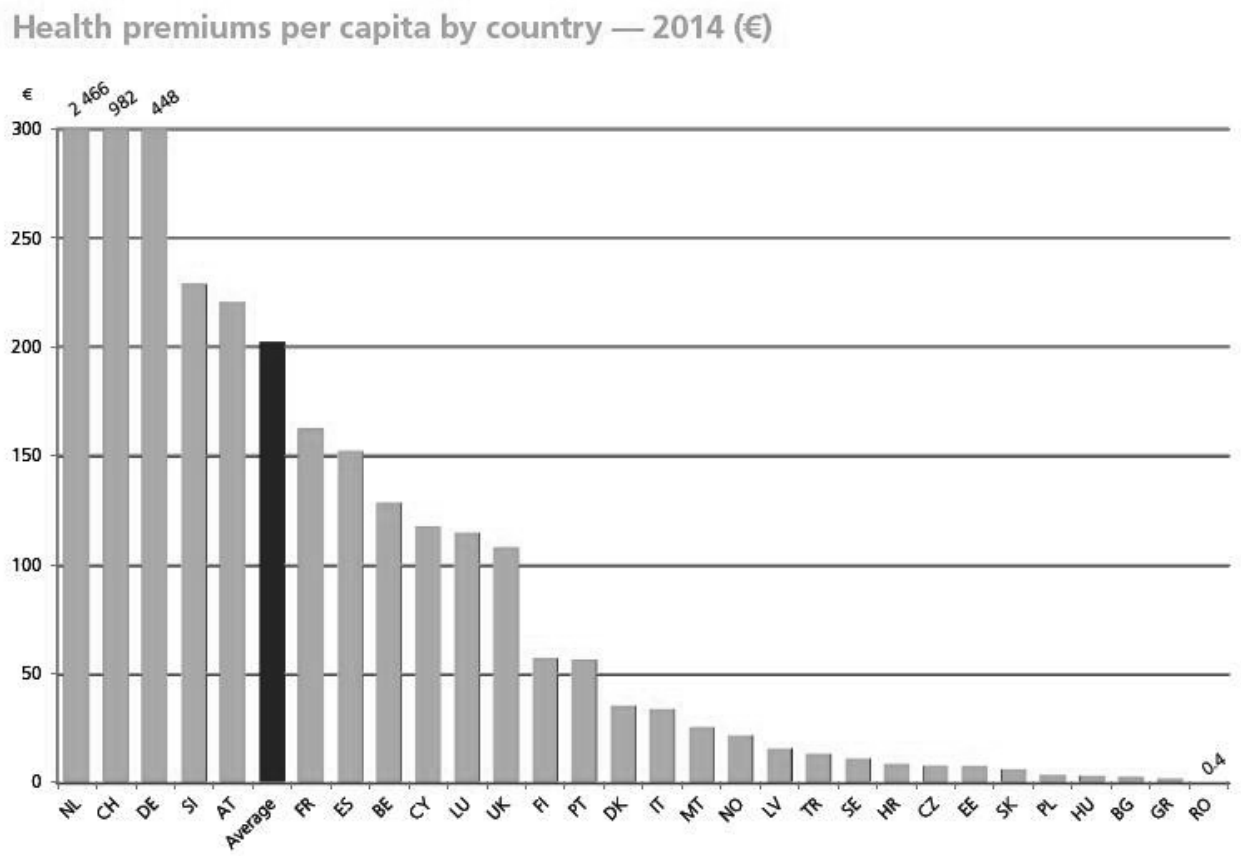

Fig. 1. **Gross written premium in health sector for selected European countries in 2014 (per capita, in EUR)**

Source: [7].

in 2014, what gives a 1% decrease in comparison to the amount reached in 2013. However, the annual growth rate of benefits is significantly different for particular analysed countries and may take both positive and negative values.

3. Current situation in health insurance sector in Poland

Before examining the current situation in health insurance sector, it is important to highlight the general situation on the insurance market in Poland and its performance after financial crisis. *Fig. 2* shows the amount of gross written premium in Poland in 2005–2014 in total and divided into life and non-life segment, respectively.

