Journal of Business and Economics, ISSN 2155-7950, USA
July 2015, Volume 6, No. 7, pp. 1384-1391
DOI: 10.15341/jbe(2155-7950)/07.06.2015/015

http://www.academicstar.us

Public Health Insurance — Case Study: The Current Situation in Kosovo

Myhybije Zallqi Zhara, Anita Cucovi
(Univerzitety "Haxhi Zeka" Pejë, UÇK (KLA), 30000 Pejë Kosovo)

Abstract: In this paper I want to elaborate in detail, historical facts and changes that were important in the creation of public healthcare insurance in Kosovo, critical obstacles that have contributed to the failure to establish an adequate legal infrastructure in the field of public healthcare insurance, aiming at the same time to present them under the light of a professional analysis in order to understand how the healthcare insurance scheme has evolved in Kosovo, and directions that could be considered important for moving forward in the future. The application of different healthcare insurance schemes in different countries taken under consideration in this paper indicates that there is enough flexibility in the selection and application of healthcare insurance in a given country, under given geographical and market conditions, particular mentality, at a given time and certain history. However, what all countries have in common and which remains quite consolidated, is the fact that healthcare insurance schemes, through the development of performance funding method, performed either in private or public contracting have played a very important role everywhere in the world in terms of not only the development of qualitative healthcare systems but also in alleviating poverty and protecting vulnerable groups by providing them with a standardised quality service. The importance of healthcare insurances in the region and beyond and their lack in Kosovo demonstrates the difficulties faced by the citizens of Kosovo. In this regard it should be noted that a healthcare insurance system that would provide a minimum care for the citizens of Kosovo, has been lacking since 1999 onwards.

Key words: healthcare insurance; law on healthcare insurance; insurance fund; premium
JEL codes: A3, B4, D6, F1, F4, G2 (22), H1, I1 (13), J6(65), M1, O2, P1, Q5

1. Introduction

In the past the possibilities for Kosovo to develop a modern healthcare system were limited. The low level of economic development, difficulties in the full reform of the system and the apartheid of the 90s resulted in the further deterioration of the situation and the health status of the population.

Kosovo, after the war of 1999, has advanced considerably in the development of healthcare services. During this period, healthcare services in Kosovo have benefited from vast amounts of aid as support from donors, and a continuous increase in the financed budget. Many healthcare buildings have been developed/refurbished, the number of healthcare personnel has increased and in general the number of patients benefiting from the healthcare institutions has increased.

Therefore, the analysis of the method of healthcare financing in the post-war Kosovo and the development of

Myhybije Zallqi Zhara, Ph.D. Candidate, Univerzitety "Haxhi Zeka" Pejë; research areas/interests: health insurance, insurance. E-mail: lirafesta1@hotmail.com.

a sustainable system of Healthcare Insurances is a current topic and a very important one that requires consideration at the scientific-professional level, and will to a degree help science and the improvement of legislation in the field of healthcare in our country. This research explores the problems caused by the lack of a healthcare insurance system and the difficulties for equitable access to healthcare services. Through this research, in addition, we will present the models of healthcare insurance applicable in the countries of the region (Albania and Croatia), hence attempting to provide an overview of such models, to observe the negative and positive aspects of each of the models provided, and as a result, to determine more easily the type of healthcare insurance system suitable for Kosovo in the current situation and time.

2. Brief History of Healthcare Insurances in Kosovo

From the historical aspect we can conclude in a documented manner that Kosovo, even though fulfilling all the preconditions to be distinguished as a territory with a separate administration, was deprived from this right, and in a discriminatory manner without respecting the will of the people was annexed as a part of the Yugoslav Federation after the Second World War. In this regard Kosovo was administered with the legislation of this Federation of that time.

If we conduct a historical analysis, we can observe that the system of social insurances, including here also the healthcare ones, began to be implemented with the promulgation of the first legal acts which regulated this social sphere. Hence one of the first acts which regulated the social insurances was the application of the Law on regulating the courts for social insurance/May 1945. Following this there were other acts promulgated aimed at expanding the range of these insurances for different social categories.

