# Annual National Report 2009

# 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 an overview of relevant publications and key institutions.

The three tier pension system in Slovakia exists since 2005, when a mandatory funded scheme was introduced. The system since then underwent several revisions, which aimed to improve the worsening financial situation in the pay-as-you-go pillar caused by higher than expected transition costs and uncompleted reforms in the public pension scheme. Measures adopted and put into practice during the previous year by the Government had an ultimate objective – to alleviate the financial pressure in public pensions. Most of the measures, though, brought only short-term relief and did not create fundamentals for long-term stability in the pension system, as they built largely on a weakening of the private tier. Such steps included mainly the increase in the mandatory minimum saving period from 10 to 15 years and a temporary opening of the funded scheme, allowing savers to return to a one-pillar pension insurance scheme. In spite of some useful changes, the public pension scheme is due for systemic reforms. Demographic trends call for an increase in the retirement age, a reassessment of indexation rules, an adequate solidarity-meritoriousness mix, and reformed social security contributions. Investment rules in the second pillar have been tightened as well as has been the administration of pension funds.

The health care sector underwent a wide-ranging reform in 2003-2004, resting on introduction of market principles and competitiveness in health insurance and health care provision. Policies implemented after 2006 have for the most part negated the previous reforms, strengthened regulation in the sector and promoted the position of public actors in health insurance and provision of care. The Government undertook several steps to curb the excessive drug expenditures. High economic growth has helped to decelerate accumulation of debt in the health system in 2008, but the fading prospects warn of another debt increase on the back of the economic downturn and unreformed state-controlled providers and insurance companies. In view of the ageing population it will be vital to pursue reforms leading to reduced scope of mandatory health insurance and a strengthened role of voluntary private insurance. Restoration of market principles in health insurance and a more efficient management of hospitals could help to tackle the persisting financial problems.

The main issue in long-term care in the previous year was the adoption of long-awaited legislation on social services. The new law brought order into the categorisation of social services, stipulated new organisation of relationships between care providers and recipients and introduced new financing mechanisms. In spite of the improvements, serious defects remain in the legislation which require a revision of the law.

Social protection systems are not preserved from the impacts of the global crisis. The up-to-now initiatives of the Government and of other stakeholders focus mainly on employment support and revitalisation of demand. Only few measures have been taken so far to mitigate the negative effects of the crisis in the pension and health sectors. The deteriorating financial situation mainly in the public pension and health systems calls for urgent action.

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

## 2.1 Pensions

**The pension system** in its current form is in operation since 1 January 2005, when a private old-age pension scheme was introduced. The launch of private pension accounts concluded a wide-ranging reform of the pension system in 2004-2005, which included also substantial amendments to pension insurance and supplementary pension saving. The Slovak system comprises now three pillars:

**(i) Mandatory public pension insurance scheme** *(defined benefits).* The pay-as-you-go (PAYG) system is administered by the public 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

SIA runs also the disability pension fund, where economically active contribute with 6% of their gross wage. The maximum assessment base for contributions to the first (and also second) pillar is set at four times of the average gross wage in the economy. 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 the income tax. In 2007, SIA disbursed EUR 4.4 billion on disability, old-age and survivor pensions (i.e. 7.1% 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. majority of economically active population) were granted an 18-months period from 1 January 2005 to 30 June 2006 to decide whether to join or not the second pillar and redirect part of contributions (9% of the gross wage) to personal accounts. More than 1.5 million citizens joined the second pillar, i.e. almost 60% of the economically active population. Old-age pension saving is freed from the income tax. The minimum period of saving is set at 15 years; first retirement pensions from the second pillar will be thus paid out in 2020. Assets in the private scheme totalled EUR 2.3 billion as at end of 2008, i.e. 3.5% of GDP.

**(iii) Voluntary private supplementary pension scheme** *(defined contributions).* The funded system is in operation since 1996 and is currently governed by five private supplementary pension companies. Participation is with 860 thousand citizens at around 34% of the economically active population. 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 apply also 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 EUR 0.9 billion as at end of 2008 (1.4% of GDP).

[1] A revision of pension laws, in effect since 1 January 2008 (see also discussion on reforms), changed the mandatory character of old-age pension saving practically to voluntary participation, as it grants entrants to the social security scheme a six months period during which they may decide to join the second pillar.

Certain 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, an average retirement pension of a soldier was EUR 601 as at end of 2006, which is 2.2 times of an average retirement pension paid by SIA.