The maximum real value of gross written premium was recorded in 2008 (PLN 67 billion). This result was achieved mainly thanks to the extraordinary growth of premiums in life segment caused by the sale of investment group life insurance products. In 2009, as a result of financial crisis, a significant decline in life insurance premium was noted, as many policyholders decided to withdraw their money from risky investment policies and to put it into other forms of relatively safe investments. Next substantial drops in total premium were recorded in 2013 and 2014 caused by the reduced sale of investment life insurance policies. In non-life segment gross written premium remained at a relatively stable level mainly thanks to the increasing demand for motor insurance. It is also worth mentioning that since 2006 people in Poland have started to spend on average more money on life insurance than non-life insurance and this tendency has been continued over the next years regardless the occurrence of financial crisis.

Private health insurance offered in Poland can be classified into:

- life insurance — if it is applied as health/accident insurance option supplemental to the main life insurance coverage;
- non-life insurance — in the form of separate health and accident insurance products designed mostly to cover medical expenses.

In *Table 1* the share of health and accident insurance in life and non-life segments in 2005–2014 is presented. As it results from data presented in Table 1, the Polish health insurance market is still developing. Health and accident insurance options supplementing life insurance products are more popular than similar insurance offered by non-life insurance companies. It mainly results from easier access to the customer (while purchasing life insurance policy), as well as from greater activity of life insurers in this segment of the market. Accident and sickness insurance belonging to the non-life insurance segment accounted for only 5.7–7.6% of the property and casualty insurance portfolio in 2005–2014.

The role of private health insurance is to supplement the public health care system. By purchasing PHI it is possible to have a quick access to health services (in the public system there are very long queues to specialists) as well as to use high quality private services (e.g. services in a private hospital). Health insurance products cover medical expenses resulted from ambulatory care, hospitalization, medical assistance and the costs of medicines. These products are traditionally designed, what means that various options

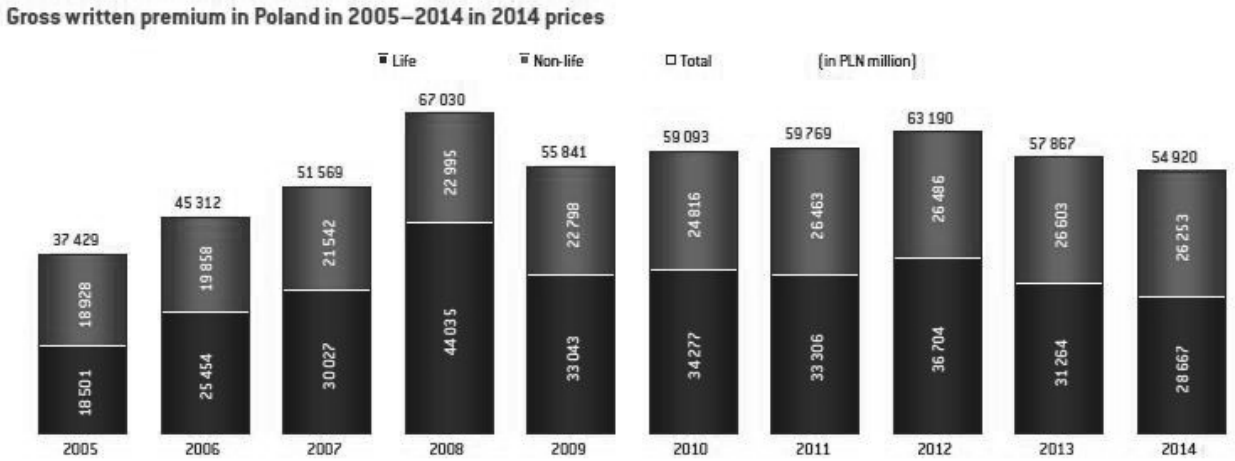

Fig. 2. **Gross written premium in Poland in 2005–2014 (in PLN million)**

Source: [8].

Table 1

The share of health and accident insurance in gross written premium in Poland in 2005–2014 (in %)

Type of insurance	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Health and accident insurance supplemental to life insurance	16.4	14.4	13.6	10.5	14.4	13.6	14.0	12.9	15.4	18.1
Accident and sickness insurance (non-life segment)	5.7	6.0	6.0	7.5	7.1	7.1	6.6	6.8	7.2	7.6

Source: [8].

of coverage are offered, but they do not include deductibles and co-payments. The insurance cover usually lasts one calendar year and it can be renewed for the next periods. PHI products are mainly addressed to young, well-educated people who can afford them (individual policies) or groups of employees (employee benefit plans) or bank customers. In most cases, the insurers impose an age limit such as 60 or 65 as the entry requirement, beyond which the insurance cover is not possible. In the case of group policies, an employee must fulfill the certain eligibility requirements to be insured. In the individual policies the health risk underwriting is conducted before issuing the contract.

