

The Security of health care in Albania as a combination of “Bismark” model and “Beveridge” model

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Abstract

One of the most important social insurance program is health care program. Initially we will present the program of health care insurance in Europe and in the U.S. After this we will get to know with the program of health care insurance in our country, and also we will analyze the financial problems of this program. Eventhough this social program dates later in Albania, the role that have health care insurance in the daily life of people is very important. The program of health care insurance in our country is a combination between Bismarck's model and Beveridge model. The first one, was born in Germany, while the second in Great Britain. The article is finalized with the composition, financing and running of the health care insurance program in Albania. At the end, there are presented conclusions and recommendations over the effective operation of the program of health care insurance in Albania.

1. Health Care Insurance Program

All the people have the right to be treated. It is society's responsibility to take care of coping illness. The disease is associated with the need for treatment, while poverty with lack of funds to cover expenses. In world history the disease and poverty were two main reasons of the birth of health care insurance. The program of health care insurance is a new financing mechanism of medical services.

Health Care Insurance Program was born and developed in parallel with the program of social security. Just as the social insurance program,

financing health care insurance program is different in different countries. Financing can be in three forms: private, public and combined (mixed). The system is private, when health insurance contributions paid by employer and employee afford health care. The system is public when health care is faced by the public budget (state). The system is combined, when health care is covered by health insurance paid by employer, employee and public budgets.

1.1 Health Care Insurance Program in the U.S.A

The U.S. was the best example of a health care system, mainly private (except military). In this country health services was provided by private institutions and private physicians. One of the highlights of Obama's electoral program in the U.S. presidential election in 2009, was switching from the private to the public. After much public debate the current president of the United States, Obama managed to implement public health care system. Previously, most private health insurance were private, based on the person who pays by his own for care insurance. Related with the private program operation, health care institutions in the U.S. can be profitable and non-profitable.

In the case when they are profitable, shareholders who have ownership share the gains. In the case when they are non-profitable, which are legal entities must reach at least self-financing, and also to reinvest profits in the activities of the institution. The negative side of this system was, that in this system, there is no guarantee of health care. The federal government offered insurance at a low level (some basic health services), only for people over 65 and people with health disabilities. Also, each state has its own policies to provide some medical coverage for those who are very poor.

1.2 Health Care Insurance Programme in Europe

In Europe, even for historical reasons, we have a completely different situation. If we compare how European countries finance health, we have significant differences among different countries, but we can say that in

general the way of financing is grouped into two main programs: (i) Bismarck Model and (ii) Beveridge Model.

(i) Bismarck model dates from 1871, the year in which Germany joined, in the direction of then-Chancellor Otto Von Bismarck, who runned a system of social security and health (1883). Since then Germany and a considerable part of European countries used a few changes this program. Bismarck-Regulation Program relies on these main principles: insured persons are employees, the health system is financed by employees who pay for social insurance and health based on their salaries.

(ii) The Beveridge Model takes its name from William Henry Beveridge. In 1942 he presented before the British Parliament a detailed report on social policies and health financing. Beveridge proposals were the basis on which, after World War II, Britain held its program of health care financing. British program characterized by the following main principles: (a) is a program that covers the entire population, (b) is mainly financed by public budget (state) and (c) the income come mainly from taxes.

The UK remains the best example of a program that is directed and controlled mainly by the government. Most health institutions are owned by a government agence⁶⁶, which has a staff of over 1 million workers, thus being the largest employer in Europe and fourth in the world. Doctors and other employees of health care are paid by the government (state). Britain has a health care financing program mainly of Beveridge type, different from Germany, which has the Bismarck type.

Regarding to other European countries it is unclear what kind of program uses each country. Most other countries use one program or another, but not in its pure form. There are significant changes between different countries. Over the years, some countries have passed from one program to another or have used the two systems merged and adapted. Due to historical and geographical reasons,too, Great Britain, Cyprus, Denmark, Ireland, Norway, etc. by funding the health service mainly from taxes and fees mainly use the Beveridge program. Germany, Austria, Estonia, France, Slovenia, Italy mainly use the Bismarck's type. Comparing the total Europe with the data of 2005 (EU-27) health service was financed by contributions

