

# THE HEALTH PRIVATE INSURANCE MARKET, TRENDS AND PERSPECTIVES

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## Abstract

*When any company finance, you choose the medical service!*

*A stable health education, as well as the expansion of some tax facilities on the private healthcare system, would be representative in the reduction of certain state budget deficiencies and health insurance budget. You could say that time has come to put an emphasis on financial prevention, to hinder the occurrence of an unwanted event, meant to offer financial compensation to each affected person and family. Although, by proportion, private health insurance, as well as life insurance occupies a quarter of the insurance market in Romania, without adopting incentive measures, this threshold cannot be overcome. Essential questions arise, if we discuss about the health insurance market: What can we adopt in our country? What can we choose in the end, state medical services or private medical services? What economic impact would we find in the current conditions, as a result of the extreme situation of covid-19. If EU nations have respected the partnership within the healthcare system in order to stop this crisis, what did we not do as a European country to master this situation? Can we say, today, that our country's private system has brought its contribution in taking over the covid-19 cases, considering the possibility of a material, financial and medical collapse of the state healthcare system? Each EU Member State must define its own health system, determined by the possibilities of funding, demography, culture, legislation, government programs with possibilities to support and implement for the benefit of the population. Romania, has managed to train specialized medical staff, through state funding, so that some of the specialists are found in various countries, where we hope that by deepening their knowledge to find a way to return to the country and through sanitary levers, to need helps the return of the state or private health system. The Romanian management in the health system must become efficient in the shortest possible time, so that any sustainable development program even through European funds, to help the urgent implementation in the country. Starting from the idea that a healthy population contributes to the development of the country, we can choose our own path, levers and sources to achieve a strong health system.*

**Keys-words:** *health insurance market-private medical services-financial compensation-prevention – doctor-medical assistance-economic medical-economic crisis- EU nations-covid 19-collapse*

**Classification JEL:** *I10, I11, I13, I14, I15*

## Introduction

In its economic sense, the market appears as a real network of communication between sellers and buyers, which aims at mutual information about what they have or what they want to buy, notions about the prices required or proposed in order to conclude transactions. When the market fulfills the functions of reproducibility of the economic system, two indicators are met cumulatively:

- the existence of a permanent contract, producers vs consumers of goods and services, the balance between demand and supply, between production and consumption both at macro-economic and micro-economic level;
- a role of communication of the necessary information to the economic agents, between producers and consumers.

By improving the information system, patients have the opportunity to make decisions in order to choose a quality medical act, thus reducing costs. As a result of an evaluation of the health activity, one can accept the idea that health is characterized by a subjective utility, it requires the study of the demand for medical services. In the field of medical services, an analysis is needed in the context of socio-economic factors, which justify the volume and quality of medical care. It can be said that from a theoretical point of view, health care services can be consumer goods, characterized by:-possibility of an asymmetry between the

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producer of medical services (doctor) and the consumer of medical services (patient);-the patient has an uncertainty regarding the quality of the medical act;-due to the fact that the demand for medical services is unpredictable, it can be said that its character is also irregular;-medical services have a high cost;

Due to the fact that the need for health has the capacity to benefit from a physical and mental state, the individual can carry out his activities in society, the need for health services implying the ability to benefit from a treatment. Usually, the demand for health can be influenced by:

- income of the insured;
- level of education;
- evaluation of one's health;
- assessment method;
- cultural level of the population;
- perception of the importance of life;

Health care can thus be influenced by the following factors:

- factors that depend on the patient (age, sex, education, perceived needs, income, health demand);
- factors that depend on health services (accessibility, costs, preventive care, health education);
- factors that depend on society (socio-economic development, demography, health perceived as value);

In the near future, we must be stable in a stable country with a healthy population. Under the existing legislation, private health insurance can be deductible up to 400 euros per year<sup>1</sup>, when calculating income tax from salaries and compulsory social contributions, for each insured person. It can be deduced that through private health insurance each employer has a benefit that can be granted to employees in order to retain them. When the amount allocated to private insurance exceeds the ceiling, the difference is considered an advantage and can be included in the calculation basis for the income tax from salaries and implicitly on compulsory social contributions. The restriction of the legislation by capping the private health system, determines that theoretically the fiscal facilities provided at this moment by the state, to be in fact at half. By capping the 400 euros per year, it makes any employer contribute to insuring the employee with this amount, but he can no longer benefit from the deduction to his supplement<sup>2</sup>. We can also talk about the existence of voluntary health insurance, which can be borne by the employer for family members of the insured, but we can classify them in the category of cash benefits, in kind, which may be applicable to taxation, using the own income tax rule, considered in fact incomes assimilated to them<sup>3</sup>. If at the beginning there was only a private insurance system, it was extended by medical subscriptions, using the same ceiling.

