



# Annual National Report 2011

## Pensions, Health Care and Long-term Care

### Czech Republic

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On behalf of the  
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DG Employment, Social Affairs  
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Gesellschaft für  
Versicherungswissenschaft  
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## **1 Executive Summary**

A general election was held in the Czech Republic in May 2010 and the winners were those political parties that had stated in their manifestoes the need to limit government spending and to stabilise the public budget, i.e. right-wing and centrist parties which subsequently formed a governing coalition. The government subsequently prepared a policy statement setting out its main aims including the reform of public finances, halting the growth in public debt and setting fiscal policy parameters in order to achieve a sound public finance position by 2016. Further aims were to implement a significant reform of the pension system to make it both sustainable and responsive to the changing demographic structure. In addition, a series of reforms aimed at the modernisation and improved efficiency of the health system were introduced. The government has already prepared a two-stage proposal for pension reform which is aimed at ensuring a long-term sustainable pension system that will be able to provide an adequate level of pensions by means of introducing parametric changes in the current pay-as-you-go state pillar and substantial reforms which will allow for partial opt-out from the pay-as-you-go system to be replaced by voluntary savings in pension funds. The principal parametric changes consist of an increase in the statutory retirement age, consolidation of the principle of equivalence with regard to social insurance contributions, removal of barriers to employment of pensioners and a change in the pension calculation formula. Discussions on the design of pension reform and parameter change are intensive with regard both to the government coalition and pension experts<sup>1</sup>.

In the 2008-2009 reform period, the objectives of privatisation of the public health insurance and large university hospitals were pursued, together with changes in the public-private mix of financing. The 2008-2010 reform plans were, nevertheless, completely stopped in 2009 due to a number of critical political and public debates. The coalition government implemented only part of the reform objectives - regulatory charges in the hospitals, for outpatient care and in pharmacies. At the same time, the government also achieved a substantial change in the payment of health insurance contributions (reducing the ceiling on payments for people with higher incomes). The impact of the financial crisis together with austerity reforms caused the reduction of health care expenditures in 2010-2011. This led to economic and performance tensions. Hospital doctors debated with the government for several months on increasing their salaries and on solutions for other economic problems in hospitals (corruption, performance). The government is trying to manage underfunded health care through a substantial increase of co-payments/direct payments. The government objective is to change the existing public coverage of health care services into the deregulated public-private mix and quasi-market health insurance. Losses caused by corruption are still not addressed. What is completely missing in contrast to the prevailing EU agenda, is the need for long-term care services to go through different approaches in their social and health dimensions (community planning vs. market). Government reforms do not come with the support of the society. There were several demonstrations and trade unions are organising strikes in June 2011. Criticism of the reforms highlights their social ruthlessness.

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<sup>1</sup> Experts involved in an advisory committee capacity – for their proposal see <http://www.vlada.cz/cz/ppov/ekonomicka-rada/clanky/duchodova-reforma-ocima-nervu-82098/> or [http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf\\_duchod\\_ref\\_pes.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf_duchod_ref_pes.html) - executive summary link.

## 2 Current Status, Reforms and the Political and Scientific Discourse during the previous Year (2010 until May 2011)

### 2.1 Overarching Developments

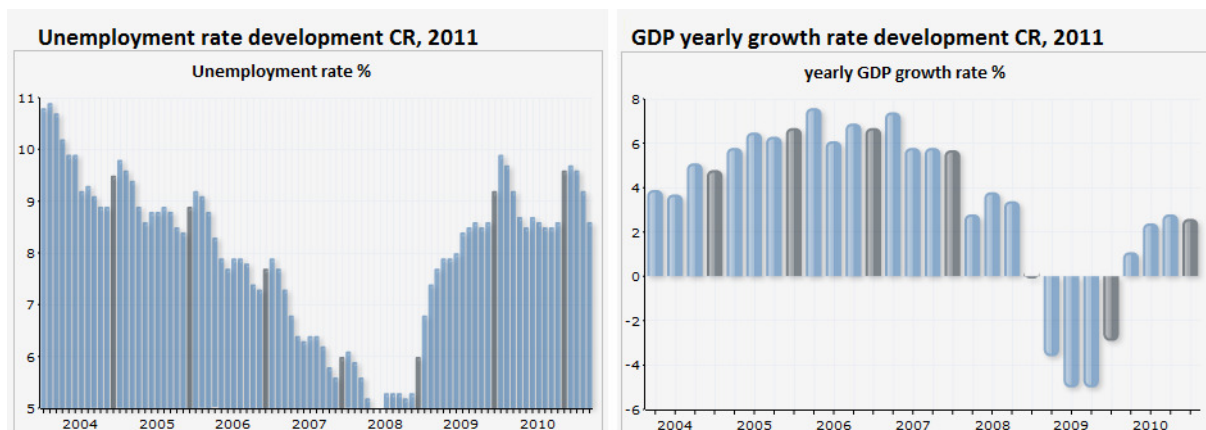
The trend to cut public expenditure continued during the tracking period. The new government declared the aim to eliminate the public finance deficit. However, despite discussion in the pre-election period regarding the need for fundamental change, only partial restrictions in social protection are, in fact, being implemented. Indeed, both current and planned modifications to the social security system seem more cosmetic than truly fundamental; although at least some savings are being made. Nevertheless, a greater level of determination can be detected in terms of the need for pension reform. The decline in employment caused by the global crisis led to a significant shortfall in pension system revenue, which served to highlight the problems of the system. With regard to social protection, conditions have been tightened in terms of obtaining certain benefits and the amounts thereof reduced.

The yearly GDP growth rate for 2010 is estimated overall at 2.2%, with growth of 2.6% in the fourth quarter. Comparison with GDP of the EU-27, at 1.8% according to Eurostat estimates, indicates that the Czech Republic was not impacted by the crisis as seriously as other EU countries. The total unemployment rate in 2010 compared to 2009 decreased by 0.8% to 515,840 persons. However, the last quarter of 2010, compared to that of 2009, showed a slight increase of 0.3%. The unemployment rate decreased steadily in 2010 from 8.2% in the first quarter to 7% in the fourth quarter. In the first quarter of 2011, the unemployment rate increased slightly to 7.3%.

According to the latest available figures from Eurostat, the unemployment rate for the Czech Republic was 7.3% in 2010 (compared with EU-27 average 9.6%). The unemployment rate in March 2011 was 7.2% in the Czech Republic and 9.9% in EU-27 average<sup>2</sup>.

The development of GDP and the unemployment rate is illustrated by the following charts.

Chart 1: The development of GDP and the unemployment rate



Source: <http://www.kurzy.cz/makroekonomika/>, MLSA, CZSO

The Czech Republic has historically had problems meeting government deficit criteria. The development is illustrated by the following table.

<sup>2</sup> Eurostat tables available at [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database).

Table 1: Government deficit

	2007	2008	2009	2010	2011	2012	2013
Requested criterion value	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Czech Republic	-0.7	-2.7	-5.8	-5.1	-4.6	-3.5	-2.9

Source: [http://www.zavedenieura.cz/cps/rde/xbcr/euro/Vyhodnoceni\\_Maastricht\\_2010\\_pdf.pdf](http://www.zavedenieura.cz/cps/rde/xbcr/euro/Vyhodnoceni_Maastricht_2010_pdf.pdf).

The huge increases in 2008 and 2009 were caused not only by the long-term structural problems of Czech public finances but also by the global financial crisis. Latest government deficit expectations are 5.1% for 2010, followed by a continuous decrease to 2.9% in 2013. The Czech Republic has met the government debt criterion over the long term. The value of government debt has been hovering around 30% of GDP, which is significantly below the reference value for this criterion. In addition, the Czech Republic has been meeting the price stability criterion over the long term, with the exception of 2007 and 2008. The Czech Republic experienced a significantly higher rate of inflation in 2008, due to a combination of factors. Changes were made to the indirect tax system (an increase in the reduced VAT rate<sup>3</sup> from 5% to 9% and the introduction of an environmental tax) as part of overall public finance reform. Energy and food prices also increased during this time. Estimates for the period 2010 to 2013 indicate that the Czech Republic should continue to meet the price stability criterion with values of one percentage point below the maximum allowed. The development of the consumer price index in the Czech Republic is illustrated in the following table.

Table 2: Consumer price index

	2007	2008	2009	8/2010	2010	2011	2012	2013
3 best EU average	1.3	2.6	0.0	0.4	0.7	1.2	1.2	1.2
Requested criterion value	2.8	4.1	1.5	1.9	2.2	2.7	2.7	2.7
Czech republic	3.0	6.3	0.6	0.6	1.4	2.3	1.7	1.7

Source: [http://www.zavedenieura.cz/cps/rde/xbcr/euro/Vyhodnoceni\\_Maastricht\\_2010\\_pdf](http://www.zavedenieura.cz/cps/rde/xbcr/euro/Vyhodnoceni_Maastricht_2010_pdf).

The Czech Republic also continues to meet the long-term interest rate criterion and it appears that there should be no problem in meeting this criterion going forward.

In fact, no real exit strategy was determined in the Czech Republic as regards the financial and economic crisis. The reasons were twofold; the first was that the global crisis did not manifest itself as dramatically as in other EU countries; the Czech Republic merely saw a slowdown in economic growth and a slight increase in unemployment; and the second reason was that, at the time of the crisis, the Czech Republic had a caretaker government which had no political mandate to introduce radical changes. Therefore, it is not relevant to talk about the end of the current concept of social protection or fundamental change in the direction of social protection in the Czech context as a consequence of the crisis. The partial changes which have

<sup>3</sup> The Czech Republic employs a two-tier VAT model. The basic rate is 20% and the reduced rate 10% as of 2011.

been introduced have not fundamentally changed the approach to social protection. The Czech Republic has, thus, missed the opportunity, which the economic and financial crisis offered, to radically change what has been termed its generous social policy<sup>4</sup>.

As previously mentioned, the government has declared its intention to make savings in all public areas, including social protection. As stated in the NRP 2011, the current government, as well as a number of economists, agree that the Czech social system has to be redefined, and not only because of its generosity. In order to increase the efficiency and long-term sustainability of the system, it is vital to reduce the number of benefits and to change the way in which they are allocated. One objective which is common to all the reforms, and which can be found in government statements and in the NRP 2011, is the strengthening of individual responsibility for ensuring an adequate life-time income.

However, left-wing oriented political parties and trade unions disagree with this course of reform thinking; they see the proposed reforms as a threat to social justice. Therefore, there is a great deal of heated discussion about the approach to cut spending and in which areas savings should be made, not only between the ruling coalition and the opposition but even within the coalition itself.

## **2.2 Pensions**

### **2.2.1 The system's characteristics and reforms**

The Czech pension system remains based on the 1<sup>st</sup> and 3<sup>rd</sup> pillar, with the 1<sup>st</sup> pillar operated by the state playing the dominant role. The 3<sup>rd</sup> pillar consists of supplementary pension insurance with a state contribution (Act No. 42/1994 Coll., on Supplementary Pension Insurance with State Contribution) and other forms of individual security consisting of products offered by commercial insurance companies.

The 1<sup>st</sup> pillar is based on social insurance. The state pension system in the Czech Republic is universal for the various groups of participants, e.g. employees and self-employed persons. Participation in the basic pension insurance system is compulsory for all economically active persons and allows restricted voluntary participation for the economically non-active. The coverage rate is almost 100%<sup>5</sup>. The basic pay-as-you-go pension insurance system is economically guaranteed by the state. The principle of equivalence is reflected in the Czech pension system only to a limited extent, due to the application of the principle of solidarity, a characteristic criticised by the Constitutional Court in March 2010. The dynamic nature of the basic pension insurance system is ensured by an annual update of the income levels, used for the calculation of the percentage-based assessment of pensions and increases in the amount of pensions paid out. The value of the pension depends principally on the number of years of contribution, each of which is awarded an accrual component (1.5% of the personal calculation basis), earnings during these years, the income ceiling and earnings thresholds. Since the pension formula contains a whole series of elements, those related to earnings that are decisive in terms of the amount of pension are adjusted annually according to general wage developments. The pension consists of two elements: the basic amount (flat rate) which is the same for all types of pension, regardless of the insured period and total earnings, and a percentage-based component based on the insured period and earnings reduced in accordance with defined earnings thresholds. The basic rules for the indexation of pensions are as

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<sup>4</sup> The Czech social system has long been criticised for its perceived generosity, e.g. by the former Minister for Labour and Social Affairs, Petr Šimerka (2009-2010 Caretaker Government).  
[http://www.mpsv.cz/files/clanky/6559/Petr\\_Simerka.pdf](http://www.mpsv.cz/files/clanky/6559/Petr_Simerka.pdf).

<sup>5</sup> [http://www.mpsv.cz/files/clanky/2235/zaverecna\\_zprava.pdf](http://www.mpsv.cz/files/clanky/2235/zaverecna_zprava.pdf).

follows: pensions paid out are increased on an annual basis each January; this does not apply in periods of very low inflation (where the pension increase would be less than 2%) and in cases of high inflation (at least 5%); increases in the pension are set so that for the average old-age pension it corresponds to at least 100% of the retail price index, as well as to at least one third of growth in real wages. The exact amount is set by the government by decree, whereby the increase can be greater than the minimum provided for in legislation. Both pension elements are increased – the flat rate by a lump sum and the percentage element by a certain proportion. Czech pensions are not subject to taxation.

The Czech system of social insurance is financed via a pay-as-you-go system. Premiums are paid by employees, employers and the self-employed. The amount contributed is set out as a percentage (see table below) of the assessment base, which is based on the gross income before taxation. As regards self-employed, creditable income is decreased by the amount of expenses incurred in generating, assuring and maintaining such income. The basis for the payment of premiums as of 2010 is 50% of the difference between income and expenses (in 2004, it amounted to 40%, in 2005 it was raised to 45% and in 2006 to 50%). Premiums are collected by the national pension institution, the Czech Social Security Administration (CSSA), together with the state employment policy contribution and sickness insurance premiums.

Table 3: Contribution rate on social insurance

Contribution rate	2008	2009-2010	2011
Employees	8%	6.5%	6.5%
Sickness insurance	1.1%	0%	0%
Pension insurance	6.5%	6.5%	6.5%
State employment policy	0.4%	0%	0%
Employers	26%	25%	25%
Sickness insurance	3.3%	2.3%	2.3%
Pension insurance	21.5%	21.5%	21.5%
State employment policy	1.2%	1.2%	1.2%
Self-employed	34%	30.6%	31.5%
Sickness insurance (voluntary)	4.4%	1.4%	2.3%
Pension insurance	28%	28%	28%
State employment policy	1.6%	1.2%	1.2%

Source: CSSA, MLSA.

The 3<sup>rd</sup> pillar principally consists of a voluntary supplementary personal pension savings scheme with a state contribution, run on a defined-contribution basis. It is administered by supplementary pension insurance funds, which provide only defined-contribution plans. Legislation does not guarantee a minimum return on pension insurance funds. However, any shortfall must be covered by previous (undistributed) profits. Members of pension insurance funds are allowed to switch between pension fund providers – free of charge in specified cases.

The pension insurance scheme is available on a voluntary basis for those who participate in the basic scheme or in public health insurance in the Czech Republic. The participation rate is over 70% of the economically active population<sup>6</sup>. There were a total of 10 pension funds in the Czech Republic in 2010. The average return on such pension funds for 2010 is forecast to be slightly higher than the rate of inflation, according to the Association of Pension Funds.

Contributions to the system can be made by participants themselves, employers or others. Participant contributions are supplemented by a state contribution up to a certain threshold (a CZK 500 participant contribution per month in 2010). The minimum monthly contribution is CZK 100. Roughly 25% of participants receive a contribution to their supplementary pension plan from their employer; however, in this case they do not receive a state contribution. On the other hand, employer contributions up to a certain ceiling (CZK 24,000 per year in 2010) are exempt from employee income tax and social and health insurance deductions. Employers are entitled to include contributions in expenses if such contributions are specified in a collective agreement or internal regulation.

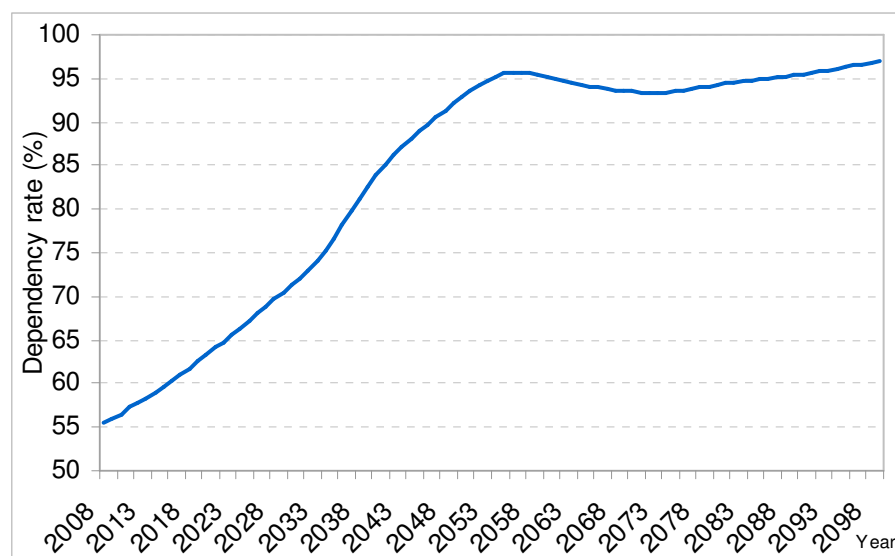
The average monthly participant contribution (not including employer contribution) for 2010 was CZK 440. At something around 2% of average gross wages, the participant contribution level is low and cannot be expected to compensate for the drop in earnings upon retirement. This is considered to be the biggest problem of the system.

### Projections of the pension system

According to latest available pension system<sup>7</sup> projections, it can be concluded that the expected ageing of the Czech population, characterised by a falling mortality rate and supported by a low birth rate, will exert mounting pressure on the pension system.

What is decisive for the future balancing of the pension insurance system (PAYG financing) is not the actual development of the number of contributors or pensioners but rather the development of the 'dependency rate', which is the proportion of the number of pensioners to the number of contributors.

Chart 2: Dependency rate



Source: Actuarial Report on Social Insurance 2008

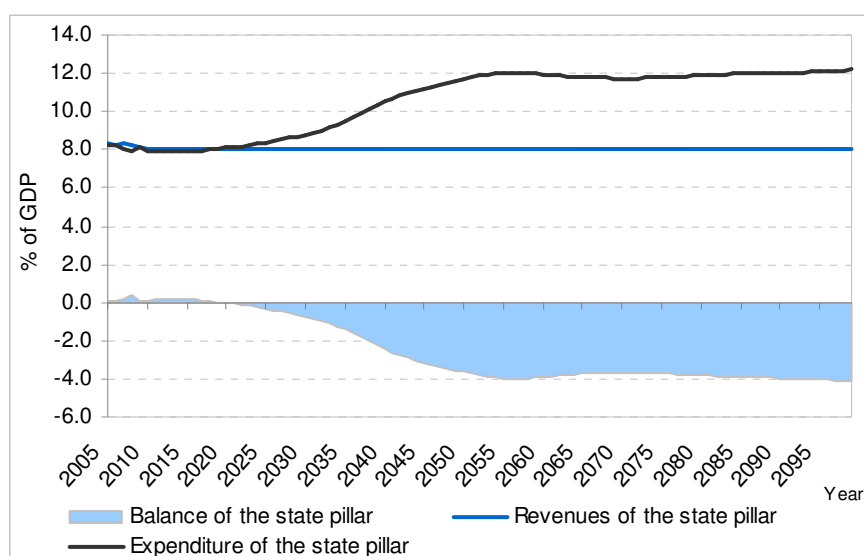
<sup>6</sup> The Association of pension funds, Annual report 2011 - [http://publikace.apfcr.cz/2010/cz\\_verze.html](http://publikace.apfcr.cz/2010/cz_verze.html).

