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# SOURCES OF HEALTHCARE FUNDING IN POLAND AND THE CZECH REPUBLIC

Abstract: In this article, the authors present the legal structure of the individual sources of healthcare financing in Poland and the Czech Republic and identify their significance for the functioning of the healthcare system. This will be followed by a comparison of the sources of healthcare financing in these two states. The aim of this study is to identify the differences and similarities between the healthcare financing rules in Poland and the Czech Republic and to determine the advantages and disadvantages of both systems through a comparative approach. In the course of analysing the issues outlined above, research methods relevant to the legal studies are used, including the formal-legal method and the legal-comparative method.

Keywords: healthcare, public finance

## INTRODUCTION

After the political transformation at the turn of the 1990s in Poland and the Czech Republic, the need arose to adapt the principles of social security, including healthcare systems, to the new socio-economic realities based on the free market economy.

Both states faced the challenge of providing their citizens with universal access to publicly funded healthcare, as the post-communist healthcare financing systems had proved inefficient. Legal solutions were introduced that were intended to ensure citizens' right to healthcare. The legal and financial institutions of the healthcare systems have evolved over the years, particularly after the two states' accession to the European Union. In EU countries, access to the public health system is an issue addressed in public debate and in economic and legal studies. This matter is one of the main issues determining the standard of living of societies, particularly in Central European countries.

In this article, the authors will present the legal structure of the individual sources of healthcare financing in Poland and the Czech Republic and identify their significance for the functioning of the healthcare system. This will be followed by a comparison of the sources of healthcare financing in these two states.

The aim of this study is to identify the differences and similarities between the healthcare financing rules in Poland and the Czech Republic and to determine the advantages and disadvantages of both systems through a comparative approach.

In the course of analysing the issues outlined above, research methods relevant to legal studies will be used, including the formal-legal method and the legal-comparative method.

## 1. SOURCES OF HEALTHCARE FUNDING IN POLAND

### 1.1. NORMATIVE AND INSTITUTIONAL FOUNDATIONS FOR THE FUNCTIONING OF THE POLISH HEALTHCARE SYSTEM

The shape of the Polish healthcare system, in particular the rules of its financing, is determined by the provisions of the Constitution of the Republic of Poland.[1] According to its Article 68(1) everyone shall have the right to have his health protected. According to Article 68(2), equal access to healthcare services, financed from public funds, shall be ensured by public authorities to citizens, irrespective of their material situation.[2]

The above means that the principles of financing healthcare are subject to statutory regulation. The legislator has the freedom to shape the manner of financing the healthcare system with the reservation that public authorities are obliged to ensure equal access to healthcare services financed from public funds, which is a *sine qua non* condition for the compliance of the healthcare system with the Constitution of the Republic of Poland. The idea of introducing a completely free-market healthcare system is unacceptable.[3]

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[1] The Constitution of the Republic of Poland of 2 April 1997 (Journal of Laws of 1997 No. 78, item 483 as amended), hereinafter referred to as the Constitution of the Republic of Poland.

[2] L. Bosek, "Komentarz do art. 68," [in:] *Konstytucja RP*, vol. 1. *Komentarz: art. 1–86*, eds. M. Safjan, L. Bosek, Warszawa 2016, Legalis.

[3] Judgment of the Constitutional Tribunal of 7 January 2004, ref. K 14/03, OTK-A 2004. no. 1; L. Bosek, J. Roszkiewicz, "Konstytucyjne uwarunkowania systemu udzielania świadczeń zdrowotnych," [in:] *System Prawa Medycznego*, vol. 3. *Organizacja systemu ochrony zdrowia*, eds. D. Bach-Golecka, R. Stankiewicz, Warszawa 2020, Legalis; A. Barczak-Oplustil, M. Florczak-Wątor, T. Sroka, "Odpowiedzialność władzy publicznej w obszarze ochrony zdrowia w Konstytucji RP," [in:] *System Prawa Medycznego*, vol. 6. *Odpowiedzialność publicznoprawna*, eds. A. Barczak-Oplustil, T. Sroka, Warszawa 2022, p. 45.

The framework of the principles for the functioning and financing of the Polish healthcare system currently results from the Act on Healthcare Services Financed from Public Funds.[4] The system is based on universal health insurance, determined by the principles of equal treatment and social solidarity, as well as intended to ensure that the insured person has equal access to healthcare services and choice of healthcare provider (Article 65 of the AHCS).