⁶⁶ National Health Service

from health and social security of 59.1% (Bismarck type); from the taxes income 37.6% (Beveridge type) and 3.4% from other funding (donations, etc.). This means that Europe still uses the financing of Bismarck-type health care regulation. However, in recent years in many states there is a tendency of convergence of the two types of systems. In the past ten years fundings from taxes and fees, (Beveridge), have significantly increased in countries such as France, Italy, Portugal etc., which previously have mainly used the German model. In countries such as, the Slovak Republic there is a significant increase in grants for health by the government (state). The trend of merging the two types of systems used in Europe is explained by the existence of two socio-economic models. The demographics, too, has changed significantly. There is a significant increase in life expectancy during the last decades. Because of this the period during which the person must be covered by health and social care is extended. Additionally, there are changes in fertility rates. We have undergone a shift in the age structure of population. The number of persons over 65 years is increased and is down the number of new ones. This has led to increasing the percentage of old-age dependency. By 2050 there will be a doubling of this percentage. So we have a reversal of the pyramid of the population, which means that we have and will have less contributory in the health and social insurance system.

This is one of the negative aspects of the Bismarck's program, but the Beveridge program is also under demographic pressure. In terms of spending on health care, health has become a huge burden on the revenues from taxes and fees from both quantitative (because we have more old people, with the probability to become ill more often) and by quality. Medical services and technology are becoming more expensive day by day. This means that the health program has become impossible to finance even by the Beveridge type and managed simply and only by the government (state).

So, which program should be used? European Studies have shown that the creation of a whole new financing program is impossible and not the solution. Each country chooses the financing program as a combination of the above programs depending on economic, social, demographic conditions. Albania has made its choice by financing health, as by the income from health insurance as well as through the budget that allocates government from

general taxation plus donor funding or grants that occupy a small percentage. So, at this point, we are in union with the majority of European countries, who increasingly are using the combined programs of funding.

2. Health Care Insurance Programme in our country

2.1 History of health care insurance

The last years of 1990 found Albania with the economy in ruins, with non-quality health service, not rational, medical institutions destroyed and very far western technologies. Albanians suffered from a disease, which in Europeans optic, they belonged to medieval period, such as pellagra, rachitic or other nutrition disorders. Many indicator not only showed the low level of living, but also the low level of health care. Because of the totalitarian socialist system, was declared free service for all citizens, but were lacking medicines, reagents, films, equipment, necessary laboratory examinations, etc.

The disintegration of the totalitarian socialist system was accompanied by the collapse of institutions and government bodies. This situation required a new health program. Reforms need to intervene in the organization, management, structures, financial resources, till to conceptions of health services. Health service needs require changes in line with the political, social and economic. Establishment of insurance program health care reform was undertaken for a new way of financing and administration. It was valued as a structure that would bring more money, distribution, rational use and therefore improve health services in Albania. Health insurance will serve as a moderator in order to mitigate the financial effects of the passage of health program in terms of market economy.

Activity health insurance program was going to be developed based on legislation filed on principles of solidarity, equality and protection of most vulnerable groups of population. With health insurance, eventhough, for the first time in Albania, was running through an not unexplored way, but in a way already familiar to the experience of western civilized world. The difficulty layed in applying this experience in terms of our country .

The first act of law in the field of health care insurance is the DCM (VKM) of 1994.⁶⁷ Subsequently, are derived decisions and laws that determine the functioning of health care insurance program. This social program in our country is provided by the Institute of Health Insurance ((ISKSH).⁶⁸ ISKSH was created as a public institution, independent, non-budgetary and non-profit, located in Tirana. The mission of this institute would be the coverage of the costs and the health services of general doctors and outpatient medications for treatment, from the contributions of health insurance.

2.2 In what consists the health care program in our country ?

Insurance program health care in Albania consists of: A) mandatory health insurance; B) the public budget (state); C) direct citizens payments; D) supplementary voluntary health insurance.

A) Mandatory health insurance

Compulsory health insurance covers all citizens of the Republic of Albania with permanent residence in our country, and foreign employees and insured who are in our country. Compulsory health insurance cover: (a) a fraction of the price of medicines in open network pharmacy, (b) the cost of service from general practitioner or family physician specialists, nurses of primary health care for all policyholders and services health hospital.⁶⁹ Health care insurance fund is fronted from the contributions of health care insurance paid by individuals (citizens) economically active and subsidies made by public budget (state). Employers participate in the contributions paid by themselves and by their employees. Public budget (state) program contributes to health care insurance ((ISKSH) for the economically inactive population and other categories.⁷⁰

⁶⁷ The Council of Ministers's Decision Nr. 22, dt. 20.12.1994 "For the Institute of Healthcare Security.

⁶⁸ Law Nr. 7870, date. 13.10.1994.VKM has no. 613, dt. 20.12.1994 "On approval of the Statute of Health Insurance ".

