Annual National Report 2010

Pensions, Health and Long-term Care

Slovakia

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1 Executive Summary

The Annual National Report outlines the current status in the pension system, health care and long-term care, analyses important reforms implemented in the previous year and the political and scientific discourse. The report includes a discussion on the impacts of the economic and financial crisis on social protection and closes with an overview of relevant publications and key institutions.

A three tier pension system exists in Slovakia since 2005, when a mandatory funded pillar was introduced. Since then, the system has been subject to several revisions with the main goal to mitigate the growing shortfall in the public PAYG scheme. The financial and economic crisis aggravated the deficit in public pensions, when revenues from social contributions dropped by 12%, mainly due to increased unemployment. The Government's response included a temporary opening of the private pillar for 7.5 months to allow citizens to return to a single PAYG pension scheme. Another important change concerned the decrease of administration fees in the second pillar and the obligation of pension management companies to balance returns in half-yearly intervals and compensate possible negative returns. The changes influenced the strategy of pension funds and led to the exclusion of virtually all higher-risk investments from their portfolio. Financial problems in the public pillar have been temporarily eased by way of interventions in the funded pillar and extra financing from a privatisation reserve. No reforms have been implemented in the PAYG system in the past year and no reforms are envisaged until the June 2010 general elections.

Health care underwent a comprehensive reform in 2003-2004, building on market principles and competitiveness in health insurance and health care provision. Policies implemented after 2006 focused on strengthened regulation and promoted the position of public actors in health insurance and provision of care. The impact of the crisis on the health sector manifested mainly in lower than projected revenues from collected insurance premiums, but influenced also provider-purchaser relations. The Government made important savings with a successful drug price policy. On the other hand, a massive subsidy was poured into the biggest state-owned health insurance company. The merger of two public and two private insurance companies led to the formation of a duopoly on the insurance market. New cases of suspected clientelism in public tenders support the perception of health care as the sector with the highest incidence of corruption and bribing.

Long-term care as part of social services witnessed a continued policy struggle for the equalisation of the position of public and private care providers. The withdrawal from the legislative process of a long-awaited revision of the social services law by the Government entails a postponement of necessary reforms and a continued discrimination of non-public providers.

Macroeconomic indicators suggest that the Slovak economy has already reached the bottom and is slowly reviving. A stabilisation in the labour market could arrive by mid 2010. The Government has responded to the crisis with a broad range of almost 70 measures since November 2008. There are no planes for new recovery measures; successful policies should be continued temporarily until end of 2010 and/or 2011.

2 Current Status, Reforms as well as the Political and Scientific Discourse during the Previous Year

2.1 Pensions

The pension system in Slovakia comprises three pillars. Pension insurance and supplementary pension saving was complemented by a mandatory funded pension scheme in January 2005, which concluded a wide-ranging reform of the entire pension system. The three-pillar structure currently includes:

(i) Mandatory public pension insurance scheme *(defined benefits).* The pay-as-you-go (PAYG) system is administered by the state-controlled Social Insurance Agency (SIA). It is financed primarily by pension insurance contributions paid by economically active citizens in the amount of

- 18% of the assessment base (gross wage) in case they are only in the first pillar
- 9% of the assessment base if they are enrolled in the first and second pillars

The maximum assessment base for contributions to the first (and also second) pillar is set at four times the average gross wage in the economy. The minimum insurance period needed to claim a retirement benefit is 15 years. The state pays contributions on behalf of persons taking care of children aged up to 6 years. Social insurance contributions paid to SIA, as well as awarded pensions are exempt from income tax. SIA also runs the disability pension fund, where the economically active contribute with 6% of their gross wage. In 2009, SIA disbursed EUR 5 billion on disability, old-age and survivor's pensions (i.e. 7.9% of GDP).

(ii) Mandatory[1] private old-age pension saving scheme *(defined contributions).* The funded system is administered by six private pension management companies. All citizens registered for pension insurance with SIA (i.e. the majority of the economically active population) were granted an 18-month period from 1 January 2005 to 30 June 2006 to decide whether or not to join the second pillar and redirect parts of contributions (9% of the gross wage) to personal accounts. More than 1.5 million citizens, i.e. 60% of the economically active population, joined the second pillar. The Government later enabled citizens to reconsider their participation by way of temporary opening of the funded scheme:

- *1st opening from 1 January 2008 to 30 June 2008.* The Government, at the same time, increased the minimum period of saving needed for pension entitlements from 10 to 15 years, meaning that first retirement pensions from the second pillar will be paid out in 2020 instead of 2015. The measures resulted in 106,000 savers leaving the funded pillar (approximately 7% of the total number of savers) and, vice versa, 22,000 persons (1.5% of savers) entering the scheme. Most leavers from the second pillar were people aged above 45 years, who contributed from below average gross wages, and for whom old-age saving turned out to be unprofitable due to the

[1] Effective since 1 January 2008, the mandatory character of old-age pension saving was virtually amended to voluntary participation, as it grants new entrants to the social security scheme a six-month period during which they may decide to join the second pillar.

increase in the minimum period of saving. The Government substantiated the opening with the aim to allow savers to reassess their joining in view of its actual profitability, mainly for older people and people with lower earnings. An obviously important motive was to increase funds for the PAYG scheme.

- *2nd opening from 15 November 2008 to 30 June 2009*. The official reason was to give citizens the opportunity to reassess their participation in the funded pension scheme after most pension funds had run into loss, due to the global financial turmoil. Experts and the political opposition blamed the Government for attempts to raise funds to finance current priorities at the cost of an increased future deficit in the pension system. In the end, 66,000 persons (approximately 4% of savers) returned to the first pillar, while almost 15,000 new entrants (1% of savers) joined the second pillar.

Since 1 January 2008, young people born after 31 December 1986 have a six-month period after commencement of pension insurance to decide whether they will pay full 18% contributions to the PAYG system or save 9% in a personal pension account. Prior to the change, entering the second pillar was mandatory for new policyholders. Data show that since optionality was introduced, no more than 40% of young people decide to join. As at end of 2009, the funded scheme counted approximately 1.4 million savers and assets totalled EUR 3 billion, i.e. 4.7% of GDP. Old-age pension saving and pension payments in the second pillar are also freed from the income tax.

(iii) Voluntary private supplementary pension scheme *(defined contributions).* The funded system is in operation since 1996 and is, at present, governed by five private supplementary pension companies. A notable decrease in participation in supplementary pension saving could be observed in 2009, when the number of savers dropped from 860,000 savers (32% of the economically active), as at the end of 2008, to 780,000 persons towards the end of 2009 (29% of the economically active). A worsened financial situation and layoffs are likely to be the main factors behind the drop. Contributions up to EUR 398 per year can be deducted from the income tax base. Employers may count in contributions paid on behalf of employees, up to the amount of 6% of their gross wage. Since 2005, tax allowances have also applied to special-purpose saving in banks and life insurance. A precondition for granting the tax allowance is a 10-year minimum period of saving with disbursement not earlier than at age 55. Assets in the third pillar amounted to EUR 1 billion as at end of 2009 (1.6% of GDP).

Certain public services/occupations fall under **special social security systems**. This applies mainly to armed forces, policemen, but also firemen and mountain rescuers. These systems are administered by competent ministries (interior, defence). Financing comes from contributions paid by active participants, but a substantial part is covered by direct subsidies from the state budget. Average pensions awarded are significantly higher than pensions paid by SIA; for example, average retirement pensions of soldiers and police officers are approximately 2 times and 1.5 times the average retirement pension paid by SIA, respectively.

The statutory retirement age is set at 62 years equally for men and women. Until 2004, the retirement age was 60 years for men, while it was 53-57 years for women, depending on the number of children raised[2]. The 2004 reform of social insurance

[2] No children - 57 years, 1 child - 56 years, 2 children - 55 years, 3-4 children - 54 years, 5 and more children - 53 years.

stipulated transitional periods for men and women during which their retirement age is being gradually increased. Men retire at age 62 since 2006. The longer transitional period for women means that in 2010 women retire at age 56 to 60 years depending on the number of children raised and their retirement age will continue to gradually increase until 2024, when all women will retire at age 62. In its Programme Manifesto the current Government *"refuses to solve the current problems in funding the social insurance system by increasing the retirement age."*

The demographic ageing of the population is a growing social concern, despite a positive natality trend observed in recent years.[3] There are roughly four people aged 18-61 years per one person aged 62 and above. According to a population projection until 2050, made by the Demographic Research Centre[4], the dependency ratio is expected to increase steeply. In 20 years, there will possibly be only a little more than two persons and in 40 years just about 1.5 persons in the working age population per one old-age pensioner. Provided the current ratio would be chosen as a benchmark, the retirement age would have to be increased to 70 years by year 2030 and/or to 74 years by year 2050. These may not be exceptional figures in an international context; yet, what is noteworthy in view of the fact that Slovakia currently has the lowest old-age dependency ratio EU-wide (Eurostat data), is the projected rapid catch-up with countries where population ageing has already progressed more distinctly.[5]

The employment of older citizens recorded a noteworthy increase over the last decade, driven mainly by favourable economic and labour market developments, a rise in the legal retirement age and increased work incentives. Worth mentioning is that elderly workers seem to be least affected by the crisis when compared with other age-specific groups, as suggested by 2009-2008 year-on-year data from national statistics.[6] Eurostat comparisons show that, although the employment rate of Slovak seniors (55-64 years of age) is catching up significantly (39.2% in 2008 after 35.6% in 2007, followed by a slowdown in 2009 to 39.5%), it still falls rather clearly behind the EU average (46.0% in 2009 after 45.6% in 2008). The low employment of elderly women (26.1% in 2009), in fact, is entirely due to the lower effective retirement age and the traditionally lower labour force participation of women, manifested nowadays mostly in the senior age groups. Given that the crisis has so far taken its toll mainly on men[7], the position of women (and particularly of those approaching retirement age) in the labour market has relatively improved over the last year.

The formula for old-age pensions from the PAYG pillar is as follows:

*Pension = POMB * R * ADH*

"POMB" stands for Average Personal Wage Point and represents the ratio of the individual gross wage to the average gross wage in the economy. It is computed as an average of ratios respective to each year since 1984 until the retirement year. For

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3 The number of live births has reached 61,200 in 2009 after 57,400 in 2008 and 54,400 in 2007. According to demographers, the fertility rate could increase to 1.5 or 1.6 in the coming years from the current 1.3; however, this will not avert the overall population ageing. Source: Statistical Office of the SR, weekly .tyzden, retrieved from: http://www.tyzden.sk/casopis/2010/14/nas-maly-babyboom.html.

4 Data taken from the 2003 and 2008 projections, retrieved from: http://www.infostat.sk/vdc/sk/index.php?option=com_content&task=view&id=17&Itemid=18.

5 Eurostat population projections.

6 Source: Labour force survey, Statistical Office of the SR.

7 The number of unemployed men increased by 90,000 persons (+78%) in 4Q2009 year-on-year, while the corresponding figure for women is 50,000 (+42%). Source: LFS, Statistical Office of the SR.

example, "POMB" 1.00 would mean that the worker has earned the average wage in the economy; with 0.50 he has earned half the average wage, etc. The maximum "POMB" is 3.00.[8] During a transition period between 2004 and 2014, values of the "POMB" below 1.00 and above 1.25 are adjusted by a coefficient (increased and reduced, respectively). The aim is to provide for a gradual transition from solidarity to meritoriousness. After 2015 the system should offer no re-distribution between rich and poor and the amount of the pension should be directly proportional to an individual's earnings.