**Statutory retirement age** is set at 62 years equally for men and women. Until 2004, 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 stipulated a transitional period for men who reach age 60 in 2004-2005 and a 6-11 years transitional period for women who reach age 53-57 during 2004-2009(2014), depending on the number of children raised, during which their retirement age is being gradually increased. In 2009, women retire at age 57.5 to 61.5 years.

At present, there are roughly four people aged 18-61 years per one person aged 62 and above. According to a population projection until 2050, elaborated by the Demographic Research Centre[3], the dependency ratio is expected to steeply increase. In 20 years there will be possibly 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. An increase of the retirement age appears thus inevitable even in the shorter term.[4] The present Government declines any discussion about this measure, referring to its 2006 Programme Manifesto[5] *("…the Government refuses to solve the current problems in funding the social insurance system by increasing the retirement age.")*.

**Employment of older citizens** increased markedly over the last four years mainly due to a rise in the legal retirement age and increased work incentives introduced by the 2004-2005 pension reform. Senior workers benefited also from the favourable economic and labour market developments in the past years. The age-specific employment rate (55-64 y.) increased from 26.0% in 2004 to 35.6% in 2007[6] and continued to grow significantly in 2008 according to national LFS data (55.0% in 2008 after 52.2% in 2007, age group 50-64 y.). Participation of women falls clearly behind that of men (21.2% vs. 52.5% in 2007), which is caused by their slower increase in the retirement age (stipulated by the 2004 reform of social insurance), but also the traditionally lower labour force participation rate of women, evident mainly in the senior age groups. Strong job creation translated into decreasing unemployment in the senior age groups (from 16.1% in 2004 to 8.2% in 2007[7]), yet remains among the highest in the EU.

Entitlement to an **early retirement pension** has been tightened with the 2008 revision of pension laws; it is granted to a person (i) with at least 15 years of pension insurance, (ii) who has less than 2 years till statutory retirement age, (iii) his/her retirement pension is higher than 1.2 times of the minimum subsistence level (EUR179 monthly since 1 July 2008). The

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

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

4 The need to increase retirement age is pointed out also by the World Bank. See http://www.worldbank.org/eca/redtogray.

5 http://www.government.gov.sk/9796/the-manifesto-of-the-government-of-the-slovak-republic.php

6 Source: Indicators for monitoring the Employment Guidelines including indicators for additional employment analysis (2009 compendium) http://ec.europa.eu/social/BlobServlet?docId=115&langId=en.

7 Ibid.

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

The number of early retirement pensions oscillates around 5-6% of all old-age pensions. End of 2007 witnessed an unusual increase of applications for early pensions due to the expected tightening of respective provisions of the law. Table 1 suggests that stricter rules have not discouraged persons close to retirement age to opt for an early pension after the change on 1 January 2008.

Table 1: Disbursed pension benefits since 2006

| **Pension** | **as of 31 Dec 2006** | **as of 31 Dec 2007** | **as of 31 Dec 2008** | **as of 28 Feb 2009** |
|---|---|---|---|---|
| Old-age | 916 296 | 916 941 | 924 624 | 925 673 |
| Early old-age | 44 693 | 48 225 | 57 505 | 52 737 |
| Disability | 182 856 | 195 139 | 200 104 | 200 581 |

*Source: Ministry of labour, social affairs and family; Social Insurance Agency*

The main reason for a significant increase of **disability pensions** in 2007 was a legislative amendment to the Social Insurance Act, enforced by a ruling of the Constitutional Court on retroactivity of regulation concerning medical examination of disability claims. Incoming SIA Director Munko notified in September 2008 about a strict re-examination of disability pensions, allegedly because of misuse by as much as a fifth of pension recipients. Latest information from SIA on the running medical examinations implies that disability claims were confirmed in the vast majority of cases.[8] It may be assumed that disability pensions are not a common early exit pathway from employment in Slovakia. As from 2010, disability pension claims shall be relaxed, which should result in 13 thousand additionally awarded pensions.[9]

**The formula for old-age pensions** from the PAYG pillar is the following:

*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 till the retirement year. For 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. Maximum "POMB" is 3.00.[10] During a transition period between 2004 and 2014, values of "POMB" below 1.00 and above 1.25 are being 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 pensions insurance (working period). The minimum insurance period is 15 years.