<sup>7</sup> This part of the text is based on chapter C2 of the Actuarial Report on Social Insurance 2008 and adopts most of the text.



Within the projected period, two large generations will enter retirement (the post-war and the 1970s generations). The post-war generation does not appear to pose as large a threat to the pension system as the 1970s generation, for which it will be necessary to create financial reserves in order to finance their pensions, or concerning which a necessary increase in expenditure on pensions in relation to GDP will have to occur. The transition of these generations from economically active to retirement will lead to a significant increase in expenditure on pensions in relation to GDP between 2030 and 2050.

Chart 3: Development of revenues, expenditure and balance of the pension system as % of GDP

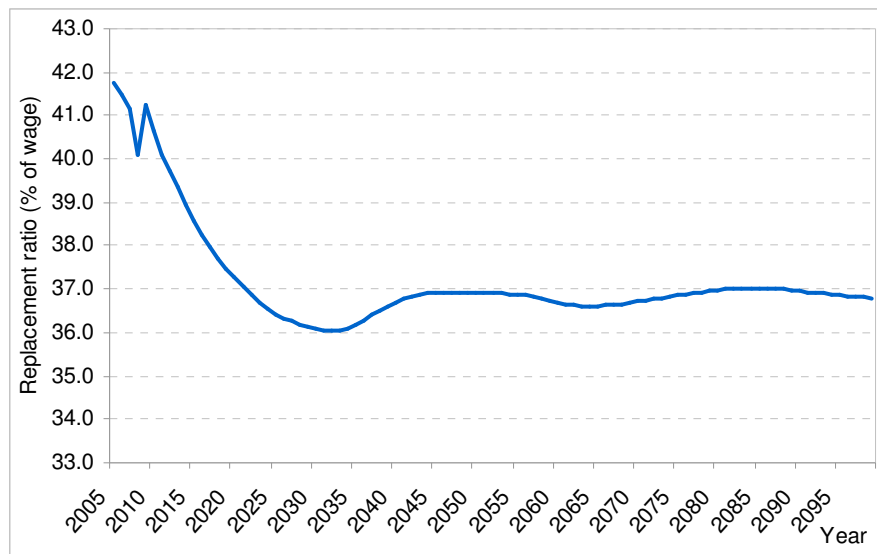


Source: Actuarial Report on Social Insurance 2008

After 2060, pension expenditure will become stabilised; nevertheless, the system will have a deficit of approximately 4% of GDP each year. Changes to the system should, therefore, aim to eliminate expected deficits, while the temporary increase in expenditure created by the 1970s generation should be provided for by a reserve created in advance on the basis of their participation in the labour market.

The average level of old-age pensions in relation to the average wage is expected to decrease in the short term and reach its lowest level around 2035. This decrease is foreseen despite an expected stable relative level in terms of newly granted pensions. The main reason for such a decrease is the increasing proportion of reduced early (i.e. lower) pensions compared to the total number of old-age pensions. After 2035, a slight increase in this proportion is expected to occur and should stabilise at a level of around 37%. Given that the expected decrease in the aforementioned relationship will be caused primarily by the conduct of individuals (a preference for early retirement), any future changes should not aim to eliminate it.

Chart 4: Total replacement ratio (%)



Source: Actuarial Report on Social Insurance 2008

The Czech pension system did not experience any significant changes during the tracking period (2010 to May 2011) which have not already been mentioned in the previous Annual National Report 2010. Therefore, changes implemented as from 1 January 2010 can briefly be described as parametric changes in the existing pay-as-you-go system, consisting namely of: a restriction with regard to the non-contributory period, the gradual extension of the mandatory insurance period to 35 years by 2019, a gradual increase in the legal retirement age to 65 years for men, childless women and women who have raised one child up to 2031 (for women who have raised more than one child, the legal retirement age will vary from 62-64 according to the number of children raised) and changes in the pension formula regarding the period of gainful activity and the acceptance of pension benefits after 1 January 2010. At the same time as the increase in the legal retirement age came into force, the early retirement period was extended to five years prior to reaching the legal retirement age; however, the consequent reduction in the amount of the pension was increased<sup>8</sup>.

On 1 January 2011, earnings thresholds for the calculation of an individual's calculation basis were increased to CZK 11,000 for the first threshold and to CZK 28,200 for the second. On the same date, the regular indexation of pensions took place: the flat rate element was increased by CZK 60 to CZK 2,230 and the percentage-based assessment was raised by 3.9%. While pensions paid out since 2004 increased by 43% on average, the flat rate component grew by 70% in the same period. The proportion of the flat rate component of the total average pension has increased from 18% in 2004 to 21.5% in 2011<sup>9</sup>. As a consequence, the pension system is becoming more redistributive and provides more protection for those on the lowest incomes.

There have been no significant national programmes aimed at public budget consolidation during the tracking period. The main reason for that was the unstable political situation in the Czech Republic and more than one year of a caretaker government, which had no political mandate and which ended in July 2010. Only one measure concerning the long-term

<sup>8</sup> For more details see the Annual Report 2010 available at:

[http://www.socialprotection.eu/files\\_db/887/asisp\\_ANR10\\_Czech\\_Republic.pdf](http://www.socialprotection.eu/files_db/887/asisp_ANR10_Czech_Republic.pdf).

<sup>9</sup> Calculations are based on MLSA data on pension system development. <http://www.mpsv.cz/cs/621>. Estimated value based on 2010 data and the indexation of pensions for 2011.

sustainability of the pension system mentioned in the NRP 2008-2010 has been implemented, i.e. the parametric changes mentioned above, which have helped to consolidate public finances as a whole. Although the intention to build an independent reserve fund for the Czech pension system was announced in NRP 2008-2010, this has still not come about. Therefore, the pension system account remains part of the state budget. The development of this issue is outlined further below.

Effective from 1 January 1996, a separate account for pension insurance was created as part of the financial assets of the state. The surplus from the revenues from premiums for pension insurance, including penalties and fines relating to pension insurance and expenditure on pension insurance benefits, including expenditure related to the collection of premiums for pension insurance and payment of pension insurance benefits, is transferred to this account under Chapter 313 of the Ministry of Labour and Social Affairs, Chapter 307 of the Ministry of Defence, Chapter 314 of the Ministry of the Interior, Chapter 336 of the Ministry of Justice, and Chapter 312 of the Ministry of Finance. The funds collected in this account could be used only for expenditure on pension insurance benefits and transfers to the state budget to offset deficits arising from the difference between the above revenues and expenditure. Such use was possible only with consent from the Chamber of Deputies of the Czech Parliament. The funds could not be invested. Effective from 1 March 2008, the special pension insurance account was transformed to a special pension reform reserve account as part of state financial assets. Every year in which revenues from premiums for pension insurance are higher than expenditure on pension insurance benefits the Ministry of Finance transfers to this account from the state budget the amount equal to the difference between the above income and expenditure. Revenues in this account are also comprised of funds credited to this account under special legal regulations. Also, funds in the account of state financial assets, in which, since 2004, resources from dividends obtained by the Ministry of Labour and Social Affairs as the administrator of state ownership interests are accumulated, are credited to this account. It is envisaged that the funds in the special pension reform account will be used for a pension reform, under the resolution of the Chamber of Deputies at the suggestion of the government. The Ministry of Finance is entitled to temporarily invest available funds kept in this account into government bonds and bonds of the Czech National Bank, as well as into bonds issued by member states of the Organisation for Economic Cooperation and Development, and bonds issued by central banks of these states or the European Central Bank. Revenues from investment activities constitute revenues of this account. Reports on management of funds in the account form part of the state final account<sup>10</sup>.

There have been no international bailout agreements or credits with regard to the pension system in the Czech Republic.

### **2.2.2 Debates and political discourse**

As in other European countries, pension reform is of crucial importance and the Czech Republic faces two significant challenges: the requirement to fulfil a recent legal ruling regarding the strengthening of the principle of equivalence within the social insurance pension system, which must be implemented by 30 September 2011, and the need to introduce a comprehensive pension reform that should help to ensure the overall long-term sustainability of the pension system.

Concerning the first challenge, the government has prepared a so-called “small” reform package as part of its overall pension reform programme. The first stage, an amendment to pension legislation, has already been prepared and should be approved in Parliament within

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<sup>10</sup> Actuarial Report on Social Insurance 2008, MLSA Social Insurance Department.

the next few weeks. The main aim of this reform is to fulfil a Constitutional Court ruling<sup>11</sup> which states that the principle of solidarity within the Czech pension system unfairly exceeds the principal of equivalence. Therefore, the government proposes to abolish the second earnings threshold with the aim of taking earnings during an individual's period of economic activity more into account in the pension calculation. To avoid a steep decrease in the amount of pensions, the government proposes to gradually replace the second earnings threshold with the first over a transition period of five years. This measure is to be complemented by a decrease in the ceiling for paying social insurance contributions to three times the annual average wage (from six times today). In addition to the change in the pension formula, which is aimed at strengthening the equivalence principle, the government has proposed stricter rules regarding the indexation of pensions, which should contribute to the overall sustainability of the pension system. The same amendment proposes that the pension age of women should be increased more quickly than that of men and that the retirement age, which will be increased, should be the same for both sexes, namely 67 years. After this legal retirement age has been reached (in 2044) it will increase continuously by two months every year for both sexes without any stated limit. Such measures should restrict the possibility of "escaping" from the labour market significantly earlier than the age of 60. Since the pension claimant will have enjoyed a longer period of economic activity, the pension will be higher. Together with these measures, the gradual extension of the reference period from the last 30 years of earnings to lifelong earnings has been proposed<sup>12</sup>.

Concerning the second stage, the so-called "big" pension reform aims to establish a sustainable pension system which will be responsive to the changing demographic structure of the Czech society<sup>13</sup>. This should be seen in conjunction with the fact that the Czech Republic has repeatedly been ranked by the EC as a high-risk country in terms of the long-term sustainability of public finances<sup>14</sup>. Pension reform proposals suggest that revenue should become more diversified and the first pillar, consisting of a pay-as-you-go system, should be complemented by private savings schemes which would involve a partial opt-out from the first PAYG pillar of 3% of contributions supplemented by a further 2% employee contribution without any future change to this decision. It is envisaged that this measure will bring about the long-term sustainability of the first pillar pension system. This reform should, according to government calculations, reduce the pension system deficit from more than 4% of GDP to 0% or a maximum of 1% of GDP post 2060. These optimistic figures, however, presuppose a high level of public participation; therefore, it is essential that the reasons for pension reform as well as the advantages and potential risks of this type of reform be carefully explained to

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<sup>11</sup> Constitutional Court decision of 16 April 2010 available at <http://www.concourt.cz/view/3227>.

<sup>12</sup> Amendment to pension law 277/0, available at <http://www.psp.cz/sqw/text/tiskt.sqw?O=6&CT=277&CT1=0>.

<sup>13</sup> Demographic developments, defined by the ageing of the population, the lengthening of life expectancy, connected with an improved quality of life, and the stagnation of the birth rate, complicate increasingly significant public finance issues. Demographic prognoses indicate that, in 2050, the portion of the population over 60 years of age will amount to 36%, as opposed to today's 20% figure. Without reforms to old-age pension and health care systems it will be very difficult to maintain stability in public finance in the long term – National Report on Strategies for Social Protection and Social Inclusion available at <http://ec.europa.eu/social/BlobServlet?docId=2540&langId=en>.

<sup>14</sup> In the EC Sustainability Report of 9 November 2009, the Czech Republic together with Cyprus, Ireland, Greece, Spain, Latvia, Lithuania, Malta, the Netherlands, Romania, Slovenia, Slovakia, and the United Kingdom were ranked as countries which have sustainability gaps above 6% of GDP. In nearly all of these countries, the sustainability gaps are the result of a very large projected increase in age-related expenditure, compounded in most cases by large initial imbalances, and, hence, they are exposed to higher long-term risks. This indicates that closing these gaps will require both ambitious consolidation programmes that reduce debt and deficits in coming years and profound reforms of the social protection system. The full report is available at [http://ec.europa.eu/economy\\_finance/publications/publication15998\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication15998_en.pdf).

the public. In the short term, the proposed pension reforms will lead to a deterioration in the fiscal position of the Czech Republic, due to opt-out from the first pay-as-you-go pillar; the shortfall can be recuperated only through increases in VAT. It is proposed that the current two-tier VAT rate model will be abandoned to be replaced by one standardised VAT rate. Government proposals in this area suggest a gradual approach to eventual standardisation. In the first step, the reduced VAT rate will be increased to 14% in 2012 (from 10% in 2011) and, from 2013, one standardised VAT rate of 17.5%<sup>15</sup> will apply in the Czech Republic.

The “big” pension proposal is based on coalition negotiations, primarily referring to suggestions made by the government’s National Economic Council (NEC) and Economic Advisory Forum (EAF). The EAF was established in January 2010 as a joint initiative of the Ministers for Finance and Labour and Social Affairs of the caretaker administrative government. The intention was to build upon the work of the so-termed Bezděk Commission (2004-2005) on reforming the Czech pension system, to analyse the current state of pension issues in a broader context and to recommend potential ways how the pension system might be reformed by future governments. The EAF is made up of economic experts with wide experience of pension issues. The organisation’s main outputs can be found in their executive summary (Final Report of the EAF)<sup>16</sup>.

The government’s National Economic Council is an advisory body that assists in identifying the most appropriate government reforms and economic measures to be put in place. The NEC advised the caretaker government on how to respond to the effects of the economic recession. In September 2009, its activities were suspended; however, the new government has decided to resume its activities. The NEC advises the government particularly in regard to the consolidation of public finances. The NEC was established as a team of respected economic experts whose task it is to provide objective information to both the government and the public. These professionals work in six groups and two of them focus on the issue of pensions and public finances. The organisation’s main outputs can be found in the final report of NEC<sup>17</sup>.

However, the main ideas and principles contained in the recommendations of the EAF and NEC do not appear in proposed government reforms in the originally submitted form. They have often been subjected to rather significant, often major modification as a result of coalition negotiations. The proposed government reform of pensions is, thus, “softer” than thought by many, including independent experts, to be necessary. One major departure from the experts’ proposals consists of a shift from mandatory opt-out to voluntary or lower age limit opt-out. A further example consists of the experts’ proposed reduction in pension contribution rates to be compensated by the standardisation of VAT rates. The government’s proposal, however, whilst retaining the idea of standardising VAT rates, does not suggest any reduction in pension contribution rates.

According to the Eurostat database, just 11.7% of the population over the age of 65 years was at risk of poverty or social exclusion in 2009. Figures show a significant improvement over a number of years, starting at 14.7% in 2005, reaching 10.9% in 2007 and closing at the rate mentioned above. A low rate of income disparity and the relatively high level of effectiveness of social transfers in combination with the low level of the income median are significant factors in the low rate of relative poverty in the Czech Republic. Although the numbers look optimistic, the admittedly low proportion of pensioners at risk of poverty still presents a challenge for the Czech Republic. It is hoped that the situation will be improved through

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<sup>15</sup> <http://www.vlada.cz/cz/media-centrum/aktualne/vlada-schvalila-soucast-baliku-penzijni-reformy-84420/>.

<sup>16</sup> [http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf\\_duchod\\_ref\\_pes.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf_duchod_ref_pes.html).

<sup>17</sup> <http://www.vlada.cz/assets/media-centrum/dulezite-dokumenty/zaverecna-zprava-NERV.pdf>.

pension reform. However, according to economic predictions, a pension consisting only of the state first pillar contribution will result in an income close to the poverty level. It is, therefore, essential that the third pillar be supported and that people be encouraged to accept more personal responsibility for their pension income.

Material deprivation figures in the Eurostat database recorded a significant improvement over the five years for which data is available. The severe material deprivation indicator for people who experience at least 4 out of 9 deprivations was 10.8% in 2005 and decreased to 5.7% by 2009; the reduction in this value was continuous. In terms of gender, the change was proportionally the same. The severe material deprivation of older men decreased from 8.6% in 2005 to 4.6% in 2009. At the same time, the severe material deprivation indicator for older women, as defined above, was also cut by nearly a half from 12.3% in 2005 to 6.5% in 2009.

It can be concluded that protection against poverty is a major feature of the Czech pension system and is principally due to a combination of high contribution rates to the PAYG first pillar and a high level of income solidarity<sup>18</sup>. As a consequence, the “median relative income of elderly people (65+)” indicator has a value of only 7.2%.

Since the high income solidarity of the Czech pension system is effective in protecting old people from poverty, even those who were on the lowest incomes when in work, there has been no national debate on guaranteed minimum income at pension age. Moreover, there is officially no minimum pension category in the Czech Republic; however, in reality, the lowest level of pension consists of the flat rate part of the pension, i.e. CZK 2,230 monthly in 2010, and the minimum percentage element of the pension, which cannot be lower than CZK 770 monthly. Thus, a minimum pension income is guaranteed for those who did not have sufficiently high pensionable incomes during their working careers. In 2009, there were only 4,731 beneficiaries of the “minimum pension” in the Czech Republic of a total of 1,533,012 old-age pension claimants (CSSA 2011), which is less than 0.5%. For a distribution of old-age pension in 2009, see the appendix.

The economic and financial crisis did not manifest itself as dramatically in the CR as in other EU countries; however, it did have a major influence on the general election results. The victors were those political parties that declared in their manifestoes the need to limit government spending and to stabilise the public budget, i.e. right-wing and centrist parties. In the field of social security, there is currently considerable discussion on pension reform and tighter conditions for entitlement to social benefits. In order to reduce the impact of the crisis on the economy and to respond to current problems in the PAYG pension system, the government has appointed a number of expert committees<sup>19</sup> to establish the professional background for the formulation of government policies. In practice, these committees participated in the design of the austerity measures and put forward various suggestions regarding pension reform and consolidation of public finance and have, thus, become players themselves; however, not all of their recommendations are accepted by the government. A further important player consists of the trade unions, who strongly oppose any restrictive measures and participate in the discussion concerning pension reform. They recently launched an “anti-reform” campaign<sup>20</sup> in which they set out their main concerns. Trade unions are

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<sup>18</sup> This is mentioned in a large number of studies, e.g. the Actuarial Report on Social Insurance and the Final Report of the Economic Advisory Forum. The reason for this is the existence of earnings thresholds applied in the calculation of pensions, which reduce the influence of lifelong earnings in the final calculation significantly. More can be found in the study Assessment of the Pension Base Calculation, available at [http://praha.vupsv.cz/Fulltext/vz\\_311.pdf](http://praha.vupsv.cz/Fulltext/vz_311.pdf).

<sup>19</sup> The main advisory committees consist of the aforementioned government National Economic Council and the Economic Advisory Forum.

<sup>20</sup> [http://www.oskovo.cz/Ext/CMKOS/2011/08\\_07.pdf](http://www.oskovo.cz/Ext/CMKOS/2011/08_07.pdf), <http://www.oskovo.cz/Ext/CMKOS/csz2011.htm>.



afraid of a deterioration in the future situation of pensioners, brought about by the weakening of the role of the state pay-as-you-go pillar of the pension system. They are afraid that pension funds may abuse the opt-out contribution system and they are strongly against any increase in the pension age.

The planned reform of the pension system in the Czech Republic includes the introduction of private/funded pension schemes. Discussion on this topic is ongoing and involves the government, non-government political parties, the government's expert commission, trade unions and the academic community, as well as experts from the wider public arena. The current debate concerns whether, and in what form, private/funded pension schemes should be introduced in the Czech Republic, rather than specific details of such pension schemes. There is, however, general agreement between centre and right-wing parties and public experts on the need for pension reform and the eventual introduction of private/funded pension schemes. Nevertheless, opinions on how to implement such schemes differ, e.g. whether they should involve compulsory or voluntary opt-out. Therefore, it will be necessary to search for compromise in this area. Details of private/funded pension schemes, including security issues, investment policy and fees have been submitted by the EAF and the NEC and have, thus, become the basis for discussion between political parties; however, a number of measures suggested by experts have been rejected by the government, thus, leading to speculation on the amount of influence enjoyed by the commercial financial groups (who aim to eventually manage the pension funds) lobby. The EAF has a trade union representative on the basis of whose suggestions two versions of reform have been proposed. Trade unions as a whole do not agree with the final reform proposal and are firmly against any major reform of the pension system. Representatives of one university have come up with their own proposal for pension reform based on the NDC World Bank concept<sup>21</sup>; however, these proposals do not enjoy a high level of support amongst pension experts.