"R" stands for the number of years of pension insurance (working period). The minimum insurance period is 15 years.

"ADH" stands for Actual Pension Value, which is an amount determined by law in 2004 as SKK 183.58 (EUR 6.0937), aimed at providing a 50% replacement rate in the first year after the reform, for a pensioner who has been insured for 40 years. The "ADH" is indexed annually according to the average wage growth in the economy; in 2010 the value is EUR 9.2246.

Old-age pensions in the first pillar are **indexed** every year as of 1 January, taking into account year-on-year changes in wages and prices for the first half of the preceding year (i.e. the Swiss method, the weight of both parameters is 1:1). In 2009, pensions were indexed by 6.95% and in 2010 by 3.05%.

Entitled to receive an **early retirement pension** is a person meeting three conditions:

(i) at least 15 years of pension insurance;

(ii) less than 2 years until statutory retirement age;

(iii) their retirement pension is higher than 1.2 times the minimum subsistence level (i.e. EUR 222.30 monthly since 1 July 2009).

The amount of an early retirement pension is calculated using the aforementioned old-age pension formula, while every 30 days of early retirement are penalised with 0.5% of the calculated pension.

The ratio of early retirement pensions to old-age pensions is roughly 1:17. The relatively stable trend has not seen dramatic changes during the past year, even though SIA was expecting an increase of applications in reaction to the tightening labour market. This fact may again back up the assumption that elderly workers have not been in the front line when it comes to layoffs induced by the crisis. The number of awarded disability pensions has gradually increased in the past years, mainly as a result of legislative amendments loosening disability pension eligibility criteria.

Table 1: Number of disbursed pension benefits

Pension	as of 31 Dec 2007	as of 31 Dec 2008	as of 31 Dec 2009	as of 28 Feb 2010
Old-age	916,941	924,624	931,795	928,924
Early old-age	48,225	57,505	56,352	56,125
Disability	195,139	200,104	204,378	206,080

Source: Social Insurance Agency

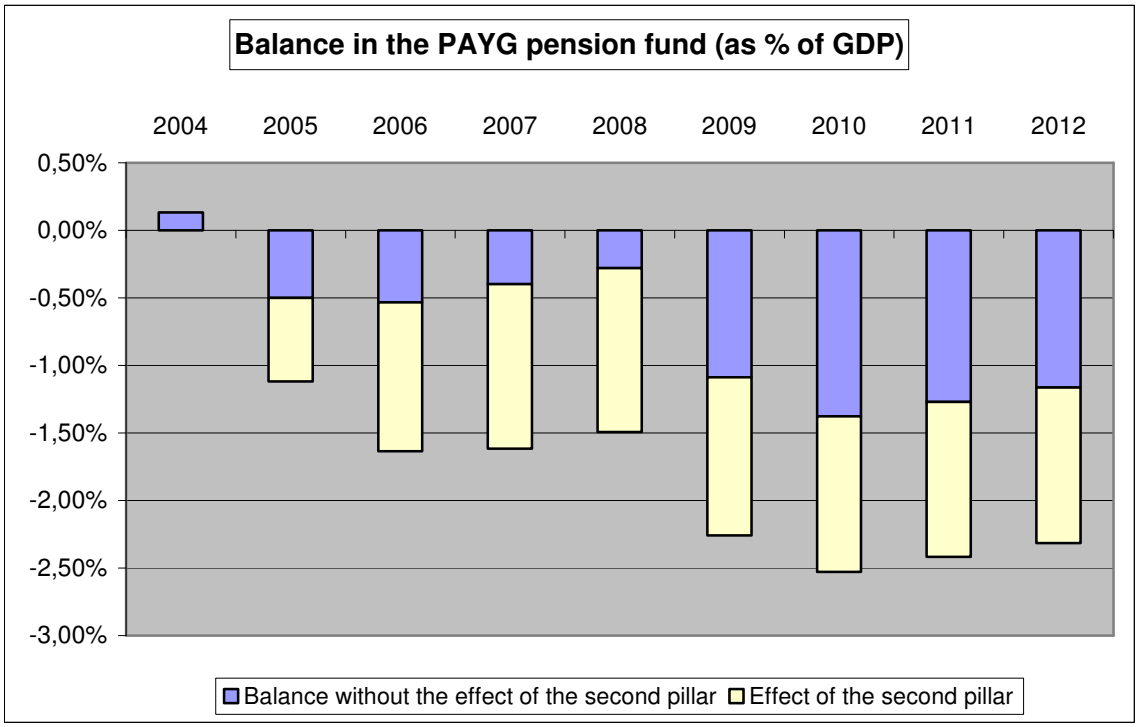
[8] The 2008 revision of pension insurance included an increase of the maximum assessment base for pension insurance contributions from threefold to fourfold of the average wage, without raising the cap on retirement benefits (the maximum POMB remains 3).

Since 2006, the Government provides old-age pensioners, early retirement pensioners and disability pensioners with a one-off **Christmas pension benefit** amounting to EUR 49.80 – 66.39, based on the sum of their pension (the higher the pension, the lower the benefit). In 2009, pensioners with pensions up to EUR 434 monthly were entitled to the benefit, i.e. the majority of pensioners (the average pension was EUR 337 in 2009). The measure is seen as a systemic tool to mitigate the social situation of pensioners and is financed from the state budget. The proclaimed purpose is somewhat questionable, as pensioners are by available evidence (e.g. EU SILC) not among the most risky populations in terms of income poverty. Moreover, in view of the current recovery agenda and necessary fiscal restrictions, the granting of pension bonuses does not meet the criteria of providing due income support, since pensioners are not particularly affected by the crisis.

Transitional costs: The redirection of parts of the contributions from the first to the second pillar causes a deficit of 1.2% of GDP every year. These are transitional costs, as the deficit is going to decrease from the moment when first retirement pensions are paid from the funded scheme (2020). Namely, for citizens who joined the second pillar, retirement income from the first pillar will be reduced by half for the period of old-age saving. The second pillar, thus, increases the deficit in public pensions in the first phase, yet in the long term translates into reduced expenditures. The aim is to mitigate the impacts of population ageing and support the long-term financial sustainability of the pension system.

Financial sustainability: The calculation of pensions from the first pillar and their indexation does not take into account changes in real revenues of the Social Insurance Agency. Revenues are influenced not only by wage growth but also by other factors including employment rate. The Government's rejection to raise the retirement age is in contradiction with expected changes in fertility and longevity. Such setting of the first pillar disables a flexible adjustment to the economic cycle and population ageing, resulting in deepening financial imbalance in public pensions. This has already become an urgent problem in 2009-2010, when unemployment as a consequence of the global economic crisis has risen significantly and wage growth slowed down, which has subsequently turned into a decrease and/or stagnation in SIA's revenues. At the same time, pensions are growing at a fast pace, due to strong wage growth in previous years. A steep increase of the deficit in the pension fund in 2009 and 2010 is the result.

Figure 1: Pension fund balance (as % of GDP, in current terms, including the reserve fund surplus[9])



Source: INEKO calculations based on data of the Ministry of Finance of the SR and the Social Insurance Agency
Notes: 2004 – 2008: actual figures, 2009: estimate, 2010 – 2012: public administration budget and budget of the Social Insurance Agency

The graph shows that the impact of the second pillar on the pension fund shortfall (i.e. transitional costs) is around 1.2% of GDP. Abstracting from this effect, the deficit in the pension fund decreased to 0.3% in GDP terms in years of strong economic growth in 2006-2008, while after the break-out of the crisis it exceeded 1% of GDP in 2009 and is expected to rise to 1.4% of GDP in 2010. Counting in the effect of the second pillar, the shortfall will likely surpass 2.5% of GDP in 2010 (see also chapter 3 on impacts of the economic and financial crisis).

The long-term sustainability of the pension system is threatened, mainly by the expected population ageing. The European Commission's 2009 Sustainability Report estimates that expenditures for pensions will rise from 6.6% of GDP in 2010 to 7.3% of GDP in 2030 and 10.2% of GDP in 2060. Slovakia was, for the first time, classified among countries at high risk, with regard to the long-term sustainability of public finances.[10]

According to a model-based projection of different pension scenarios, presented in early May 2010 by INEKO, changes in the statutory retirement age (increase from 62 to 65 years) and the pension indexation mechanism (from Swiss to inflation only) are inevitable for the pension system to financially sustain at least until 2040. An alternative

[9] The figures are calculated taking into account the reserve fund surplus (approximately 1% of GDP), which is used to finance the deficit in the pension fund; i.e. without this cross-financing the deficit in the pension fund would be even higher.

[10] Retrieved from: http://ec.europa.eu/economy_finance/publications/publication15998_en.pdf.

to these parametric pension reforms is an increased subsidising from the state budget, which would, however, involve a radical consolidation of public finances, including increased taxes and substantial cuts in expenditures.[11]

Trade unions call for a reallocation of contributions paid to the first and second pension pillars from the current 9% : 9% of the assessment base ratio to a new 14% : 4% ratio in favour of the public pillar. Another change, promoted by trade unions, with the aim to stabilise the financially shaky first pillar, is a tightening of early retirement claims and the abolition and/or restriction of the concurrent drawing of an early retirement pension and the possibility to earn income from work.[12]

Pension funds in the second pillar: Participants in the second pillar can choose between one of three funds administered by pension management companies – growth, balanced and conservative funds. The original intent was that funds should differ in terms of risk allocation. The most risky fund, the growth pension fund, may include as much as 80% shares in total assets. The balanced fund may be assessed as less risky, with shares less than 50%. The least risky fund is the conservative pension fund, where shares may not be included.

Table 2: Investment limits for pension funds in the second pillar

	Shares	**Bonds & money investments**
Growth fund	up to 80%	no limit
Balanced fund	up to 50%	at least 50%
Conservative fund	no shares	100%

Source: Act No. 43/2004 Coll. on old-age pension saving

In reality, pension management companies have never come close to the stipulated limits on stocks. The highest portion of shares in total assets of pension funds was achieved in the beginning of 2008, when shares accounted for 15 to 20% in growth funds and 10 to 15% in balanced funds. Due to repeated opening of the second pillar and the verbal questioning of its profitability by the Government, and also as a result of the crash on equity markets, pension management companies decreased the proportion of shares to around half, by the end of 2008. By mid 2009, shares practically disappeared from pension fund portfolios. According to a survey conducted by the institute INEKO among 22 Slovak economists[13], two legislative changes are behind the sale of shares:

- Tightening of rating requirements on stock investments since 1 January 2009. According to pension management companies, virtually no ETFs (Exchange Traded Funds) that are fixed on stock exchange indices are fulfilling the new requirements. Pension companies, thus, started to sell out ETF investments, where previously most of stock investments had been placed.
- Since 1 July 2009, pension management companies are obliged to balance pension fund returns in 6-monthly running intervals and cover possible losses from a so-

[11] Retrieved from: http://www.ineko.sk/clanky/dochodkovy-vek-treba-predlzit-aspon-na-65-rokov.
[12] Retrieved from: http://www.kozsr.sk/?page=./stanoviska/stanovisko_8.
[13] Retrieved from :http://www.ineko.sk/clanky/ekonomovia-za-vypredajom-akcii-v-druhom-pilieri-su-zmeny-v-legislative.

called guarantee fund and own sources. At the same time, fees for the administration of assets have been decreased by almost two thirds and a fee from attained yields has been introduced. The changes have significantly increased the risk of compensating potential negative returns from investments into volatile stocks, which led pension companies to selling them out.