8 http://spravy.pravda.sk/invalidny-dochodok-strati-zlomok-ludi-dht/sk_domace.asp?c=A090416_195708_sk_domace_p23.

9 Source: Ministry of labour, social affairs and family.

10 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 (maximum POMB remains 3).

"ADH" stands for Actual Pension Value, which is a number given directly by law on basis of special calculations aimed at providing 50% replacement rate in the first year after the reform. For 2004 the "ADH" has been set at 183.58; the value is indexed annually by the average wage growth in the economy.

Old-age pensions in the first pillar are **indexed** every year taking into account changes in both wages and prices (Swiss method, weight of both parameters is 1:1). In 2009, pensions were indexed by 6.95%. As from 2009, indexation of pensions takes place on 1 January of the respective year, replacing 1 July as the indexation date.[11] The change translated into higher expenditures of SIA in 2009.

The calculation of pensions from the first pillar and their indexation does not respect changes in SIA's real revenues. These are influenced not only by wage growth but also by other factors including employment rate. The Government's rejection of raising 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**. Serious problems may arise already in 2009-2010. The global financial and economic crisis induces unemployment growth and a slowdown in wage dynamics in the local labour market, which subsequently turns into a decrease in SIA's revenues. At the same time, pensions are growing at highest pace as a result of strong wage growth in previous years. The long-term risk for public finances is acknowledged also in the 2007 update of the Government's Convergence programme, prepared by the Ministry of Finance long before the crisis reached Slovakia[12] *("If no corrective measures are taken, the negative demographic development will increase the public administration deficit till 2050 by 12.8% of GDP and the public debt will arrive at 163.8% in GDP terms".).* In 2008, public debt was less than 30% of GDP.

One of the direct reasons for the shortfall in public pensions was the **introduction of the private funded pillar** in 2005. The redirection of part of the contributions from the first to the second pillar causes a deficit of 1.2% of GDP every year. These are but transition costs, as the deficit is going to decrease from the moment when first retirement pensions are paid from the funded scheme. For citizens who joined the second pillar, namely, 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 essential plan is to support the long-term financial sustainability of the pension system in view of population ageing, persisting low employment rates and existing disincentives to pay social insurance contributions.

With more than 1.5 million entrants to the private scheme, the transition costs exceeded the projected expenditures to cover the shortfall in the PAYG system. The 2006 decision of the newly elected Government to cancel further privatisation of State property tightened the range of funds intended to finance transition costs in the pension system. The growing deficit in public pensions and the explicitly negative attitude of the ruling coalition to the funded scheme lead to a revision of the pension reform in 2007-2008. Tighter regulation and the departure of roughly 7% of savers from the second pillar did not alleviate the financial situation in SIA satisfactorily. Driven by the worsening economic situation and outlook, the policy debate about the size of the second pillar moved into a new phase with a re-opening of the private scheme for 7.5 months and new restrictive regulation for pension administration companies (see discussion on reforms).

11 The change was prompted by adoption of the euro and was intended to mitigate possible increase of living costs for pensioners.

12 http://www.finance.gov.sk/Documents/Ifp/cp_nov2007_sk.pdf.

Participants in the second pillar can chose between one of **three funds** administered by pension management companies – growth, balanced and conservative funds, which differ in terms of risk allocation. The most risky fund, the growth pension fund, may include as much as 80% shares on 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).

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*

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 higher investment risk is taken in the earlier stages of working life. After reaching age 47 (i.e. in most case 15 years before retirement) the saver my 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.

Out of the total number of 1.56 million savers, about 69% are in growth funds, 27% in balanced funds and 4% in conservative funds. The investment behaviour of pension management companies is usually more conservative as they do not make use of the maximum limits on shares. For example, as at end of February 2009 shares made up only 7.2%-9.5% of assets in growth funds and merely 5.6%-7.2% of assets in balanced funds. The proportion of shares decreased roughly by half since beginning of 2008, reflecting the response of pension management companies to the fall in pension fund returns influenced by the global financial crisis, and the policy interventions in support of opting out of the funded to the PAYG pillar.

**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 107 in 2009).

**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
- 0.065% maximum from the net value of property in the pension fund charged by the pension management company for the administration of pension funds
- 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** are paid by the saver in the amount of:

- 3% 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 (in reality fees are charged between 1.95% and 3%)
- 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, and/or 1% maximum in case of change after the lapse of three years
- 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.).