Universal health insurance covers, *inter alia*, employees and contractors (service providers), pensioners and other recipients of benefits from the social insurance system, officers of the uniformed services, entrepreneurs, beneficiaries of social assistance in the broad sense, including the unemployed, as well as farmers. It is emphasised that the public healthcare system covers 99% of the population.[5] Universal health insurance may also be used by persons not subject to compulsory insurance. According to Article 2(1,2) of the AHCS these include persons under the age of 18 and women during pregnancy, childbirth or the postpartum period. Beneficiaries, including persons subject to health insurance, are entitled to healthcare services aimed at the preservation of health, prevention of disease and injury, early detection of disease, treatment, care and the prevention and reduction of disability. Health insurance is administered by the National Health Fund[6] which is a state organisational unit with legal personality. In the light of the Public Finance Act,[7] it is classified as a unit of the public finance sector. Its main tasks include the management of public funds for the financing of healthcare services, in particular the financing of the costs of healthcare services for the insured. These funds are obtained by the NHF from, *inter alia*, health insurance premiums paid by the insured and subsidies coming from the State Budget (Article 116 of the AHCS). The revenues obtained are used in particular to finance the costs of the services provided.

Significantly, the Fund cannot provide health services on its own. Its primary task is to manage the health system and to conclude contracts with healthcare providers for the provision of services. Exclusively entitled to provide benefits within the public health system are the healthcare providers, which primarily include the treatment entities (Article 5(41) of the AHCS). The functioning of medical entities is regulated by the Act on Medical Activity.[8] The catalogue of healthcare entities in the Act includes mainly independent public healthcare institutions, entrepreneurs, foundations and associations to the extent that they perform healthcare activities. Healthcare entities may be private entities, but they may also be established by

[4] The Act of 27 August 2004 on Healthcare Services Financed from Public Funds (Journal of Laws of 2021, item 1285 as amended); hereinafter referred to as the AHCS.

[5] S. Poździoch, *Prawo zdrowia publicznego. Zarys problematyki*, Kraków 2004, p. 40.

[6] Hereinafter referred to as the NHF or the "Fund."

[7] The Act of 27 August 2009 on Public Finance (Journal of Laws of 2022, item 1634, as amended), hereinafter referred as the APF.

[8] The Act of 15 April 2011 on Medical Activity (Journal of Laws of 2022, item 633, hereinafter referred as the AMA.

public law entities. According to Article 6 of the AMA, local government units, medical universities and the State Treasury may create and operate healthcare entities mainly in the form of joint stock companies and independent public healthcare institutions.

In the Polish healthcare system, local government units and government administration bodies, including the minister responsible for matters of health, also perform important tasks. Local self-government units primarily run healthcare entities and can subsidise their ongoing activities.

The main sources of funding for healthcare in Poland include the health insurance premiums, expenditures from local government budgets and expenditures from the State Budget.

### 1.2. THE HEALTH INSURANCE PREMIUM

The main source of financing healthcare in Poland is the health insurance premium. Its legal structure is regulated by the provisions of the Healthcare Services Financed from Public Funds Act. As a result of reforms introduced as of 1 January 2022, its shape was partially changed.[9]

The health premium is the revenue of the National Health Fund. Revenues from the health premium are planned to amount to around PLN 134 billion in 2023, with total revenues of the Fund planned at around PLN 144 billion.[10] This means that the health insurance premium is the main source of funding for universal health insurance and consequently the Polish healthcare system.

In the literature, the health insurance premium is defined as a public levy, constituting a public law, universal, general, non-refundable and compulsory monetary premium levied on the basis of the provisions of the Act, of a pecuniary and targeted nature, allocated for the implementation of the constitutional tasks of the state in the field of health protection carried out by the National Health Fund within the framework of the universal compulsory or voluntary health insurance.[11]

The subjective scope of the premium is determined by the subjective scope of health insurance. In other words, the majority of persons subject to universal health insurance are covered by the obligation to pay the health premium. The closed catalogue of insurance titles arises from Article 66 of the AHCS. As established above, the catalogue of such persons includes: employees and contractors,

[9] The Act of 29 October 2021 amending the Personal Income Tax Act, the Corporate Income Tax Act and Certain Other Acts (Journal of Laws of 2021, item 2105, as amended).