Out of the total number of 1.4 million savers, about 69% are in growth funds, 27% in balanced funds and 4% in conservative funds. As far as total assets are concerned, 67% are in growth funds, 29% in balanced funds and 4% in conservative funds (as of 19 March 2010).

Table 3: Assets in the second pillar (as of 19 March 2010)

Growth funds	Balanced funds	Conservative funds	Total
EUR 2.07bn (67%)	EUR 0.90bn (29%)	EUR 0.14bn (4%)	EUR 3.11bn (100%)

Source: Association of Pension Funds Management Companies

The saver may only be enrolled in one fund at the same time; changing the pension fund is conditioned by a saver's application. The **lifecycling approach** envisages that a higher investment risk is taken in the earlier stages of working life. After reaching age 47 (i.e. in most cases, 15 years before retirement) the saver may not be enrolled in a growth pension fund. At age 55+ (in most cases 7 years before retirement age) the saver may not be enrolled in a growth or balanced pension fund.

The inheritance of pension savings is embodied in the regulation of the second and third pillars. Savings in both pillars are private property of savers, and as such are separated from the property of management companies. After reaching retirement age, subject to inheritance in the second pillar is only the amount of funds remaining on a saver's personal account after the purchase of a life annuity from a life insurance company. Life annuity must not be less than 60% of the minimum subsistence level (EUR 111 in 2010).

Administrative fees in the second pillar are the following:

- 0.5% from monthly contribution, which is charged by SIA for the central registry of savers and the transfer of money to the funds of pension management companies.
- 1% from monthly contribution, which is charged by the pension management company for keeping the personal pension account of the saver.
- 0.025% maximum monthly (0.3% yearly) from the net value of property in the pension fund charged by the pension management company for the administration of pension funds.
- 5.6% maximum from returns attained in 6-month running intervals. The fee was introduced on 1 July 2009, the first balancing period, thus, elapsed on 31 December 2009. In case of negative returns, pension companies are obliged to balance the difference without any upper limit from a guarantee fund and/or own sources, so that the amount in a saver's pension account equals at least the invested sum.
- EUR 16 charged by SIA for the change of a pension management company within one year after signing the contract; changes after the lapse of one year are free of charge.

Administrative fees in the third pillar include:

- 2.5% maximum yearly from the net value of property in the pension fund, which is charged by the supplementary pension company for the administration of assets. The maximum limit has been lowered from 3% with effect from 1 January 2010 and should be gradually lowered to 1.98% by 2019. Supplementary pension companies compete in terms of actual amount of the fee; most companies charged fees lower than 2.5% (December 2009 data).
- 1% maximum yearly from the net value in the payment fund, which is kept by the pension company for the administration of assets.
- A fee in the sum of 10% of attained returns, charged by pension companies. The fee was introduced on 1 January 2010 and will be gradually increased to 20% by 2020.
- 5% maximum from the current value of the saver's personal account, which is charged by the supplementary pension company in case of transfer to another company within three years after signing the contract. After the lapse of the period transfers are free of charge, since 1 January 2010 (previously 1% maximum).
- Fees without limits, paid by supplementary pension companies to third parties (taxes applying to property in pension funds, fees paid to the depository, securities dealer, central depository, etc.).
- Effective since 1 January 2010, supplementary pension companies pay mediators (brokers) a fee for every concluded agreement in the sum of a maximum of 10% of the average wage in the economy, surveyed two years before the agreement was concluded. Rewards to mediators were not regulated prior to 1 January 2010.

The replacement rate, expressed as the ratio of the gross average old-age pension and the gross average wage, decreased to the historically lowest level of 43.3% in 2008. In 2009, the replacement rate increased to 45.3%, mainly due to slower wage growth, curbed by the crisis (3%) in conjunction with a sizeable indexation of pensions (6.95% in 2009), as well as a change in the indexation date (in 2009, pensions were indexed as of 1 January instead of 1 July, as before). Counting in the Christmas pension bonus (EUR 58), the replacement rate went up to 45.9% in 2009.

Table 4: Average pensions and wages

	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Average old-age pension (EUR)	234	256	273	295	313	337
Average wage (EUR)	525	573	623	669	723	744
Ratio of average pension to average wage (%)	44.5	44.7	43.8	44.1	43.3	45.3
Ratio incl. Christmas bonus* (%)	44.5	44.7	44.6	44.8	44.0	45.9

Note: * calculated with an average Christmas pension benefit of EUR 58
Source: Social Insurance Agency, Statistical Office of the SR

There is no guarantee of a **minimum retirement pension** in the existing system. People with very low or no pensions are entitled to apply for a material distress benefit. The opposition party SDKU-DS proposes the introduction of a so-called zero solidarity pillar, which would stipulate a minimum pension at the level of minimum subsistence.

As an alternative way to enhance protection of pensioners threatened by poverty (according to EU SILC, the share of pensioners at risk of poverty increased from 8% in 2006 to 10% in 2008), part of economists and government representatives promote the idea of strengthened solidarity in the PAYG pillar.

The Government is preparing a **unified collection of taxes and contributions** (project UNITAS), with the aim to improve the overall collection of these payments. Social security and health insurance contributions will no longer be collected by SIA and/or health insurance companies, but tax offices. Preliminary plans count with a launch of the system by the end of the next election term (2010-2014). The majority of the political opposition, the business and expert community agree with the unified collection system.

Overview of important policy changes after 1 January 2009:

- The Government approved another opening of the second pillar from 15 November 2008 to 30 June 2009. The official reason was to give people the chance to reassess their involvement in the funded scheme, after part of the pension funds had run into loss, caused by the crisis on financial markets. Unofficially, an important motive was to raise funds for the increasingly indebted PAYG pillar (suggested by the 2009 SIA draft budget, which already calculated with revenues from 150,000 leavers from the second pillar) and/or to finance other government priorities (opinion of analysts). As already noted, the actual figure of returnees to the first pillar and the gathered funds have not fulfilled official expectations.
- Effective since 1 January 2009, rating requirements on stock investments have been tightened. Pension management companies claimed that so-called Exchange Traded Funds, where most of stock investments had been placed before, were unable to comply with the new rules. Resulting from the change was a sell-out of ETF investments.
- A revision of rules for pension fund administration in the second pillar came into effect on 1 July 2009. The Government pushed through a substantial decrease of maximum fees which pension management companies may charge for the administration of assets (from 0.065% monthly to 0.025% monthly). Changes also include the requirement for pension companies to balance returns in half-yearly intervals and compensate possible negative returns from own sources. The revision should, as proclaimed by the Government, prevent depreciation of people's savings. However, the changes have significantly influenced the investment strategy of pension funds towards taking lower risks, which in fact means that that they sold off practically all remaining shares from their portfolio, and that just in a time, when equity markets started to recover. Consequently, the restrictive regulation resulted in lower pension fund returns (see also chapter 3) and will, therefore, also impact on future pensions. Analysts pointed out that restrictions could have been applied to conservative funds only. The Government blamed pension management companies for their conservative behaviour. The National Bank of Slovakia stated in its October report on financial market developments that "*changes in the investment strategy of funds have not been conditioned by the developments on the financial market, but are the consequence of recently adopted legislation, which has significantly affected the structure and amount of administration fees.*"[14]

[14] Retrieved from: http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/2009-1.PDF.

- In reaction to official reservations voiced by the European Commission regarding investment restrictions for pension companies in the second pillar (investments to non-eurozone countries), the Government and, subsequently, the parliament amended the old-age pension saving law in a shortened legislative procedure to comply with EU directives (March 2010).
- The Government announced plans to enact the obligation for pension management companies to provide returns comparable with the indexation of pensions in the public PAYG pillar with the aim to ensure "adequate valorisation" of savers' assets in pension funds. As administrative arrangements cannot substitute developments on financial markets, this policy attempt may be perceived as unreasonable. The Ministry of Finance was put in charge by the Government to prepare a draft amendment to the old-age pension saving act by the end of 2009, yet this task has been suspended for now. The European Commission and the EBRD warned the Slovak Government about effecting repeated interventions in the second pension pillar, which are detrimental to the stability of the entire pension system.

The nature and scope of measures adopted in the analysed period points to a continuation of the trend observed in previous years. The Government avoided taking changes in the setting of the first pillar and decided to address its deepening financial imbalance with additional financing from the privatisation reserve (intended to finance the shortfall in the PAYG system, caused by the introduction of the second pillar) and further interventions effected in the second pillar (another opening of the scheme and tightening of pension fund administration, eventually leading to a more conservative behaviour on account of future yields). The economic and financial crisis has underlined the unsustainability of the current PAYG setting. The second pillar has not been spared from the negative impacts of the crisis, yet the effects were less tangible because of the setting (DC) and the fact that first pensions will be paid no sooner than in ten years.

A review of the existing debate shows that save for the exchange of opinions between the two parties (coalition and the lately fading out trade unions *versus* opposition, greater part of the expert community and the likewise falling silent pension fund representatives) on the interventions in the second pillar, virtually no research (papers, studies, etc.) has emerged during the past year that would move the debate forward to finding answers to the most important problems of sustainability.[15] One of the reasons for the decline is the closing election term[16], when the willingness to implement changes diminishes considerably, and particularly in areas as crucial as pensions. The published election programmes, which accompany political parties in their pre-election campaign, have not brought noteworthy news either. The programmes also deal with pensions (in different form and depth), yet experience from past election terms has shown that the will and ability to materialise election programmes and promises is an uncertain variable. Election outcomes will certainly tell more about the direction of future reforms in pensions. In case of a win of the incumbent representation (and/or with minor changes) the likelihood of continuance of existing policy trends is very high, i.e. further postponement of reforms in the PAYG scheme and attempts to resolve the financial problems in public pensions by way of additional weakening of the funded pillar and/or an increase of social security contributions, instead of interventions in parameters such as retirement age and indexation mechanism. The scenario of a new

[15] An exception is the already mentioned projection of pension system deficits under different scenarios, released in May 2010 by INEKO.

[16] General (parliamentary) elections are scheduled for 12 June 2010.

government composed of the current opposition parties from the right-centre spectrum could bring more substantial changes, yet almost surely not of the scope and reach of reforms of 2004-2005. It is, therefore, highly unlikely that any election-winning cabinet would proceed to clearly unpopular (even though necessary) reforms.

2.2 Health

Expenditures on health care in Slovakia reached 7.8% of GDP in 2009, of which public expenditures comprised 6.0% and private spending 1.8% in GDP terms. In a year-on-year comparison, the sum of funds in health care has increased, thanks to higher public and private sources. Behind the noticeable growth in relation to GDP is also the effect of the economic crisis, which in 2009 induced a fall of the economy by 4.7%, year-on-year.