### **1. The system of private health markets, the collection mechanism regarding the financing in Romania**

From a financial point of view, if the first discussed the deduction and its applicability by the employer, the medical subscription, the deduction is valid when it can be granted to the employee by the employer, as a benefit or can be concluded individually by each. It can practically be said that the medical subscription aims at a limited applicability, for services based on prevention or of low and medium complexity, while the health insurance is in

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<sup>1</sup> Gabriela Scintee (2020) "Elements of health economics"

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, (2020), "A European Data Strategy"

<sup>3</sup> David B Evans, Ajay Tandon, Christopher JL Murray, Jeremy A Lauer (2001) "Comparative efficiency of national health systems"

private, public, national or international system, it is characterized by a complex financial protection, which involves allocating large sums of money. As a form of medical protection, in which the state health system is sensitive, it is obvious that the levels of recovery of the health system are required, in order to provide a well-being of the population's health, by ensuring fiscal facilities for the private health system. Romania is extremely low, concerning the degree of coverage is for certain social categories of the country's population, the number of policies concluded being several hundred thousand lei, especially life insurance. Statistically speaking, according to ASF<sup>1</sup> data, it can be said that in mid-2019, health insurance accumulated gross written premiums amounting to 205 million lei, an increase of 24% compared to the previous year, and the number of contracts for the period of reporting for the same year, they had an increase of 18%. So private insurance can be offered by non-profit or for-profit insurance companies on an individual or group basis. In this sense, the health insurance premium is individual and actuarial, being calculated according to one's own risk of illness. As voluntary private insurance, the amount of the contribution will be determined by the package of services that can be provided, to which are added the administrative expenses and respectively the profit margin. The implementation of a private health system can therefore be offered to an employee or a group of employees of the same employer or of some unions, companies. Can a number of issues arise if insurance can be designed for individuals or groups of individuals? Can insurance companies be for-profit or non-profit? Any insurance company can operate with a legislative framework for which the state has an important role in setting up reserve funds for insurance companies, such as those in the banking system to prevent possible fraud. We can certainly say that the existence of a private health system does not relieve the state of responsibilities for involvement in financing the health system, on the contrary it can raise a number of legislative and management issues. It can be said that the private health system can also be an additional source of health income. Any way of financing a health system must take into account 6 basic objectives: - possibility to generate the necessary income, -equity, -efficiency, -services quality, sustainability –relevance; The task of any decision maker is that depending on the particularities of society, is to ensure a trade-off between the above objectives.

## **2. Program for absorbing investments in the health system, integration of the private health system in Romania, advantages and disadvantages**

Starting from the definition in the World Health Report of the health system<sup>2</sup>, “as all activities whose main purpose is to promote, restore or maintain health”, a special emphasis is placed on an assessment of the health of the population, in order to promote, and intersectorial activity, health, so that in each country a relevant figure can be found for the wording “all activities”<sup>3</sup>.

The WORLD HEALTH ORGANIZATION<sup>4</sup> has established that each state has a major responsibility through its governments towards its own health systems that coordinate them, invoking the concept of administration through an active commitment to health promotion, setting goals in health systems, elucidating the impact had by the health systems on health. THE OPERATIONAL HEALTH PROGRAM for the period 2021-2027<sup>5</sup>, aims to attract European funds by implementing successful programs focused on the health system in

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<sup>1</sup> ASF (2021) "Insurance Market Report"; ASF (2020) "Report On The Stability Of Non-Banking Financial Markets"

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, (2020), "A European Data Strategy"

<sup>3</sup> David B Evans, Ajay Tandon, Christopher JL Murray, Jeremy A Lauer (2001) "Comparative efficiency of national health systems"; EC-OECD (2019) "State of Health in the EU-2019 country profile in terms of health"

<sup>4</sup> EC-OECD (2019) "State of Health in the EU-2019 country profile in terms of health"

<sup>5</sup> Ministry of European Fund (2021) "Operational Health Program 2021-2027"

our country, respectively over 4 billion euros. Starting from these particularities, the simple question is asked: ***How can private health insurance save us?***