[10] Financial plan of the National Health Fund for 2023 approved by the Minister of Health in consultation with the Minister of Finance on 26 July 2022: "Plan finansowy NFZ na 2023r.", Narodowy Fundusz Zdrowia/ Finanse NFZ, https://www.nfz.gov.pl/bip/finanse-nfz/, (accessed: 10.09.2022).

[11] P. Lenio, *Publicznoprawne źródła finansowania ochrony zdrowia w Polsce*, Warszawa 2018, p. 460.

farmers, entrepreneurs, officers of the uniformed services, pensioners and other recipients of benefits from the social insurance system, beneficiaries of social assistance in the broad sense, including unemployed persons, but also judges and prosecutors, clergy, students and doctoral students. The provision of Article 66 of the AHCS indicates more than 40 different titles to compulsory health insurance.

The subject of the health premium is a certain activity of the insured (e.g. employment) or the possession of a certain status (e.g. retiree status) constituting an insurance title. There is, therefore, a close connection between the subject and the object of the health premium as basic and necessary structural elements of a public levy.

The rules for determining the assessment basis for the health insurance premium depend on the type of title to compulsory health insurance. For employees, as the largest occupational group subject to health insurance, the premium assessment base depends on the taxable income within the meaning of the Personal Income Tax Act.[12]

With regard to certain groups of insured persons (e.g. recipients of benefits from the social insurance system), the assessment base for the health premium is established by indicating certain benefits due to the exercise of an activity or possession of a specific legal status, which from the economic point of view are similar to income. In the case of persons conducting economic activity, the base for assessment is income from economic activity determined for the calendar year as the difference between the revenue achieved and the costs incurred to obtain such revenue (Article 81(2) of the AHCS).

In general, it can be assumed that the base of assessment of the health premium for the vast majority of insured persons is their taxable revenue or any other benefit received in connection with their function, legal status or gainful activity. Farmers are an exception. For them, the amount of the health premium is not determined by their income, but only by the area of the farm.

Pursuant to Article 79(1) of the AHCS, the basic premium rate is 9%.[13] The premium rate for farmers is PLN 1 per hectare of the farm per month and this is a far-reaching preference for this occupational group compared to the burden on other groups of insured persons.

### 1.3. EXPENDITURE FROM THE STATE BUDGET AS A SOURCE OF FUNDING FOR HEALTHCARE IN POLAND

The State Budget primarily finances the State Emergency Medical Service, certain healthcare services and the day-to-day activities of medical entities established and run by the State Treasury.

The State Emergency Medical Service is financed indirectly from the State Budget. The National Health Fund, which receives a designated subsidy from the State Budget for this task, is responsible for concluding contracts with medical

[12] Personal Income Tax Act of 26 July 1991 (Journal of Laws of 2021, item 1128 as amended).

[13] For entrepreneurs subject to flat (proportional) income tax, the rate is, as of 1 January 2022, 4.9%.

rescue units. The principles of financing medical rescue services in Poland are regulated by the provisions of the Act on State Emergency Medical Services.[14] Funds for financing the aforementioned contracts are transferred by the voivode to the National Health Fund in the form of a designated subsidy in accordance with the procedure and principles defined in the provisions of the Public Finance Act in order to ensure financing of the tasks of medical rescue teams on the territory of the relevant voivodeship branch of the NHF

Some healthcare services are not financed from the revenues of the National Health Fund obtained from the collection of the health premium. The source of their financing is the State Budget. These services are of a diverse nature and result from various legal acts. Most of them are financed in the form of a designated subsidy transferred to the NHF. An example of services financed in this way are those provided under the Act on Education in Sobriety and Counteracting Alcoholism,[15] the Act on Counteracting Drug Addiction,[16] the Act on Mental Health Protection.[17] Some of the health services available under the public system are financed directly from the State Budget.

The provisions of the Act on Medical Activity also allow for financing from the State Budget of the day-to-day activities of medical entities run by the State Treasury. These funds may be transferred in the form of a designated subsidy or on the basis of an agreement concluded with the beneficiary. Public funds from the State Budget may be transferred in this form, *inter alia*, for the implementation of health programmes, renovations, purchase of medical the equipment, as well as implementation of projects financed with funds from the European Union budget (Articles 114–116 of the AMA).