Table 5: Financing of health care (in SKK billion)

	2007	**2008**	**2009***
Public sources (EUR bn)	3.07	3.57	3.80
% of GDP	*5.0*	*5.3*	*6.0*
Private sources (EUR bn)	0.93	1.00	1.17
% of GDP	*1.5*	*1.5*	*1.8*
Total (EUR bn)	4.00	4.57	4.97
% of GDP	*6.5*	*6.8*	*7.8*

Note: * estimate
Source: Health Care Surveillance Authority (2007, 2008); Ministry of Finance of the SR (2009)

All citizens are entitled to health care provision based on mandatory public health insurance. The universal claim covers basically the entire health care, with the exception of a small number of performed services (e.g. in stomatology and cosmetic surgery) and also a part of costs for drugs and medical aids, covered by patients in cash. Resting on public health insurance, patients are entitled to free-of-charge treatment in most cases (no co-payment). They do not pay for visiting the practitioner or staying in hospital; the relatively low out-of-pocket fees were abolished by the Government shortly after the parliamentary elections in 2006. The new administration also lowered the fee for drug prescription from SKK 20 (EUR 0.66) to today's SKK 5 (EUR 0.17). Fees for emergency health service (SKK 60/EUR 1.99) and for ambulance transportation (SKK 2/EUR 0.07 per km) remained unchanged. In addition, patients are charged fees for spa treatment in the amount of EUR 1.66-7.30 per day, depending on the diagnosis.

Table 6: Fees for health care services

	until September 2006	**2010**
Visit at primary outpatient care	SKK 20 / EUR 0.66	0
Hospital stay	SKK 50 / EUR 1.66 EUR / day	0
Medication and medical aids (per prescription)	SKK 20 / EUR 0.66	SKK 5 / EUR 0.17
Emergency services	SKK 60 / EUR 1.99	SKK 60 / EUR 1.99
Transport	SKK 2 / EUR 0.07 / km	SKK 2 / EUR 0.07 / km
Spa treatment	EUR 1.66 - EUR 7.30 / day	EUR 1.66 - EUR 7.30 / day

Mandatory public health insurance is performed by one state-owned and two private joint stock companies. With regard to the number of policyholders, state-owned Vseobecna zdravotna poistovna has a dominant position on the market with a 69% share. Private insurance companies Dovera and Union have a market share of 25% and 6%, respectively. This new market situation is the outcome of a significant concentration, which took effect on 1 January 2010. As of this date, Vseobecna zdravotna poistovna merged with the smaller state-owned Spolocna zdravotna poistovna. At the same time, the fusion of two private health insurance companies Dovera and Apollo came into force. Several analysts criticised the concentration for impairing competition on the insurance market.

Table 7: Health insurance companies providing public health insurance

Name	**Ownership**	**Market share in % (policyholders as at the end of 2008)**	
		until 1 Jan 2010	from 1 Jan 2010
Vseobecna zdravotna poistovna	State	55	69
Spolocna zdravotna poistovna*	State	14	-
Zdravotna poistovna Dovera	Private	16	25
Zdravotna poistovna Apollo**	Private	8	
Zdravotna poistovna Union	Private	6	6

Note: * As of 1 January, Spolocna zdravotna poistovna merged with Vseobecna zdravotna poistovna. ** As of 1 January 2010, Zdravotna poistovna Apollo merged with Zdravotna poistovna Dovera.
Source: Report on the state of public health insurance performance in 2008[17], Health Care Surveillance Authority, July 2009

Restrictions on profits in health insurance: Until 2008, health insurance companies could produce and use profits in line with shareholders' decision. Following the enactment of restrictions on utilisation of profit attained from public insurance, profit attained in 2008 and afterwards may be spent only on payments for health care provision. This, de facto, means the prohibition of profit making, and for owners of health insurance companies, considerable impairment of returns on investments. The change affects mainly private shareholders who entered the public insurance market after the reform in 2003-2004. In reaction to the intervention, owners of private insurance funds Dovera and Union filed arbitration procedures against the state to claim compensation for investment damage. Restrictions on profit use have been disputed also by the European Commission, which started an infringement proceeding against Slovakia in November 2009, because of the suspicion of infringing the rules on the free movement of capital.

The state is redistributing insurance companies' revenues with the aim to compensate the differences in the structure of insurance stocks. As a result of the **redistribution**, revenues have been transferred to state-owned Vseobecna zdravotna poistovna in the last years, at the expense of other insurance companies (state Spolocna zdravotna poistovna being the biggest payer). With effect from 1 January 2009, the Government increased the base for calculation of the redistribution sum from 85.5% to 95% of specified insurance premium. In the opinion of several analysts, the main aim of the measure was to increase revenues of Vseobecna zdravotna poistovna, which was facing

[17] Retrieved from: http://www.rokovania.sk/appl/material.nsf/0/A850B7850A608714C12575E50044FF3D?OpenDocument.

financial problems. Redistribution criteria include sex and age; and as from 2010, the number of policyholders on whose behalf the state is paying premium should also be considered.

Mandatory health insurance contributions are paid by different groups of insured as follows:

- Employees and employers pay contributions in the amount of 14% of an employee's gross monthly earning, of which employees pay 4% and employers 10%. The minimum assessment base is the statutory minimum wage, which amounts to 40% of the average monthly wage in the economy in 2010 (EUR 307.70). Maximum assessment base is the threefold of the average monthly wage.
- Self-employed persons pay contributions in the amount of 14% of the assessment base for the income tax (increased by tax-deductible expenses on health insurance) divided by a coefficient of 2.14. Minimum and maximum limits are the same as for employees. Due to base adjustment, the majority of self-employed pay insurance from the minimum wage. Self-employed, thus, pay much lower contributions in comparison with employees. In 2008, for instance, the number of self-employed was 5-times lower than the number of employees, but they paid 8-times less on income tax and even 12-times less on health insurance contributions than employees (see table 8). The expert community and part of the political opposition, thus, promote an increase of the assessment base for contributions in order to achieve the highest possible coherence with the assessment base for the income tax paid by physical persons.

Table 8: Comparison of taxes and contributions paid by employees and self-employed in 2008

	Number (thousand)	**Income tax for physical persons (SKK bn)**	**Health insurance contributions (SKK bn)**
Employees (1)	2,094	48.8	62.1
Self-employed (2)	418	6.3	5.0
Ratio (1/2)	**5**	**8**	**12**

Source: Statistical Office of the SR (number of persons), Ministry of Finance of the SR (income tax), Health Policy Institute (contributions)

- The state pays contributions on behalf of dependent children, pensioners, unemployed and persons taking care of children aged up to 3 years. Insurance premium increased from 4% in 2006 to 4.9% in 2009 of the average wage in the economy reported two years ago, while in 2010, it decreased to 4.78%. Payments by the state show a growing trend in GDP terms.

Table 9: Health insurance payments by the state on behalf of state policyholders

Year	**2006**	**2007**	**2008**	**2009**	**2010***
Percentage of average wage	4%	4.33%	4.5%	4.9%	4.78
Total sum in EUR million in GDP terms	773	893	979	1,162	1,283
as % of GDP	1.4%	1.5%	1.5%	1.8%	1.9%

Note: * forecast
Source: Ministry of Finance of the SR

The project UNITAS (referred to also in the section on pensions) on **unified collection of taxes and contributions** is expected to improve the efficiency of health insurance and social security contributions collection. The project is in a preparatory phase and should be put into practice by 2014.

A comparative **evaluation of health insurance companies** is not available. The latest available comprehensive assessment of the quality of health insurance funds was published in September 2008 by the Health Policy Institute, a non-governmental think-tank. The ranking saw private companies ahead of state-owned ones. The Health Care Surveillance Authority responded instantly with an own ranking, which had state-owned companies on top of the list. The Health Policy Institute did not proceed with a 2009 ranking, the reasons being doubts about credibility of published data and reluctance of state funds to provide information.

Until the end of 2008, the regulation on liquidity of insurance companies stipulated a minimum equity of 3% of yearly premium. All insurance companies complied with the rule by a considerable margin, only Vseobecna zdravotna poistovna reported equity at a level just above the 3% threshold. Since the beginning of 2009, a new regulation is in force, according to which a health insurance company becomes insolvent only when it reports liabilities which are overdue by more than 30 days. The Health Care Surveillance Authority is obliged to close the insurance company, when insolvency lasts over five months. Experts point to a relaxation of rules, which threatens the financial stability of the public health insurance.

Voluntary private health insurance is but marginally present in Slovakia. According to health care analysts, the main reason is the broad coverage of mandatory public insurance, which leaves little room for the development of private insurance.

Health insurance companies and health care providers negotiate the amount of payments for the given year. The Government does not intervene in the process. Each insurance company negotiates its own conditions. Payments to general practitioners are determined mainly by the amount of the payment per patient and the number of patients who are registered with the practitioner (so-called capitation). Payments to specialised practitioners are set mainly by the price and number of performed services, provided by the practitioner in a given period (so-called payment for service). As for institutional health care, payments to facilities (e.g. hospitals) are determined by the price and number of completed hospitalisation in the given department, as well as by the type and size of facility.

Negotiations held between purchasers and providers in 2009 and 2010 are obviously marked by the crisis. High unemployment and decelerated wage growth are behind

lower than projected revenues of health insurance companies. Providers insist, in spite of the recession, on increased payments.

Exchange cards: In 2008, the Government introduced so-called **exchange cards** – recommendations of a general practitioner for a visit at a specialist. Prior to this change, patients could visit specialised doctors without an "approval" issued by the general practitioner. Recommendation is not required within 24 hours of an injury or another sudden change of health and in cases of so-called dispensarisation (systematic care for patients). Cards are not required for visits to a dentist or gynaecologist. Since June 2009, exchange cards are also not requested for repeated visits to specialists, for visits to psychiatrists and to ophthalmologists for the prescription of glasses.

Transformation of hospitals: The 2003-2004 reform has launched a transformation of smaller and medium-sized hospitals from public organisations to joint stock companies and non-profit organisations. Along with the transformation, facilities were transferred from state ownership into ownership of towns and self-governing regions. Transformation should have led to improved management and prevent debt creation. Prior to the parliamentary elections in 2006, the Government stopped the transformation into joint stock companies. The largest hospitals (so-called teaching hospitals) and specialised institutes, thus, remained public entities in state ownership.

Minimum network of providers: Health insurance companies are obliged to contract all general practitioners and pharmacies, and a certain minimum number of specialised doctors and hospitals. In October 2007, the Government defined a minimum network of 34 hospitals, which are all state-owned.

A ranking of hospitals has been published every year since 2008, by the private health insurance company Dovera. In 2009, a ranking of spa facilities was added.

Debt in health care: A long-term problem of the Slovak health sector is the **growing outstanding debt** in the system. It grew from SKK 5.6 billion (EUR 187 million) in 2006 to SKK 8.2 billion in 2008 (EUR 273 million). The biggest portion of the debt is produced by facilities under the competence of the Ministry of Health, comprising mainly large state-controlled hospitals. The debt in these facilities grew from SKK 2 billion (EUR 66 million) to SKK 5.9 billion (EUR 196 million) in the same period. In early 2009, the largest hospital in the country admitted that the repayment of an invoice may take 425 days from receipt of the invoice. Contributing to the growing debt is a steep increase of wages in teaching hospitals.[18] Wages in smaller hospitals, decentralised to self-governments, grew substantially slower, contributing to debt reduction. Strong economic growth contributed to a decelerated debt accumulation in 2008. Data for 2009 have not been published yet. In late 2009, the Government granted 25 selected health care facilities repayable financial aid, totalling EUR 130 million, to address the debt. Maturity of the loan is set at 15 years with the option to defer payment by 2 years. Debt consolidation should help to prepare hospitals for drawing support from structural funds (totalling EUR 250 million until 2013), where only debt-free facilities are entitled to apply. Several experts have voiced doubts about the ability of hospitals to repay these loans.

[18] Wages in state hospitals have been raised by 10% as of 1 May 2006, 1 December 2006, 1 June 2007 and 1 February 2008.