The Federation of Healthcare Unions of Kosovo indicates that the "Concept of healthcare insurances was changed in particular with the constitutional changes in the former-Yugoslav Federation, where in 1965 the Law on insurance of pensions was adopted, as well as the revision and amendment of the Law on healthcare insurances"[1]. According to the legislation of the time, the state was to establish a separate fund through which at first all the citizens would be insured for basic healthcare, while this fund would be supplemented also with the contributions from the personal income of the active population.

However, with the fall of the communist system and with the coming into power of the Serb chauvinists, the system of social insurances in general was demolished on an ethnic basis. Hence the Albanian population of Kosovo, in addition to other forms of repression, was discriminated and stifled through the deprivation of the right to social insurances and other categories. In this period in Kosovo a parallel institutional life was created in comparison to that which was installed forcefully by Serbia. The parallel healthcare system functioned in a period from 1990 to 1999, when after the war which was concluded with the intervention of NATO, a new situation was created[2].

The first phase, marking the period from 1999 to 2001, is the emergency phase in which there was a tendency to create financial resources for the functioning of public healthcare institutions. In this phase the financing of the healthcare system was done from the consolidated budget of Kosovo and the different donations which were secured by various international organisations[3].

[1] Federation of Healthcare Unions of Kosovo, December 2010, available online at: http://www.fsshk.eu.
[2] Shkoza Armend & Lekiqi Filloreta "Healthcare insurance in Kosovo — a delayed right", Prishtina, Maj 2012, p. 17.
[3] KDI "Kosovo without healthcare insurance, till when?!..", Research, Prishtina, January 2011.

The second phase pertains to the period from 2002 to the end of 2004, which is considered as a development and financing phase of the healthcare system by the Kosovo Budget and the co-financing (own source revenues of the healthcare institutions). This period is characterised also by the adoption of the first legal framework since the end of the war, which involves the adoption of the Law on Healthcare 2004/4[4].

While today, even though more than six years have passed since the declaration of independence, Kosovo still does not have an exact social insurance scheme in general or that of healthcare in particular. In relation to this problem, we can emphasise that we do not have a proper infrastructure through which issues would be specifically regulated. Currently, we have a scheme of social assistance, which does not even closely cover the individual needs let alone those of the families. It is not very reasonable to identify who to blame for this social disorder, however we need to conclude that Kosovo does not have a comprehensive scheme through which social insurances would be regulated. The legal infrastructure currently is very limited, and in this regard it does not even closely cover the specific social categories.

There can be no talk of healthcare insurances as we do not have any existing model through which healthcare services could be offered based on the scheme of these insurances, in 2007, the law on the healthcare insurance system was drafted, which was aimed at ensuring the fund through collections from personal income taxes. Subsequently, with the justification that this method cannot generate sufficient funds for the initiation of the healthcare insurance scheme, this draft law was sent back for reconsideration. In 2014, after many delays the Law on Healthcare Insurances[5] was finally adopted, and will enter into force in January 2015.

3. Legal Infrastructure on Healthcare Insurances in Kosovo

From the aspect of positive regulation, specifically the regulatory acts which are in force in the Republic of Kosovo, within the legal domain of Kosovo there is no applicable legal framework which specifically regulates the issue of healthcare insurance. Since the conclusion of the war to the present, a number of legislative initiatives have been undertaken by the Ministry of Health which has exclusive authority to sponsor the legal infrastructure on healthcare insurances, but until 2014 a law was not adopted which regulates the system of healthcare insurances.

None of the laws of the healthcare sector were discusses for so long as the Law on healthcare insurances, and what is more, neither the changes in the Law on Healthcare were discusses which were mostly related to the requirements stemming from the Ahtisaari Pack[6].