### **2.2.3 Impact of EU social policies on the national level**

There has still been no broad general discussion in the Czech Republic on EU procedures and objectives with regard to pensions. The major activities and objectives concerning pensions (OMC Green Papers on Pensions, EU 2020 Strategy, etc.) are generally well known, however, serious debate is lacking in this area. The attitude of Czech politicians to EU strategic documents remains somewhat passive, and such documents are considered as merely external input. There is general agreement<sup>22</sup> on the objectives contained in these strategies, but no special programmes have been prepared to meet them. On the other hand, EU targets on pensions are being met somewhat unwittingly, since national public finance and pension system reform programmes are pursuing national objectives which happen to coincide with the objectives set at the EU level. Debate on EU strategic documents is taking place more within the academic community than at political level. Research magazines are devoted regularly to the publication of materials concerning ongoing developments within the EU in the field of pensions. All strategic measures relating to pension issues are implemented by the government, translated into Czech and published by the respective ministries.

Since 1 January 2010, several measures have been introduced with regard to the pension system, following objectives set out in the Annual Growth Survey: advancing the EU's

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<sup>21</sup> Paneuropean pension system suitable for the Czech Republic, available at <http://www.ceses.cuni.cz/CESES-1-version1-JVppt.pdf>.

<sup>22</sup> E.g. the Czech National Reform Programme 2011 available at: <http://www.vlada.cz/scripts/file.php?id=92896> or Programme Declaration of the Government, August 2010 available at [http://www.vlada.cz/assets/media-centrum/dulezite-dokumenty/Programove\\_prohlaseni\\_vlady.pdf](http://www.vlada.cz/assets/media-centrum/dulezite-dokumenty/Programove_prohlaseni_vlady.pdf).

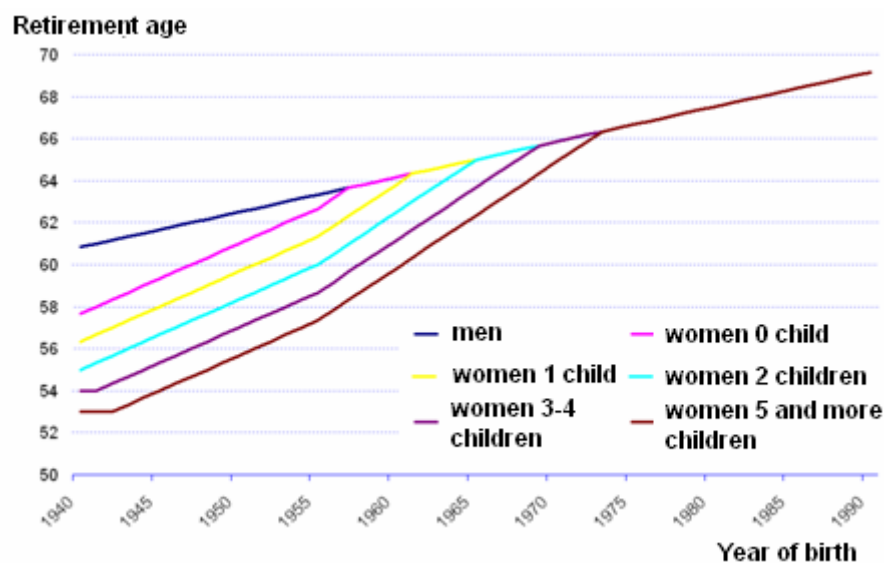
comprehensive response to the crisis. The various measures can be divided into three main categories: changes in terms of contributory and non-contributory periods, changes in conditions regarding entitlement to a pension; and changes in the amount of the pension.

#### *Changes in retirement age*

Since 1 January 2010, the statutory pension age has been increasing on a continuous basis as it had been prior to this date. The target retirement age for men as well as for childless women and women with one child is 65 years. The retirement age for women who raised two children will be 64 years, for women who raised three children 63 years and 62 years for women who raised four or more children. The increase will be gradual; for men two months and for women four months will be added every year up to the target retirement age. At the beginning of May 2011 a new proposed amendment to pension legislation on extending the retirement age was published, which links the retirement age with life expectancy.

Firstly, the so-called “small” pension reform proposal, which should come into force on 30 September 2011, proposes that the legal retirement age be unified for both men and women at the age of 67. The increase should be implemented gradually and, following eventual unification, it is envisaged that the legal retirement age will rise every year by two months without any upper age limit. The retirement age for each year of birth is shown in the following chart:

Chart 5: Increasing the retirement age



Source: Amendment to pension legislation 277/0 <http://www.psp.cz/sqw/text/tiskt.sqw?O=6&CT=277&CT1=0>.

Despite the continuous increase in the retirement age, it is predicted that the chance that the individual will live to retirement will not change significantly. The following table shows the probability of a man living to retirement age:



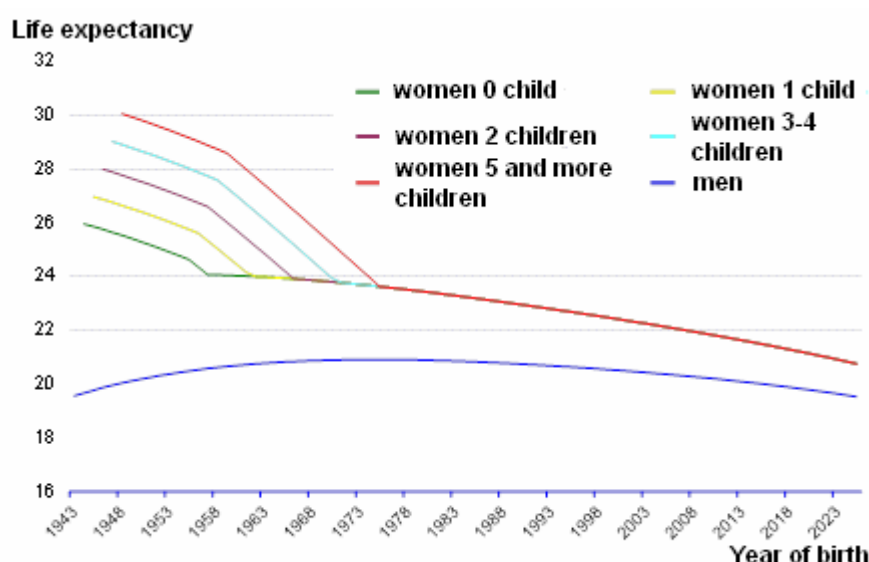
Table 4: The retirement age and the chance that the individual will live to retirement

Year of birth	Retirement age	Probability
1959	64	81.22%
1965	65	81.42%
1971	66	81.46%
1977	67	81.86%
1983	68	82.07%
1989	69	82.15%
1995	70	82.09%
2001	71	81.93%

Source: Amendment to pension legislation 277/0 <http://www.psp.cz/sqw/text/tiskt.sqw?O=6&CT=277&CT1=0>.

The retirement age increase rate corresponds approximately to the expected increase in life expectancy and the average time spent in retirement after men/women retirement age unification does not fall significantly below 20 years.

Chart 6: Average life expectancy at retirement age



Source: Amendment to pension legislation 277/0 <http://www.psp.cz/sqw/text/tiskt.sqw?O=6&CT=277&CT1=0>.

It can, therefore, be concluded that, despite the continuous increase in the retirement age, the chances that the individual will live to retirement age will slightly increase and that the time spent in retirement, on average, will amount to more than 20 years.

Commencing on 1 January 2010, the minimum required period of insurance for entitlement to old-age pension is being gradually increased from 25 years to 35 years, by the addition of one year per calendar year.

No measures related to the Czech pension system will be adopted which could undermine the long-term sustainability and adequacy of Czech public finances – the parametric changes introduced over the last few years have either contributed towards the sustainability and adequacy of public finances or have at least been neutral in this respect. If the pension reforms outlined are adopted, the Czech Republic will face certain transitional costs which could potentially negatively impact public finances; however, it is expected that such costs will be covered partially by income from privatisation and partially by increasing VAT.

Stricter rules regarding the indexation of pensions are currently being approved in the Czech Parliament, with the aim of avoiding pressure being exerted by pension system expenditure on the future stability of public finances.

Activities associated with the Year of Active Ageing in the Czech Republic have consisted of citizens' initiatives<sup>23</sup> rather than those of the government. The individual ministries concerned – i.e. the Ministries of Labour and Education – have prepared a call for grant bids in 2012 in support of active ageing. The opinion of the ruling coalition political parties remains somewhat sceptical, as it is of other similar EU initiatives. They agree that it is important to jointly seek answers to the demographic challenge faced by the European Union and that analysis of the active ageing problem has, in principle, been accurate. However, as the main problem they see the number of conferences and unnecessary waste of EU money generally associated with EU activities. They consider that the family should be involved as a means of addressing active ageing issues<sup>24</sup>; if the traditional roles of the family, including family solidarity, are brought into play, then neither the state nor the EU need to become involved; in other words, a functioning family is the best social policy<sup>25</sup>.

#### **2.2.4 Impact assessment**

As previously mentioned, the most important analytical materials relating to pension issues are provided by the expert committees of those ministries concerned both with the various reform proposals and the development of and predictions regarding the current system.

The main findings of the Economic Advisory Forum can thus be described as follows<sup>26</sup>: New projections for the state pension pillar (PAYG) made by the EAF confirmed the trends observed in previous years. PAYG is seen as unsustainable in its current form and employing its current parameters and will lead to long-term deficits of approximately 4% of GDP annually. Without the necessary changes, PAYG is likely to remain permanently in deficit. The positive effects of the parameter adjustments of 2008 and slightly more optimistic demographic data will be outweighed by the deteriorating macroeconomic outlook.

It can also be noted that the current pension system in the Czech Republic is extremely non-diversified, with an extreme degree of solidarity, which incurs risks in the long term for the state as well as for individuals.

It is generally accepted that, in order to ensure the financial balance of the PAYG system and, thus, to fully cover future liabilities, it will be necessary to continue to implement gradual parametric adjustments. In addition, it will be necessary to explain these adjustments to the public well in advance, so that people have time to adequately prepare for the new situation and adapt to it. This message must in particular reach those generations who are currently in their thirties and younger and who will be particularly affected by the consequences of the ageing Czech population. The younger generations must be made aware of the fact that those who do not voluntarily save in excess of the mandatory pension system, risk experiencing a significant drop in living standards when they retire.

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<sup>23</sup> <http://www.elpida.cz/> or <http://www.zivot90.cz/>.

<sup>24</sup> E.g. in the National Programme of Preparation for Ageing for 2008-2012, chapter seven, the family is mentioned and the general idea is, that family care for relatives who need care is cheaper than the one organised by the state.

<sup>25</sup> E.g. Member of European Parliament, Milan Cabrnoch, available at [http://www.cabrnoch.cz/index.php/2011/04/18/evropsky\\_rok\\_aktivniho\\_starnuti\\_2012\\_ma\\_zelenou](http://www.cabrnoch.cz/index.php/2011/04/18/evropsky_rok_aktivniho_starnuti_2012_ma_zelenou).

<sup>26</sup> A selection from the executive summary of the EAF, which can be found at [http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf\\_duchod\\_ref\\_pes.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf_duchod_ref_pes.html).

Based on calculations, processed materials and underlying documentation, EAF arrived at a final conclusion according to which the Czech pension system requires a reform that will provide greater diversification, fiscal sustainability, a fairer distribution of the intergenerational burden over time and an increase in equivalence.

The main findings of the National Economic Council<sup>27</sup> in terms of pension long-term sustainability suggest that: further parametric changes to the current pay-as-you-go solidarity pillar are inevitable and that such changes will have to involve e.g. a restriction in the number of non-contributory periods, a change in the way pensions are indexed and a further increase in the pension age connected with life expectancy. The second funded pillar will have to be fully equivalent, publicly administered and supervised (as e.g. the Central Provident Fund in Singapore) and will have to attain a feasible replacement rate.

Important and useful information regarding the results of surveys of the development of the pension system is provided by the pension department of the MLSA, which publishes the biannual Actuarial Report on Social Insurance<sup>28</sup> (Actuarial Report 2008 has been published in 2009), in which medium and long-term predictions regarding the current pension system can be found.

The main findings of the Actuarial Report on Social Insurance consist of the following recommendations: parametric changes introduced in the first stage of the pension reform process will have to be followed up by additional changes, in particular those targeting the retirement age. As updated projections show, the pension system, in terms of the setting of parameters, is financially unsustainable in the long term should the steps envisaged in the first stage of pension reform not be implemented. Around 2020, the system would plunge into permanent deficit that would reach 4% of GDP over the long term; the long-term financial unsustainability of the pension system and its trend towards deficit are the result, particularly, of anticipated demographic developments associated with the ageing of the population, the distinctive feature of which is the rising number and overall share of persons in the higher age brackets.

As far as the setting of the retirement age is concerned, certain processes are envisaged that will be geared towards the “automation” of the various changes involved, with no need for political debate on the issue. Automation may either be direct (changes to the retirement age based on demographic data – e.g. as in Denmark) or indirect, based on a linkage of the amount of a newly granted pension to life expectancy or the introduction of contribution-defined schemes (Notional Defined Contribution, NDC or Financially Defined Contribution, FDC).

Parametric changes will need to be supplemented with reforms that will lead to the diversification of the system. Even though increases in the retirement age and its adjustment to meet changes in demographic parameters might not be considered reforms, this does not mean that the current pension system does not require reform. Reforms should be targeted at the diversification of both the revenue and expenditure sides of the system, which would result in a strengthening of the security of the adequacy of pensions in old age. Therefore, reform should aim at strengthening the differentiation of pensions in middle and higher income groups.

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<sup>27</sup> The whole report can be found at: <http://www.vlada.cz/assets/media-centrum/dulezite-dokumenty/zaverecna-zprava-NERV.pdf>.

<sup>28</sup> Actuarial report on social insurance 2008 available at: [http://www.mpsv.cz/files/clanky/6860/Pojistnematemacka\\_aj.pdf](http://www.mpsv.cz/files/clanky/6860/Pojistnematemacka_aj.pdf).

A further valuable source of data with regard to the research and prediction of the pension system consists of CSSA (the institution which manages pensions) annual pension insurance yearbooks<sup>29</sup>, and the annual Statistical Yearbook of the Ministry of Labour and Social Affairs<sup>30</sup>.

General statistics, including demographic projections, are published by the Czech Statistical Office<sup>31</sup>. In parallel, the Department of Demographic Science, Charles University, prepares its own regular forecast of population development. Universities are also involved in research into the field of pensions, namely e.g. the University of Finance and Administration, which organises an annual international conference on pensions and conducts its own research into pension reform - in 2011 e.g. on linking pension, health care and tax reform and the involvement of pro-educational and pro-population motivation in such reforms<sup>32</sup>. Other universities (e.g. the University of Economics, Prague, and the Masaryk University, Brno) are involved in research into pensions, especially in the form of grant projects for the Ministry of Labour and Social Affairs. The University of Economics is currently working on an internal grant project which is analysing the impact of ageing on the labour market and economic activity.

Further institutions involved include commercial financial groups such as ING, who have recently prepared their own draft pension reform proposal<sup>33</sup>, and Deloitte, whose actuarial and insurance solutions department works closely with the Ministry and is currently preparing a dynamic micro-simulation model for pensions forecasting purposes. The main findings of the ING pension reform proposals consist of a shift away from the pay-as-you-go system of pension insurance to the so-called children-pay-as-you-go system, which would involve two pillars – one pay-as-you-go to which everyone will have to contribute but which will be for the benefit only of those who raised children, and a second funded equivalent scheme into which all those who currently have no children will have to pay contributions; it is proposed that the pension paid out from this pillar will be of a defined contribution character.

Other important players involved in research include independent research institutions, such as the Research Institute for Labour and Social Affairs (RILSA) and the Academy of Sciences of the Czech Republic. In 2010, RILSA focused primarily on research on parametric changes to the existing pension system. Currently, RILSA is actively involved in the international Social Experimentation for Active Ageing project. In addition, the Czech National Bank has a department dedicated to pensions issues.

The Research Institute for Labour and Social Affairs has provided research papers on pension issues for a number of years. The main findings of recent studies<sup>34</sup> include a recommendation to strengthen the principle of equality within the current social insurance system, restrict the number of non-contributory periods taken into account in the pension calculation and to change the calculation basis for the pension formula to lifelong earnings. The economic crisis resulted in a pension system deficit of CZK 29.3 billion<sup>35</sup> in 2010, despite a long-term forecast that predicted that the first deficit in the Czech pension system would occur in 2019 (Actuarial Report on Social Insurance 2008). The predicted deficit for 2011 is, according to an MLSA conference on 14 April 2011, between CZK 45-50 billion. The deficit is expected

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<sup>29</sup> <http://www.cssz.cz/cz/informace/statistiky/duchodova-statistika/>.

<sup>30</sup> <http://www.mpsv.cz/cs/3869>.

<sup>31</sup> <http://www.czso.cz/csu/2009edicniplan.nsf/p/4020-09>.

<sup>32</sup> <http://www.vfsf.cz/?id=1289>.

<sup>33</sup> [http://www.ing.cz/cz/o\\_ing/INGnavrhpenzijnireformy.pdf](http://www.ing.cz/cz/o_ing/INGnavrhpenzijnireformy.pdf).

<sup>34</sup> See the list of publications at the end of this report.

<sup>35</sup> <http://www.cssz.cz/cz/informace/media/tiskove-zpravy/tiskove-zpravy-2011/cssz-pojistne-na-socialni-zabezpeni-se-dari-vybirat-uspesne.htm>.

to be caused mainly by problems on the income side of the pension system. Since the economic crisis was found to have caused a reduction in the income of the pension system, there have been no new findings concerning the impact of the crisis. According to the Czech Statistical Office's latest survey<sup>36</sup>, economic recovery is providing new employment opportunities. This trend began in the fourth quarter of 2010 and continued into the first quarter of 2011. Therefore, a lower pension account deficit might be expected in 2011.

The aggregate replacement ratio (excluding other social benefits), according to Eurostat database, stands at 51% and has not changed over the past five years, in spite of which the replacement rate for those on the lowest pensions increased, even though it was already relatively high. To discover the reason it is necessary to provide a detailed explanation of the calculation of pension benefits in the Czech Republic.

As a consequence of the excessive number of non-contributory periods in the Czech pension insurance system (Holub 2009) – in terms of international comparison, the Czech Republic has some of the most generous conditions regarding the taking of non-contributory periods into account – certain restrictions concerning such periods have been introduced. Since 1 January 2010, periods of study have not been considered non-contributory periods. Discussion is ongoing regarding the introduction of further restrictions in terms of non-contributory periods, especially in periods of unemployment, which currently consist of the time period in which unemployment benefits are paid plus a further three years, during which an unemployed person is listed as a job applicant at the Labour Office. Periods of child care or care for a dependant family member remain unaffected by the changes.

The role of private/funded pensions is still marginal in the Czech Republic. Quite a large number of people (4.595 million in 2011)<sup>37</sup> have third pillar supplementary pension insurance with state contribution; participation in the 3<sup>rd</sup> pillar covers over 70% of the country's economically active population. However, the problem with this system is the age structure; the highest proportion of insurees (25%) is in the age group 50 to 59 years. The problem remains low savings; the total assets of pension funds in the Czech Republic in 2011 stands at CZK 232.4 billion<sup>38</sup>.