Table 10: Overview of outstanding liabilities in the health care sector (cumulative data, as of end of particular year, in SKK million)

	2005	2006	2007	2008
Health care facilities under competence of Ministry of Health	2,033	4,435	5 ,842	5,891
Health care facilities transformed to joint stock companies	-	14	6	15
Health care facilities transferred to municipalities and regions, and transferred to non-profit organisations	2,384	2,275	2,154	2,311
Health insurance companies	1,217	97	72	12
Debt in total	5,634	6,821	8,074	8,229

Source: Report on development of debts in the health care sector as of 31 December 2008[19], Ministry of Health of the SR, April 2009

Supervision of insurance companies and health care providers is carried out by the state Health Care Surveillance Authority. The office was created as part of the reform in 2003-2004, with particular emphasis put on personnel and financial independence from the Government. The current cabinet weakened the independence of the office through a legislative amendment enabling the Government to dismiss its chairman. The new regulation was immediately put into practice in January 2007, when a new chairman – a member of senior coalition party SMER – was installed in the office. The partiality of the authority in the last years was manifested in an unequal approach to public and private health insurance companies, i.e. a soft position towards financially troubled state-owned Vseobecna zdravotna poistovna and a rigorous attitude against financially stable private company Dovera.

Financial problems of Vseobecna zdravotna poistovna: The biggest player on the insurance market, stated-owned Vseobecna zdravotna poistovna already struggled in 2008 with financial problems, when the company's equity was just above the stipulated limit on liquidity of 3% of yearly premium. The crisis year 2009 brought lower-than-planned revenues for all insurance companies. In September 2009, Vseobecna zdravotna poistovna estimated a slump in revenues amounting to EUR 105 million, which is a 5% decrease of revenues against the approved budget. The company ran into serious financial difficulties in the course of the year, which the Government tried to settle by way of increasing its basic capital by EUR 65.1 million in September 2009, and through the merger with the financially sound Spolocna zdravotna poistovna, as of 1 January 2010.

Expenditures on drugs in GDP terms (2.2% in 2007) and as a share of total health care spending (28% in 2007) are among the highest in the OECD.[20] In order to decrease the expenditures and prices of drugs, the Government adopted several measures:

- Effective from 1 January 2007, VAT on drugs and medical tools was lowered from 19% to 10%.

[19] Retrieved from: http://www.rokovania.sk/appl/material.nsf/0/750AC0939D55957EC125759F002BEC05?OpenDocument.

[20] Source: OECD Health Data 2009.

- The Ministry of Health administratively decreased prices of drugs fully or partially covered from public sources, on average by 6.6% as of 1 April 2007 and on average by 7.4% as of 1 July 2008. The official reason in both cases was the strengthening exchange rate of the Slovak koruna against the euro and the US dollar.
- The ministry introduced a degressive profit margin on drugs on 1 January 2008. The margin favoured sales of cheaper drugs and made sales of more expensive drugs less favourable. Since April 2009, the degressive profit margin is replaced with a flat maximum profit margin, equalling 9% of the maximum regulated price of drug. The aim is to improve the access, mainly to expensive drugs. Experts and health insurance companies criticised the measure for causing an increase of expenditures on drugs.
- As from April 2009, the ministry started to compare prices of drugs with prices abroad (benchmarking). Prices in Slovakia must not exceed the average of prices in the six EU Member States with the lowest prices of the given drug. The measure led to wide-ranging decrease of regulated prices of drugs. In 2009, two rounds of price benchmarking (April-October) yielded estimated savings of EUR 60-63 million per year and EUR 95-96 million per year, respectively. A third round has been running since April 2010, with estimated annual savings to be EUR 30 million.

Health care in the long term is perceived by the public as the sector with the **highest incidence of bribing**. According to a survey conducted by Transparency International Slovakia in 2009[21], 57% of respondents think that bribes are existent and widespread in the health sector, while only 2% of respondents think that bribing in health care is non-existent. Local media inform frequently about suspected corruption and clientelism in the health sector.[22] An illustrative case of suspected clientelism, covered practically by all media, was the award of licences for the provision of emergency health services by the Ministry of Health in 2009. Non-transparent criteria allegedly led to the granting of licences to particular companies and/or state-owned health facilities. Another noteworthy case was the purchase of influenza vaccines (H1N1), which were purportedly acquired through persons connected to a coalition party, and, moreover, at inconvenient conditions. Available information (surveys by Transparency International, Focus, Eurostat, media reports) suggests that, while bribing at the level of common people is moderately decreasing, corruption at the highest level (i.e. represented by public tenders) is on the increase.[23]

Quality of health care: The position of the Slovak health care system worsened, according to the 2009 European Health Consumer Index ranking, compiled by the Swedish non-governmental organisation Health Consumer Powerhouse. Slovakia fell from rank 22 to rank 28 in a comparison of 33 European countries. The ranking reflects the assessment of 38 indicators of quality focused on patient rights and information, e-health, waiting time for treatment, outcomes, range and reach of services provided, and drug policy. Slovakia lags behind in e-health penetration and use and scores poorly also in terms of treatment outcomes, equal access to health care and informal payments.[24]

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21 Retrieved from: http://www.transparency.sk/.

22 See media reports:
http://hnonline.sk/slovensko/c1-37600970-nemocnice-nakupuju-draho-cenu-dviha-provizia
http://www.etrend.sk/ekonomika/slovensko/ako-sa-bacuje-za-valentovica/99269.html
http://www.etrend.sk/ekonomika/slovensko/ako-sa-bacuje-na-onkologii/143088.html.

23 Source: http://komentare.sme.sk/c/5219911/trpka-oslava-poklesu-uplatkov-v-zdravotnictve.html.

24 For more details, see:

Health status of the population: Life expectancy of the Slovak population is gradually increasing, yet at a slower pace than in most OECD countries. Slovakia belongs to countries with the highest number of years lost due to deaths that are potentially preventable with timely and effective health care (so-called amenable mortality). The main factors impairing the health status of Slovaks include high tobacco and alcohol consumption and a growing proportion of people with overweight and obesity problems.

Protection of non-smokers: With effect from September 2009, administrators/providers of facilities, in which food is being prepared and served, are obliged to provide construction-wise separate rooms for smokers. If this is not possible, they have to respect a total ban on smoking, which also applies to administrative buildings, theatres, cinemas, fairgrounds, shopping centres, health care facilities, etc.

Overview of important changes and events in health care after 1 January 2009:

- The economic crisis impacted on revenues from health insurance (-0.6% compared with the 2009 plan) and payments by the state on behalf of its policyholders (from 4.9% in 2009 to 4.78% in 2010 of the average wage in the economy reported two years ago).
- The crisis has also exacerbated the financial situation in state-owned health insurance company Vseobecna zdravotna poistovna. The Government approved a financial injection of EUR 65 million and sealed the fusion with smaller and financially untroubled Spolocna zdravotna poistovna. At the same time, private health insurance companies Dovera and Apollo merged. The number of players in the insurance market decreased to three, with a dominant position of state Vseobecna zdravotna poistovna (69% of market share).
- With effect from 1 January 2009, the Government increased the base for calculation of the redistribution sum from 85.5% to 95% of specified insurance premium.
- In November 2009, the European Commission filed an infringement proceeding against Slovakia concerning restrictions on use of profit from health insurance.
- The Government granted financial loans to 25 health care facilities amounting EUR 130 million to enable repayment of debts.
- A system of benchmarking the prices of drugs with prices abroad led to a substantial decrease of prices of regulated drugs and significant savings.
- Since June 2009, exchange cards are no longer requested for repeated visits to specialists, and for visits to psychiatrists and to ophthalmologists for prescription of glasses.
- The Ministry of Health abolished the degressive profit margin on drugs and replaced it with a flat maximum profit margin, equalling 9% of the maximum regulated price of the drug.
- The deadline for the annual clearance of health insurance, which is compulsory for all self-employed persons and parts of the employees (about half million people in total), was moved from 30 June to 31 March (deadline also for income tax return). The annual clearance is considered by entrepreneurs to be the biggest administrative

http://www.healthpowerhouse.com/files/Report%20EHCI%202009%20091005%20final%20with%20cover.pdf.

burden (according to official estimates accounting for more than half of the total administrative burden[25]).

- The minimum assessment base for health and social insurance contributions for self-employed persons is no longer the statutory minimum wage, but 44.2% of the average wage in the economy reported two years ago, since 2010. Due to strong wage growth in 2008, minimum contributions calculated by the new formula have grown more in 2010 than if linked to the minimum wage.
- Latest surveys confirm that health care continues to be perceived by citizens as the sector with the highest incidence of bribing in the society.
- Slovakia's position in the 2009 ranking of the European Health Consumer Index worsened significantly compared to previous years. The main cause is the slow implementation of an e-health system.

The political (and academic) debate in health care focused on two major issues last year: the creation of a duopoly on the insurance market and the "ambulance" tender. The concentration of insurance companies was criticised by parts of the political opposition and a number of independent analysts. The fusion of public insurance companies along with a financial subsidy is perceived as a rescue operation of the unstable Vseobecna zdravotna poistovna. The merging of the two private companies raised questions as to what extent the Government has taken its fight against profits in health insurance earnestly, when approving this merger, which enabled incognisable financial movements.[26] The tender on emergency health services received criticism from the expert public and the opposition for non-transparent evaluation criteria (according to released information, the evaluation committee allotted points based on own consideration, without clearly defined criteria).

The best rated measures from the past year include the new regulation of prices of pharmaceuticals and the introduction of a drug price calculator. The benchmarking of prices has brought sizeable savings for the budget. The drug calculator, available on the website of the Ministry of Health, allows people and professionals to obtain online information on prices of prescription and non-prescription drugs for most diagnoses, and allows a comparison of drugs in a given category.[27]

Health care is an unrewarding topic of political discussion. In the words of a Slovak analyst, health care is "the nightmare of Slovak politics".[28] A review of election campaigns supports the generally accepted rule that health is not a convenient topic for pre-election debates. Most political parties limit their rhetoric on health care to vague and/or general phrases and avoid a discussion about concrete reforms. The unwillingness to talk about health care is partly explained by the experience related to the health care reform of 2002-2006. In spite of favourable circumstances (right-wing coalition with sufficient support in the parliament, reform prepared in cooperation with the World Bank), this reform is perceived negatively by the public since people have

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25 See for example: http://ekonomika.sme.sk/c/5299277/podnikatelov-najviac-zatazuje-rocne-zuctovanie-odvodov.html.

26 For more information, see for example: http://volby.sme.sk/c/5334726/mafstory-slovenskeho-zdravotnictva.html.

27 Retrieved from: http://www.health.gov.sk/liekysetria.

28 Retrieved from: http://komentare.sme.sk/c/5307964/bieda-slovenskej-pravice-volebny-program-sdku.html.

soon experienced negative effects on their pockets. Consequently, the Government suspended further reform steps.

2.3 Long-term care

Long-term care in Slovakia is provided within the framework of **social services**.[29] Until 31 December 2008, social services have been provided pursuant to the Act on Social Assistance to address social distress by way of benefits in kind (non-financial). With effect from 1 January 2009, a new Act on Social Services is in force, which regulates the provision of social services anew. The new organisation of social services ties in with the agenda of decentralisation of municipalities and self-governing regions and the need to adjust competencies and responsibilities in view of key challenges related to accessibility, quality, sustainable financing, and equal opportunities for providers.