According to the OECD, the gross **replacement rate** (pension during retirement relative to earnings when working, before taxes and contributions) from both the public and private mandatory schemes has unified at 56.7% for all income groups after the 2004-2005 reform. Prior to the reform, gross replacement rate was decreasing along with growing income. Post-reform regulation increases the net replacement rate (after taxes and contributions) with growing income, while it was decreasing prior to the reform. According to the OECD the resulting cut in future retirement benefits for low and middle earners increases the risk of old-age poverty in the future and may lead to increased pressure on the social assistance system. This issue refers particularly to people who pay minimum social security contributions, including majority of self-employed persons and/or persons who discontinue paying contributions for various reasons. The problem may come into the foreground especially after 2014, when the transitory period ceases during which solidarity in the first pillar is gradually replaced by meritoriousness (by way of adjusting the average personal wage point). A part of the expert community and also ruling coalition representatives propose a strengthening of solidarity principles in the first pillar or part of it. The political opposition (mainly senior opposition party SDKU-DS) puts forward the introduction of a so-called zero solidarity pillar, which would stipulate a minimum pension at the level of minimum subsistence. There is no guarantee of a minimum retirement pension in the existing system.

Table 3: Replacement rates in the mandatory pension schemes before and after the 2004-2005 pension reform, by earnings (in %)

| | **Income as % of average earning** | | | |
|---|---|---|---|---|
| | **50%** | **100%** | **150%** | **200%** |
| Gross replacement rate (pre-reform) | 60* | 55* | 40* | 30* |
| Gross replacement rate (post-reform) | 56.7 | 56.7 | 56.7 | 56.7 |
| Net replacement rate (pre-reform) | 76.1 | 76.4 | 52.7 | 40* |
| Net replacement rate (post-reform) | 66.4 | 72.9 | 75.4 | 76.7 |

*Note: * approximate data. The replacement rate, according to the OECD, expresses the awarded monthly retirement benefit relative to the average monthly income during working life, while income is adjusted for changes in the average wage in the economy.*

*Source: OECD: Pensions at a Glance, 2007*

The pension system was subject to several adjustments since 2005. **Most important changes**, covering the period from 1 January 2008 up to the present, fall under two important revisions of pension laws, passed in 2007 and 2008[13]:

[13] Amendments to the Act on social insurance and on amendment and supplement of some acts from 30 November 2007 (No. 555/2007 Coll, effective since 1 January 2008) and from 20 November 2008 (effective since 20 November 2008).

- With effect from 1 January 2008, the maximum assessment base for contributions to pension insurance and old-age pension saving was raised from threefold to fourfold of the average gross wage in the economy. Increase of contributions is not reflected in higher benefits from the public PAYG pillar, where income above the threefold of the average wage is not taken into account. The measure aimed to increase SIA revenues. However, it virtually increases taxation of higher income groups without raising respective benefits, which may prompt avoidance of paying social contributions.
- The mandatory entry to the funded scheme was changed to voluntary for new entrants to the labour market, since 1 January 2008. Young people born after 31 December 1986 have a six months period since commencement of pension insurance to decide whether they will pay 18% contributions to the PAYG system or save 9% in a personal pension account. Optional joining may lead to a decrease in the number of young people setting up personal accounts (due to behavioural factors like unconcern, postponement of decisions at the last moment, etc.).[14] From a short-term view, the change will increase funds for public pensions. However, people who do not enter old-age saving will claim full benefits from the first pillar when they reach retirement age.
- With effect from 1 January 2008, the minimum insurance and saving period needed for pension entitlements was increased from 10 to 15 years. At the same time, a temporary opening of the second pillar granted citizens 6 months (from 1 January 2008 to 30 June 2008) during which they could leave or join the old-age saving scheme. The measures resulted in 106 thousand savers leaving the funded pillar (approximately 7% of the total number of savers) and, vice versa, 22 thousand persons (1.5% of savers) opening new pension accounts. The official purpose of the six months period was to give savers the opportunity to reassess their participation in the private scheme, in view of its profitability mainly for older people and people with lower earnings. An important motive for the Government was to improve the financial situation in SIA. Most of departers 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 increase in the minimum period of saving.
- The already discussed tightening of early retirement claims, effective since 1 January 2008, is one of the few measures addressing problems on the expenditure side of public pensions. However, the generally reasonable measure has obviously not induced a reversal in early retirement applications, as suggested by available data. The plan to introduce a 'pension or work' principle was eventually left out, but will be presumably reopened due to the rapidly worsening situation in SIA.
- The 2008 amendment of pension laws, in effect since 20 November 2008, introduced *inter alia* pension indexation as of January instead of July, more favourable social security for mothers on maternal leave, relaxed transfers between pension management companies, stricter investment rules in the second pillar and looser rules in the third pillar. The amendment builds on mostly useful albeit not decisive changes, yet does not address the key problem of the system – financial sustainability.
- The Government approved a re-opening of the second pillar for 7.5 months (from 15 November 2008 to 30 June 2009). The official reason is to give citizens the opportunity to reassess their participation in the funded pension scheme after a part of pension funds run into loss, triggered by the global financial turmoil. The political opposition and the expert community blame the Government for attempts to raise funds to finance current expenditures at the cost of increased future deficit in the pension system. The 2009 State