The State Treasury, represented by a minister, central government administration body or voivode, may also establish and operate healthcare entities in the form of a joint stock company or a limited liability company. Accordingly, property expenditures are also made from the State Budget for the purchase and acquisition of shares or stocks.[18]

### 1.4. EXPENDITURE FROM LOCAL GOVERNMENT BUDGETS AS A SOURCE OF FUNDING FOR HEALTHCARE IN POLAND

[14] The Act of 8 September 2006 on State Emergency Medical Service (Journal of Laws of 2022, item 1722 as amended).

[15] The Act of 26 October 1982 on Education in Sobriety and Counteracting Alcoholism (Journal of Laws of 2021, item 1119 as amended).

[16] The Act of 29 July 2005 on Counteracting Drug Addiction (Journal of Laws of 2020, item 2050 as amended).

[17] The Act of 19 August 1994 on Mental Health Protection (Journal of Laws of 2020, item 685 as amended).

[18] P. Lenio, "Źródła finansowania ochrony zdrowia w Polsce i w Wielkiej Brytanii," *Studenckie Prace Prawnicze, Administratywistyczne i Ekonomiczne* 23, 2018, p. 57.

Poland has a three-tier division of local government (voivodeships, *powiats* — districts and *gminas* — municipalities). Each local government unit has certain powers and obligations concerning the implementation of public tasks in the field of healthcare. First of all, individual local government units finance from their own budgets the costs of providing certain healthcare services as well as creating and running medical entities. They may also finance the activities of medical entities run by private law entities.

Since 2016, the expenditure of the budgets of local government units may be used to finance guaranteed health services provided to the residents of a given local government unit to meet the needs of the local government community. Significantly, it is clear from Article 9a of the AHCS that only health services for residents of the local government unit can be funded from the local government budget. They cannot be used by residents of other local government units.

Like the State Treasury, any local government unit can create and operate medical treatment entities. Local government budgets are therefore a source of funding for the activities of these entities, as they have to incur financial expenditure in this respect. The expenditures of the local government budget are thus allocated to the acquisition of shares or stocks in healthcare entities that are joint stock companies and to equipping independent public healthcare institutions with assets allowing for the conduct of healthcare activities. The second type of budgetary expenditures related to the creation and operation of medical treatment entities by the local government are financial expenditures earmarked primarily for the debt relief of independent public healthcare institutions, which is one of the fundamental problems concerning the financing of the health system that has not been solved so far.

The budgets of local government units may also finance, in the form of a designated subsidy or on the basis of a concluded agreement, the activities of medical treatment entities providing healthcare services financed from public funds, as in the case of State Budgets. Local government budgets, on the other hand, may finance not only medical treatment entities for which they are the governing authority, but also other such entities (belonging to the State Treasury or private entities). This is the difference between the expenditure on the operation of medical treatment entities made from the State Budget.

## 2. NORMATIVE AND INSTITUTIONAL FOUNDATIONS FOR THE FUNCTIONING OF THE CZECH HEALTHCARE SYSTEM

The healthcare system in the Czech Republic is a type of Bismarckian model of healthcare provision and it was introduced in the Czech Republic in the 1990s. Thus it is based on mandatory participation in public healthcare insurance, according which the insured person, by regularly contributing a certain amount

determined by law, "prepares" for possible future events that may occur in his/her life, and healthcare will then be paid for by public healthcare insurance to the extent determined by law.[19] The basic positive obligation of the state in this regard is regulated in Article 31 of Act No. 2/1993 Coll., Charter of Fundamental Rights and Freedoms (hereinafter referred to as the CFRF), which stipulates that: "Everyone has the right to health protection. Based on public insurance, citizens have the right to free healthcare and medical aids under the conditions laid down by law."[20] According to the jurisprudence of the Constitutional Court of the Czech Republic, the basic obligation of the state is "to create a system of public health insurance and through it to ensure fair healthcare system to citizens."[21] However, the appearance of the system is purely in the hands of the legislator. The legislator created this system by Act No. 48/1997 Coll. on public healthcare insurance (hereinafter referred to as the Public Health Insurance Act), which regulates public healthcare insurance, the scope and conditions of payment of healthcare from the public healthcare insurance, the method of determining the prices and payment of medicinal products and food for special medical purposes and medical devices prescribed on a voucher paid from the public healthcare insurance.[22] As it is already clear from the construction of Article 31 of the CFRF, from a financial point of view it is not possible for healthcare to be free in the true sense of the word, but it must be financed from some source (tax, public budget, healthcare insurance premium, etc.). Therefore, although the CFRF enshrines free healthcare, this care must be paid to the healthcare providers who are contractual partners of healthcare insurance companies from the public health insurance system, and due to the financial demands of such a system, not every healthcare procedure should be financed from this insurance, but only those that are defined as free by law.[23]