The new law on social services defines legal relations in provision of social services, their financing and supervision. The overarching goal is to support social inclusion and satisfy the needs of people in an unfavourable social situation, which is defined as a threat of social exclusion and/or limited ability of a person to socially integrate and independently solve their problems. With respect to long-term care, the reasons for an unfavourable situation, stipulated by legislation, include:

- severe disability and unfavourable health condition,
- reaching of retirement age,
- care of a physical person with disability.

Social services addressing the above situations differ in type and form. The main set of services by type comprises:

- provision of social service in a facility for persons, who are dependent on assistance provided by another physical person, and for persons who reached retirement age (facilities of supported habitation/accommodation, facilities for senior citizens, facilities of care service, rehabilitation centres, homes of social services, etc.),
- care service,
- transport service,
- guidance and read-out service,
- interpretive service and mediation of interpreting,
- mediation of personal assistance,
- lending of aids,
- supportive services.

Services are provided in outpatient form, residential form, fieldwork and other forms adjusted to the situation and environment of the person. Recipients of a service (clients) are obliged to pay for the service in the sum specified by the provider (in case of a public facility only up to the level of economically justified costs). Public care services

[29] Long-term care is not defined in the Slovak legislation.

are substantially subsidised through local and regional budgets (transferred revenues from the state budget). The new law made important progress in enabling health-related services in care provision to be co-financed from public health insurance funds.

The legislation distinguishes between public and private (officially called non-public) providers of social services. One of the goals of the new law was to tackle the unequal position of public and private providers in terms of access to public funds, possibilities to provide certain services, etc. The approved norm failed to correct the unfavourable position of private providers. Provisions of the law stipulate that an applicant for social services has to be satisfied in first place by means of services (facilities) falling under the competence of the municipality or self-governing region (or by another public provider, in case the aforementioned facilities cannot provide the service). The municipality or region will arrange service with a private provider only, when the capacities of public providers are full. In practice, this means that a retired senior citizen or a disabled person dependent on care may not freely decide upon a provider of their choice.

Although most of the public facilities have limited and/or no vacancies, municipalities are hesitant to use non-public providers, because they have to refund part of their expenses for care (which is not an issue in the case of public providers). Also, when applicants agree with a private facility beforehand, they and/or the provider lose the entitlement to the financial subsidy. According to the representatives of non-state facilities, this results in a situation where thousands of people are on waiting lists and the existence of private and church homes is threatened due to a lack of clients.[30]

Non-governmental organisations and the political opposition criticised the law for discriminating private care providers and for hindering citizens to freely choose a provider. Following a number of complaints voiced by private and church providers and civil society organisations, the Government approved an amendment to the law in December 2009, with the aim to remove several imperfections. Representatives of non-state providers have not been fully content with the draft changes, yet they were counting on amendments pushed through by MPs. However, the draft amendment did not even enter the parliament as the Government decided to withdraw the law from the legislative procedure. The Ministry of Labour, Social Affairs and Family stated that the reason was *"that negotiations in the parliament could lead to amendatory proposals by MPs, which would substantially change the submitted governmental draft law"*, referring to the intention of the chairman of the parliamentary social committee from junior coalition party HZDS to put forward the enactment of a free choice of social service providers and the equalisation of their financing.[31] To compensate for the revoked amendment, the Government decided in March 2010 to allocate to municipalities EUR 7.2 million extra for 64 public social care facilities and EUR 6.4 million to self-governing regions to co-finance 325 non-public providers founded after 1 July 2002.[32] The Association of Providers of Social Services, individual care institutions and opposition parties consider the withdrawal of the law an unfortunate step,

[30] Source: http://ekonomika.sme.sk/c/5276692/tomanova-z-parlamentu-stiahla-novelu-zakona-o-socialnych-sluzbach.html.

[31] See, for example: http://hnonline.sk/ekonomika/c1-41034550-tomanova-stiahne-zakon-o-socialnych-sluzbach-ak-pojde-proti-obcanovi or http://ekonomika.sme.sk/c/5270712/poskytovatelia-sluzieb-su-nespokojni-so-stiahnutim-zakona.html.

[32] Retrieved from: http://www.rokovania.sk/appl/material.nsf/0/DF2532F8E6160DA5C12576F000450BB3?OpenDocument.

postponing problem-solving to the next government and threatening the operation of many non-public providers.

Civil society representatives, who are active in social care, point to many shortcomings of the system. One of the main failures is lack of individual choice. Many reserves can be found also in the quality of human resources, typically manifested in a disrespectful behaviour of personnel towards clients. Another issue is the isolation of many facilities and, thus, also of their clients from the broader community and society.[33] Last but not least, long-term care has always been on the margins of interest of policy makers, in spite of the obviously growing demand driven by demographic and health-related trends. The crucial policy problem seems to be the reluctance to undertake a reform of financing of care, which would equalise conditions for all providers. In other words, providers engaged in services of public interest should have equal access to co-financing from public funds. Such a reform will certainly run against interests of large public facilities with strong positions in the regions, which would face necessary restructuring.

A survey carried out among the senior population in 2009 shows that elderly citizens consider the access to social services as a serious problem. The majority of respondents think that social services in their municipality are insufficient and believe that the situation has worsened with the new regulation in 2009. Almost 90% of respondents consider the current legislation as bad or very bad. Pensioners would prefer to stay at home as long as possible, but require care assistance. Lack of finances, both in personal and municipal budgets, is seen as a major barrier. Assistance from family and relatives is often needed to finance services. Another problem is the shortage of qualified care-givers, who, after gaining required qualification and experience, leave the country for higher pay abroad.[34]

Existing social services are represented mainly by classic types of facilities (pensioner homes, homes for disabled persons) inherited from the past, while new and innovative forms of services (social fieldwork, community and outpatient services, home care, etc.) are underdeveloped.[35]

Decentralisation of powers in 2004 changed the **provider structure**, when facilities falling under central administration were transferred to self-governments. The latest consolidated statistics on social services are from 2007. As of 31 December 2007, a total of 678 facilities of social services were in operation, of which 162 were founded by municipalities (24%) and 281 by self-governing regions (41%), while private providers (legal entities: 148 entities, physical persons: 20 entities, church: 67 entities) operated 35% of facilities. With respect to long-term care for the adult and elderly population, pensioner homes were the most numerous (206 facilities), followed by homes of social services for adults with multiple disabilities (110 entities), and facilities of care services (88 entities). Out of the total number of 33,886 clients, 21,346 were of retirement age (63%) and 24,573 in a health disabling condition (73%); 58% of clients were women (in retirement homes women accounted for 68%). A specific survey on non-public

[33] See, for example: http://www.sme.sk/c/4938782/wolekova-seniori-tu-neboli-nikdy-prioritou.html.

[34] Press release of the Forum for the Aged and the Slovak National Centre of Human Rights, 23 April 2010. The survey will be submitted to the Ministry of Labour and the government. See also: http://spravy.pravda.sk/starsi-ludia-nemaju-pristup-k-socialnym-sluzbam-tvrdi-prieskum-p8g-/sk_domace.asp?c=A100423_151651_sk_domace_p23 and http://hnonline.sk/ekonomika/c1-42867080-starsi-ludia-rovnaky-pristup-k-sluzbam.

[35] Wolekova – Petijova (2007).

providers of social services and their recipients shows that as of 31 December 2008, 416 subjects provided services for 42,896 persons. Most of the providers were non-profit organisations and civic associations, organising institutional social services, care services and joint meals.[36]

The network of care facilities is more or less equally distributed across the regions. Professionals are of the opinion that the highest demand for care services is visible in regions with strong economic development. The higher labour market participation of the economically active population in these regions does not allow many persons to stay at home and take care of relatives; they rather pay for professional care. On the other hand, in regions with high unemployment rates home care helps to tackle unemployment and inactivity.[37]

There is scarce knowledge of the quality of services provided. Available information suggests that higher quality is delivered by private care providers, due to more vital incentives, knowledge and transfer of new trends, involvement in international partnerships, etc.[38]

3 Impact of the Financial and Economic Crisis on Social Protection

After years of extraordinary growth (10.4% in 2007 and 6.4% in 2008), the Slovak economy witnessed a serious recession in 2009 with GDP falling by 4.7%[39], year-on-year. The global economic downturn resulted in a collapse in foreign demand, which was decisive for the small, export-oriented economy.[40] At the same time, consequent unemployment growth and a deceleration in wage dynamics negatively impacted on domestic demand. Partly contributing to the steep fall was also the adoption of the euro on 1 January 2009, at a strong conversion rate in combination with the weakening currencies in neighbouring countries (this effect was only of temporary character).

A slowdown in the recession arrived in the second half of 2009, when GDP growth reached -2.6% in 4Q2009, after -5.5% in the second and -4.9% in the third quarter. Forecasts for 2010 see the economy growing at around 3%, mainly due to the low 2009 base.[41] While macroeconomic data suggest that the economy has already bottomed out, the situation in the labour market remains fragile. It is obvious that it will take more time for the labour market to recover from the crisis than just a couple of months of positive year-on-year economic growth. In fact, LFS data came in with truly depressing results in 4Q2009. The number of employed decreased by 5.5% year-on-year, and the

[36] Report on the social situation of the population of Slovakia in 2008 http://www.rokovania.sk/appl/material.nsf/0/CB117CC7E4ED6F79C12575CA0033A23F?OpenDocument.

[37] Source: http://www.sme.sk/c/4938782/wolekova-seniori-tu-neboli-nikdy-prioritou.html.

[38] Wolekova – Petijova (2007).

[39] Preliminary data, Statistical Office of the SR.

[40] An important part of production in Slovakia is oriented on luxury goods (e.g. cars in the higher segment), which have suffered the relatively greatest drop in demand.

[41] Forecasts by the Ministry of Finance and the National Bank of Slovakia see the economy growing by 2.8% and 3.1% in 2010, respectively. However, further revisions are possible in view of the uncertain signals from the main trade partners.

unemployment rate climbed to 13.9% after 12.5% in 3Q2009, which is a year-on-year increase by a huge 5.2%, i.e. 140,000 persons. Furthermore, after periods of decreasing long-term unemployment (12+ months), a distinct increase could be observed in the second half of 2009. The shift to longer unemployment spells entails obvious implications for social inclusion and social protection policies, as there is a growing army of unemployed who lose eligibility to unemployment support (after 6 months of provision) and end up with a significantly lower income support from the social assistance scheme.

The latest data from the Central Labour Office indicate some improvement, as the headline unemployment rate in March 2010 recorded a slight month-on-month improvement (12.9% after 13.0% in February and 12.9% in January). Behind the figures lies most likely a stronger than expected improvement in industrial production, which could, in conjunction with new foreign direct investments (FDI)-driven production and commenced PPP infrastructure projects, translate into an earlier stabilisation in the labour market than generally expected by market and government institutions (with unemployment expected to peak in mid 2010).

Table 11: Main economic and labour market indicators in the light of the crisis

Indicator	**2007**	**2008**	**2009***	**2010****
Real GDP growth (%)	10.4	6.4	-4.7	2.8
Public finance deficit (as % of GDP)	-1.9	-2.2	-6.8	-5.5
Unemployment (%)	11.0	9.6	12.1	12.9
Real wage growth (%)	4.3	3.3	0.5	-0.5

Notes: * preliminary data, ** forecast
Source: Statistical Office of the SR, Ministry of Finance of the SR

Logically, the recession has a negative impact on tax and social contribution revenues. The shortfall in public finances mounted to -6.8% of GDP in 2009 and is projected to decrease only moderately to -5.5% of GDP in 2010.[42] According to calculations released by the institute INEKO, the deficit in the Social Insurance Agency has deepened as a result of the economic crisis, from 1.5% of GDP in 2008 to 2.3% of GDP in 2009, and is expected to rise to 2.5% in GDP terms in 2010 (out of which the annual effect of the second pillar is 1.2% of GDP, see also Graph 1 in chapter 2).