In order to demonstrate pension system sensitivity to an extension of the retirement age, three scenarios featuring further increases in the retirement age have been selected by the MLSA. They include increases at the current rate to 65 (according to current legislation, 65 will be reached in 2030 for men), 67 and 69 years. Expenditure on pensions (as a proportion of GDP) is very sensitive to the retirement age. Under the basic scenario (2009), expenditure would grow in the long term to 12% of GDP. Increasing the retirement age to 65 (from 63 under the basic scenario) will reduce expenditure on the pension system in the long term to 11% of GDP. Additional gradual increases up to the age of 67 would result in the long-term stabilisation of expenditure on pensions at a level of about 10% of GDP. If such increases were to continue up to the age of 69, then expenditure on pensions would, in the long term, be in the region of 9.5% of GDP. Expenditure on pensions as a percentage of GDP is illustrated by the following graph:

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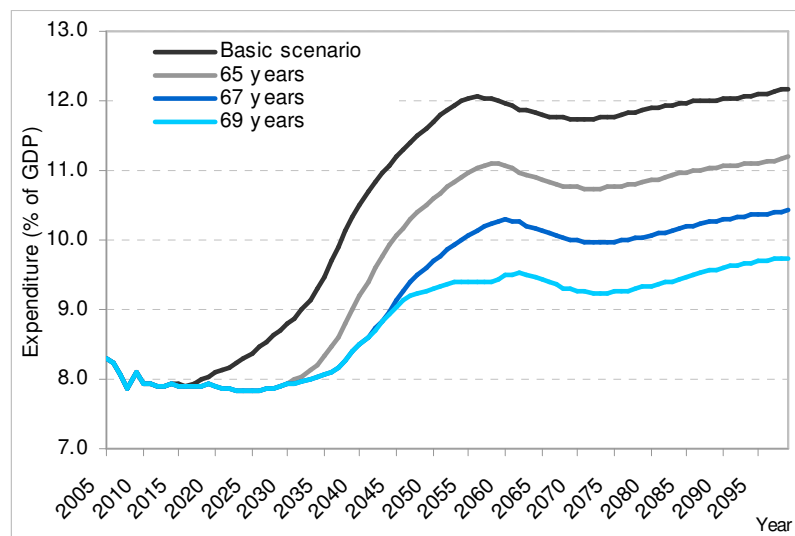
<sup>36</sup> [http://www.czso.cz/csu/tz.nsf/i/opatrne\\_oziveni\\_trhu\\_prace20110506](http://www.czso.cz/csu/tz.nsf/i/opatrne_oziveni_trhu_prace20110506).

<sup>37</sup> Association of Pension Funds.

<sup>38</sup> Association of Pension Funds.



Chart 7: Expenditure on pensions as a percentage of GDP



Source: Actuarial Report on Social Insurance 2008

The future income of the pension system should be higher than previously forecast (Actuarial Report on Social Insurance 2008) and as illustrated in the graph, since the increase in the retirement age from 63 to 65 should lead to higher growth in GDP than predicted. In addition, an increase in the retirement age will, clearly, have a positive effect on pension system expenditure.

Further relevant predictions can be found in the Actuarial Report on Social Insurance 2008 or, for example, in the demographic predictions of the Czech Statistical Office<sup>39</sup>.

#### *Impact of the economic and financial crisis*

The Czech economy and Czech society as a whole have not suffered as much as a consequence of the financial crisis as other European countries. The short-term public finance situation and the unemployment level are in relatively better positions than those of other Central European countries; therefore, the Czech Republic has not had to impose the dramatic austerity measures seen in other countries. However, the impact of the crisis on certain groups in the Czech society has been significant. On the whole, the crisis was more of a challenge for the Czech Republic than a serious threat<sup>40</sup>. The particular impact of the crisis on the pension system has been outlined above.

The Czech Statistical Office has prepared an overview of the impact of the economic and financial crisis on the Czech economy<sup>41</sup>, which emerged from the crisis in relatively good shape. The crisis was, in essence, imported into the Czech Republic, triggered by a sharp drop in external demand – in other words, the global financial crisis did not affect the Czech Republic, but the global economic crisis did. The fall in Czech GDP in 2009 compared to 2008 was roughly the same as in the EU as a whole. The decline in expenditure on the final consumption of households and the decrease in investment were not as severe as in the rest of the EU; government consumption in 2009, however, experienced increased basic dynamics, which were some of the highest in the OECD countries. The labour market lost 1.2% of total employment, which was less than the EU average. Wages and salaries decreased by 5% in total. Consumer prices, after a sharp increase in 2008, settled at a very moderate level in 2009

<sup>39</sup> <http://www.czso.cz/csu/2009edicniplan.nsf/p/4020-09>.

<sup>40</sup> Conclusion of the National Economic Council, which helped the Government to assess the impact of crisis.

<sup>41</sup> [http://www.stredocesky.czso.cz/csu/2010edicniplan.nsf/t/0F0052CD44/\\$File/11561021.pdf](http://www.stredocesky.czso.cz/csu/2010edicniplan.nsf/t/0F0052CD44/$File/11561021.pdf).

and ultimately experienced a year-on-year increase at the same level as EU consumer prices. The foreign trade balance in nominal terms declined by 15.7% in 2009, after stagnation (+0.5) in 2008. This can be considered a major impact of the crisis on the Czech Republic.

According to Eurostat figures, there has not been any significant development in the employment rate of older workers (55-64 years) in the Czech Republic over the past five years; the percentage remains roughly the same at around 46%. From 2006 to 2008, there was a slight increase in this rate of 2.4 percentage points. In 2009 and 2010, the employment rate decreased to 46.5% as a result of the impact of the economic and financial crisis.

The following table shows the development of labour market participation of the elderly.

Table 5: Labour market participation of the elderly

	2006	2007	2008	2009	2010
Czech Republic	45.2	46.0	47.6	46.8	46.5
EU 27 average	43.5	44.6	45.6	46.0	46.3

*Source: Eurostat tables*

Since the employment rate of older workers is at a very similar level as the EU-27 average and the average exit age from the labour force is 60.5 in the Czech Republic, support for the employment of older workers is not seen as a pressing issue for the Czech government. The only developments in this area have been in terms of legislation, where certain restrictive measures have been introduced to combat discrimination against older workers. A partial solution aimed at increasing the employment rate of older workers might lie in enhancing part time employment, an area in which the Czech Republic still lags behind the EU-27 average. While the share of people working part time of the total employed population is 19.2% in the EU-27, this figure stands at a mere 5.5% in the Czech Republic.

Disincentives to working longer are gradually being eliminated in the Czech Republic; in line with an amendment to pension legislation introduced on 1 January 2010, it is possible for pensioners to work on an indeterminate duration contract. At the same time, a further change to the pension insurance system was introduced – the amount of pension paid to working pensioners is recalculated every two years of continuous work and the pension calculation basis consists of an increase of 0.4% per year (Pension Law 155/1995). Following an amendment to the Labour Code, individuals over the age of 50 are now regarded by employment offices, as far as recruitment is concerned, as a job seeking group requiring “enhanced care”. In addition, the unemployment benefit entitlement period for the 50+ age group has been extended to help people find new job positions.

### **2.2.5 Critical assessment of reforms, discussions and research carried out**

After many years of hung parliaments, one single political group now has a parliamentary majority in the Czech Republic, i.e. a centre-right-wing coalition and this would seem to be the appropriate time to enforce unpopular but necessary reforms. Reform of the pension system is proving to be a particularly sensitive issue; it is understandable that the public will have an adverse reaction to the limit of the currently unsustainable level of social welfare to which they have become accustomed. All the measures already implemented or planned with regard to pensions are in accordance with the agreed objectives of the OMC and include the unification of the pension age for men and women, the extension of the retirement age and the introduction of multi-source financing for the pension system (public-private mix). In the long

term, measures already in place, as well as those planned in the future, will contribute towards pension sustainability and adequacy and, indeed, represent the most radical changes to the pension system since 1995. However, further reforms are essential, which, given the composition of the coalition government, will be somewhat difficult to enforce. Efforts continue to address a range of welfare state issues via the pension system (for example, efforts to increase the birth rate), thus, unduly burdening the system and weakening its ability to provide adequate security in old age.

Greater attention should be devoted to the detailed conditions governing pension funds; parameters have still not been determined regarding the way in which they will operate. Greater efforts should be made to inform the public of the reasons for the need for pension reform. The consequences of demographic ageing should be clearly explained, so as to counteract the spread of misinformation. In particular, the trade unions strongly oppose the proposed pension reforms but have failed to come up with their own constructive proposals. Labour market measures to promote the employment of older persons remain merely government proclamations and reform proposals in the election manifestoes of political parties; no significant shift towards increasing the level of employment of this group of the population has occurred during the reference period.

According to the pension system, one can state that the Czech Republic has one of the lowest poverty rates in the OECD countries (OECD 2011). Moreover, the proportion of the population at-risk-of-poverty or exclusion indicator provided by Eurostat ranks the Czech Republic in first place as regards EU Member States, with just 14% of the population at risk of poverty or social exclusion.

The low poverty level is closely connected with the comparatively high female rate of economic activity and especially with the distribution of the tax burden and huge social transfer levels<sup>42</sup>.

On the basis of the quantitative assessment of the latest period provided above, one might suggest that the prevention of poverty is one of the major strengths of the Czech pension system. The austerity measures introduced over the last decade have not impacted the over 65 age group. Instead, they focused on the rather soft conditions governing early retirement and the pension rights of future pensioners.

In terms of current pensioners or those approaching retirement, there have been no cuts even though the number of people of retirement age is increasing. From 2005 to 2009, the number of people of 60+ in the population grew by 13%; in the same period, the number of elderly aged 65+ increased by 10%.

## **2.3 Health Care**

### **2.3.1 The system's characteristics and reforms**

In 1990, a liberalisation of the previously centralised Semasko health care system took place, and the system began moving towards a compulsory social insurance model, with a reduced number (from 27 to 10) of insurers financing health care providers on the basis of contracts. The system is now a Bismarckian social health insurance system, with mandatory insurance for the whole population and a public-private mix for the provision of health care. This system is a contractual one with a clear separation between financing and provision. Many ambulatory physicians have their own private practices and work under contracts with the health insurance funds, which offer a basic package of curative and preventive services, but

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<sup>42</sup> National Report on Strategies for Social Protection and Social Inclusion 2008–2010.



compete for their members. Health insurance is funded by contributions from individuals, employers and the state. Main issues and parameters of coverage and reimbursement are solved through joint negotiations by the key actors (health care providers and health insurance funds). However, the government supervises the negotiations and still has to approve the outcome. Any person with a permanent residence in the Czech Republic is entitled to health insurance. An entitled person has the right to choose any health insurance fund once every 12 months. Patients have the right of free choice of health care providers. As a member of the EU, those insured by Czech health insurance funds are entitled to receive services in other European countries and vice versa, according to European law. The state guarantees health care and maintains a health insurance system, and participates in the insurance funds' supervisory boards. The state guarantee is included in the Czech constitution. The Ministry of Health is responsible for the preparation of health care legislation, for health and medical research, for the licensing of medical technology and for the management of two training institutes. The State Institute for Drug Control<sup>43</sup> is responsible for the licensing of pharmaceuticals and necessary regulations and controls in pharmaceutical policy (HIT Summary Czech Republic 2005).

Public health services are administered by MOH and the National Institute of Public Health (NIPH)<sup>44</sup>, a health care establishment for basic preventive disciplines - hygiene, epidemiology, microbiology and occupational medicine. Its main tasks are health promotion and protection, disease prevention and follow-up of environmental impacts on the health status of the population. In January 2003, regional public health offices replaced district public health offices. These offices are now responsible for epidemiologic surveillance, immunisation logistics and safety measures. Primary care facilities provide preventive services, immunisation and antenatal services. Health promotion and education programmes are usually organised and funded directly by the Ministry of Health and partly also by the Ministry of Education. A set of national priorities was identified in the National Programme of Health Restoration and Health Promotion in 1992, and a long-term strategy, the National Health Programme, was developed in 1995. Screening programmes for adults are organised at national level and financed by health insurance funds (mammography, e.g.).

The reform of the health care system was part of a transformation of the whole society after the 1989 revolution. Reform decisions were made as a result of important causes in the late 1980s and early 1990s, such as democratisation, effectiveness, and increasing the status of physicians. These interests led to fee-for-service reimbursement and privatisation (both expected to increase efficiency). There is evidence of widespread support for changing the previous health care system, with 70% of the population endorsing the privatisation of primary health care as a means for improving quality.

The main challenges during the 1990s and after EU accession (2004) were: the financial debts and deficits in the system (partially due to many funds and their mistakes in risk structure compensation, a situation triggered by fee-for-service reimbursement on the one hand, and granting benefits above the mandatory benefits package on the other); the perceived oversupply of ambulatory specialists; persisting dissatisfaction with salaries on the part of health care personnel; cost containment; a focus on patients' rights; the need for improved regulatory mechanisms; and the completion of reforms through specific pieces of necessary legislation.

Quality assurance, accreditation procedures, the development of a strengthened public health system, technology assessment, a harmonisation of health care legislation with EU

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<sup>43</sup> State Institute of Drug Control <http://www.sukl.eu/index.php?lang=2>.

<sup>44</sup> The National Institute of Public Health <http://www.szu.cz/index.php?lchan=1&lred=1>.

requirements also needed attention in the pre-accession period (1998-2003). Two statutes enacted in 2004 deal with the harmonisation of the Czech legislation with respect to the country's accession to the EU. This included rules for the acquisition and recognition of professional qualifications in health care occupations (physicians, dentists, pharmacists, and non-medical professionals). It was also necessary to optimise a new risk structure compensation scheme to provide the basis for fair competition between health insurance funds (Bryndova 2009; Rokosová 2005, Mašková, Háva 2007).

The Health Care Reform 2006-2010 began in 2008 with the introduction of regulatory fees in health care, which was part of the public finance reform package that was put into practice on 1 January 2008 pursuant to Act No. 261/2007 Coll., on the stabilisation of public budgets (Háva 2008a). The proclaimed goals of the public finance reform were to reduce the national deficit, promote economic growth and entrepreneurship, reduce the tax burden, strengthen public accountability of the social system, and prevent "waste" in health care (control of the number of visits to doctors and spending limits for drugs that are covered by health insurance).

In April 2008, the government approved seven substantive laws (Act on Specific Health Services, the Emergency Medical Service of Health Insurance, Health Insurance, the Office for Supervision of Insurance Companies and University Hospitals). In June 2008, under the pressure of the political opposition, trade unions, universities (medical schools) as well as the smaller coalition parties, the government decided on the "division" of the health care reform into two parts. The further legislative processes resulted in a less "problematic" law, and three other laws (Health Insurance Funds, Supervisory Authority, University hospitals) have been postponed.

The government's entire public finance reform was significantly negatively reflected by trade unions, including strikes. The extent of dissatisfaction with the reform of public finances, and especially the reform of the public health sector, was reflected in the autumn 2008 elections for regional administration and the Senate (Háva, Maškova 2009).

In January 2009, all reform laws were withdrawn from their consideration in the Chamber of Deputies. The Minister for Health was superseded in February 2009. The fall of the government after that (in June) opened up the possibility of different scenarios for further development of the Czech health care system. But the current coalition government, appointed in 2010, came back with more reforms. Their goals are focused on limiting resources for public health insurance, organisational changes in public health insurance that would actually turn them quasi-privatised, limiting the scope of provided services, and a further increase in direct payments and co-payments (Policy Statement 2010).

In the past two years (2010-2011), there has been a significant change in the financing of the health care system and zero revenue growth of health insurance, compared with previous years, when annual growth was between 5-7% (SHA CZ 2010<sup>45</sup>, Tables a and b in the Annex). All major Czech government reform measures in health care after 2007 are primarily derived from changes in the parameters of public finances. In the current discourse, such changes are referred to as consolidation of public finances. These reforms are (in the context of losses caused by the financial crisis in 2008-2009) hardly justifiable now<sup>46</sup>. Reforms are

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<sup>45</sup> System of Health Accounts, Czech Republic (Czech Statistical Office)  
<http://www.czso.cz/csu/2011edicniplan.nsf/p/3306-11>.

<sup>46</sup> In fact, this current inconsistent Czech political and social reality cannot be easily ignored. The interpretation of this process requires taking into account the current processes of economic globalisation and the existing networks of business interests, which strongly influence the political decision making processes (Háva, Mašková 2007, 2009).

critically reflected by citizens<sup>47</sup>. Public criticism of the reforms is, in addition to explicit protests by trade unions (The CMKOS 2011) and other initiatives (Proalt 2011), supported by a number of polls, the results of which were repeatedly published this year in the media. Most changes proposed by the government in social and health policy are more suited to higher income groups (reduction of the solidarity principle, degression of contribution payments to public health insurance, increase of the intensity of individualistic-oriented discourse (The CMKOS 2011, Proalt 2011, Ranade 1997, Hava 2008a,b).

The financial consequences of such austerity measures were reflected by hospital physicians associated in the Czech Doctors' Trade Union<sup>48</sup>. The most prominent media and political debates have for almost a year been filled by the long protests of doctors and their requirements to increase the salaries of doctors working in public hospitals - that is, large state-owned hospitals and regional public hospitals. Their argumentation led to the discussions on related topics: (1) loss of financial resources due to corruption, unfair purchasing of equipment, medical devices, pharmaceuticals, government procurement, (2) details of the decrease in revenues due to cuts in public spending, (3) additional transfer of the burden of financing health care to patients – co-payments, regulatory fees, the development of private health care (Report on the Czech health care situation, 2010; Motion to Support 2010).

Discussions of regulatory charges and co-payments are also motivated by major efforts to gradually reduce the scope of services provided (covered) under public health insurance. In the same direction the debate is going on the so-termed standard and above-standard care (covered or not covered by health insurance).

#### *Private health care provision*

After 1990, a lot of organisational changes (privatisation, decentralisation) took place in the Czech Republic. Outpatient services and many hospitals were privatised, but the activities of those providers, who have contractual relationships with public health insurance funds, are regulated by norms of public law. Debates about the possibilities of further privatisation are still continuing.

The gradual changes concern the growing share of private financial resources like co-payments and regulatory fees (see Table a and b in the Annex<sup>49</sup>). A significant change is currently debated in Parliament<sup>50</sup>. This is the case with regard to the Act No. 48/1997 Coll., on public health insurance. There would easily be scope for the implementation of so-termed above-the-standard care, which would gradually lead to the creation of two separate health care systems and the provision of services according to the ability to pay. The efforts of right-wing political parties are clearly directed towards such a goal. This change would, in fact, lead to the development of entrepreneurship activities within the public sector.

Most providers of outpatient (including dental) private medical services, paid for directly by the patient, also simultaneously provide public services, i.e. services financed from public funds. The boundaries between the public and private sectors are blurred in the Czech Republic. In practice, this leads to an abuse because of the known mechanism of market failures in health care. Doctors often offer their patients “better materials and better services

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<sup>47</sup> Průzkum pro LN: Většina lidí vládní reformy odmítá (Survey for LN: Most people rejected the government's reform), 6.6.2011 <http://www.ct24.cz/domaci/126341-pruzkum-pro-ln-vetsina-lidi-vladni-reformy-odmita/>

<sup>48</sup> Czech Doctors' Trade Union <http://www.lok-scl.cz/clanky.php?typ=3>:

<sup>49</sup> Data source is the Czech Statistical Office. The data are processed with more than a year's delay. This data cannot be updated separately, since they are processed according to the Czech Statistical Office / OECD methodology.