[14] http://www.sme.sk/c/3567518/Mladi-mozu-na-2-pilier-zabudnut.html.

budget (budgetary chapter for SIA) already counts with revenues from estimated 150 thousand persons leaving the second pillar (roughly 10% of savers). Latest information imply that as of May, approximately 16 thousand savers left and 8 thousand persons joined the scheme.[15]

- As from 1 July 2009, administration fees in the second pillar will be substantially decreased. The cabinet pushed through an amendment to the Act on old-age saving, which decreases the previous cap on fees charged by pension management companies for the administration of assets from 0.065% monthly (0.78% yearly) to 0.025% monthly (0.3% yearly).[16] In addition, pension management companies may keep 5.6% of attained yields, yet only if these exceed the benchmark in half-year intervals (against previously proposed 5-year intervals). In case of negative returns, pension companies will be obliged to balance the difference from a guarantee fund and/or own sources, so that the amount in a saver's pension account equals at least the invested sum. The proclaimed objectives of the change are reduction of administrative costs and prevention of depreciation of savings in the second pillar. The National Bank of Slovakia (supervisory body over pension management companies) stated that the new fees may negatively influence the operation of pension management companies.[17] According to representatives of the Association of Pension Funds Management Companies, the amendment increases security and cheapens the second pillar for savers, yet from a long-term view decreases yields and hence also future pensions. Pension companies will incline to conservative investment behaviour, which will erase differences between growth, balanced and conservative funds. The change was neither accepted by opposition parties, who argued that low fees may liquidate some pension management companies. In a press conference held early May 2009, PM Fico said his cabinet does not exclude the possibility of further tightening of old-age saving administration.[18]

The implemented reforms are focused primarily on mitigating the growing financial strain in public pensions, but they do not tackle their long-term sustainability. Measures taken to reduce the shortfall in the PAYG pillar are for the most part based on a weakening of the second funded pillar. The short-sightedness of this approach rests in the fact that interventions in the private scheme without a reform of the public system (increase in retirement age, reform of social contributions, decreased meritoriousness, restricted indexation of pensions, improved collection of contributions, etc.) will entail immense financial problems in future pension provision.

Interventions in the funded scheme are backed up by intense questioning of its security and profitability from the side of government officials.[19] The expert community points to frequent and unpredictable changes of rules and calls for more transparent information provided to the public.[20] Perhaps mostly criticised is the use of one-off revenues (from opening of the funded

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15 http://hnonline.sk/ekonomika/c1-37202720-peniaze-su-v-ohrozeni-munko-pise-ludom.

16 The National bank of Slovakia and the Ministry of Labour, Social Affairs and Family proposed a lowering to 0.047% monthly.

17 http://www.rokovania.sk/appl/material.nsf/0/10BD6CA1FC9CE4D1C125756F00397BB2?OpenDocument The statement of the National Bank of Slovakia has been included in the final version of the business impact assessment of the approved law. According to an analysis of the National Bank (publicly not available), the lowering of fees for the administration of assets to 0.025% will not suffice to cover operating costs and will significantly influence conditions for doing business for pension management companies. See, e.g. http://hnonline.sk/ekonomika/c1-35527440-centralna-banka-spochybnila-poplatky

18 http://hnonline.sk/c1-36961910-fico-chce-menit-system-dochodkov

19 See, for example: http://ekonomika.sme.sk/c/3783313/bernatek-nepochopil-banku.html or http://www.sme.sk/c/3112650/Vlada-vraj-nebude-menit-odvody.html or http://www.sme.sk/c/3844006/Fico-radi-vystupit-z-II-piliera.html