The shortcomings in the public health system, which have shown their limits in the situation of the SARS COV 19 pandemic, have led to a complementary solution through private health insurance. Through the ASF insurances report, on the entire insurance market in Romania there were on 31.12.2020 of 377,854 private health insurance contracts, out of the total registered on the market in 2020, the gross written premiums on the segment of health policies from the total general insurance were 274 million lei. Calculating at the level of a minimum guaranteed salary of 2300 lei, the employee through his 10% contribution applied to the calculation base, pays 230 lei per month health insurance contribution. If for 1 year a state employee can therefore contribute 2760 lei (12x230 = 2760 lei), implicitly it can benefit from a state insurance but not corresponding to the health needs and therefore it can benefit from a sufficient private insurance, a very good one amounting to 1000 euros. Insurance premiums can be paid according to the preferences of each client, insured, monthly, quarterly, half-yearly or single premium (once), according to the possibilities of each . In order to consolidate in this field, the first investment funds to come were: 3i, Bedminister Capital, Advent, International Finance Corporation, which invested in the private medical sector. Polisano was in the top 10 market that was acquired by the market leader MEDLIFE, a company listed on the Bucharest Stock Exchange, characterized by an organic growth but also in the field of acquisitions. Except (Medicofer, Monza Hospital, Affidea), most investors are Romanian, the Mid Europa investor is the only private equity player that has a majority of investments in this sector, that of medical services. Let's not forget, however, the Farma pharmaceutical market, consolidated in recent years in terms of taxation, pricing policy, underfunding, elements that create tensions between players and authorities. In addition to the policy of the lowest price of medicines, there is strictly a government program and other factors that have implications for the slow updating of the list of reimbursed medicines, the claw-back tax, of budget arrears.

### **3. Diversification of the private health system**

In Romania, if we summarize the level of medical services, the private health insurance market can be noticed by several companies known as Medi Help or Priorimed (BUPA). If at Medi Help International the requests from the insured and the employees can exceed 60% of the total sales, Priorimed stands out with private international health insurances, from BUPA, in Romania for over 10 years, respectively IQMED. BUPA insurances are found in our country, in hospitals and clinics such as:

- Queen Maria, Ponderas, Medsana and Trident Dental. Being recognized in over 190 countries, BUPA is one of the private health insurance providers that does not require a pre-authorization before a treatment, as it has a motivation in streamlining payment processes. Private health insurance can also be provided through a banking system or brokers, so we can say that medical services can be provided individually, through BCR, private health insurance, SigmnaIduna, private health insurance for you and your family, Raiffeisen Insurance Health insurance broker, Groupama individual comprehensive health insurance, NN-health insurance for accident and illness protection, Pro-Allianz Tiriac health insurance, Regromania.ro insurance, Medicofer Romania-health insurance for companies and employees, for family protection, access to internationally recognized specialists and clinics. Individual insurance Sara Pro, involves access to specialized consultation, laboratory tests, health investigation in over 1200 clinics in Bucharest and throughout the country. You can pay up to 100,000 lei per year for hospitalization or setting up an insurance depending on medical needs, consulting specialists abroad. A private health insurance through IQMD, the only individual distributor specialized in private health insurance in Romania for over 10

years, with international coverage, which can represent top insurance BUPA, CIGNA ALLIANZ CARE, GENERALI MEDIHELP, AXA GLOBAL, but also insurers from Romania, ALLIANZ ȚIRIAC, ASIROM, SIGNAL IDUNA, GROUPAMA, OMNIASIG, etc. Lack of health insurance can lead to minor illness, a severe illness that is difficult to treat. For a 33-year-old born on February 25, 1988, an insurance premium offered by Med Help can be calculated as follows: -BLUE- with area in Europe, 886 euros, -AZUR- with area in Europe, 1265 Euro,-COBALT- with global area (except USA), 1455 euros, -ADMIRD-with global area (except USA), 1518 euros; The private health system has on the financial market and dental services, which are mediated by brokers. A chain of dental clinics like Dr. Leahu, expanded in the Romanian dental industry, in over 10 cities in the country (Bucharest, Timisoara, Turda, Constanta, Iasi, Galati, Oradea, Sibiu, etc.), a clinic in London, over 121 of dental offices and even dental laboratories with a complete digitization, with specialized doctors. Starting with 01.07.2021, the “personal contribution” was introduced in the Romanian health system, in the sense that any patient will have the opportunity to go to a private hospital, where he will be presented with an “estimated estimate”, because a part of the money to be borne by CAS. So this health system is based on the principle "money / contribution follows the patient", which is maintained when the patient chooses a private hospital, receives an estimate, which will be presented, how much CAS pays from the fund for the intervention to be borne by the insured patient, as it is charged in addition by the private hospital, by complete detailing on types of expenses, personnel, medicines, medical supplies, exactly as provided by the standard model, within the CAS contract. It should be noted that this quote is valid for 5 working days, so it is an offer that can be accepted or not. If this personal contribution is applicable for hospitalization, it is foreseen that for 2022 a personal contribution will be applicable for specialized outpatient and paraclinical. For 2021, the following insurance trends are forecast:

- consolidation and digitalisation of the insurance market will continue,-insurance and health insurance will increase;