<sup>50</sup> Chamber of Deputies No 325/0 Amendment of the Act. No. 48/1997 Coll., on public health insurance <http://www.psp.cz/sqw/text/tiskt.sqw?O=6&CT=325&CT1=0>:

above the standard”, provided, of course, upon additional payment. This practice is currently prohibited by law (§11 of the Act No. 48/1997 Coll.), but in the field of dental care it is routinely practiced, i.e. different, “better” materials are used. The situation could be assessed as the breach of the legal principle, which concerns the protection of the patient as a consumer of services. This principle was legally formulated based on events that occurred in 1997. The then representative of the Czech Medical Chamber publicly proclaimed that virtually every day contract doctors were asking patients to pay cash for services which were also provided within the framework of health insurance. The doctors’ arguments were related to dissatisfaction with the amount of payments they received for services covered by the health insurance. Stabilisation of this social problem was theoretically achieved by adding a sanctioned prohibition of direct patient payments in the case of care covered by the public health insurance. The scope for such actions of doctors was, thus, limited if they wanted to avoid putting any pressure on patients to obtain additional direct payments for the provision of care covered by the health insurance.

Outpatient services are provided by self-employed physicians who have contracts with public health insurance funds and whose functioning is regulated by public laws (for details see Bryndova 2009 or Rokosová 2005).

In the election period of the right-wing coalition government, there will be substantial pressure limiting the scope of services that are provided in the public sector and a reduction in the resources for the public sector. The implementation of such objectives was initiated by cuts in public spending on public services last year.

Revenues of the public health insurance system come from two basic sources (see Graph 2 in the Annex): (1) collection of contributions (purple portion of columns), (2) the transfer from the state budget (blue, top part of columns). Since 2008, development of own revenues have been stagnating, similarly to the development of employment figures. The transfers from the state budget to the health insurance system were also stagnating in the period 2008-2010. Transfer from the state budget was designed as an internal stabiliser in case of economic recession (i.e. growth of unemployment). This stabiliser was not used in 2008-2010, because health insurance funds had their own financial reserves. Limiting factors for further increase will be the development of employment and self-employment figures. While the number of self-employed has been recovering after the crisis period 2008-2009, the number of employees has been stagnating. If the further development of limiting factors is not favourable, the government will have to consider the increase of transfers from the state budget. So far, the government is trying to raise money by an increase of co-payments instead.

As regards the ratio of the decreasing number of employees and the increasing number of self-employed the average revenues per insured person are significantly lower from self-employed<sup>51</sup> than from employees (Table c in the Annex). This is a limiting factor of revenues in the public health insurance.

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<sup>51</sup> The Czech health insurance systems is universal and obligatory for all. Self-employed are also insured by this system, but at the beginning of the 1990s they succeeded in lobbying (with support of the Ministry of Finance) for “better” conditions, not only with regards to health insurance.

### *Impact of National Programmes of consolidation on health policies*

The consequences of fiscal consolidation are of major importance. While in 2007-2008, Czech total health care expenditures reached the threshold of 7.5% of GDP; in 2010-2011 it lies below 7% again. Citizens are coming under pressure due to increasing co-payments (Tables a and b in the Annex). The level of total health care expenditure in the Czech Republic, as well as in other Visegrad countries, in relative (% of GDP) and absolute (EUR PPP per capita) terms is lower. Average data (2008) for the EU are 8.3% of GDP and EUR 2,192 PPP per capita. For the Czech Republic, these figures are 7.1% of GDP and EUR 1,491 PPP per capita (OECD 2010). The lower level of total spending means a lower level of benefits, although it is certainly possible to assess the effectiveness of resource utilisation (Joumard 2010, Culyer, Newhouse 2000).

### **2.3.2 Debates and political discourse**

In connection with the protest of hospital doctors in late 2010 and 2011, there was a serious threat of the departure of several thousand doctors from hospitals. Such a development would mean a significant threat to the function of hospital care. For a few months, the government discussed details of various measures to address the shortage of doctors (e.g. patients transported by helicopters from areas with too few doctors to places with more doctors, the deployment of military help and military medical capabilities, etc.). Part of the government's assessment even included the question whether a possible retirement and migration of several thousands of doctors could be an excellent opportunity to reduce the number of acute hospital beds and to limit the scope of services provided in the public sector. The current staffing situation of Czech hospitals are suboptimal, because a large number of qualified doctors have left the hospitals in the past 20 years and entered outpatient services where they are able to earn more.

### **2.3.3 Impact of EU social policies on the national level**

#### *OMC in the field of health care*

The Czech coalition government practice does not sufficiently monitor developments at EU level or changes of the international discourse on issues of health (OECD, WHO). This government is mainly focused on austerity reforms to limit the activities of the welfare state. The philosophy of the Europe 2020 Strategy and OMC is, in fact, not accepted by the current Czech right-wing politicians as beneficial. Such attitudes were fairly well documented during the debate on the National Reform Programme 2011-2012 in the Senate of the Czech Parliament (Senat 2011)<sup>52</sup>.

#### *Impact of EU's 2020 Strategy*

The National Reform Programme 2011-2012 devotes considerable attention to the topic of Czech health policy. But health care reform, in this document, is formulated as a **subsection of public finance consolidation**, i.e. mainly in terms of applying austerity measures.

### **2.3.4 Impact assessment**

The health status of the Czech population fails to effectively reach the level of the EU15, i.e. the pre-enlargement countries in 2004. For the past 20 years there has been a remaining health gap. The situation in the Czech Republic is even worse if we look at the evolution of the health status with indicators of disease, burden of disease, healthy life years, and self-reported

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<sup>52</sup> [http://www.senat.cz/xqw/xervlet/pssenat/historie?ke\\_dni=07.06.2011&O=8&action=detail&value=2859](http://www.senat.cz/xqw/xervlet/pssenat/historie?ke_dni=07.06.2011&O=8&action=detail&value=2859).



health (OECD 2010). Many developed countries have found themselves faced with the problem of the growing number of chronic diseases. The number of these diseases usually begins to grow after the age of 50.

The Czech Republic fails to develop sufficient activity in public health and health promotion. It cannot change the trends in obesity and tobacco smoking and is also seeing a deteriorating development in mental health. Apart from doubts and question marks over the effective control of otherwise removable health risks, it is clearly evident that the Czech Republic does not give comparable attention to activities in public health and health promotion. Health policy makers in the Czech Republic have not paid enough attention to almost all of these aspects of the functioning of the health system in the past five years. That is a serious threat for the development of the Czech Republic in the coming decades (Kotulán 2011)<sup>53</sup>.

#### *Impact of the financial and economic crisis on the access to and the provision of health care services*

In the area of health care, the Czech Republic was able to cope with the financial crisis due to favourable economic developments in the years preceding the crisis.

#### *Sustainability of the health care system*

The sustainability of the personnel dimension of the Czech health care system is subjected to several factors. Currently, we can only talk about the existing problems in public health and health promotion. This area is not enjoying priority on the policy agenda. In the field of medical services, the age structure of medical doctors could become a problem – but this is known and one could expect, that it will be successfully solved. Many doctors will be retiring within the next 10 years. It is, therefore, necessary to pay attention to the dentistry services and to primary care. Doctors in hospitals should be remunerated at a comparable level to those in outpatient services, otherwise migration towards the outpatient services are likely.

It would also be useful to pay attention to a long-term strategic approach to the whole health care system. The question of how it is possible through the development of public health and health promotion to achieve better control over the existing burden of diseases needs to be addressed, and, thus, a better and more sustainable situation will be gained regarding the development of total health care expenditure. Important risk factors that would need more effective attention are smoking and obesity.

#### *Coverage of the health care system*

Most of the excluded group are homeless people. In the Czech Republic they represent 1% of the population, i.e. 100,000 persons. Another de facto vulnerable group are elderly people with lower incomes. The primary care system and the interface of health and social care is another risk factor. Levels of mortality and disability of patients after cerebrovascular events indicate that these subsystems of the health system need better coordination of different types of services. Although a very positive role is played by the home care system, it is not clear what reform proposals are being brought forward in this area.

#### *Inequalities in health*

According to statistical data, there are known differences between existing regions, e.g. in the north-western part of the country, where there is also a higher unemployment rate, and

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<sup>53</sup> Relevant discussion of these problems is published in the Czech journal *Hygiena*, which focuses on topics of protection and promotion of health <http://www1.szu.cz/svi/hygiena/>.

demographic indicators are worse, e.g. shorter life expectancy. The situation in the south-eastern parts of the country, on the other hand, is much better<sup>54</sup>.

#### *Limited access to services*

Access to care by ability to pay for it directly was practiced to a large extent in dental care. In other segments of health care, care is still formally covered by public health insurance, but in reality patients are confronted with a variety of problems (quality, responsiveness of health care workers, supply of other, “better quality” services and materials for direct payment). The current complaints system is administered by health insurance funds, the medical chamber and public administration. Patients can also ask the Czech Association of Patients for help<sup>55</sup>. This association is also trying to participate in policy making activities.

As regards waiting lists, there is a lack of transparency. There are no publicly known waiting lists. If waiting lists were publicly accessible, patients waiting for hip surgery, varicose veins or hernias, for example, would be able to choose an alternative hospital where to undergo surgery. To ensure that waiting lists are transparent, the Minister for Health, Leoš Heger, intends to establish a special website<sup>56</sup>.

#### *Assessment of health outcomes*

There are several lines of data. The first set is, probably due to the complexity of data and demographic indicators, related to standardised mortality and life expectancy<sup>57</sup>. The second approach is oriented to epidemiologic research<sup>58</sup>. In the past few years, the quality of the Czech National Cancer Registry has been improved<sup>59</sup>. This system is an example of technological options that can be effectively utilised in this area.

The Institute for Health Information and Statistics is partly involved in the assessment of the health system and its outcomes. This institute processes demographic data from the Czech Statistical Office and provides their findings on health needs and health policy. Department of Health information and statistics provide data for the WHO and OECD databases.

### **2.3.5 Critical assessment of reforms, discussions and research carried out**

Government reforms are not primarily designed with the participation of patients or citizens or patients’ representatives, e.g. patient associations. On the contrary, the Czech health care reforms are the product of: (1) technocratic solutions under pressure from cuts in public budgets and public services, (2) the influence of narrow medical interests, i.e. of medical doctors and many other entrepreneurs, and, (3) the influence of the public health insurance, which is now becoming another major player in the policy arena, creating a network of relationships with politicians and trying to gain a high degree of autonomy, which would rather be suitable in private insurance.

A crucial moment of the reform debate is the intention to increase the autonomy of health insurance. Managers of this plural public system made up of public health insurance funds try

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<sup>54</sup> Czech Health Statistics Yearbook 2009 <http://www.uzis.cz/publikace/zdravotnicka-rocenka-ceske-republiky-2009>.

<sup>55</sup> The Czech Association of Patients <http://www.pacienti.cz/>.

<sup>56</sup> [http://zpravy.idnes.cz/za-jak-dlouho-pujdete-na-operaci-novy-ministr-chce-cekaci-seznamy-na-webu-loy-/domaci.aspx?c=A100804\\_151719\\_domaci\\_taj](http://zpravy.idnes.cz/za-jak-dlouho-pujdete-na-operaci-novy-ministr-chce-cekaci-seznamy-na-webu-loy-/domaci.aspx?c=A100804_151719_domaci_taj).

<sup>57</sup> Good access to this data through WHO Health Data.

<sup>58</sup> There are two approaches. One is primarily focused on a more clinical context, i.e. it is an epidemiological research undertaken for the medical community’s own needs. The second area of research is represented by determinants of health and disease, focusing more on social and economic aspects. These can be included as an example of the different risk groups and how to develop their health.

<sup>59</sup> Czech National Cancer Register <http://www.svod.cz/>.

to achieve quasi-market structures. Government reform here follows the gradual transformation of the public health insurance comparable to the model of the Netherlands (Joumard 2010). This would include the transformation of the public insurance into quasi-private insurance, such quasi-private insurance companies would compete with each other in relation to providers of medical services.

The government reform proposal from two years ago sought more direct change in the form of a single step privatisation. But privatisation was not legally, socially and politically accepted in the case of public health insurance funds. But the most important argument against privatisation was the fact that these insurance funds are publicly owned by insured persons (public corporation). In the Czech Republic, it is possible to privatise state assets, but not public property, which is controlled by a responsible self-governing public authority. Thus, the current government reform is attempting to gradually circumvent this barrier by initially increasing the autonomy of these undertakings.

## **2.4 Long-term Care**

### **2.4.1 The system's characteristics and reforms**

The current situation is the result of the gradual evolution in health care (modernised home care and hospice care). Social services development has undergone a significant and relatively rapid change in terms of organisation and financing since 2006, as a result of the adoption of new legislation (Act No. 108/2006 Coll. on social services). Social services in long-term care have been decentralised and modernised, including the implementation of the necessary regulatory instruments, community planning, and follow-up efforts to develop tools for quality management and control (system of inspectors, e.g.). It is clear that implementing the new law on social services requires a number of years. Adaptation to new demands of beneficiaries and providers of these services is gradually shaping more progressive instruments (Jabůrková 2007).



### Financing

Table 3: Czech public expenditure on long-term care classified according to their social and health components

Sector	Public expenditure items	million CZK	Estimated share of Long-term care part	Long-term care in million. CZK
<b>Social</b>	Cost benefits to persons with disability	2,452	50%	1,226
	Contribution to home social services (formal and informal)	18,897	70%	13,228
	Expenditures of regional and local budgets	6,487	70%	4,541
	Allocation from Ministry of Labour and Social Affairs	6,253	50%	3,127
<b>Health</b>	Health care provided to persons in health care facilities without health care needs, these persons are staying in health care facilities longer than is necessary, but they are not autonomous	4,713	30%	1,414
	Health care services provided to persons in the facilities of social sector	3,291	100%	3,291
	Nursing and rehabilitation provided in social care facilities	982	70%	687
	Special therapeutic institutes (health insurance payment)	6,131	25%	1,534
	Institutes for long-term patients	1,096	30%	329
	Health care facilities providing only nursing care	1,096	10%	132
	Special therapeutic institutes (public budgets payment)	500	100%	500
	Other therapeutic institutes (public budget payment)	492	100%	492
	<b>Total</b>			<b>30,000</b>

Source: *The concept of long-term care in the Czech Republic (2011) Koncept dlouhodobé péče v ČR 2011*  
<http://dmoinfo.cz/aktuality/dokumenty/koncept-dlouhodob-pece-v-cr/>

Data in table were upgraded according to the White Paper on Long-term Care (May, 2011), 3<sup>rd</sup> working version.

Long-term care in the Czech Republic in terms of financing is split into two separate fields: (1) social services (MLSA). and (2) health care services (MOH). Both of these areas are working to some extent in the area of long-term care, as captured in Table 3 (public expenditures on long-term care). In health care, actual costs of chronic diseases represent a total of around 75% of total health care expenditures (Gemmill 2008). For some historical reason, however, current registration of long-term health care is focused on institutional care in the inpatient health care facilities providing long-term care (institutes for long-term care patients). Less attention is devoted to the special therapeutic institutes (paid by the health insurance), which also provide long-term care, like psychiatric hospitals.

However, a new law on long-term care plans to introduce co-payments and deals also with the creation of so-termed above-standard care.

### *Service provision and organisation*

Long-term care is provided by persons close to the person in need of care (i.e. informal care within the family or community) and by professional providers under the Ministry of Labour and Social Affairs (MLSA) and the Ministry of Health (MOH). Services provided under the jurisdiction of individual ministries are largely coordinated among themselves on the local/community level.

Long-term care is provided in the form of health care and social services. Health care is provided in different types of inpatient facilities and through home care. The overall view (the number of beds in 2008) of long-term inpatient care services include: (1) institutes for long-term patients (7,000 beds); (2) institutes for TB and respiratory diseases for adults (791 beds); (3) psychiatric institutes for adults (9,207 beds); (4) rehabilitation institutes for adults (1,153 beds), other therapeutic special institutes for adults (1,707 beds); (5) psychiatric institutes for children (260 beds); (6) other special therapeutic institutes for children (495 beds); (7) convalescent homes (505 beds), hospices (398 beds), other (188 beds) – Total number of beds 21,704 (see Table b in the Annex).

The capacity of hospices is slowly increasing, but is still insufficient<sup>60</sup>. There are a number of non-governmental establishments providing palliative care. The ministry creates the conditions for providing palliative care to patients in terminal stages of a malignant disease. Hospices serve as a centre for palliative care in the regions. The MOH medium-term objective is to create a network of hospices that provide palliative care in all regions of the Czech Republic. An alternative to the institutional environment is home hospice service, run by a association of hospice care<sup>61</sup>. The aim is to enable seriously ill family members to stay at home at the end of their life, together with their family and friends.

An important element of primary health care is home care agencies. In the past 20 years, this service has recorded a beneficial development. Currently, there are 450 agencies which, with a few exceptions, sufficiently cover the whole country. Most agencies work 24 hours a day, the precondition for ensuring adequate and affordable care. The benefits of home care agencies are the provision of care in the patient's home place. Another positive aspect is an intervention in the patient's family to teach family members and the patient (if able) autonomy and independence. Here, the role of home care agencies is to facilitate care, and to solve the problems of patients rather effectively, together with the informal care partners.

Players within the agencies for domestic health care are state administration, local governments, health care facilities and outpatient facilities, private nurses and doctors, charities and humanitarian organisations and many others.

Most home care agencies are members of the Association of Home Care of the Czech Republic (CR ADP), who amended existing statutes requiring a full range of conditions, from education to ethical aspects, which have a direct impact on the quality of comprehensive home health care.

In regular turns, training sessions are held in which home care providers are familiarised with new scientific knowledge and research. Attendance of these events is recorded continuously in the ADP index. Home health care providers who receive a certain number of points for participating in educational activities in two years receive a certificate of quality.

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<sup>60</sup> Needed additional capacity of hospice care is estimated to be about 500 beds.

<sup>61</sup> Association of Hospice Palliative Care Providers (AHPCP) <http://www.asociacehospicu.cz/en/>.

### *Delivery and coordination of care*

We can say that, in recent year, the two key ministries (MOH, MLSA) have developed many rigorous activities in terms of quality of service within the area of long-term care of both basic types (health care and social services). Suggestions to such changes emerged from the objectification of the existing problems (violence, quality problems in inpatient facilities, team cooperation).

This is an area where professional community workers in the area of long-term inpatient health care have carried out systematic and long-term work (see, e.g. the discourse of representative experts: Holmerová, Topinková, Kalvach - Czech Gerontologic and Geriatric Society<sup>62</sup>). This activity is comparable to the activities in the field of hospice care. An important step in long-term care inpatient facilities was the introduction of new instruments of accreditation (SAK, Marx, Volejník). In the field of social services the gradual implementation of quality management tools was achieved in relation to its standardisation and existing knowledge (Žárský, Matl, Jabůrková, FHS, regional offices, practitioners).

### *The role of family and informal care*

The role of informal home care is predominant (about 70%), which is also supported by the data listed in Table 4 below. This data refers to the social services, where the role of informal care is important. In the area of health care, informal care is less interchangeable.

Table 4: Role of informal and formal social care providers (Czech Republic, July 2010)

<b>Disability grade</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Informal home care</b>	<b>78%</b>	<b>74%</b>	<b>71%</b>	<b>56%</b>
<b>Only inpatient care</b>	<b>9%</b>	<b>15%</b>	<b>18%</b>	<b>31%</b>
<b>Formal home care</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
<b>Combination of provided care</b>	<b>12%</b>	<b>10%</b>	<b>10%</b>	<b>12%</b>
<b>Total number of persons utilising care</b>	<b>112,000</b>	<b>87,000</b>	<b>59,000</b>	<b>36,000</b>

*Source: The concept of long-term care in the Czech Republic (2011) Koncept dlouhodobé péče v ČR 2011*

### *Impact of austerity programmes on long-term care arrangements*

In some areas of social services, there were serious problems due to austerity measures, and these services were under pressure to decide whether they can continue or will have to stop their activities.

## **2.4.2 Debates and political discourse**

During 2009-2010, a MLSA Green Paper Discussion Paper on Long-Term Care (LTC) 2010 was elaborated. This document is publicly available. The quality of this document is higher in comparison to other similar Czech green papers.