Whether medical services and procedures are covered by public healthcare insurance, can be found in the individual annexes of Public Health Insurance Act. It follows from the above that the basic principles on which the healthcare system in the Czech Republic is based on the principle of solidarity, which is a reflection of the obligation of the individual to contribute to this system as much as he can, or as much as the law provides. The principle of general insurance is that there exists only one type of general (public) healthcare insurance which is the same for everyone. Another basic source of law in the area of the healthcare system financing in the Czech Republic is the Act No. 592/1992 Coll. on healthcare insurance premiums, which regulates in particular public healthcare insurance premiums and

[19] V. Ripka, "Sociální politika," [in:] S. Balík, P. Fiala, O. Císař, *Veřejné politiky v České republice v letech 1989–2009*, Brno 2010, p. 437.

[20] Art. 31 of Act No. 2/1993 Coll., Charter of Fundamental Rights and Freedoms.

[21] Findings of the Constitutional court, f. n. Pl. ÚS 21/15 as of 4. September 2018.

[22] According to the provisions of Section 1 of the Public Health Insurance Act.

[23] M. Tomoszek, "Čl. 31," [in:] F. Husseini, M. Bartoň, M. Kokeš, M. Kopa et al., *Listina základních práv a svobod. Komentář*, Prague 2021, par. 67.

the process of collecting them, Act No. 551/1991 Coll. on the General Health Insurance Company, which regulates the establishment of the only state-established healthcare insurance company, the General Health Insurance Company, and its management, as well as the related Act No. 280/1992 Coll. on departmental, sectoral and corporate and other healthcare insurance companies, pursuant to which other healthcare insurance companies that are not state-owned are established.

The system of healthcare insurance companies currently consists of six other healthcare insurance companies, namely: the Military Health Insurance Company of the Czech Republic, the Czech Industrial Health Insurance Company, the Branch Health Insurance Company for Employees of Banks, Insurance Companies and the Construction Industry, the Škoda Employees Insurance Company, the Health Insurance Company of the Ministry of the Interior of the Czech Republic, the RBP Health Insurance Company and, of course, the seventh, state-established and general one, the General Health Insurance Company. The General Health Insurance Company holds a privileged position and generally ensures the implementation of healthcare insurance and independently manages funds in a special healthcare insurance account. It also redistributes funds from public healthcare insurance premiums to public healthcare insurance. It can be said that the healthcare insurance company is one of the most important administrative bodies (but only if it acts in a public law position) that figures in the field of the healthcare system in the Czech Republic, mainly because healthcare insurance companies are generally the main entity engaged in the process of collecting premiums for healthcare insurance and the main entity in healthcare billing to healthcare providers who provide the healthcare to insured persons. Insured persons do not play any role in the subsequent reimbursement of the healthcare provided by the provider to the insured, and there is a tripartide relationship between the insured and the healthcare insurance company, the insured and the healthcare provider, and the healthcare insurance company and the healthcare provider. In addition, healthcare insurance companies should ensure the local and timely availability of covered healthcare, issue a medical insurance cards, keep records of number of insured persons and contracted healthcare providers.

Other important authorities in this area are the Ministry of Health and the State Office for Drug Control. The State Office for Drug Control is an administrative office of the Czech Republic, which is subordinate to the Ministry of Health, and its main competence with regard to the topic of the article is to decide on the maximum prices of medicinal products and the amount and conditions of their reimbursement. However, only for medicinal products that are covered by public healthcare insurance. According to the provisions of section 2 of Act No. 2/1969 Coll., on the Establishment of Ministries and Other Central Bodies of the State Administration of the Czech Socialist Republic, the Ministry of Health is the central body of the state administration for healthcare and health protection and also has direct responsibility for medical facilities such as all university hospitals, hygiene

stations, psychiatric hospitals and other medical facilities, but not all of them. The Ministry of Health also creates a reimbursement decree, which regulates the value of the reimbursement point (every healthcare procedure has an assigned number of reimbursement points by the decree, therefore multiplication of the value and the number of reimbursement points of the healthcare procedure constitutes the final reimbursement paid by the healthcare provider from public healthcare system), the amount of reimbursement for covered healthcare and regulatory restrictions of reimbursement for a certain calendar year (total yearly reimbursement paid is limited). According to the provisions of this decree, the Ministry should take into account the public interest in the field of healthcare. The decree also contains model framework agreements between healthcare insurance companies and healthcare providers, which is used in particular if the healthcare provider does not agree with the healthcare insurance company on the method of reimbursement, the amount of reimbursement and regulatory restrictions otherwise.[24]