The first initiative for the adoption of the law on healthcare insurances was initiated in 2007 at the Kosovo Assembly, where after being proceeded by the Kosovo Government, the Assembly did not adopt the law due to an assessment which stated that it is impossible for the system of healthcare insurances to function according to the proposed regulatory framework. This initiative which was conducted in 2007 seems to have remained without any single progress for almost four consecutive years.

Currently, when the law on healthcare insurance is presented as an exclusive standard for the functioning of the healthcare system and as a requirement from the process of European integration, for which the Kosovo Government claims to have priority, the Ministry of Health has restarted the initiative for the adoption of the two

[4] Law No 2004/4 “On Healthcare”, UNMIK/REG/2004/31, Prishtina, August 2004.
[5] LawNo. 04/L -249, “On Healthcare Insurance”, Prishtina, April 2014.
[6] Begolli Ilir & Arënliu-Qosaj Fatime; “How to medicate Medicine?”, Forum 2015 and the Kosovo Foundation for Open Society, Prishtina, May 2011, p. 37.

basic laws for the healthcare system, specifically that of healthcare insurances and that of healthcare.

The first draft is the version of 2007, which was not adopted by the Kosovo Assembly, while the second is a draft which war processed during 2011. The third draft is the version which underwent changes based on suggestions and recommendations of the World Bank and was not put to a vote in the Assembly of the Republic of Kosovo until the end of November 2012. Only recently, the Law on Healthcare Insurances has been adopted, but will enter into force in January of 2015, and we cannot yet speak on the role and importance of this law without it being implemented in practice and before its first effects can be seen.

4. Different Models of Healthcare Insurance in the Countries of the Region

In regard to providing knowledge on the practices of countries in the region, in this chapter we will consider the installed models of healthcare insurances in the countries of the region. The regional practice, in the case of Kosovo, is of importance due to the past which was common for most of the countries of the region and the transition phase which most of these countries have gone through. For this reason, the consideration of these practices in this research will serve to gain knowledge of the effectiveness of various solutions which have been adopted by countries in the region.

Albania — during the communism epoch, the Republic of Albania regulated its healthcare system according to the "Sumasenko" system. This caused for the whole healthcare system to be managed by central structures of the Albanian state. The system of healthcare insurances was installed within this system, where the citizens made use of the healthcare services which were controlled and managed by the state structures. The healthcare institutions were organised and financed directly from the state apparatus, and in this regard there was no classical healthcare insurance, in which the insurance funds would be managed by an independent public institution.

However, in the post-communist era, began the first initiatives for the establishment of a healthcare insurance system according to models of western states, by determining that the previous system has caused the collapse of the whole healthcare system[7]. As it is reasonable and logical, the installation of the legal infrastructure for the healthcare insurance system is the first action that should be undertaken in the establishment of this system.

Therefore, the healthcare insurance in Albania was established with the Law no. 7870, of the date 13.10.1994[8]. The healthcare insurances in the Republic of Albania are managed by the Institute of Healthcare Insurance (IHI). The IHI according to its organisational structure has bodies established at the level of counties, districts and municipalities. According to the legislation in force, the insured citizens need to be registered with the IHI, where all those insured have healthcare booklets. These booklets record the payment of premiums for healthcare insurance.

The system of healthcare insurances in Albania is based on the Bismark system, which has the basic principle of solidarity. From this point on, the system of healthcare insurances is financed by[9]:

- Contribution paid from economically active persons;
- Contributions paid by the state on behalf of persons economically inactive;
- Contributions from the state budget have been increased through the adoption in 2007 of the measure for financing of the primary service of the IHI and in 2009 of the measure of financing the hospital service.

[7] ISKSH, "Healthcare insurance scheme, alternatives for the improvement of the hospital conditions", Conference, May 2010, p. 4.
[8] Hana Elvana, "Reform in the financing system — An important premise and drive for the improvement of the quality of healthcare services in Albanian", Ph.D. paper, p. 38.
[9] Law no. 7870, dated 13.10.1994, Healthcare insurances in the Republic of Albania.