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<sup>62</sup> <http://www.cggs.cz/cz/Home/>.

The current government began to work intensively on a “white paper”: a new Act on Long-term Care (Koncept dlouhodobé péče v ČR 2011, and White Paper on Long-term Care, 2011<sup>63</sup>). The formulation of the draft law is scheduled by the end of 2011. Work on the draft law was preceded by discussion and comparison of the overall state of long-term care and of its parameters with the development in foreign countries (Discussion Paper LTC 2010).

Currently, a white paper is being elaborated. One can read more in the press about the preparation of this proposal, because the relevant documents are not accessible on the websites of neither of the two ministries. Members of the expert team have released to the media various pieces of information that are of relevance from their professional or personal point of view. Some of them put more emphasis on issues of funding and organisational changes, others deal more with aspects of quality of care<sup>64</sup>. In the working versions of the White Paper, the objective of the government in this field is explicitly formulated: The government will stop further growth of public spending on long-term care and replace it with private spending in the future. The White Paper in its present form is devoted more to analysis in terms of the consumption and costs of such care.

The present approach towards preparing a new law on long-term care can be preliminarily concluded as the primary pursuit of the purpose of achieving cost containment; more precisely, it will define the indications of services and transfer of some services from health care to social services. From these discussions it is not yet clear if the suggested development will focus on real modernisation of care into internationally discussed and implemented frameworks and models (Singh 2006, 2008).

While approaches of international discourse (Singh, WHO Tallin Conference 2008) about the organisation and financing of long-term care and chronically ill is focused on an integrated approach with all other health services, the current principle of the suggested law on long-term care in the Czech Republic is conceived as a separate segment of the service. This model does not expect cooperation with primary health care providers, i.e. general practitioners and outpatient specialists, shared use of information systems, research, and health education. In the new proposal, the patient is seen as a client. It aims to ensure the current public expenditures level and good quality long-term care.

#### *Public awareness*

Public opinion surveys (e.g. Intergenerational Solidarity, 2009) show that Czech citizens assess the long term-care provided at home as positive.

Public awareness in the broader sense is reflected in the process that takes place simultaneously in several dimensions of different types of long-term care. As a successful example of such developments one could mention developments in palliative care and social services through the implementation of Act No. 108/2006 Coll. on social services. In the past three years, approaches for managing the process of quality of long-term care institutions have been developed. Advocacy groups have succeeded in promoting the public debate on issues of quality health care in psychiatric hospitals. This debate has been stimulated and heated up by the findings about violence in institutional care (LTC institutions, retirement

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<sup>63</sup> The state is changing the rules for long-term care; the cost of one day in a LTC facility has increased to CZK 330, [http://zpravny.idnes.cz/stat-meni-pravidla-pro-dlouhodobou-peci-den-v-ldn-ma-stat-az-330-korun-1fs-/domaci.aspx?c=A110512\\_174902\\_domaci\\_hv](http://zpravny.idnes.cz/stat-meni-pravidla-pro-dlouhodobou-peci-den-v-ldn-ma-stat-az-330-korun-1fs-/domaci.aspx?c=A110512_174902_domaci_hv).

<sup>64</sup> Preparation of the Act on Long-term Care [http://www.zdravky.cz/zpravodajstvi/z-domova/priprava-zakona-o-dlouhodobu-peci#SlideFrame\\_1](http://www.zdravky.cz/zpravodajstvi/z-domova/priprava-zakona-o-dlouhodobu-peci#SlideFrame_1).

homes), for which research and the media brought evidence. The issue of long-term care is undoubtedly reaching a wider public awareness<sup>65</sup>.

However, if we look back at the current development discourse in the Czech Republic, it is also necessary to reflect primarily on for-profit business-oriented activities of the international group “International Health Summit” (IHS 2010). The annual conferences of this association are held in Prague (for several years now), and are mainly devoted to market-oriented reforms and approaches in health care. In 2010, the main topic was devoted to the issues of chronic illness and long-term care in relation to possible funding models such as private insurance or savings. Activities of this type certainly do not contribute to the development of cooperative negotiations in the Czech society.

#### *Debate on access to and quality of long-term care*

The current Czech discourse on quality is developed in the international context of activities, available documents and evolving discourse about the quality of LTC in the EC, WHO and OECD. In terms of documents, it is symbolised by the Discussion Paper LTC 2010. The quality of this material is above the average level of similar Green Papers in health care and social services. The discussion paper is structuring existing important problems of long-term care in relation to their causes and ways to their solutions. One chapter is devoted to the development of health and long-term care (LTC).

The debate on the quality of health care and social services LTC is dependent on both responsible ministries (MOH, MLSA). The process of managing the quality of social services is developed by the Ministry of Labour and Social Affairs. All the necessary information and tools are publicly available on the website of the MLSA. The quality of health care in long-term care has been developed in the past two years, due to the implementation of an instrument of accreditation (SAK - private organisation). The development of tools to improve the quality of long-term care builds on previous developments in the Czech Republic, which have subsequently been published, and some general findings have been incorporated into teaching at universities.

### **2.4.3 Impact of EU social policies on the national level**

Civil servants and policy makers of health and social policy in the Czech Republic are relatively well informed about the existence of the OMC method, but it is unclear to what extent this has an impact on policy making. Health policy making that deals with well-articulated objectives whose accomplishment is assessable and controllable with a number of indicators has long been debated in Europe, and the reflection of this process offers us useful experience (Wismar 2008, Ritsatakis 2000). Eurosceptic politicians and policy makers in the Czech Republic do not identify with these procedures. This also applies to the current Czech government. Media and policy discourse do not give importance to the OMC. The media discourse in the Czech Republic usually follows the government’s political discourse. Ordinary citizens, therefore, are not informed through the media or political discourse.

#### *Impact of the EU 2020 strategy*

In the Czech Republic, rather marginal attention is devoted to the Europe 2020 strategy by the public and the media. In the Czech society, anti-European positions are being developed by the president and some politicians. In 2011, the National Reform Programme 2011-2012 has been given greater attention in the Senate by the social democratic Chairman of the Senate, leading to great indignation of senators from the right-wing political parties. The general

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<sup>65</sup> E.g. Project GEMA <http://www.starnout-je-normalni.cz/index.php/geriatrie-a-gerontologie/31-obecne/48-starnuti-populace-jako-skutenost-nikoli-hrozba>.

public is informed by the representatives of the coalition government politicians about economic policy in terms of the need for economic growth and the need for cuts in public spending. Social aspects of economic policy are not included in governmental political communications.

#### *Linkage between long-term care and ageing*

In the media and political communications, there is an emphasis on strongly simplified quantitative aspects: The more elderly people, the greater the need for care, for which the country certainly does not have, according to the political discourse, enough public resources. This approach leaves out such topics as a debate on quality of life, the promotion of health, a healthy lifestyle, the development of public health, including in relation to older age groups.

#### *Linkage between long-term care and poverty*

The relationship between long-term care and poverty is becoming more pronounced, in particular, if further changes are implemented to the organisation and funding in this area with an increasing share of direct payments and co-payments or even the market-oriented reforms. Long-term care could easily be stripped down in the course of the reforms, into a system where people in need of services are heavily dependent on their ability to pay for them directly.

### **2.4.4 Impact assessment**

#### *Impact of the financial and economic crisis on the access to and the provision of long-term care services*

Arguments related to the financial crisis led to budget cuts, so, many providers of health care and social services were gradually getting into serious trouble. Some of the capacity in the non-profit sector has been eroded. This has led to critical attitudes in public opinion. The implemented and prepared reforms together with the cuts (austerity measures) are the subject of criticism from the trade unions, but also of other civic initiatives.

#### *Indicators to assess quantity and quality of long-term care services*

For the assessment of the development and performance of LTC primarily statistical data are used. The quality of LTC is not monitored and evaluated systematically. Quality is not assessed by using indicators of quality of life, but through evaluation of subjective and objective indicators of quality of service. Important indicators are specific standardised death rates and life expectancy. Specific mortality rates in different disease groups are signalling a slowdown of the previous fall in the past few years. This could indicate a deficit of care, leading to a more rapid mortality rate in comparison with previous trends of the past decade.

#### *Recent developments with regard to the costs of long-term care services (formal and informal care)*

The total cost of long-term care in both areas (1<sup>st</sup> health care, 2<sup>nd</sup> social services), although collected and analysed, are characterised by difference in information value of their results at the aggregate indicators level<sup>66</sup>.

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<sup>66</sup> Differences are determined by methodological approaches. In addition, both systems underwent changes in 2000 through the reform of public administration at regional level. This reform was also associated with fiscal decentralisation, which led to a complex structure of funding sources. Another factor is represented by the organisational changes during the transition to a system of mixed economy (public-private, for-profit/non-profit).

For the purpose of this report an overview of health care expenditure is provided in Table 3, with estimates of public expenditure on long-term care in both sectors (social and health care). Overall LTC spending in both fields (health care and social services) vary in value over CZK 20 billion. Compared with much higher amounts being spent in certain segments of the health care sector, it is relatively small. However, this is currently an area which is experiencing increasing attention and where ways of savings in public expenditures by a multi-source financing approach (charges, co-payments, etc.) are being looked for.

On the side of health care expenditures, only the LTC expenditures on inpatient care are included here. Other items related to long-term health care are not included – like the management of chronic patients in the outpatient services subsystem. The options are limited here from a statistical point of view. The analysis of the developments in this area is also needed, but would mean to work with more complicated frameworks and models that better capture the problems of LTC in its other dimensions (Singh 2006, 2008).

As regards the System of Health Accounts, managed by the Czech Statistical Institute in relation to the OECD methodology (OECD 2000), these data are transmitted to the OECD. The Czech Statistical Office has so far not published the data on their website in English, but has accepted my suggestion to also display their information in English language.

MLSA has an information system that provides data collection and processing of social services. The structure of social services is divided into about 30 items (Selected Statistical Data on Financing Social Services 2009, 2010).

#### *Initiatives to improve quality in long-term care*

There has been an initiative of doctors associated in the Gerontological Society. These doctors are dedicated to developing the necessary textbooks and they participate in continuing education.

#### *Shortage of medical staff in the field of long-term care*

The lack of doctors is not as limiting a factor as the need to further develop doctors' education in relation to the increasing number of older people and the differences in medical practices. The Czech Republic is not giving enough attention to the cooperative and integrated model of primary care in LTC. Doctors continue to be funded under a combined performance and capitation approach. So far, the Czech Republic fails to develop an organisational model of care management for the chronically ill (Singh 2006, 2008). Two years ago, even the continuity of the professional society for geriatric medicine was threatened. This absurd problem, however, has been resolved.

#### *Information gaps with regard to future policy development in long-term care*

In general, the existence of information gaps in health policy in the Czech Republic can be attributed to slow or zero knowledge transfer from international levels, and specifically the EU, WHO and OECD. They are usually more effective at disseminating ideas on the development of private production of services and privatisation. While partial data on the costs of long-term care are available, it would be appropriate to unify their processing according the corresponding structures of performance measurement, such as the Health System of Health Accounts. In addition to the available statistical data, better availability of research data on the needs and consumption of care would undoubtedly be more useful.

#### *Future demand of long-term care expenditures, facilities, staff, services*

Estimates and plans for the various segments of long-term care are processed and discussed in several materials: (1) discussion paper on the background of long-term care, MOLS 2010; (2) a national plan of social services, MLSA 2011; (3) the concept of long-term care, CR; (4)



selected statistical data on the financing of social services and the care allowance in 2009, 2010 (selected statistical data on the financing of social services and the care allowance in 2009, 2010); and (5) Prusa, L. et al., Provision of Social Services for Seniors and Persons with Disabilities, RILSA 2010; (6) Institute of Health Information and Statistics. This resource provides an overview of information on both the capacities of existing services, as well as funding. Some of the documents are also dealing with the projection of further developments.

#### **2.4.5 Critical assessment of reforms, discussions and research carried out**

Reforms leading to organisational changes and related changes in long-term care financing in the Czech Republic have already been conducted over the past 20 years. This process, however, was characterised by decentralisation (in the form of disestablishment and the transfer of ownership at the regional or local level, while maintaining public ownership) or the privatisation of the services by providers themselves. In recent years, however, there has been a new phenomenon. In the long-term care services, foreign entrepreneurs, who can be classified as investors, have emerged. Their business plans are based on the simple idea that in this area they will be able to combine payments from public sources with direct payments from service users. They also expect significant deregulation in the field. It is, therefore, the investor wave of reform, which is significantly driven by money and profit.

Quality control is being gradually implemented in the form of health care accreditation and continuing education. These activities are developed more through initiatives of health care workers themselves. The Ministry of Health was not as active as the MLSA in this field. In the field of social services, the development of tools for quality management is controlled by the Ministry of Labour and Social Affairs, in cooperation with research and service providers.

Public administration in the health sector is often behind the scope and pace of changes in organisation and financing. The state administration does not fully utilise existing methods to give the necessary feedback, such as satellite health accounts (OECD, 2000), which could also be successfully used for social services.

The MLSA is more effective in this area. The MLSA Department of Social Policy operatively launches theme-based research activities. The MLSA is itself setting research priorities, which is undoubtedly an effective approach. In the field of social policy, the Czech Republic is also providing an independent research institute: the Research Institute of Labour and Social Affairs (RILSA). The long-term MLSA approach can be evaluated positively. The MLSA was capable of a reform of social services linked with the required research. A development of research of health services and health in the health sector was abandoned twice, in 1992 and 2005, when their research capabilities for health care services, health economics and public health were cancelled.

The situation in the health care sector can be reflected upon critically in relation to the fact that reforms in health services are mainly driven by the entrepreneurial sector or by vested interest, while public administration and citizens' interests, as well as active civic participation in this process remains somewhat left behind. If further changes took place under this scenario, the citizens would be at risk of being excluded from further participation in democratic decision making and also from the mechanisms of public control.

Social services are implemented at the local level, mainly through NGOs. Their important and positive role has not yet been sufficiently evaluated. The social service sector and its character are more suited to the principles of non-profit public service performance. The actors in this segment of the non-profit sector do not have big ambitions as to profit-oriented service provision. In the Czech Republic, the question remains open of how the country will be



successful in open democratic targeting of issues and policy making in the field of the organisation and financing of LTC related to the health care sector.

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### 3 Abstracts of Relevant Publications on Social Protection

#### [R] Pensions

- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

#### [H] Health

- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

#### [L] Long-term care

#### [R] Pensions

**[R4]** BABECKÝ Jan, Dybczak Kamil, The Impact of Population Ageing on the Czech Economy, CNB working papers series, September 2009, Prague, 34 p  
[http://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/research/research\\_publications/cnb\\_wp/download/cnbwp\\_2009\\_01.pdf](http://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/research/research_publications/cnb_wp/download/cnbwp_2009_01.pdf)

The Czech Republic is facing a population ageing phenomenon. In addition, its demographic structure is expected to change dramatically over the next 50 years. We apply a stylised overlapping generation model in order to analyse the potential effects of the expected demographic changes on aggregate economic performance taking into account alternative fiscal policy set-ups. We provide a rough estimate of the amendments necessary on the revenue and expenditure sides in order to keep the current system financially balanced. We also discuss the implications for the development of other economic variables. In particular, we separately simulate future developments in the cases of adjustment in either the contribution rate or the value of public benefit. In addition, we demonstrate that parametric changes, such as an increase in the statutory retirement age, cannot eliminate the impact of the deterioration in the demographic structure on the course of the economy.

**[R2]** BEDNÁŘ Jan, Srovnání čistého průběžného systému financování starobních důchodů s kombinací tohoto systému s vyvedením části zdrojů (OPT OUT) na skutečných datech let 1990-2009, FÓRUM sociální politiky, 2011, 5(1) 19-24  
[http://www.vupsv.cz/index.php?p=social\\_policy\\_forum&site=default](http://www.vupsv.cz/index.php?p=social_policy_forum&site=default)

*“Comparison on the efficiency of pay-as-you-go system with partial opt-out based on real data 1990-2009”*

This paper presents unconventional views on the proposed opt-out pension reform in the Czech Republic. The author calculates yearly incomes from the pay-as-you-go part of the first pillar and compares them with the incomes from partial opt-out pension funds. Based on these calculations the author sets the needed minimal profit rate and necessary volume of saving in private funds. All the calculations are based on historical data from year 1999-2010.

**[R1]** BURCIN Boris, KUČERA Tomáš, Prognóza populačního vývoje České republiky na období 2008–2070 (revised version), MLSA, April 2010, 34 p  
[http://www.mpsv.cz/files/clanky/8842/Prognoza\\_2010.pdf](http://www.mpsv.cz/files/clanky/8842/Prognoza_2010.pdf)

*“Czech Republic population development forecast 2008-2070”*

All Czech Republic population development partial analyses’ common goal is to identify its general regularities and specific features, and first of all those which could help forecast population size and demographic structures, future changes, direction and intensity. Thus, demographic research’s logical conclusion is demographic or population forecasts.

**[R1; R3]** CIPRA Tomáš, Securitisation of Longevity and Mortality Risk, Finance a úvěr (Czech Journal of Economics and Finance), 2010, 60(6): 545-560  
<http://ideas.repec.org/a/fau/fauart/v60y2010i6p545-560.html>

This paper deals with Alternative Risk Transfer (ART) through the securitisation of longevity and mortality risks in pension plans and commercial life insurance. Various types of such mortality-linked securities are described (e.g., CATM bonds, longevity bonds, mortality forwards and futures, and mortality swaps). Pricing methods and real examples are given. Hypothetical calculations concerning the pricing of potential mortality forwards that correspond to the evolution of longevity in the Czech Republic are presented.

**[R2]** HOLUB Martin, Solidarita versus ekvivalence v českém důchodovém pojištění pohledem Ústavního soudu, FÓRUM sociální politiky, 2010, 4(3) 19-20  
[http://www.vupsv.cz/index.php?p=social\\_policy\\_forum&site=default](http://www.vupsv.cz/index.php?p=social_policy_forum&site=default)

*“Solidarity versus equivalence in Czech annuity insurance from the point of view of the Constitutional Court”*

On 23 March 2010, the Constitutional Court decided on the abolishment of Section 15 of Act No. 155/1995 of the Collection of Laws on annuity insurance. This once again stirred up a long-running discussion on the level of solidarity and equivalence in the Czech system of annuity insurance. The Constitutional Court decided on the extent of the use of two basic principles in the pension system of the Czech Republic: the principle of equality and the principle of solidarity. In simple terms, the Constitutional Court stated that applying the principle of solidarity to the extent in which it is used in the Czech pension system contravenes the constitutionally enshrined principle of equality between individual income-differentiated groups of insurance beneficiaries. This article explains what the Constitutional Court decision was about and it comments on the opinion of court.

**[R2]** Holub Martin, Rozhodnutí Ústavního soudu nemusí nutně znamenat dramatický zásah do důchodového systému, FÓRUM sociální politiky, 2010, 4(4) 16-20  
[http://www.vupsv.cz/index.php?p=social\\_policy\\_forum&site=default](http://www.vupsv.cz/index.php?p=social_policy_forum&site=default)

*“The Constitutional Court’s ruling need not signify a dramatic intervention in the pension system.”*

The Constitutional Court ruled to repeal Section 15 of Act No. 155/1995, on pension insurance, thus making it necessary for the MoLSA to make changes to the Czech pension system by 30 September 2011. This ruling, thus, has reopened the debate on the degree of solidarity and equivalence in the Czech pension insurance system. This paper can be regarded as one of the contributions to this debate. It presents one (but not the only) model solution to the arisen state of affairs, so that the Constitutional Court’s ruling may be implemented: i.e. so that the application of solidarity principle in the Czech pension system does not conflict with

the constitutionally defined principle of equality between individual income-differentiated groups of insureds within the time limit laid down by the Constitutional Court. The presented solution would, therefore, conform to the court's ruling and would create space for thorough preparation of the reform of pension security as a whole.