In May 2009, SIA director Munko informed the media about the worsening financial situation, which allegedly could result in a halt in the disbursement of pensions in autumn 2009, provided no financial aid from the state arrived. The Government subsequently approved a revision of SIA's budget, increasing the subsidy from the reserve allocated for covering transitional costs by EUR 370 million above the initial fiscal plan. The reserve from privatisation revenues, which SIA used every year to finance transitional costs, was expended in early 2010. Since then, the entire deficit in the Social Insurance Agency has been financed directly from the state budget.

[42] According to the Stability Programme for 2009-2012, the public administration deficit should decrease to comply with the 3% of GDP threshold in 2012, and a balanced budget is envisaged as from 2015.

Table 12: Social Insurance Agency revenues in 2009 (thousand EUR)

	Plan	**Reality**	**Difference** (2-1)	**%** (2/1)
	1	2	3	4
Total revenues	5,637,038	5,401,673	-235,365	95.82
of which:				
Collected premium from economically active population	4,546,341	3,992,028	-554,313	87.81
Premium paid by the state on behalf of state policyholders	174,756	170,046	-4,710	97.30
Return of savers from the 2nd to the 1st pillar	231,494	108,778	-122,716	46.99
State transfers (including privatisation reserve)	514,717	884,044	369,327	171.75

Source: Draft closing balance of the Social Insurance Agency for 2009[43]

The table shows that contributions paid by the economically active decreased by 12% against the 2009 plan. The reasons behind the decline are obvious: many companies, initially in industrial sectors and later also in construction and some service sectors, ran into sales and insolvency problems, as a result of the collapsing demand. Redundancies were one of the negative effects. In a year-on-year comparison, SIA reported a decrease of registered social security payers by 11.5% in main jobs and almost 30% in subsidiary jobs.[44] An important reason for the shortfall in public pensions was the lower-than-estimated number of persons who used the temporary opportunity to leave the private pillar and return to a single pillar scheme (66,000 against projected 150,000, 15,000 new savers joined – see also chapter 2).

Pension funds in the second pillar have been seriously affected by the crisis, yet legislative measures restricting riskier (mainly stock) investments have also significantly influenced their performance. For the entire period since the launch of the second pillar until 19 March 2010, growth funds attained returns at 5.12%, balanced funds at 7.37% and conservative funds at 16.16%. However, since 1 January 2008 and the evident fall on equity markets, growth funds are losing 6.43%, balanced funds 4.1%, and only conservative funds recorded positive returns of 4.8%. Given that the sell-out of stock investments took place in the first half of 2009, growth funds and balanced funds have not profited from the later growth on equity markets. After the sell-out of shares as well as of some riskier bond investments, the structure of assets in the particular funds has practically harmonised. This had a clear impact on yields in the three types of funds, which have been roughly the same since 1 July 2009.

[43] Retrieved from: http://www.rokovania.sk/appl/material.nsf/0/45243D0E3F11BD8BC12577060031A3F0?OpenDocument.

[44] Source: http://www.rokovania.sk/appl/material.nsf/0/D1A684F52F86D3E9C12576D60039CA80?OpenDocument.

Table 13: Gross nominal returns in the second pillar (weighted averages, not adjusted for fees and inflation)

	23 March 2005 – 19 March 2010	**1 January 2008 – 19 March 2010**	**1 January 2009 – 19 March 2010**	**1 July 2009 – 19 March 2010**
Growth funds	5.12%	-6.43%	1.07%	1.13%
Balanced funds	7.37%	-4.10%	1.18%	1.25%
Conservative funds	16.16%	+4.80%	1.93%	1.28%

Source: Association of pension funds management companies

The global financial crisis also took its toll on returns in the third pillar. After a slump in most funds in 2008 (nominal returns adjusted for fees ranged from -20.9% to +2.9%), an average growth by 4% could be attained in 2009 (final data for individual funds have not been published yet).

According to information released by the Health Care Surveillance Office on 15 February 2010, despite the crisis, health insurance companies recorded a year-on-year increase in revenues by 4.6% in 2009 (2.6% when adjusted by the EUR 65 million subsidy to Vseobecna zdravotna poistovna). In comparison with the 2009 plan, actual revenues were lower by approximately 0.6% (i.e. EUR 20 million). The negative effects of the crisis have been significantly mitigated by increased payments of the state on behalf of its policyholders, when the rate was lifted from 4.5% to 4.9% of the average wage in the economy reported two years ago.

Table 14: Revenues of health insurance companies in 2009 (in EUR bn)

	2008 (Actual revenues)	**2009 (Plan)**	**2009 (Actual revenues)**	**2009 (Actual revenues minus subsidy to VsZP**
Total revenues	3.276	3.382	3.427	3.362

Source: Health Care Surveillance Office

In January 2010, the non-governmental Health Policy Institute estimated a shortfall in 2009 health insurance revenues, caused by the crisis, of EUR 350 million, i.e. an increase of revenues should decelerate to 2.2%-2.6% in 2009, after 12.5% in 2008. The slowdown in revenues also impacted on the purchasing policy of insurance companies.[45]

In February 2010, the three health insurance companies estimated that the state underpaid by EUR 44 million on behalf of state policyholders in 2009. The main cause is a higher than expected growth in the number of unemployed, whose health insurance is covered from the state budget. Insurance companies also informed about worsened payment discipline and a growing number of premium dodgers, mainly in the ranks of self-employed persons. Private health insurance companies tend to proceed with austerity measures, i.e. they do not envisage a flat increase of payments to health facilities.[46]

[45] For more details see: http://www.hpi.sk/hpi/sk/view/3774/hodnotenie-zdravotnej-politiky-2009.html.
[46] Source: http://ekonomika.sme.sk/c/5220456/zdravotne-poistovne-chcu-od-statu-miliony.html.

Self-governments have suffered severely from decreased tax revenues. Thus, the financing of several policies in charge is threatened, including primary and secondary education, social services, etc.

The Government initiated the adoption of three anti-crisis packages since November 2008 and approved, implemented and/or proposed a number of additional measures in response to the economic crisis. The recovery agenda altogether counts more than 60 measures to date, with a fiscal impact of approximately 1% of GDP. A plain, all-embracing evaluation of the measures and their coherence with long-term (structural) reforms is not possible, as the packages include both useful and wasteful measures.

The biggest part of the recovery budget is allocated to support labour market revitalisation (about 0.5% of GDP). A specific employment recovery package was approved in February 2009 with effect from 1 March to 31 December 2010 (see the asisp 2009 Annual National Report). Additional temporary measures in support of employment entered into force on 1 March 2010 (e.g., introduction of a new contribution in support of regional and local employment, temporary until 31 December 2011). The protracted discussion about a revision of the unemployment support scheme resulted in the approval of a minor change. As from September 2010, eligibility conditions for unemployment support will be partially relaxed (2 years of unemployment insurance in the last 3 years, instead of currently applied 3 years insurance in the last 4 years, will be required). In view of the late coming into effect, the measure will fail to reach most individuals and households affected by the crisis. In general, the employment recovery policies have benefited mainly incumbent workers and their employers (at a relatively high risk of subsidising jobs, which would be maintained even without support), but have brought no more than a marginal alleviation for those who lost jobs due to the crisis.

Not many reforms have been implemented to support income of persons affected by the downturn. The non-taxable part of the income tax and the employee tax bonus have been increased, yet the benefits from these measures will appear only in 2010. The measures are expected to increase the net income of low-and-middle-income households and strengthen incentives, particularly for lower-income workers to remain in employment and for unemployed to find work.

The Government stated in March 2010 that adopted measures have fulfilled and continue to fulfil their main objective, namely to partially eliminate the negative impacts of the crisis. No additional recovery measures are planned, but continued support will be directed to policies which have proven to be most effective. Priorities for the forthcoming period include infrastructure development and investments to small and medium entrepreneurship. The focus has to shift to structural policies, as stated in an assessment report approved by the Government, to ensure fiscal consolidation and revitalise sustainable economic growth.[47]

The measures adopted in social protection (pensions, health and long-term care), directly or indirectly in response to the crisis, are not part of the official recovery packages, but rather stand-alone policies. As most of the measures have already been discussed in chapter 2, the following is a brief summary:

[47] Retrieved from: http://www.rokovania.sk/appl/material.nsf/0/255D1922E9F17062C12576DC004982E6?OpenDocument.

Pensions

- opening of the funded pillar for 7.5 months from November 2008 to June 2009 to enable people to return to a single PAYG scheme;
- changes in the administration of pension funds, reduced fees, stipulation of a six-month balancing period and obligation of pension funds to cover potential negative returns;
- tightening of rating requirements on stock investments;
- EUR 370 million in subsidy to the Social Insurance Agency to cover the growing deficit.

Health care

- EUR 65 million in subsidy to financially troubled public insurance company Vseobecna zdravotna poistovna;
- approval of the fusions of two public and two private health insurance companies;
- increased payments by the state on behalf of its policyholders in 2009.

Long-term care

- EUR 13.7 million in subsidy to public and private providers of social services for the compensation of costs, of which EUR 6.4 million will be allocated to higher territorial units (regions) to finance non-public providers, and EUR 7.26 million will be granted to municipalities and towns to finance their facilities.

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4 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] OECD, Economic Survey of the Slovak Republic 2009, 9 February 2009, Paris, retrieved from:
http://www.oecd.org/document/27/0,3343,en_2649_34111_42072475_1_1_1_1,00.html

Abstract: To ensure long-term sustainability of public finances, the OECD recommends Slovakia not to dilute the substantial improvements in the long-term balance of the defined-benefit pillar associated with past pension reforms. The Government should consider making participation in the defined-contribution pillar mandatory for new labour market entrants or, at the very least, make it the default option. For current workers the pillars should remain closed. Moreover, further parametric changes such as increasing the retirement age in line with life expectancy gains and reducing unsustainable elements in the pension formula would improve the balance of the defined-benefit pillar.

[R; H] BUSINESS ALLIANCE OF SLOVAKIA, Zjednodusenie odvodoveho systemu: 25-10-3, May 2009, Bratislava, retrieved from:
http://www.alianciapas.sk/menu_projekty_zjednodusenie_odvodoveho_systemu_2009_analyza.pdf
"Simplification of the System of Social Contributions: 25-10-3"

Abstract: The study focuses on changes which would primarily simplify the complex system of social contributions, rather than decrease the financial burden. They propose the merging of six different contributions into a single 25% of labour costs payment, a 10% payment for health insurance and a unified maximum assessment base at 3-times the average wage. Unemployment insurance should become voluntary, as it is the case for tradesmen.

[R; L] MINISTRY OF LABOUR, SOCIAL AFFAIRS AND FAMILY OF THE SR, Sprava o socialnej situacii obyvatelstva SR v roku 2008, July 2009, Bratislava, retrieved from:
http://www.rokovania.sk/appl/material.nsf/0/CB117CC7E4ED6F79C12575CA0033A23F?OpenDocument
"Report on the Social Situation of the Population of the SR in 2008"

Abstract: The report focuses on the status quo and trends in socioeconomic indicators. It includes an overview of labour market developments, wages, active labour market measures, and specific attention is given to policy changes and performance in social protection policies. It also includes results of surveys and research projects carried out by the Institute for Labour and Family Research in 2008.