⁶⁹ Hospital health services approved by the Council of Ministers.

⁷⁰ According to article 8, paragraph 2 and 3 of Law no. 7807, dated 13.10.1994 "On medical insurance in the Republic of Albania. ".

B) Voluntary Health Insurance.

Individuals (citizens) can be voluntarily involved to voluntary insurance schemes. They can not be necessarily provided.

C) Supplementary health insurance.

Supplementary health insurance is a compulsory insurance scheme for employees.¹ The measure of the contribution that the insured individuals pay, is 1 percent of the gross amount of payroll.² Nature and extent of benefits and services covered by supplementary health insurance are set by special law.

D) Public budget (state).

The difference of the amount of contributions from employees and employers with the amount of benefits and health care service for the entire population is fronted by the public budget.

2.3 Funding of the program to provide health care in our country

The benefits from the program of health care insurance are not taxed. These benefits are financed by the health care insurance fund, to which employers, employees and other persons voluntarily insured will contribute regularly.⁷¹ The contributions of employed persons usually are shared with those of the employer.⁷² What is worth mentioning is that health care insurance fund is separated from the one of the public budget (state). This fund is administered by *ISKSH*, in accordance with his status, approved by the Council of Ministers.

⁷¹ As established by law no. 8097, dated 21.3.1996 "For additional state pensions of persons who carry out constitutional and state employees".

⁷² In accordance with Article 5 of Law no. 8097, date 21.3.1996.

Table 2.1 – The budget of health care insurance fund

Income from:	Expenses for:
1. Employers' contributions 2. Contributions of employees 3. Interest rate delay 4. Public budget (subsidy)	1. Administrative operation of the ISKSH 2. General practitioner or family doctor 3. Reimbursement of medicines ⁷³ 4. Hospital services and primary ⁷⁴
Total revenues = Total costs	

Contributions are calculated⁷⁵ on the percentage of salary for employees and employers to the extent of 3.4 percent. Contribution for self-employed, employers and unpaid family workers in the city, 7 percent of the minimum wage and self-employed and unpaid family workers in rural areas in fields contribution is 5 percent of the minimum wage and 3 percent of salary Minimum mountainous area.

2.4 The governance and the administration of health care insurance

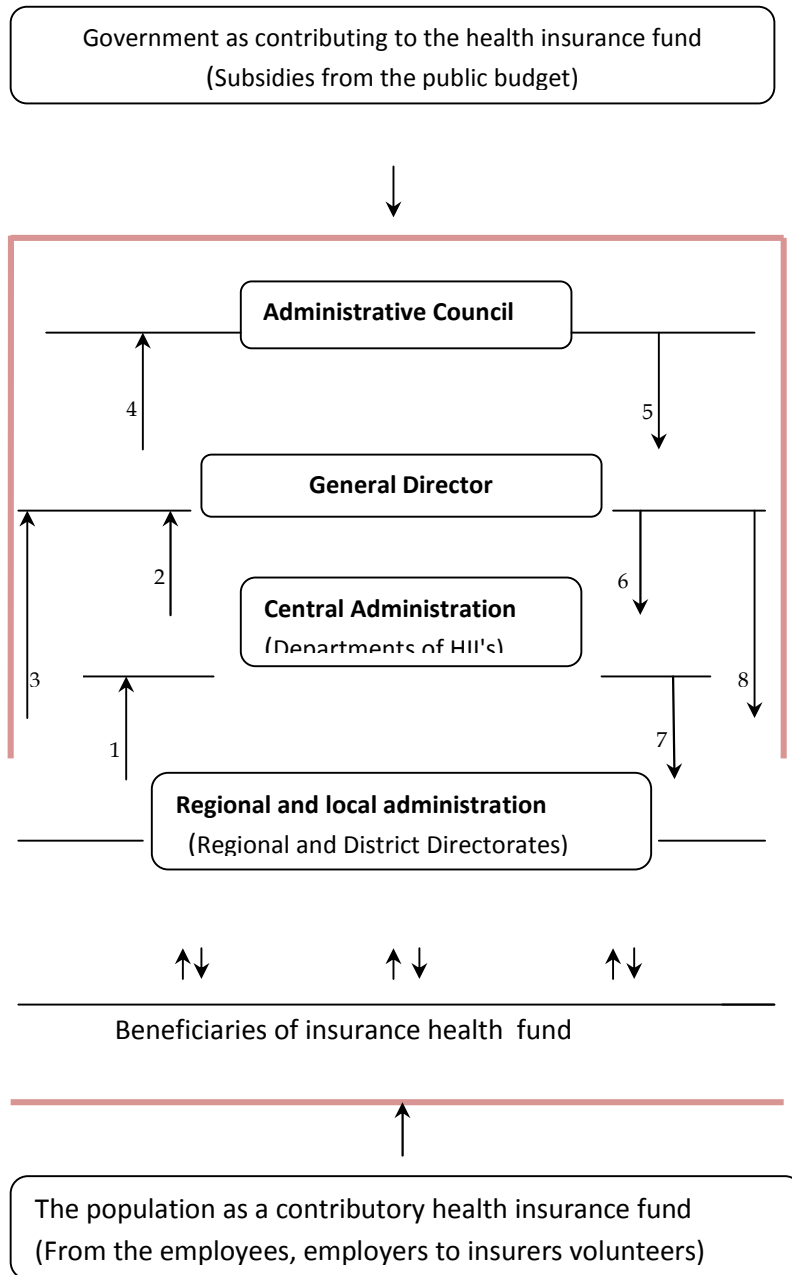
Healthcare Insurance in the Republic of Albania, is directed and administered by the Institute of Health Insurance (ISKSH). Below we will present the organization chart of the operation, management and administration of HII in our country.