### 2.1. SOURCES OF HEALTHCARE FINANCING

Healthcare financing in the Czech Republic consists of three basic sources. The first source represent public resources which include healthcare premiums that are paid as part of mandatory healthcare insurance and the total share of these healthcare expenses is approximately 70.2 % of total, further funds from public budgets which include resources obtained from the state budget, when the total share of these healthcare expenses is approximately 15 % of total, and/or resources from regional public budgets, while regional public budgets account for a share of healthcare costs of approx. 2.5 % of total (especially preventive healthcare expenses, expenses related to system administration healthcare, medical care, rehabilitation care). The second source is private sources without direct payments from households, which are mainly coming from non-profit institutions, private health insurance, or occupational preventive care and participate in healthcare expenditures in the amount of about 0.8 % of total. Finally, the third source represent direct payments by households or their co-payments, which is part of the financing especially in cases where the given medical procedure is not covered by public health insurance or is above guaranteed standard and the share of these healthcare costs is 11.5 % of total healthcare expenses. These data result from the data of the Czech Statistical Office.[25]

#### 2.1.1. THE HEALTH INSURANCE PREMIUM

[24] "Odůvodnění k úhradové vyhlášce Ministerstva zdravotnictví," Ministerstvo zdravotnictví České republiky, 10.01.2022, https://www.mzcr.cz/wp-content/uploads/2022/01/Oduvodneni-k-UV-2022.pdf (accessed: 10.09.2022).

[25] "Výsledky zdravotnických účtů v ČR v letech 2017–2020," p. 8, Český statistický úřad, 01.09.2022, https://www.czso.cz/documents/10180/192867510/26000522.pdf/98ed9b3a-d9b8-422d-80b4-5311c70fa64e?version=1.1 (accessed: 10.09.2022).

The most important source of funding the provision of healthcare therefore lies in public healthcare insurance. Funding through public healthcare insurance is provided through regular mandatory public healthcare insurance, which is paid by payers of healthcare insurance premiums, who are mainly employers, the state and insured persons listed in the provision of Section 5 of the Public Health Insurance Act. These are e.g. employees, if their income derive from employment according to the provision of Section 6 of Act No. 586/1992 Coll. on income taxes, or are self-employed persons who derive income from self-employment. The basic and general rate of public healthcare insurance is a rate of 13.5 % of the assessment base for the relevant period.[26] In most cases, the assessment base is the total income from dependent activities that are subject to taxation by the personal income tax in the Czech Republic, and for persons who are self-employed, the assessment base is 50 % of the tax base, which is understood as the partial income tax base according to Act No. 586/1992 Coll. on income taxes.[27] This rule only applies if the assessment base is higher than the minimum assessment base, which corresponds with the minimum wage. The decisive period is generally a calendar month, unless the law provides otherwise (e.g. in the case of a self-employed person, it is a calendar year, but for each calendar month, he pays advance payments for public healthcare insurance premiums). In the event that the premiums for public healthcare insurance are paid by the state, as is the case with "state insured persons," there is a fixed assessment base which is currently CZK 11,014[28], and the premiums therefore amount to CZK 1,487 per calendar month. In the event that the insured does not pay the premium on time or in a lower amount, the insurance company is obliged to collect penalties, which are determined according to Act No. 89/2012 Coll., Civil Code, in the amount of interest for late payment.

According to the Analytical Commission of the Conciliation Procedure for the year 2023 from 25th April 2022, public healthcare insurance revenues are estimated at 421.3 billion CZK in 2022 and 439.4 billion CZK in 2023.[29] For the year 2021, the public health insurance system achieved revenues of CZK 400.3

[26] Provision of Section 2(1) of the Act No. 592/1992 Coll. on health insurance premiums, which regulates in particular public health insurance premiums and the process of collecting premiums.