The insurers often apply negative incentives aimed to limit the use of health care services by the insured. For example, most of the policies include solutions such as: waiting periods (e.g. 1–3 months for ambulatory care, dental services — 8 months, inpatient care — 6 months), limits of benefits per year (e.g. PLN 500 for purchase of medicines), maximum limits of cost reimbursement in the case of a given medical procedure and long lists of events not covered by the insurer (exclusions). These products are difficult for customers and are rather designed to protect insurers against too high health care costs. Most of the insurers offer additional preventive programs (e.g. mammography tests, diagnostic tests), but the customers are not encouraged enough to participate in them. One of the latest solutions is a health insurance covering the costs of medicines in which the insured receives a pharmacy card allowing her/him to obtain medicines without payment at the pharmacy cooperating with the insurer.

4. Challenges for development of private health insurance in Poland

Private health insurance market in Poland is influenced by various institutional, economic and social factors. The most important include the following:

- legal and political factors — the range of statutory, publicly-financed health care system, tax incentives for health insurance products, EU regulations concerning health care services provided in the member states;
- economic situation — overall macroeconomic situation characterized by the value and dynamics of GDP, inflation rate, interest rates, unemployment rate, exchange rates, stock indexes as well as factors determining directly the financial situation of households (individuals) as potential PHI purchasers;
- demographic profile — especially ageing population trend characterized by increasing life expectancy, low fertility rate and negative migration balance;
- social and cultural determinants — insurance awareness in the society, level of financial knowledge, attitudes towards financial institutions, attitudes towards investment risk and innovative insurance products.

First of all, the market potential for PHI in a given country is directly determined by the range of statutory, publicly-financed coverage, therefore this part of the paper will be focused on the problems of public health care financing in Poland.

Over the last few decades a systematic increase in health care expenditure can be observed in most European countries. This tendency has become a significant worldwide problem and it is expected to continue. Among the factors that contribute to this situation the most important seem to be the following: increasing costs of health care services, demographic process (ageing populations), advances in medical technology and infrastructure and increasing demand for high quality medical services (see more [4, 9]). In 2013, per capita health spending in Poland increased by a strong 3.8% in real terms, far above the average growth rate of all OECD countries (1.0%).