20 For example: http://ekonomika.sme.sk/c/4171813/ekonomovia-vlade-minut-penzie-je-nefer.html

pillar) to finance current expenditures at the cost of increased future deficit in the pension system. A group of ten renowned economists released a declaration in reaction to interventions taken by the Government in the second pillar[21] in November 2008 *("The creation of the second pension pillar was intended to spread out financing of future pensions on the local labour market and global financial markets and thereby increase chances of Slovakia to successfully cope with population ageing. …A functioning and sustainable pension system is the pivotal challenge. The solution, however, does not rest in a destruction of the second pillar, but in the reform of the first pillar. It is namely pensions in the first pillar which are seriously threatened in view of the demographic development.")*.

A critical review of the existing discourse (policy papers, debates, statements, etc.) shows that there is a perceptible **lack of unbiased information and discussion** about a proper public-private mix, the pros and cons of the current set up and necessary reforms. The discussion about pensions and their future sustainability is marked by partial standpoints of key stakeholders.[22] There are not many exceptions to this approach and these come out mainly from academic/research institutions[23] and specialised media[24].

The Ministry of Labour, Social Affairs and Family prepared an Analysis of advantages and disadvantages of the second pillar for the Parliament's social committee in February 2008.[25] The analysis deals in the main part with risks and weaknesses of the funded pillar, yet without giving an explicit answer to the question for whom pension saving is (un)favourable in terms of age, income, and pension-saving period. The authors admit that there are too many factors and variables influencing the future amount of pensions in both pillars so that a simple judgment is not possible. One can agree with the conclusion that the saving period is the key factor in the decision. However, the analysis is rather unbalanced, as it emphasises risks in the saving scheme and omits several future risks in the PAYG scheme, associated with demographic trends, sustainability of current pensions and their indexation, changes in fiscal policy or possible politically-driven interventions.

The temporary opening of the second pillar in 2008 was accompanied by an information campaign of the Ministry of Labour. The campaign included a website, free telephone infoline, information centres set up in regional labour offices, and a leaflet, intended to provide households with impartial information about pros and cons of both pension tiers. The publication of the leaflet raised intense disputes about the accuracy of data used.[26]

An anti second pillar campaign, although less intense, is accompanying also the re-opening of the funded scheme (15 November 2008 – 30 June 2009). The Ministry of Labour and SIA equipped their internet portals with information on disadvantages of pension saving and detailed instructions on how to leave the scheme.[27] The Ministry launched a free infoline and announced the publishing of another information leaflet, which should be distributed to 2

21 http://www.ineko.sk/clanky/vyhlasenie-desiatich-ekonomov-k-ohrozeniu-druheho-piliera.

22 An example is the information website of the Ministry of Labour on the second pillar: http://www.employment.gov.sk/index.php?SMC=1&id=13067.

23 For example, the Institute of Economic Research of the Slovak Academy of Sciences prepared two analyses with forecasts of sustainability of pension funds under different settings until year 2050. The main conclusion is that the highest deficit in the long-term (in SIA) would be attained with private savings cancelled; on contrary, the lowest shortfall was calculated under unrevised provisions (i.e., mandatory private savings, no "opening up" of the scheme). See more under http://www.empa.sk/download-files/sk/makroekonomicke-dopady-novely-zakona-o-socialnom-poisteni.pdf and http://www.ecomod.net/conferences/ecomod2008/ecomod2008_papers.htm.

24 For example, magazine Trend, see more under http://www.etrend.sk/socialne-veci/.

25 http://www.employment.gov.sk/index.php?id=13069.

26 See, for example: http://www.etrend.sk/ekonomika/slovensko/ministerstvo-prace-zavadza-o-druhom-pilieri/132680.html or http://richardsulik.blog.sme.sk/c/145473/Cisla-v-Tomanovej-letaku-su-haluze.html.