[27] Provision of Section 3 and Section 3a of the Act No. 592/1992 Coll. on health insurance premiums, which regulates in particular public health insurance premiums and the process of collecting premiums.

[28] Provision of Section 3c(1) of the Act No. 592/1992 Coll. on health insurance premiums, which regulates in particular public health insurance premiums and the process of collecting premiums.

[29] "Dohodovací řízení o hodnotách bodu, výši úhrad zdravotních služeb hrazených z veřejného zdravotního pojištění a regulačních omezeních. Zápis z jednání Analytické komise," Česká průmyslová zdravotní pojišťovna, 29.04.2022, https://www.cpzp.cz/cdn/file/gMBH0KPyxYDbMxDRN0borfmQHbqISaaw.pdf (accessed: 10.09.2022).

billion and expenses amounted to CZK 404.3 billion,[30] where the components of revenues are revenues collected based on public healthcare insurance premiums from insured persons, state payments for state insured persons defined by the provision of Section 7 of the Public Health Insurance Act, income from the General Directorate of Finance for self-employed persons in the flat-rate regime. Public healthcare expenditures in the Czech Republic by type of healthcare include medical care, long-term care, rehabilitation care, preventive care, additional services (laboratory services, imaging methods, patient transport), medicines and medical devices, administration of the healthcare system and others or undifferentiated. The largest expenses regularly occur in the area of medical care, especially inpatient and outpatient care, when approximately 25 % of the funds are generally used for each of these types of care, less than 10 % of the funds are regularly used for long-term inpatient care, and also a substantial part of the expenses is made up of medicines and medical equipment, for which approx. 16 % of the funds are used.[31] Considering the above, it is clear that the highest expenditure for healthcare according to the provider is used for healthcare in hospitals and in outpatient care.

#### 2.1.2. EXPENDITURES FROM THE STATE BUDGET AND LOCAL GOVERNMENT BUDGETS AS A SOURCE OF FUNDING FOR HEALTHCARE IN THE CZECH REPUBLIC

The state budget contributes to the public healthcare insurance system by paying for so-called state-insured people. For the year 2021, the state budget paid for the state-insured people more than CZK 126.3 billion.[32] As regards healthcare expenses of territorial self-governing units (regions and municipalities), expenses from the regions' budgets are used mainly for the operation of some healthcare facilities, where the regions can be owners of healthcare facilities in forms of commercial companies. Regions are also obliged[33] to ensure the operation of the emergency medical service, which is operated through public funded organizations and the regions are also obliged by law to ensure and anti-alcohol and anti-drug rescue service.[34] Municipalities do not participate much in the financing of healthcare, but they can provide healthcare, outsource them, contribute to them, but this is not very common, given that it is too expensive, and municipalities do not usually have enough funds.[35]

[30] J. Mrázek, "Zpráva analytické komise o vývoji příjmů a nákladů na zdravotní služby hrazených z prostředků v. z. p. v roce 2021," p. 9, Česká průmyslová zdravotní pojišťovna, 29.04.2022, https://www.cpzp.cz/cdn/file/by913czHGQYR5QhNuvHphyePBsqT8Wdr.pdf (accessed: 10.09.2022).

[31] "Výsledky zdravotnických účtů v ČR v letech 2017–2020", p. 9 ff.

[32] J. Mrázek, "Zpráva analytické komise o vývoji příjmů a nákladů na zdravotní služby hrazených z prostředků v. z. p. v roce 2021", graph no. 3 of the attachment.

[33] Provision of Section 24(1) of the Act No. 371/2011 Coll., on medical emergency services.

[34] Provision of Section 89a of the Act No. 373/2011 Coll., on specific health services.

[35] O. Pejchl, *Financování zdravotní péče v České republice a role zdravotních pojišťoven*, doctoral thesis at Masarykova Univerzita, 2021, p. 73, https://is.muni.cz/th/a1ayb/Pejchl_Ondrej_diplomova_prace.pdf.