Other forms of income:

- Bank interests
- Treasury bonds
- Sale of booklets and other documents
- Compensations of pharmacists and doctors
- Contributions from voluntary insurances

Based on the installed model of Albania, in relation to payment of premiums for the employed, or the active population, a premium of 3.4% of gross income is foreseen, where the employee pays 1.7% while the employer pays 1.7% of the gross monthly salary[10]. Contributions paid for the non-active population by the state, include children, pupils and students that have interrupted their employment, the unemployed, those with mental and physical disabilities, persons that receive economic aid and social assistance, citizens that are serving the mandatory military service, pregnant women, and the retired.

The difference of this healthcare insurances system in comparison with the one expected to be installed in Kosovo consists of the contribution by the government budget, where according to the Kosovo model the co-participation of the Kosovo budget for certain groups of society is planned to be much lower than in the case of the Republic of Albania.

Croatia — As a country which was a federal unit in the former FSRY, following the declaration of independence and the consolidation of the state institutions, Croatia as an independent country began to install the new legal infrastructure according to which it would regulate also the healthcare system in general and that of healthcare insurances in particular. According to the legislation in force, the right to mandatory and voluntary healthcare insurance is recognised.

The mandatory healthcare insurance is regulated through the Law on mandatory healthcare insurances "Narodne novine", no. 150/08, 94/09 and the law on its revision and amendment 153/09.53. While the voluntary healthcare insurances are regulated through the Law on voluntary healthcare insurances "Narodne novine" no. 85/06, 150/08, and the law on its amendment and revision no. 71/10. According to the Croatian legislation, the voluntary healthcare insurances can be: complementary, supplementary and private. All of these are regulated by specific laws and by the regulation on the utilisation of voluntary healthcare insurance.

The healthcare insurances in Croatia are managed by the Croatian Healthcare Insurance Bureau (Hrvatski Zavod za Zdravstvena Osiguranja). Croatia also applies the Bismark system, as the employer and employee pay the premium based on the gross income of the employee, which is set at 15%. Specifically, the co-participation in the payment of the premium is 7.5% by the employee and 7.5% by the employer. The methods and rate of premium payments are regulated by a separate law, through which all social contributions are regulated. The healthcare insurance system of Croatia has also foreseen 26 categories of identified mandatory insurances, where for some of these categories which are considered as groups under social care, the government of Croatia covers the contribution for the healthcare insurance premium.

It is important to highlight that Croatia is one of the biggest spenders of the Gross Domestic Product in relation to healthcare spending, in comparison to the countries of the region. Spending on healthcare in 2004 reached the sum of 8.9% of GDP, which is considered a high amount if compared to the countries of the region

[10] Belishova Agron, Hana Elvana & Adhami Albana, "Healthcare insurance in Albania", ISKSH, p. 67.

which have an average of 5.3% of the GDP[11].

5. Effects of Healthcare Insurances on the Budget and Economy of the Country

In the study of the World Bank, social healthcare insurance through taxes on salaries has shown to be unsuitable even though the government of Kosovo has insisted on that option. The main issues related to this, is that the income base pertaining to the insurance financed by income tax is limited to a small formal sector where the possibilities of avoiding contributions are at a high level. Kosovo has a very small formal sector. The avoidance of contribution payment is expected to be high in Kosovo, which means that the social healthcare insurance financed through income tax has a lot of potential of not resulting in additional income for the healthcare sector[12].

The World Bank study, has suggested other additional forms which would have an effect on increasing the budget for financing the healthcare system, like taxes on protection of health from smoking[13]. Private insurance has also been mentioned as one of the options, but it has not been shown as a strategic alternative for Kosovo. In the case of Kosovo, private insurance would be difficult to implement due to the lack of institutional and regulatory capacities. According to the assessments of the World Bank, 29% of the population belonging to the working age are employed in the formal sector. The implementation of the social healthcare insurance would certainly result in the avoidance of contribution payments (about 50% for businesses and about 80% for farmers), which as a consequence would lead to significantly reduced income collected for the healthcare sector[14].