[R; H; L] SLOVAK ACADEMY OF SCIENCES, Strategia rozvoja slovenskej spolocnosti, March 2010, Bratislava, retrieved from:
http://www.rokovania.sk/appl/material.nsf/0/FF9805D37612257FC12576E100444956?OpenDocument
"Development Strategy of the Slovak Society"

Abstract: The strategy connects to a Long-Term Vision of the Development of the Slovak Society, approved by the Government in 2008. The strategy outlines the development scenarios in practically all domains of the society until 2020, with an academic approach. It also deals with the challenges of health care and the pension system with regard to the overarching goals of social cohesion and solidarity. Strategic goals in health care include the recognition of health as the fundamental value and social priority and the striving for increased longevity by way of addressing the key health risk factors.

[R4] KOSTOLNA, Zuzana, Podpora zamestnavania starsich osob, 2009, Institute for Labour and Family Research, Bratislava, retrieved from:
http://www.sspr.gov.sk/texty/File/vyskum/2009/Kostolna/Kostolna.pdf
"Support to Employment of Elderly Persons"

Abstract: The study examines the position of elderly workers on the labour market. With the use of available statistics, changes in the participation of senior workers since 2003 are discussed. An overview of measures applied in some EU countries in support of active ageing is included.

[H] Health

[H] HEALTH CONSUMER POWERHOUSE, Euro Health Consumer Index 2009, 2009, Stockholm – Brussels, retrieved from:
http://www.healthpowerhouse.com/files/Report%20EHCI%202009%20091005%20final%20with%20cover.pdf

Abstract: The 5th annual edition of the Euro Health Consumer Index offers a user-focused, performance-related comparison of 33 national health care systems, which are ranked based on the assessment of 38 indicators of quality, covering patient rights and information, e-health, waiting time for treatment, outcomes, range and reach of services provided, and drug policy. The position of the Slovak health system worsened in a year-on-year comparison, mainly due to deficiencies in e-health, treatment outcomes and equal access to care.

[L] Long-term care

[L] REPKOVA, Kvetoslava, Podpora neformalne opatrujucich osob - vyskumne odporucania pre socialno-politicku prax: Financovanie dlhodobej starostlivosti vo verejnej mienke, 2010, Institute for Labour and Family Research, Bratislava, retrieved from:
http://www.sspr.gov.sk/texty/File/vyskum/2010/Repkova/Vyskumna%20sprava.pdf
"Support of Informal Carers – Research Based Recommendations for Social Policy Practice: Financing of Long-Term Care in View of the Public"

Abstract: The report is the final part of a 3-year research project aimed at support to informal carers. The paper analyses results of a public opinion poll focused on financing of long-term care for dependent persons and the possibilities to support informal carers in their return to the labour market, by way of improved access to social services for dependent persons.

[L] BEDNARIK, Rastislav, Monitoring implementacie zakona c. 448/2008 Z.z. o socialnych sluzbach v obciach a vyssich uzemnych celkoch: Suhrn za rok 2009, 2010, Institute for Labour and Family Research, Bratislava, retrieved from:
http://www.sspr.gov.sk/texty/File/vyskum/2010/Bednarik/Monitoring-2009.pdf
"Monitoring the Implementation of the Act No. 448/2008 Coll. on Social Services in Municipalities and Higher Territorial Units: 2009 Summary"

Abstract: The report monitors the effects of the new law on social services, in effect since 1 January 2009, in view of the new responsibilities and powers of municipalities and self-government regions.

5 List of important Institutions

Vlada Slovenskej republiky – Government of the Slovak Republic
Address: Urad vlady SR, Namestie slobody 1, 813 70 Bratislava
Webpage: http://www.government.gov.sk/, http://www.rokovania.sk/
The Government is the top executive body in the country.

Narodna rada Slovenskej republiky – National Council of the Slovak Republic
Address: Namestie Alexandra Dubceka 1, 812 80 Bratislava
Webpage: http://www.nrsr.sk/
The National Council of the Slovak Republic (i.e. parliament) is the sole constitutional and legislative body of the Slovak Republic.

Ministerstvo prace, socialnych veci a rodiny Slovenskej republiky – Ministry of Labour, Social Affairs and Family of the Slovak Republic
Address: Spitalska 4-6, 816 43 Bratislava
Webpage: http://www.employment.gov.sk/
The ministry is the main executive body competent in the fields of employment and labour market policy, collective bargaining, wage and remuneration, social security, social and legal protection of children and youth, and family policy.

Socialna poistovna – Social Insurance Agency
Address: Ul. 29. augusta 8–10, 813 63 Bratislava
Webpage: http://www.socpoist.sk/
The Social Insurance Agency is a public institution administering social insurance (sickness insurance, pension insurance – old-age and disability insurance, accident insurance, guarantee insurance and unemployment insurance), with competences also in the field of old-age pension saving (collection of contributions, transfer of contributions to pension management companies, registration of pension saving contracts).

Asociacia dochodkovych spravcovskych spolocnosti – Association of Pension Fund Management Companies
Address: Bajkalska 30, P.O.Box 86, 820 05 Bratislava
Webpage: http://www.adss.sk/
The association is an interest group established by pension management companies to protect and enforce common interests of pension management companies, mainly in the sphere of legislation.

Asociacia doplnkovych dochodcovskych spolocnosti – Association of Supplementary Pension Companies
Address: Trnavska cesta 50/B, 821 02 Bratislava 29
Webpage: http://www.adds.sk/
The association is a voluntary association of legal entities (currently four supplementary pension companies), which pursues common interests of members and beneficiaries of supplementary pension saving.

Ustredie prace, socialnych veci a rodiny – Central Office of Labour, Social Affairs and Family (subordinated to the Ministry of Labour, Social Affairs and Family of the Slovak Republic)

Address: Spitalska ulica 8, 812 67 Bratislava
Webpage: http://www.upsvar.sk/

The Central Office of Labour, Social Affairs and Family is a public institution responsible for the administration of employment services (registry of job seekers, job vacancies, provision of employment services) and social affairs (state social allowances, social assistance, consultancy services, social and legal protection of children and custody). Policies are implemented by a network of 46 territorial offices.

Narodna banka Slovenska – National Bank of Slovakia

Address: Imricha Karvasa 1, 813 25 Bratislava
Webpage: http://www.nbs.sk/

The National Bank of Slovakia is the central bank of Slovakia and a member of the Eurosystem. The NBS, together with other central banks and the European Central Bank, participates in activities covering monetary development and economic growth in the euro area. The other important function of the NBS is supervision of the financial market, including the operation of pension management companies.

Ministerstvo zdravotnictva Slovenskej republiky – Ministry of Health of the Slovak Republic

Address: Limbova 2, P.O.BOX 52, 837 52 Bratislava
Webpage: http://www.health.gov.sk/

The Ministry of Health is the central body of state administration in the field of health care, health protection, health education, and natural curative sources.

Zdruzenie zdravotnych poistovni Slovenskej republiky – Association of Health Insurance Companies of the Slovak Republic

Address: Kominarska 2-4, 831 04 Bratislava
Webpage: http://www.zzp-sr.sk/

The association is an independent agency with the membership of all health insurance companies. The main objective is to advocate the interests of health insurance companies in the framework of the Slovak health care sector and health policy. The association promotes a continuous improvement of quality of health insurance.

Institut pre vyskum prace a rodiny – Institute for Labour and Family Research

Address: Zupne namestie 5-6, 812 41 Bratislava
Webpage: http://www.sspr.gov.sk/

The public contributory organisation is subordinated to the Ministry of Labour, Social Affairs and Family. It focuses mainly on sociological studies in the field of social and family policy, labour market and employment policy, industrial relations and working conditions, and occupational health and safety. The newest research agenda also covers social protection. Outputs are used primarily by the founder (Ministry of Labour) in creation of laws, concepts, strategies, etc.

Dokumentacne a informacne stredisko socialnej ochrany – Documentation and Information Centre for Social Protection (operated by the Institute for Labour and Family Research

Address: Zupne namestie 5-6, 812 41 Bratislava
Webpage: http://disso.sspr.gov.sk/

The centre was established under the auspices of the EU Consensus Programme and is administered by the Institute for Labour and Family Research as an independent, non-political centre. The main objective of the centre is to collect and disseminate information on social security and social protection at the local, European and international levels and to create a contact point for a wide network of organisations and institutions active in the social sphere.

Statisticky urad Slovenskej republiky – Statistical Office of the Slovak Republic

Address: Mileticova 3, 824 67 Bratislava
Webpage: http://www.statistics.sk/

The central state administration body responsible for the state statistical system.

Infostat - Institut informatiky a statistiky – Infostat - Institute of Informatics and Statistics

Address: Dubravska cesta 3, 845 24 Bratislava
Webpage: http://www.infostat.sk/

Infostat is a research and development organisation established and partially subsidised by the Statistical Office of the Slovak Republic. In accordance with its foundation charter, the main mission of Infostat is to support the development of the national statistical system and its integration into the European Statistical System by solving relevant research, methodological and development tasks. Parts of the activities are carried out on commercial basis.

HPI – Health Policy Institute

Address: Hviezdoslavovo namestie 14, 811 02 Bratislava
Webpage: http://www.hpi.sk/

HPI is a non-governmental organisation specialised in health care policy. In accordance with its mission, HPI advocates such operation of health care systems which promote the responsibility of the patient, responsibility of the provider and responsibility of the health care purchaser.

Socia – nadacia na podporu socialnych zmien – Socia Foundation (non-governmental organisation)

Webpage: http://www.socia.sk/

The Socia Foundation is a non-profit organisation administering grant programmes and funds aimed at the development of social services and the support of disadvantaged groups of citizens. Socia also carries out own projects on national an international level. The main areas of interest include social services and prevention and counselling for disadvantaged people.

INEKO – Institut pre ekonomicke a socialne reformy – INEKO – Institute for Economic and Social Reforms

Webpage: http://www.ineko.sk/

The INEKO Institute is a non-governmental non-profit organisation established in support of economic and social reforms which aim to remove barriers to the long-term

positive development of the Slovak economy and society. Besides general economic and social issues, INEKO activities also cover reforms in the health care and education sectors.

INESS – Institut ekonomickych a spolocenskych analyz – INESS – Institute of Economic and Social Studies

Address: Hviezdoslavovo namestie 17, 811 02 Bratislava
Webpage: http://www.iness.sk/

INESS is a non-governmental non-profit organisation focused on monitoring the functioning and financing of the public sector, effects of legislative changes on the economy and society and comments on current economic and social issues. Priority areas include taxation and contributions to the state budget, the public health care system, monetary policy, EU membership issues, government regulation and property rights.

Asociacia poskytovatelov socialnych sluzieb – Association of Providers of Social Services

Address: Cachticka 17, 831 06 Bratislava
Webpage: http://www.apssvsr.org/

The Association of Providers of Social Services is an independent professional association of legal and physical entities providing social services. The objective of the association is to assist members in the provision of quality services for the client.

Forum pre pomoc starsim – Forum to Help the Aged

Address: Kukucinova 5, 971 01 Prievidza
Webpage: http://www.forumseniorov.sk/

The Forum is a civic association of physical and legal entities providing care, assistance and services to elderly people with the aim to protect their rights, pursue their interests and assist in the satisfaction of their needs.

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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