### 2.1.3. EXPENDITURE FROM HOUSEHOLDS

Considering the private financing of healthcare, it is not a common issue and usually only super-standard procedures are paid by individuals and is mostly provided by private institutions. It is sufficient to attribute the existence of this type of healthcare financing. A far frequent and relatively comprehensive part of healthcare financing is financing by households, both for direct expenses and for a certain form of co-payments. The most well-known form of direct household payments is the financing of medical devices and medicines and dental procedures. Concerning dental procedures, the overwhelming majority of procedures covered by public healthcare insurance are necessary procedures or procedures that most dentists do not want to do, because much more advanced dental methods to solve the given problem with a much better result exist. "On co-payments for medicines and over-the-counter medicines, households spent a total of CZK 28.3 billion on this category of health products in 2020. In the long term, about seven-tenths of medicines in the Czech Republic are financed by healthcare insurance companies, and less than 30 % go to households."[36]

## CONCLUSION

The healthcare systems analysed in this article are based on the Bismarckian healthcare model of insurance-based healthcare financing. Significantly, the Polish and Czech systems are publicly funded.

They were introduced in both countries in the 1990s and replaced systems based on the provision the Beveridge model of financing. The healthcare systems in Poland and the Czech Republic are thus based on compulsory participation in public health insurance, whereby the insured person, by regularly paying a statutorily defined amount, "prepares" for possible future events that may occur in his or her life, and healthcare will then be paid for by the public health insurance to a statutorily defined extent.

The Polish and Czech healthcare systems are determined by provisions of constitutional rank. Significantly, in both cases, the legislator is left free to shape the principles of healthcare financing. The shape of the health system therefore lies in the hands of the ordinary legislator.

The health insurance systems in the Polish and Czech versions are linked to the principle of social solidarity, which reflects the obligation of the individual to participate in the system to the extent that he or she can, or to the extent that the law provides for. This has a significant impact on, for example, the legal structure of the health insurance premium.

Both systems operate on the basis of insurance institutions. In Poland, the only such institution is the National Health Fund, while in the Czech Republic

[36] "Výsledky zdravotnických účtů v ČR v letech 2017–2020", p. 50.

there are seven such institutions. Six of them are sectoral and the seventh is the state-run General Health Insurance Company In both cases, the designated entities are obliged to implement health insurance by organising and providing the insured with the services to which they are entitled. To this end, these entities independently manage the funds from health insurance premiums covering the costs of the services provided under the system.

A significant difference between the Polish and Czech systems is the multiplicity of insurance companies in the Czech Republic and the centralisation of the system in Poland in which there is a single fund managing the entire system.

Both systems have a very similar catalogue of sources of funding for healthcare. As they are based on the insurance method of financing, their main source of funding is the health insurance premium charged to the insured. Other sources of financing are the budgets of local government units and the State Budget. Private funding for health services, including funds coming directly from households, is also significant. This means that, in both cases, public health systems are not efficient enough to completely meet the needs of citizens in terms of the use of health services.

As the main source of health financing in both systems, the health premium is universal in nature. First, it is borne by the majority of insured persons. Second, the assessment base for the health premium is, generally speaking, the insured person's total income from his or her activities (e.g. from an employment relationship or from economic activity). However, the rate of the health premium is higher in the Czech Republic, where it is 13.5% of the assessment base for most insured persons, which is more than 4.5 percentage points higher than in Poland.

Public expenditure from the State Budget and local government budgets is also important. In both countries, the health premiums of certain insured persons are financed from the State Budget. Local government budgets are burdened primarily by expenditure on the operation of healthcare entities. In the Czech Republic, the local government (regions) is also responsible for financing the emergency medical services system, which is a significant difference compared to the Polish system, where emergency medical services are financed from the State Budget and the National Health Fund is responsible for its organisation.

To sum up, the healthcare systems in the Czech Republic and Poland have identical sources of their funding. However, their structures are partly different, which is due to many factors, legal, social and institutional conditions.

Despite a partially different legal structure, in both countries, the revenue from the health insurance premium is not sufficient to fully cover the expenses of the healthcare services guaranteed by the public systems. Even though the basic rate of the health premium is significantly higher in the Czech Republic than in Poland, it is still not fully sufficient to cover the costs of the system. It is necessary to use other public financial resources, whose material scopes of expenditure partly differ.

The healthcare systems operating in Poland and the Czech Republic compared in this article show significant similarities, which is due to the adoption of the same

healthcare model, known as the Bismarck model. However, the public healthcare system financed by income from health insurance premiums and supported by expenditures of the State Budget and local government budgets in Poland and the Czech Republic does not meet the expectations of their respective societies, members of which have to use private healthcare, as shown in this article.

This means that the differences that exist in the structure of the different funding sources do not result in a significant advantage for any of the versions of health insurance operating in the analysed legislative frameworks.

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