If the model suggested by the World Bank would be applied, included in the last version of the draft law, then this model would be reflected by the informal economy in the labour market, and this method of premium payment could also lead to informality in the healthcare insurance market. This means that in addition to the informality which is present in the labour market, due to the low salaries and the unstable labour market, an employed person may hesitate to pay the premium due to the fledgling welfare situation.

In this regard, any avoidance of payment of the healthcare insurance premium would create informality in healthcare insurance, which would present difficulties for the functioning of the Fund. The possibility of avoiding payment of the premium can arise do to the passiveness of the Kosovo Tax Authority, as according to this model the payment of contribution is not the responsibility of the employer. Whilst in the final draft there was no mechanism foreseen which would control the payment of the premium by the insured.

It can be observed that the paying capacity of the employed, in the quantitative aspect in the private sector is close to 100% higher than in the public sector, as the number of those employed in the private sector is 100% larger than in the public one. From this we can observe that in a sphere where the labour market is regulated with great difficulty by the legislation in force, due to the presence of a considerable level of informality, from the aspect of collecting funds for healthcare insurance, it will be a great difficulty in the collection finances.

[11] Hoxha Ilir & Shaipi Kushtrim, “Comparative analysis of the healthcare insurance schemes in Southeast Europe”, Prishtina, June 2009.
[12] Study on Healthcare Insurance “Report on the results — Comparative analysis of the healthcare insurance schemes in Southeast Europe”, Prishtina, June 2009, p. 27.
[13] World Bank, “Kosovo Health Financing Reform Study”, Prishtina, 6 May 2008, p. 77.
[14] World Bank, “Kosovo Health Financing Reform Study”, Prishtina, 6 May 2008, p. 93.

Table 1 The Impact of Healthcare Insurances to the Kosovo Budget[15]

Population categories	Number	Monthly premium	Annual premium	Annual income	Monthly income
Persons with social assistance	151,551	5.00	60.00	9,093,240	757,755
Persons with basic pensions	104,098	5.00	60.00	6,245,880	520,490
Pensioners with pensions from contributions	30,805	5.00	60.00	1,848,300	154,025
The unemployed	125,500	5.00	60.00	7,530,000	627,500
Persons with disabilities (aged 18-65)	18,121	5.00	60.00	1,087,260	90,605
Families with children with disabilities	2,753	5.00	60.00	165,180	13,765
Beneficiaries of the DFDNJ programme	12,285	5.00	60.00	737,100	61,425
Total of annual payments by the government					26,706,960
Total of monthly payments by the government					2,225,335

In the event of financial funds being secured through the payment of premiums for healthcare insurance, the healthcare sector can achieve a considerable progress, especially taking into consideration the difficult situation that prevails in the field. It is impossible to make progress in the healthcare sector with a budget of 79,079,229 Euro, which makes the Ministry of Health non-functional in the management of the healthcare sector.

6. Discussion and Analysis of the Results

Kosovo is amongst the rarest European countries which does not have an applicable Law until 2015 on healthcare insurances and consequently has not established a fund for public healthcare insurances. This has occurred as a result of many objective factors, but the lack of political will is also evident in giving more serious consideration to this sensitive issue.

In order to begin with the application of this system, the country needs to conduct a range of structural reforms in the management of the healthcare sector. For such reforms, a legal basis and courageous political decisions are required from the institutions. Healthcare insurances are considered to be expensive and due to this a harmonisation is required with the international financial institutions like the World Bank and the International Monetary Fund.

Before the Law on Healthcare and the Law on Healthcare Insurances was adopted in the Assembly of the Republic of Kosovo, with which the government will initiate large financing reforms in healthcare, the government should have discussed and taken some important decisions and evaluate the financial and organisation effect of these laws.