[R2] HOLUB Martin, ŠLAPÁK Milan, Alternativní formy podpory rodin s dětmi v sociálním pojištění, Research Institute for Labour and Social Affairs, Prague, 2010, 111p  
[http://praha.vupsv.cz/Fulltext/vz\\_317.pdf](http://praha.vupsv.cz/Fulltext/vz_317.pdf)

*“Alternative Forms of Support for Families with Children in the Social Insurance System”*

Pension schemes have to reflect the socio-demographic development of society as well as other social policy subsystems. Increasing life expectancy, changes in family patterns and birth rate development are crucial factors as far as pension schemes are concerned. Mention has been made in many theoretical papers of the influence of state policy, particularly pension policy, on the birth rate. The paper focuses on exploring innovative ways in which to support families with children by means of the pension insurance system, namely the concept of the so-called child pension, the possibility of basing pension insurance rates on the number of children and the potential for part of a child's pension insurance premiums being assigned to his/her parents.

[R2] HOLUB Martin, et al., Teoretické možnosti podpory rodin s dětmi v sociálním pojištění, Research Institute for Labour and Social Affairs, Prague, 2010, 66p:  
[http://praha.vupsv.cz/Fulltext/vz\\_318.pdf](http://praha.vupsv.cz/Fulltext/vz_318.pdf)

*“Theoretical Forms of Support for Families with Children in the Social Insurance System”*

This study focuses on the possibility of providing support for families with children in the social insurance system in the context of the overall family policy concept of the state. This issue is dealt with in two successive monographs the first deals with the theoretical possibilities of providing support for families with children by means of state social policy and the social insurance system and the second analytical part deals with foreign experience and practical model calculations. The project provides an overview of how family policy models in selected developed countries approach the support of families with children via their respective pension schemes

[R2] HOLUB Martin, ŠLAPÁK Milan, Možnosti převodu ("přenechání") částí získaných individuálních důchodových nároků rodinnému příslušníku nebo jiné fyzické osobě, případně možnost získávání společných důchodových nároků, Research Institute for Labour and Social Affairs, Prague, 2010, 80p  
[http://praha.vupsv.cz/Fulltext/vz\\_316.pdf](http://praha.vupsv.cz/Fulltext/vz_316.pdf)

*“The potential for individual pension rights to be transferred by the insured to a family member or other person and the potential for the joint acquisition of pension rights”*

This monograph provides an overview of the potential for individual pension rights to be transferred by the insured to a family member or other person and the potential for the joint acquisition of pension rights of a number of people and their subsequent division in the pension legislation of selected EU Member States, Switzerland, the USA and Canada. The subsequent outcomes of the project consist of the presentation of various proposals for the introduction of such options into the Czech pension insurance system, as well as an analysis of the micro- and macro-economic impact of such changes. The project offers five alternative solutions to the application of these measures in the Czech context. Recommendations are

formulated on the suitability or unsuitability of applying the concept of sharing pension rights acquired through marriage and the possibility of transferring pension rights acquired through marriage in case of divorce in the basic pension system of the CR.

**[R4; R5]** KAFKOVA PETROVA Marcela, RABUSIC Ladislav, Význam práce v životě českých a slovenských starších pracovníků, Sociológia - Slovak Sociological Review, 2010, 42 (4) 316-338.

[http://www.sav.sk/index.php?lang=sk&charset=&doc=journal&part=list\\_articles&journal\\_iss\\_ue\\_no=11112362#abstract\\_5840](http://www.sav.sk/index.php?lang=sk&charset=&doc=journal&part=list_articles&journal_iss_ue_no=11112362#abstract_5840)

*“Meaning of Work among the Elderly Czech and Slovak Workers”*

Due to population ageing, Czech and Slovak elderly workers have become an important element in the labour market, while their economic activity has been still rather low. To increase it, it is essential not only to enhance the competencies of elderly workers and eliminate prejudices of employers against them but also to encourage their motivation to work. In such context, value of work for elderly workers may be crucial. This paper focuses on the value of work and the attitudes to work of elderly Czech and Slovak workers. It is based on the European Value Study (EVS) longitudinal data which surveyed work values in 1991, 1999 and 2008. As the paper illustrates, attitudes to work of elderly workers are very different in the Czech Republic and Slovakia nowadays. The differences are not evident only in the generation of elderly workers but in younger generations, too. The diversity of the attitudes to work is not caused by age but has been reflecting the different development of Czech and Slovak society since the separation in 1993. There has been a considerable decrease of work value in the Czech Republic, as well as a decrease of work satisfaction and ambitions. Work attitudes of the Slovak population have remained stable in the last two decades. The value of work has remained very important for elderly Slovak workers with the emphasis on job security and good salary.

**[R2]** KRAMPEROVÁ Jana, Pozice penzijního připojištění v konceptu penzijní reformy, Diploma thesis, Praha, VŠE, Národohospodářská fakulta. 2010, 90p

[https://www.vse.cz/vskp/show\\_file.php?soubor\\_id=627993](https://www.vse.cz/vskp/show_file.php?soubor_id=627993)

*“Pension income insurance position in the concept of pension reform”*

Pension income insurance has existed on the Czech market since 1994, and throughout its operation the number of its clients has increased. Its unique position is due to attractive tax and state contributions. Currently, 10 pension funds operate on the market, which provide its clients with pension plans for 5 years with the choice of savings being drawn as a single draw of funds or annuity, according to the pension plan. The entire pension system is composed of two pillars, PAYG and funding based, which are mutually complementary. Due to adverse demographic changes and financial sustainability of the system, it is necessary to reform the pension system. On the basis of economic expertise, various options for changes in the voluntary pillar have been drawn up. Due to the necessary legislative changes, there was also a significant change in the pension income insurance scheme and its position was substantially changed. The voluntary nature of pension obligations has been replaced and now there is the ability to save clients' money into funds with different investment strategies. The “Old” pension scheme will operate in parallel with the new system, but access to it is no longer possible. It is possible that the pension insurance with state contribution expires in the longer term. The implementation of the government will decide next month.

**[R1; R2; R3]** NÁRODNÍ EKONOMICKÁ RADA VLÁDY (NERV), Závěrečná zpráva, September 2009, Prague, 83p <http://www.vlada.cz/assets/media-centrum/dulezite-dokumenty/zaverecna-zprava-NERV.pdf>

*“Final report”*

The government's National Economic Council (NERV) is an advisory body assisting the government to find the most appropriate form of economic reforms and measures. The coalition government is committed to consolidate public finances. The government proposes cuts in state expenditures, which stop the growth of state debt. ODS, TOP 09 and VV (coalition parties) want to do this in the most sensible way for the public. Cuts in any country are not popular, and also because of that there is a need for a team of respected economic experts in government who provide to all citizens objective information. These can be found in the Final report.

**[R3]** POLLNEROVÁ Štěpánka, Zvyšování důchodového věku v kontextu rostoucí střední délky života, Demografie, 2010, 52: 27–37  
[http://www.czso.cz/csu/2010edicniplan.nsf/t/720037EB6D/\\$File/180310q1.pdf](http://www.czso.cz/csu/2010edicniplan.nsf/t/720037EB6D/$File/180310q1.pdf)

*“Raising the Retirement Age as Life Expectancy Rises”*

Rising life expectancy is one of the important factors of demographic ageing, which has direct impacts on the pension system. Many European states are responding to improved mortality conditions by raising the retirement age, whether through a onetime increase or an automatic adjustment. This article provides an overview of retirement age increases in EU countries and, using a model population, analyses the effects of automatically adjusting the retirement age to the rising life expectancy on PAYG pension systems and specifically the ratio of retired seniors to insurance payers.

**[R1; R2; R3]** PORADNÍ EXPERTNÍ SBOR (PES), Závěrečná zpráva, June 2010, Prague, 22p  
[http://www.mfcr.cz/cps/rde/xbcr/mfcr/2010\\_06\\_03\\_Zaverecna\\_zprava\\_final\\_cistopis\\_pdf.pdf](http://www.mfcr.cz/cps/rde/xbcr/mfcr/2010_06_03_Zaverecna_zprava_final_cistopis_pdf.pdf)

*“Final report”*

The Expert Advisory Forum (Poradní expertní sbor, PES) was established in January 2010 by the Minister of Finance and the Minister of Labour and Social Affairs, with the aim to (i) update the projection of the state pension system, and (ii) recommend changes in the pension system which would help achieve higher resistance to various risks at a medium and long-term horizon. In the presented final report the variable proposals of pension reforms could be finding.

**[R4]** POTUŽÁKOVÁ Zuzana, MILDEOVÁ Stanislava, Systémový přístup ke konceptu flexicurity, Politická ekonomie, 15(2), 2011  
<http://www.vse.cz/polek/abstrakt.php3?IDcl=782>

*“Systems approach to concept of flexicurity”*

The growing complexity of problems solved in today's European labour market forces us to change our views of the system and requires the application of modern approaches, including systems theories. The main purpose of the paper is to analyse flexicurity in a systematic manner. With a focus on systems approach to solving these problems (e.g. unemployment and long-term unemployment), we try to form a new framework for thinking about the European labour market. The further purpose of the paper is to confirm, or refuse, the hypothesis related



to the intersection of an employment protection and a long-term unemployment. With the aid of causal loops it is possible to analyse the European labour market as a complex feed-back system. The outputs of the paper should be a contribution to the concept of flexicurity, which had been implemented into the more complex Lisbon Strategy, and for the support of systems thinking about the European labour market.

**[R2]** RUSNOK Jiří, DLHOPOLČEK Juraj, Konec období naivity: penzijní reformy v post-tranzitivních zemích, ACTA VŠFS, 2010, 4(1), 59-70  
<http://www.vsfs.cz/periodika/acta-2010-01.pdf>

*“End to the Age of Naivety: Pension Reforms in Post-Transition Countries”*

This article includes primarily our understanding of how reforms of pension systems have evolved significantly over the past 30 years. “Concepts” that initially evolved in Latin America traversed the Atlantic Ocean and found their way to new Europe. Here they were used as a generally prescribed “remedy” for ailments of the newly emerged transition economies. However, the present economic and political situation (partially exacerbated by the financial and economic crisis 2008 – 2009) shows that these “concepts” might have been implemented too early on in the transition process. Initial enthusiasm for dramatic changes and reforms is cooling and we are entering a period of post-transitional disillusionment – “the end to the age of naivety”. The following article aims at highlighting some of the new challenges to reformed pension systems and proposes topics for further research and discussion.

**[R1]** ŠAFÁŘ Petr, Analýza vývoje důchodových reforem zemí visegrádské skupiny, implikace pro ČR., Diploma thesis, Brno, Ekonomicko-správní fakulta Masarykovy univerzity 2010, 84p  
[http://is.muni.cz/th/137824/esf\\_m/diplomova\\_prace\\_safar137824.pdf](http://is.muni.cz/th/137824/esf_m/diplomova_prace_safar137824.pdf)

*“Analysis of the pension system development in the Visegrad group countries. Implications for the Czech Republic”*

The goal of the submitted thesis “Analysis of the pension system development in group of Visegrad countries. Implications for the Czech Republic” is to analyse pension reforms in Hungary, Poland and Slovakia and to conclude advice for the case of implementation of similar reforms in the Czech Republic. The first part is concerned with the development of the Czech parametric pension reform. In the second part, systematic pension reforms in Hungary, Poland and Slovakia are analysed. The final part summarises recommendations from the development of these reforms for the Czech Republic.

**[R5]** ŠLAPÁK Milan, SOUKUP Tomáš, Finanční příprava na život v důchodu, informovanost, postoje a hodnoty, Research Institute for Labour and Social Affairs, Prague, 2010, 89p  
[http://praha.vupsv.cz/Fulltext/vz\\_323.pdf](http://praha.vupsv.cz/Fulltext/vz_323.pdf)

*“Financial preparation for life in retirement: awareness, attitudes”*

The paper maps the plans and behaviour patterns of people approaching retirement with respect to financial literacy, savings and investments as well as the measurement thereof, both on a self-assessment basis and as a result of having an objective knowledge of pension entitlements. The paper provides a typology developed according to attitudes towards retirement planning; in addition to the “ordinary” investors it is possible to identify the “self-confident” investors, those who can be characterised by “live-for-today” attitude and those who place a high degree of reliance on the states. Retirement planning is significantly affected

by an individual's level of quantitative literacy. Government authorities should be able to increase the number of people who seriously consider their retirement by means of the introduction of a number of programmes, outlined in this study, which focus on enhancing the level both of financial literacy in general and a more specific knowledge of pension entitlements.

**[R3; R5]** SVOBODOVÁ, Kamila, *Odchod do důchodu*, Demografie.info, October 2010, 4p  
[http://demografie.info/?cz\\_detail\\_clanku\\_artclID=727](http://demografie.info/?cz_detail_clanku_artclID=727)

*“Age of retirement”*

Retirement is often regarded as an event which defines the end of middle age and the start of old age. This milestone in life tends to have a number of impacts on a person's psychological and overall life situation, and in many cases the end of a person's economic activity leads to a loss of self-confidence, a sharp reduction in social contact, a certain loss of social status and, not least, to a substantial reduction in income. On the other hand, retirement results in an increase in leisure time and expands opportunities for pursuing hobbies, interests and other activities for which, previously, there was not enough time. Consequently, it is of prime importance whether and how people prepare for approaching old age in advance and what strategies they choose for the use of the extra time which will be available to them. This paper is therefore devoted to a study of the various ways in which one can prepare for old age for example financially and materially, in terms of leisure activities or housing. In addition to issues related to preparing for old age, the authors devote attention to the timing of retirement and plans for this period of life.

**[R2]** ÚSTAVNÍ SOUD, *Nález ústavního soudu*, coll. Of law, March 2010, 31p

*“Constitutional Court Judgment”*

Finding of the Constitutional Court Judgment. Pl. U.S. 8 / 07, which with effect from 30 September 2011 repeals § 15 of Act No. 155/1995 Coll. Pension Scheme, under which the amount of income is calculated, which is disadvantageous for people with high incomes.

**[R1; R2]** VANĚK Michal, MAGNUSKOVÁ Jana, MATUŠKOVÁ Simona, *Důchodový systém: klíčový pilíř sociální politiky státu*, ER-CEREI, 2010, 13: 97–111  
<http://www.ekf.vsb.cz/miranda2/export/sites-root/ekf/cerei/cs/okruhy/cisla/vol13num2/dokumenty/VOL13NUM02PAP03.pdf>

*“Pension system: key pillar of state social policy”*

Retirement income policies belong to the fundamentals of any welfare state. The current demographic development in the Czech Republic reflects badly on its retirement income strategies. This fact should attract our constant attention. There is no doubt that a pension scheme reform is a top priority. This paper focuses not only on the domestic retirement income planning and suggested change but also provides for the brief on approaches to retirement income planning in the neighbouring countries of Slovakia, Austria, Germany, and Poland. The paper also gives and discusses results of sociological investigation concerning retirement income strategies.

**[R2]** VOSTATEK Jaroslav, *Vývojové tendence sociálního zabezpečení se zaměřením na Evropu a Česko*, ACTA VŠFS, 2010, 4(1), 71-98:  
<http://www.vsfz.cz/periodika/acta-2010-01.pdf>

*“Development Trends in Social Security with an Emphasis on Europe and the Czech Republic”*

The area of social security represents an intersection point of social, economic, and political interests. It has been the case for centuries and the social security is likely to get more complicated and complex in the future. One of the theses hereof is the fact that we should aim at resolving these issues in a comprehensive and systematic manner – preferably in the given country or uniformly in Europe, on the basis of a model. Easy to say, but hard to do – there are many strong economic and political interests in the world. Politicians and lobbyists tend to prefer partial solutions, which are beneficial for their careers. However, everybody will probably agree with our thesis concerning the need for a comprehensive solution on general basis, and it is up to us, theoreticians, to come up with the “correct” model solutions.

[R2] VOSTATEK Jaroslav, Nástin penzijní teorie a politiky a návrh penzijní reformy a navazující daňové a dotační reformy, working papers VSFS (Finance and Administration) University, 2010, 13p:

[http://www.vsfz.cz/zpravy/2010/file/Nastin\\_penzijni\\_teorie.pdf](http://www.vsfz.cz/zpravy/2010/file/Nastin_penzijni_teorie.pdf)

*“Outline of pension theory and policy and pension reform proposal and the related tax and subsidy reform”*

This paper brings discussion about pension reform in the Czech Republic with regards to the theoretical approach to pension issue. It offers the author’s own proposal of suitable pension reform for the Czech Republic based on recommendations of World Bank experts. It discusses the NDS concept of social insurance, private pension funds and occupational pensions. The author emphasises the necessity of complex pension and public finance reform.

### **Long- term care**

[L] MOLEK, J. (2011) Řízení organizací sociálních služeb. Vybrané problémy. VUPSV, v.v.i., Praha

<http://www.vupsv.cz/index.php?p=news&site=default&id=141&kategor=1>

*“Management of organisations providing social services – selected issues”*

Organisations intending to succeed in today’s demanding market environment cannot avoid answering many important questions when forming their entrepreneurial philosophy. The fundamental question is how to manage the organisation so as to satisfy ever-changing customer requirements better and more effectively than competitors, i.e. to manage the organisation for long-term prosperity. This situation, which is a logical consequence of market economy development, inevitably impacts the services sector, an integral part of which is the social services sector. The importance of social services in society increases as a consequence of social-demographic factors. Demand for these services increases as well. Social services might become an interesting commodity (particularly the area of accommodation connected with social services), which will attract more and more entities (including private sector entities) intending to carry out activities in this sector. The social services market will become more robust and the quality will increase. Social services users can expect higher satisfaction and the providers will pursue their interests. Currently, social services providers are represented by non-profit organisations, which have more or less a market monopoly. Although generating profits and achieving a competitive edge are not goals for non-profit organisations, these entities should still consider the efficient use of available resources (non-profit organisations meeting their objectives toward the society if the difference between gains and expenses is maximised, which does not mean the maximum

profit but either maximising the society's interests, i.e. the goal is to gain the maximum possible combination of services provided with minimal resources). In many cases it is obvious that organisations providing social services will have to considerably increase efficiency when using available resources if they want to survive. Increasing the quality of management and continuous implementation of modern management innovations in day-to-day practice are some of the possibilities to achieve that goal. The responsibility lies with managers. Managers' behavior may evoke a feeling of confidence and cooperation or, conversely, a feeling of disinterest and intolerance. Managers must remember that any discrepancies between their words and actions bring about cynicism, distrust and lethargy in a firm's culture. These represent some of the most important factors affecting a company's prosperity.

[L] PRŮŠA, L. a kol. Poskytování sociálních služeb pro seniory a osoby se zdravotním postižením. Praha: [VÚPSV, v.v.i.](http://vupsv.vv.i.), 2010. - 244 pp. - ISBN 978-80-7416-048-6  
[http://praha.vupsv.cz/Fulltext/vz\\_313.pdf](http://praha.vupsv.cz/Fulltext/vz_313.pdf)

*“Provision of social services for the elderly and persons with disabilities”*

The aim of the monograph is to process analysis and forecasts necessary for the provision of social services for the elderly and persons with disabilities. A new system of financing social services might create conditions for finding the theoretical optimum of the security needs of the individual in an unfavourable social situation. The ageing population will need to pay constant attention to this issue so that the needs of these groups are effectively met.