The year 2020, as an atypical year in the insurance market, focused on insurers' strategies to manage their business and digitize their processes, so as to adapt to normalcy, as a result of the coronavirus pandemic. If some of the insurers rebalance their portfolios, others capture even more from the market, which would lead to an even greater concentration in insurance, creativity will be the basis of many products that will take shape next year. A “double digit” growth is expected, with various challenges and technological influences. It is known that the activity of the private pension fund, since 2008, has diversified and consolidated as a result of reforms in the national pension system, through sources of income for pensioners outside the allowance paid by the state: pillar I of the national pension system, pillar II on the administration of the private administrative pension fund which contributes to an optional pension fund, depending on age up to 15% of gross monthly income, pillar III being intended to increase the financial resources available for retirement. In only 11 years it can be said that the private pension system has had positive influences on the assets of the private pension fund:

- increased the average contribution, due to the increase in the number of participants and implicitly an increase in contributions,
- positive returns in the investment and fundraising system.

As a result of changes in the structure of the market, the following optional pensions appear:

- PENSION FUNDS, BRD PRIMO, BRD MEDIO, EOREKO, and STABIL, started operations in 2009,-in 2011 the BRD PRIMO Optional Pension Fund was absorbed by the BRD MEDIO Optional Pension Fund, and the OTP STRATEG Optional Pension Fund was absorbed by the Stable Optional Pension Fund,-The EUREKO CONFORT voluntary pension

fund was absorbed by the AEGON ESSENTIAL voluntary pension fund in 2016; It can be seen that the market has seen an increase in concentration over time, so that:

- NN Pensii Management Company of a privately managed pension fund, holds 34, 18% of the total assets of the private pension system, If we make a ranking of the players, in the first semester of 2021<sup>1</sup>, the situation is as follows:

- ALLIANTZ-TIRIAC INSURANCE, market share 27, 05%, -SIGNAL IDUMA INSURANCE, REINSURANCE, market share 26, 95%, -GROUPAMA, market share 16, 94%, - NN LIFE INSURANCE, market share 10, 36%, -OMNIASING VIG, market share 8, 26%;

#### **4. Conclusions, proposals**

If the private health system could be supported by the state, subsidized, with programs that can be implemented systematically, with positive effects on the quality of medical services, the coverage area of the insured through this system can be much larger. Fiscal facilities may be unlimited after extensive in-depth studies on the costs of chronic diseases other than the basic package, town and even possibilities for international coverage. The construction of hospitals with specific medical conditions through various partnerships, but with massive expansion in the regions of the country, with specialized medical staff, endowments of medical equipment, would determine the medical performances. Partnerships with drug providers, other medical services in the country and abroad, could break the health system in our country. If Turkey through years of reform has managed to stabilize a strong private health service, the presentation of these hospitals shows that a private health system in which the state has a strong financial influence, determines the existence of superior medical services diversified by specializations, endowed with high-performance medical equipment, specialized medical staff abroad. Portugal also promotes its private system through policies, health insurance partnerships, optional and accessible to each insured. From the presented we can say that Romania can develop its own private health system either through partnerships with other countries or through its own companies, using the capabilities to implement sustainable programs in the medium or long term on private medical services, starting from cause-effect, studies on the medical needs of prevention, diagnosis, treatment and their financial possibilities. The programs must focus in particular on the financial impact of the health insurance market, so that there is a gain on both sides, private health insurance-hospitals, insurance companies. The way a health system is financed determines the amount of money that is available, who can bear the financial burden, who controls the funds, if inflation can control the costs. Each country must mobilize its funds according to per capita income. It can be said that each country has a differentiated health system, depending on the socio-economic development, the sources of funding being different. For the solution through policies, countries in transition as is our country, when funds are distributed unfairly, when coordination between different sources of funding is inefficient, when no attention is paid to costs, we can say that any funding of the health system it has major problems, which can be solved through a legislative framework, levers and tools specific to each state. Carrying out studies to promote the private health system in rural areas as well, so that health promotion and disease prevention become possible objectives, the opening of private offices, mass provision of the urban and rural population.

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<sup>1</sup> [https://www.iasig.ro/pictures/xprimm/asigurari\\_sanatate\\_top.m.jpg](https://www.iasig.ro/pictures/xprimm/asigurari_sanatate_top.m.jpg), <https://www.ec.europa.eu/en/press/press-releases/2016/06/2016-eurogroup-pension-sustainability/>, <https://www.addte.com/bookmark>, <http://xa.yimg.com/kq/groups/> ..., <http://documents/elemente-de-economie-sanitară.html>, <http://www.iqmed.ro/>, <https://www.groupama.ro/asigurare/sanatate>, <https://www.signal-iduna.ro>, <https://www.raiffeisen.ro> > insurance, <https://www.allianztiriaco.ro>, <https://europa.eu/health/index.ro>, <http://cliniciledrleahu.ro/dinti-ficsi-in-24-de-ore/>

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