If the government moves towards the full healthcare insurance model, the Healthcare Insurance Fund will require the following attributes: short-term, mid-tem and long-term budget planning, including the forecasting of revenues and spending; analysis of healthcare requirements in relation to the title holders; exposure to the costs for the rights that include the analysis by the insurance expert; financing, including investment and debt management; management of requirements; analysis of the risk and management that includes full knowledge of other parts and debts; contracting, including the setting of prices or the level of sales, development of the market, samples of contracts for provider classes, management of relations between providers; monitoring; auditing; reviewing and assessing the effectiveness of the providers and the effects of the interventions that are purchased or financed; management of clients; management of process bearers; and management of information.

[15] Kosovo Statistics Agency, last modification 13 October 2012, available online at: http://esk.rks-gov.net/rekos2011/.

7. Conclusions

As we elaborated in this paper, the Government of Kosovo needs a clear vision in relation to which type of healthcare insurance will be financially and organisationally more implementable in Kosovo, and what implications it will have on the current financing functions. Such a vision and strategy should be based on the objectives of the general healthcare policy of the sector, and should take into consideration the financial, institutional and organisational situation, as well as the human resources.

The labour market in Kosovo is too small and fledgling to absorb an increase in income tax. Therefore, the revenues from the healthcare insurance should be comprised of mainly funds from the general government budget from direct and indirect taxation. Kosovo may consider the increase of indirect taxation on tobacco and alcohol, and also on luxury goods, in order to increase the revenues of the government.

Based on this research we can recommend that the Kosovo Government should have a clear vision in relation to which healthcare insurance would be more suitable both in the organisational and financial aspect. It should look into the implications healthcare insurance might have on the healthcare system and other sectors like the labour market, private sector and household economy. Additionally, the use of other financial resources through direct or indirect taxation on some products like tobacco and alcohol aimed mainly for healthcare, can serve as additional resources for the increase of financing.

From what we considered in this paper we can say that Kosovo is still far from the development of a healthcare insurance system which would fulfil the international standards enshrined in the given Conventions and Recommendations of the ILO and also the European Union Directives.

However, it remains to be hoped for, that the application of the law on healthcare insurances will be taken more seriously, and that finally, the human right of having a system of healthcare insurance will become a reality.

References:

World Bank (2008). “Kosovo Health Financing Reform Study” Prishtina, 6th of May 2008.

Begolli Ilir and Arënliu-Qosaj Fatime (May 2011). “How to medicate medicine?”, *Forum 2015 and the Kosovo Foundation for Open Society*, Prishtina.

Belishova Agron, Hana Elvana and Adhami Albana, “Healthcare insurance in Albania”, *ISKSH*.

Hana Elvana, “Reform in the financing system — An important premise and drive for the improvement of the quality of healthcare services in Albanian”, Ph.D. paper, Tirana.

Hoxha Ilir and Shaipi Kushtrim (June, 2009). “Comparative analysis of the healthcare insurance schemes in Southeast Europe”.

ISKSH (May 2010). “Healthcare insurance scheme, alternatives for the improvement of the hospital conditions”, *Conference of ISKSH*.

KDI (January 2011). “Kosovo without healthcare insurance, till when?!..”, Research, Prishtina.

Law No. 2004/4 “On Healthcare”, UNMIK/REG/2004/31, Prishtina, August 2004.

Law No. 04/L -249, “On Healthcare Insurance”, Prishtina, April 2014.

Law No. 7870, dated 13.10.1994, Healthcare Insurances in the Republic of Albania.

Shkoza Armend and Lekiqi Filloreta (May 2012). “Healthcare insurance in Kosovo — A delayed right”, Prishtina.

Study on Healthcare Insurance “Report on the results — Comparative analysis of the healthcare insurance schemes in Southeast Europe”, Prishtina, June 2009.

Kosovo Statistics Agency, last modification 13 October 2012, available online at: http://esk.rks-gov.net/rekos2011.

Federation of Healthcare Unions of Kosovo (December 2010). Available online at: http://www.fsshk.eu.