⁷³ The measure of price coverage of the main list medical (drug) is provided annually by HII, with the approval of the Council of Ministers.

⁷⁴ Which include: preventive health measures; visits and examinations for diagnosis from specialist, hospital health care, and other cases determined by law; emergency services; investment.

⁷⁵ Under Article 10 of Law 7807, dated 13.10.1994 "On medical insurance in the Republic of Albania".

Figure 2.1-The organization of the functioning of the HII



In the Figure 2.1. there are two events: one external and one internal. Foreign Organization of HII's organizational is concerned with two main sources of social security funds, which are the population through employment (individuals), employers (entities) and the central government through subsidies from public budgets (state). The internal organization of the HII's organizational, is read from left to right. In the chart it is obvious that HII operates under the following structures: 1. Administrative Council 2. General

Director 3. Central Administration (Departments of HII) 4. Regional and local administration (regional and local directories).

The regional and local administration, which is represented by the respective departments, communicates directly with the beneficiaries of the insurance health care fund projects. Also it designs projects which are sent to the central administration of HII (arrow 1). These projects are reviewed by the central administration. It discusses with the Director General (arrow 2), which proposes to the administrative council (arrow 4). At the same time, General Manager communicates and coordinates parallel to the central administration to regional and local one (arrow 3). Final projects proposed by the Director-General, are discussed by the Administrative Council and after they are approved, they are returned for implementation through (arrow 5) central, regional and local administration (arrows 6, 7 and 8).

Administrative Council of the HII is the highest executive and decision-making. It consists of 11 members⁷⁶, of which: a) Three members appointed by the Council of Ministers, representing: -Ministry of Health; - Ministry of Labour, Immigration and Social Welfare; - Ministry of Finance and A member of the Institute of Social Insurance A member of the Institute of Health Insurance. b) Two representatives: one from the union that has the greatest number of members and one of the largest organization of farmers. c) Four representatives of interested parties: one of the Order of Physicians, one of an organization of employers, one of the largest pharmaceutical manufacturer in Albania and one from the association of pharmacists. The General Director, is nominated and elected by the administrative council of the HII. Directors of regional and local directories by region and around the central administration, regional and local are appointed in accordance with the rules of HII, which is based on the applicable legislation recruitment in our country.

3. Conclusions

Based on the issues addressed above, we have drawn the following conclusions:

⁷⁶ Under Article 20 of Law 7807, dated 13.10.1994 "On medical insurance in the Republic of Albania ", changed.

- a) The combined model (Bismarck + Beverige) is one model that prevails in Europe.
- b) The combined model has been applied even in the U.S.
- c) The Beverige Model is based in the society.
- d) The Bismarck Model Regulation, is based on contributions from employed individuals.
- e) The combined model makes the insurance health care program safer.
- f) So far is not found yet another program better than the combined program (Beverige + Bismarck).

4. Recommendations

In order to financially strengthen the insurance health care program in Albania, we recommend to:

- a) Increase the contribution amount of health care insurance from 3.4% to 7%.
- b) Raise the retirement age.
- c) Increase accountability in the use of funds, focusing on professional control structures of control and audit of the Institute of Health Insurance.

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