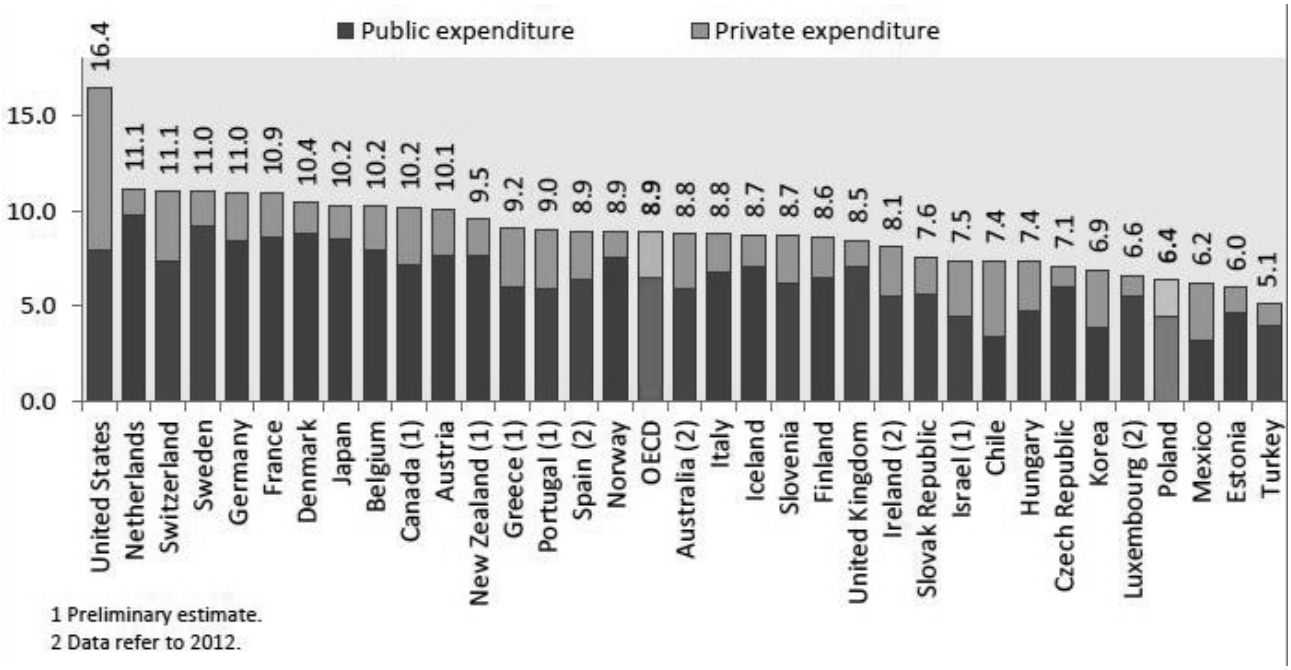

Fig. 3. **Health spending as a share of GDP in selected OECD countries in 2013 (in %)**

Despite financial crisis, health spending growth rates in Poland have been much stronger than in most OECD countries over the last decade. In 2013, the share of GDP allocated to health expenditure was 6.4% compared with OECD average of 8.9% (*Fig. 3*). This value was slightly below that of neighboring countries such as the Czech Republic (7.1%) and the Slovak Republic (7.6%), but well below the levels of France and Germany (10.9% and 11.0% respectively).

The health care in Poland is funded from both public and private sources with the prevailing share of the former in the form of contributions to compulsory social health insurance. The public funds cover about 70% of total health care expenses, and the rest is financed mainly with the use of out-of-pocket payments (*Table 2*). The public health care system theoretically provides universal coverage for all citizens, yet in practice there are difficulties with access to specialized health care. Public sources are unable to cover all health care expenses and therefore the use of additional private sources is necessary. Consequently, one can observe an increasing participation of individuals in health care financing, more in the form of out-of-pocket payments than in the form of voluntary private health insurance. In 2013, as much as 75% of private health care expenses in Poland was out-of-pocket household expenses.

Despite theoretically wide scope of health services provided by the public system, a significant percentage of the Polish households uses privately funded medical services, which are out-of-pocket financed. Direct expenses on health care contrary to premiums paid for health insurance often provide a sudden burden on household budgets, especially important in the case of pensioners, families with many children and people with relatively low incomes. The further development of private health insurance sector, supported by appropriate tax incentives, could result in a reduction of current out-of-pocket expenses incurred by households and increase in individual savings for future health care needs.

5. Conclusions

The presented results of the analysis of health insurance market in Poland indicate that private health insurance does not play a significant role in the health care financing. The market potential for PHI is directly determined by the range of statutory, publicly-financed health care services and an increasing demand for such services. The demographic trends (ageing population) and gradual increase in household incomes seem to be very important drivers of the further PHI development. Currently, the possibilities of PHI development in Poland exist in the area of financing health care services with limited access in the public system and health care services partially or fully funded by patients. Further development of health insur-

Table 2

Health care financing in Poland — selected ratios

Characteristic	Years				
	1995	2000	2005	2010	2013
Total health care expenditure as % of GDP	5.5	5.5	6.2	7.0	6.4*
Total health care expenditure per capita (USD PPP)	409.0	583.5	856.6	1394.9	1550.7
Public expenses as % of total health care expenses	72.9	70.0	69.3	71.2	69.6
Private expenses as % of total health care expenses	27.1	29.98	30.64	28.42	30.3
Household out-of-pocket expenses as % of total health care expenses	27.12	29.98	26.16	22.24	22.81
Household out-of-pocket expenses as % of private health care expenses	100	100	85.36	78.26	75.0

ance products could give considerable advantages in sickness risk management and financing. The most important include the following: stimulation of the insurance market's activity, reducing long waiting times in the case of some medical services and improving the quality of provided health care services. On the other hand, the main factors that may limit the development of PHI sector seem to be the following: relatively high premiums, lack of appropriate tax incentives, competition from private medical services providers, still low level of insurance awareness in the society and insufficient knowledge of real health care costs.

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