## **Others**

VEČERNÍK, J. (2010) Earnings Disparities and Income Inequality in CEE Countries: An Analysis of Development and Relationships. *Luxembourg Income Study Working Paper No. 540*

The potential in survey data for the study of simultaneous changes in earnings disparities, inequality of household income, and the connections between them has thus far been underexploited. This paper presents various data on four Central and East European (CEE) countries and, for the sake of comparison, partially on Austria and Germany. First, it compares the changes in both distributions over time since the communist period as reported in various sources and asks: how much did disparities and inequalities increase during the transition? Second, it presents the attempts that have been made so far to analyse the connections between the two distributions and asks: how should the association between personal and household earnings be analysed and what do we know about its development? Third, it presents the changing links between earned and disposable income in CEE countries using LIS data for history and EU-SILC data for the present time, asking how strong was and currently is the association and how the countries differ in packaging family income? Various sources confirm that earnings disparities and income inequalities rose more or less in all four CEE countries after 1989. This is apparent in the individual countries in various phases of their transition. In contrast, no increase occurred from 2004 to 2007, according to the EU-SILC survey

## 4 List of Important Institutions

Asociace penzijních fondů České republiky – The Association of Pension Funds of the Czech Republic

Contact person: *JUDr. Eva Vítková*, director  
Address: Rumunská 1, 120 00 Praha 2  
Phone: +420 224 266 561  
Website: <http://www.apfcr.cz/en/index.php?page=home.php>

*The Association of Pension Funds of the Czech Republic (APF CR) is a voluntary joint interest association of legal persons, in particular pension funds. It was established on 25 June 1996 at the constituent meeting of members as an independent legal entity continuing the activities of the former APF CR, which did not have legal identity and whose existence terminated as of the date of establishment of the new association.*

Asociace poskytovatelů sociálních služeb České republiky – Association of Social Services in the Czech Republic

Contact person: Mgr. Jiří Horecký, MBA  
Address: Kotnovská 137, 390 01 Tábor, the Czech Republic,  
prezident@apsscr.cz  
Webpage: <http://www.apsscr.cz/>

*The Association of Social Services is the Czech Republic's largest association comprising providers of social services in the Czech Republic. The Association is an association of independent legal entities and legal persons (registered providers of social services), following a fundamental objective of development and enhancing social services. Its main activity can be described as follows:*

- *represents and defends the interests of its members at the state and other institutions involved, in particular by providing expert advice, qualified and support appropriate legal regulation of social services,*
- *disseminates scientific knowledge and research into the activities of social services and transfers domestic and foreign expertise to its members,*
- *represents the common interests and needs of its members of the public at home and abroad,*
- *develops studies, documentations, information, education and expertise.*

*Bodies of the Association are the General Assembly, the Presidium, the Audit Commission, the Ethics Committee, specialised sections, and regional professional committee. Statutory representative of the Association is the president, who is elected by the General Assembly for four years.*

Česká správa sociálního zabezpečení – Czech Social Security Administration

Address: CSSA Headquarters, Křížová 25, 225 08 Praha 5  
Telephone: +420 257 061 111  
Fax: +420 257 063 360  
E-mail: [posta@cssz.cz](mailto:posta@cssz.cz)  
Website: <http://www.cssz.cz>

*The Czech Social Security Administration (CSSA) is the largest financial administration body within the Czech Republic's civil service, and a unique one. The CSSA looks after the social security issues of nearly 8 million clients, including over 2.5 million pensioners receiving more than 3 million pensions. 'The CSSA is a modern agency, a social insurance administrator, whose efficient performance is based on processes using technology of the*



*third millennium information society and whose exclusive focus is on providing maximum value for the client, thus doing the utmost to meet the client's expectations and satisfy his/her needs.'*

Českomoravská konfederace odborových svazů – Czech-Moravian Confederation of Trade Unions (CMKOS)

Website: <http://www.cmkos.cz/homepage>

*The CMKOS:*

- *is a voluntary, open, independent, democratic confederation of trade unions protecting wage, working and living conditions and rights of employees*
- *is an important social partner in tripartite negotiations in the framework of the Council of Economic and Social Agreement of the Czech Republic*
- *works in the regions of the Czech Republic through Regional Councils of Trade Unions (RROS) and Regional Offices for Legal Assistance (RPP)*
- *is a member of the International Trade Union Confederation (ITUC), of the European Trade Union Confederation (ETUC) and of the Trade Union Advisory Committee to the OECD (TUAC).*

Ministerstvo práce a sociálních věcí – Ministry of Labour and Social Affairs

Contact person: Mgr. Petr Sulek (Press Department)

Phone: +420 221 923 080,

E-mail: [petr.sulek@mpsv.cz](mailto:petr.sulek@mpsv.cz)

Address: MPSV ČR, Na Poříčním právu 1/376, 128 01 Praha 2

Phone: +420221921111

Fax: +420224918391

Website: <http://www.mpsv.cz/en/>

*The Ministry of Labour and Social Affairs (MoLSA) was established in 1990. It is responsible for social policy (e.g. people with disabilities, social services, social benefits, family policy), social security (e.g. pensions, sickness insurance), employment (e.g. labour market, employment support, employment of foreigners), labour legislation, occupational safety and health, equal opportunities of women and men, migration and integration of foreigners, European Social Fund and other social or labour related issues. MoLSA provides methodological guidance for Labour Offices, Czech Social Security Administration, State Labour Inspection Office, Regional Labour Inspectorates and for the Office for International Legal Protection of Children.*

Ministerstvo zdravotnictví České republiky – Ministry of Health of the Czech Republic

Contact person: Andrea Mimrová (press dept.)

Address: Palackého náměstí 4, 128 01 Prague 2

Phone: +420 224 972 424

Mobile phone: +420 737 204 961

Email: [andrea.mimrova@mzcr.cz](mailto:andrea.mimrova@mzcr.cz)

Website: <http://www.mzcr.cz>

Ministerstvo financí České republiky – Ministry of Finance of the Czech Republic

Address: Letenská 15, 118 10 Praha

Phone: + 420 257 042 660 (press dept.)

Website: <http://www.mfcr.cz>

*The Ministry of Finance is the central government body responsible for the State Budget, the State Final Account, the Treasury of the Czech Republic, the financial markets, taxes,*



*customs duties and fees, the financial economy, financial supervision, accounting, audit and tax consultancy, foreign-exchange policy including bills payable to and claims on foreign countries, the protection of foreign investment, regulation of lotteries and similar games, activities with state property, the privatisation of state property, insurance companies, retirement funds, prices, and activities against the legalisation of revenues from illegal activities.*

*The Ministry of Finance represents the Czech Republic through its membership in international financial institutions and financial bodies of the Organisation for Economic Co-operation and Development (OECD), the European Union, and other international economic organisations, if this membership does not belong exclusively to the Czech National Bank.*

*The Ministry of Finance coordinates foreign assistance received by the Czech Republic.*

Národní ekonomická rada vlády (NERV) – National Economic Council, Government of the Czech Republic

Contact person: Government of the Czech Republic  
Website: <http://www.vlada.cz/en/ppov/ekonomicka-rada/national-economic-council-51372/>

*The Council's primary task is to analyse the risks and potential impacts of the global financial crisis on the Czech Republic, and to propose measures, steps and tools to mitigate or eliminate the potential impacts of the global financial crisis on the Czech Republic. The Council's permanent task will be to seek out and propose measures that lead to maintenance or acceleration of the Czech Republic's economic growth. The Council has ten members, and its activity is led and coordinated by the Prime Minister of the Czech Republic. The council is apolitical, and leading figures in the Czech Republic's economic environment and institutions have been invited to join.*

Poslanecká sněmovna parlamentu České republiky – Chamber of Deputies of the Parliament of the Czech Republic

Contact person: Name  
Address: Parlament České republiky, Poslanecká sněmovna, Sněmovní 4, 118 26 Praha 1 – Malá Strana  
Phone: +420 25717 1111,  
Fax: +420 25753 4469  
Website: <http://www.psp.cz/cgi-bin/eng/sqw/hp.sqw>

*The Chamber of Deputies of the Parliament of the Czech Republic is the lower house of the Parliament of the Czech Republic; the other is the Senate. It has 200 members, elected for a four-year term under the party-list proportional representation election system. Since the 2002 general election 14 constituencies (matching the regions) and the D'Hondt method have been used. The seat of the Chamber of Deputies is situated in palaces of Malá Strana in Prague.*

Rada hospodářské a sociální dohody ČR (tripartita) – Council of Economic and Social Agreement (RHSD)

Address: Ministerstvo práce a sociálních věcí, Na Poříčnickém právu 1/376, 128 01 Praha 2  
Phone: +420-221921111  
Fax: +420-224918391  
Website: <http://www.mpsv.cz/cs/6434>

*The plenary session of the RHSD CR – the highest organ of tripartite partnership – includes the Prime Minister of the Czech Government and seven members of the Czech Government,*

seven representatives of trade unions and seven representatives of employers. Currently, the social partners of the Czech Government are represented by the Czech-Moravian Confederation of Trade Unions (CMKOS), the Confederation of Industry of the Czech Republic, the Association of Independent Trade Unions, the Confederation of Employers and Entrepreneurs' Associations of the Czech Republic.

The Council was established in 1990 as a representative body for social dialogue (tripartite partnership). The Council represents an important feature of the European Social Model. The objective of this institution is to approach the social agreement in important economic and social aspects of country development.

#### Rada vlády pro seniory a stárnutí populace – Government Council for Older Persons and Population Ageing

Contact person: Chairperson of this council is the Minister of Labour and Social  
Address: Ministry of Labour and Social Affairs of the Czech Republic,  
Na Poříčném právu 1/376, 128 01 Praha 2  
Phone: +420-221921111  
Fax: +420-224918391  
Website: <http://www.mpsv.cz/en/4538>

The Government Council for Older Persons and Population Ageing (hereinafter „the Council“) was established on 22 March 2006 by Government resolution No. 1482 on implementation of the National Programme of Preparation for Ageing for the period 2003-2007. The Council is a permanent advisory body to the Government of the Czech Republic on issues related to ageing and older persons. The Council's mission is to promote conditions for healthy and active ageing, dignity in old age, and active participation of older persons in economic and social development in the context of demographic ageing. It aims to ensure equal rights for older persons in all areas of life, to protect their human rights and support development of intergenerational relationships in family and society. The Council meets at least three times a year. The Chairperson of the Council is the Minister of Labour and Social Affairs. The secretariat of the Council is a part of the organisational structure of the Ministry of Labour and Social Affairs of the Czech Republic.

#### Spolek oborové conference nestátních neziskových organizací působících v sociální a zdravotně sociální oblasti – Association Specialist Conference of NGOs in the social and health care fields

Contact person: Pavel Novák  
Address: Senovážné náměstí 2/994, 110 00 Praha 1  
Webpage: [http://www.skok.biz/index.php?option=com\\_content&view=article&id=139&Itemid=74&lang=en](http://www.skok.biz/index.php?option=com_content&view=article&id=139&Itemid=74&lang=en)

SKOK is a civic association registered by the Ministry of the Interior of the Czech Republic on 14 May 2002. The Association follows up the activities of the four national conferences of non-profit non-governmental organisations (further NGOs) active in the areas of social assistance and social health care which took place between 1996 and 2001.

SKOK offers membership to all who identify with its goals and mission. It associates its members not only as social and social health care services providers but also as employers of social and social health care workers.

*The mission of the Association is to contribute to the development and improvement in the quality of social assistance and social health care services. The goals of the Association:*

- *to participate in the formation of social policies through advocacy of the interests and rights of the providers and clients of social assistance and social health care services;*
- *to develop new forms of humanitarian aid within social assistance and social health care services;*
- *to support NGOs as integral members of civil society;*
- *to support NGO cooperation;*
- *to provide information to the public on social assistance;*
- *to act on behalf of its members;*
- *to participate in European NGO network activities against poverty and social exclusion.*

Vkádá České republiky – Government of the Czech Republic

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Website: <http://www.vlada.cz>

*The Government of the Czech Republic is created on the basis of elections to the Parliament of the Czech Republic. The Government is the highest body of executive power, and is made up of the Prime Minister, the deputy prime ministers and ministers. The Government is responsible to the Chamber of Deputies.*

Vysoká škola finanční a správní – The University of Finance and Administration

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*The University of Finance and Administration (VSFS) was founded by the Bank Academy and Czech Coal Group in 1999, in accordance with the state approval to act as a private institution of higher education. Since its foundation, the school has always paid attention to scientific work and international cooperation. It continuously organises international expert conferences and scientific seminars, solves a number of research tasks and participates in professional projects for state institutions and private firms. Recently, it has also been developing cooperation with foreign colleges and universities and participating in international educational programs of students' exchange Socrates and Erasmus.*

*VSFS pursues original and applicable knowledge in research areas which are current and interesting for both experts and the wider public. In doing so, VSFS is aware of the fact that research and development are the key tools for the reinforcement of competitive strength of the Czech Republic and Europe, and for progress in general. One of the areas of research VSFS focuses on long term are pensions and pension reform issues.*

Výzkumný ústav práce a sociálních věcí – Research Institute for Labour and Social Affairs –  
**RILSA**

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*The institute's principal activity is applied research on labour and social affairs issues at a regional, national and international level; this research is formulated in line with the current requirements of state government authorities and possibly non-profit or private entities. The institute also provides consulting services for the users of research outputs, organises seminars and conferences and publishes specialist materials. Research projects are planned every year in collaboration with the institute's founder and other concerned parties and take into account the continuity of the development of science and research in the areas in question. The institute's chief research fields are: the labour market and employment; social dialogue and labour relations; social protection; the family; equal opportunities; incomes and wages; social policy theory.*

## 5 Annexes

Table a: Health care expenditures according to the type of their source (in million.CZK)

Source of financing (ICHA-HF)	2000	2005	2006	2007	2008	2009	Index 2009/2008	Average year growth (in %)
1 Government expenditures	132 962	191 356	197 027	206 565	218 719	253 503	115,9	7,28
1.1 Public budgets	17 170	21 263	22 828	22 851	21 439	26 034	121,4	5,19
1.1.1 State budget	8 319	12 334	14 421	14 199	12 434	14 846	119,4	4,74
1.1.3 Local budgets	8 851	8 930	8 407	8 652	9 005	11 188	124,2	5,80
1.2 health insurance	115 792	170 093	174 200	183 713	197 280	227 469	115,3	7,54
2 Private sector	13 873	27 418	29 783	35 370	45 801	47 954	104,7	15,00
2.2 Private insurance	-	530	482	514	419	627	149,6	4,29
2.3 Households	13 873	23 110	25 346	31 491	41 288	43 141	104,5	16,89
2.4 NOGs	-	3 172	3 232	2 517	3 151	3 258	103,4	0,67
2.5 Corporations	-	606	723	848	943	928	98,4	11,24
<b>Total</b>	<b>146 835</b>	<b>218 774</b>	<b>226 810</b>	<b>241 935</b>	<b>264 520</b>	<b>301 457</b>	<b>114,0</b>	<b>8,34</b>

Source: Czech Statistical Office, System of Health Accounts.

Table b: Health care expenditures of households (mil.CZK)

Type of care (ICHA-HC)	mil. CZK					Index 2009/2008	Average year growth (v %)
	2000	2005	2007	2008	2009		
1 Health care	3 061	4 840	7 464	12 533	16 481	131,5	35,84
1.1 Inpatient care	232	268	407	631	1 029	163,1	39,98
1.3 Outpatient care	2 829	4 572	7 056	11 902	15 452	129,8	35,59
1.3 Outpatient care (without 1.3.2)	994	1 500	2 559	4 551	5 908	129,8	40,88
1.3.2 Dental care	1 835	3 072	4 498	7 351	9 544	129,8	32,76
2 Rehabilitation	427	817	1 204	1 879	2 939	156,4	37,72
2.1 Inpatient	349	634	965	1 493	2 437	163,2	40,02
2.3 Outpatient	78	183	239	386	502	130,0	28,70
5 Pharmaceuticals and Medical devices	10 385	17 454	22 823	26 876	23 721	88,3	7,97
5.1 Pharmaceuticals	7 881	13 114	17 473	20 556	18 143	88,3	8,45
5.1.1 Prescribed pharmaceuticals	2 144	4 770	6 778	9 878	8 718	88,3	16,27
5.1.2 Free marketed pharmaceuticals (OTC)	5 439	7 942	10 196	10 052	8 872	88,3	2,81
5.1.3 Other pharmaceuticals	298	401	500	626	553	88,3	8,37
5.2 Medical devices	2 504	4 340	5 349	6 320	5 578	88,3	6,47
5.2.1 Spectacles	2 006	3 343	4 120	4 868	4 296	88,3	6,47
5.2.2 Orthopaedic devices	163	265	327	386	340	88,2	6,43
5.2.9 Other medical devices	335	732	903	1 066	941	88,3	6,48
<b>Total</b>	<b>13 873</b>	<b>23 110</b>	<b>31 491</b>	<b>41 288</b>	<b>43 141</b>	<b>104,5</b>	<b>16,89</b>

Source: Czech Statistical Office, System of Health Accounts.

Table c: How insured persons contribute to the insurance revenue

Insurance revenues	2008	2009	Number of persons	Average payment
General health Insurance Fund	mil CZK	mil CZK	2009	Per person/ 2009 CZK
<b>Paid by employees and employers</b>	83 473 955	79 554 849	2 462 917	<b>32 301</b>
<b>Paid by self-employed</b>	10 107 797	11 748 004	763 325	<b>15 391</b>
Transfer from state budget (persons without their own income)	45 061 403	47 640 000	3 096 208	15 387

Source: General Health Insurance Fund.



Table d: General survey of health establishments (Long-term care inpatient capacities are included here as specialised therapeutic institutes), data are related to 2008

ZDRAVOTNICKÁ ROČENKA ČR 2009 / CZECH HEALTH STATISTICS 2009

**3.1.1 Celkový přehled zdravotnických zařízení**  
*General survey of health establishments*

2/2

Druh zařízení <i>Type of establishment</i>	Lůžka <i>Beds</i>	Mista <i>Places</i>
<i>Hospitals (bed and out-patient care)</i>	62 992	737
<i>hospital with chronic beds</i>	2 358	-
<i>Specialised therapeutic institutes</i>	21 704	15
<i>institutes for long-term patients</i>	7 000	4
<i>institutes for TB &amp; respiratory diseases for adults</i>	791	-
<i>psychiatric institutes for adults</i>	9 207	-
<i>rehabilitation institutes for adults</i>	1 153	-
<i>other special therapeutic institutes for adults</i>	1 707	-
<i>psychiatric institutes for children</i>	260	-
<i>other special therapeutic institutes for children</i>	495	-
<i>convalescent homes</i>	505	-
<i>hospices</i>	398	-
<i>other</i>	188	11
<i>Balneologic institutes</i>	26 505	-
<i>balneologic institutes for adults</i>	26 106	-
<i>balneologic institutes for children</i>	399	-
<i>Independent establishments of out-patient care</i>	x	732
<i>policlinics, joint out-patient establishments</i>	x	45
<i>health service centres</i>	x	26
<i>primary care</i>	x	17
<i>GP for adults</i>	x	-
<i>GP for children and adolescents</i>	x	-
<i>practical independent dentists</i>	x	-
<i>practical independent gynaecologists</i>	x	17
<i>independent specialists</i>	x	67
<i>other</i>	x	577
<i>Special health establishments</i>	x	5 382
<i>institutes for infants &amp; homes for children</i>	x	1 818
<i>day clinics &amp; centres for children</i>	x	1 306
<i>crèches &amp; other establishments for children</i>	x	1 419
<i>day clinics</i>	x	702
<i>medical transport &amp; emergency service</i>	x	-
<i>other</i>	x	137
<i>Establishments of pharmaceutical service</i>	x	x
<i>pharmacies incl. detached departments of drug distribution</i>	x	x
<i>medical device dispensaries <sup>2)</sup></i>	x	x
<i>other</i>	x	x
<i>Organs of public health protection</i>	x	x
<i>Other</i>	x	52
<b>Health establishments - total</b>	<b>111 201</b>	<b>6 918</b>

<sup>1)</sup> Incl. dentists

<sup>2)</sup> Incl. detached units

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- (1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
- (2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
- (3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
- (4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
- (5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
- (6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:

<http://ec.europa.eu/social/main.jsp?catId=327&langId=en>