27 http://www.socpoist.sk/vdok_simple-vystupenie-z-ii-piliera---2/371s20088c.

million households. The Association of Pension Funds Management Companies issues a biweekly electronic newsletter, providing savers with information on pension fund performance, impacts of the financial crisis, etc.[28]

There is a vital need to reform the pension system mainly in view if its future financing. Following measures could be taken into consideration in the short-to-medium term:

- reform of social contributions (unification of assessment bases for different insurance funds, abolition of cross-financing and introduction of real insurance rates, unification of tax and social security systems),
- raising of retirement age,
- improved collection of social contributions (at 95%, but due to the crisis down to 90%[29]), stricter penalisation of dodgers,
- reassessment of the solidarity-meritoriousness mix in the first pillar in favour of solidarity,
- reduced indexation of pensions (from the currently applied 'Swiss method' to inflation rate), and possibly a temporary freezing of pensions,
- reaching of a social consensus on the financing of transitional costs (e.g., revenues from privatisation of state property),
- development of a long-term strategy for pensions, unbiased debate on the size of the PAYG and funded schemes, inclusion in the debate of all stakeholders, dissemination of clear message to the public.

## 2.2 Health

**Expenditures on health care** in Slovakia reached 6% of GDP in 2008, of which public spending was 5% and private spending 1% in GDP terms.

Table 4: Financing of health care (in SKK billion)

| | **2006** | **2007** | **2008** |
|---|---|---|---|
| Public sources | 84.9 | 93.5 | 101.6 |
| *in GDP terms (%)* | *5.2* | *5.0* | *5.0* |
| Private sources | 13.9 | 14.6 | 19.2 |
| *in GDP terms (%)* | *0.8* | *0.8* | *0.9* |
| Total | 98.8 | 108.1 | 120.7 |
| *in GDP terms (%)* | *6.0* | *5.8* | *6.0* |

*Source: Health Policy Institute*

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-

28 http://www.adss.sk/Default.aspx?CatID=130.
29 http://hnonline.sk/ekonomika/c1-37194260-socialna-poistovna-bude-potrebovat-pomoc-statu.

pocket fees have been 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 5: Fees for health care services

| | **until September 2006** | **2009** |
|---|---|---|
| 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 two state and three private joint stock companies. The state-owned Vseobecna zdravotna poistovna has a dominant position with a 56% share on the market (table 6). The incumbent Government openly demonstrates a hostile attitude towards private health insurance companies. In 2006 the Ministry of Health attempted to push through a transfer of state policyholders from private to state-controlled health insurance companies, and subsequently also a nationalisation of private companies. The Ministry later withdrew both proposals under pressure from opponents and threat of lawsuits. However, the cabinet approved restrictions on utilisation of profit attained from public insurance. Until 2008 health insurance companies could produce and use profits in line with shareholders' decision. Following the intervention by the Government, profit attained in 2008 and afterwards may be spent only on payments for health care provision. The factual forbiddance of profits impairs the return on investments for owners of health insurance companies. 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 two private health insurance funds (Dovera and Union) filed arbitration procedures to claim compensation for investment damage. Compensation costs could pose a threat to public finances. The smallest private insurance company (Europska zdravotna poistovna) announced departure from the market in May 2008, referring to restrictions on profit use as the main reason. State-owned Spolocna zdravotna poistovna took over the remaining insurance stock.

Table 6: Health insurance companies, providing public health insurance

| Name | Ownership | Market share in % (policyholders as at end of 2007) |
|---|---|---|
| Vseobecna zdravotna poistovna | State | 56 |
| Zdravotna poistovna Dovera | Private | 15 |
| Spolocna zdravotna poistovna | State | 13* |
| Zdravotna poistovna Union | Private | 9 |
| Zdravotna poistovna Apollo | Private | 8 |

*Note: * Sum of shares of Spolocna zdravotna poistovna (11.3%) and Europska zdravotna poistovna (1.3%) whose insurance stock was transferred to Spolocna zdravotna poistovna in 2008.*

*Source: Report on the state of public health insurance performance in 2007[30], Health Care Surveillance Authority, July 2008*

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.[31] In the opinion of several experts, the main aim of the measure was to increase revenues of Vseobecna zdravotna poistovna, which is facing financial problems.[32] Redistribution criteria include sex and age; as from 2010 the number of policyholders, on whose behalf State is paying premium, should be considered also.

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

- Employees pay contributions in the amount of 14% of the gross monthly earning (4% employee and 10% employer on behalf of employee). The minimum assessment base is the statutory minimum wage, which amounts to 42% of the average monthly wage in the economy. 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 divided by a coefficient of 2.14. Minimum and maximum limits are the same as for employees. Due to base adjustment, majority of self-employed pay insurance from the minimum wage. Self-employed thus pay much lower contributions in comparison with employees. In 2007, for instance, the number of self-employed was 5-times lower than the number of employees, but they paid 7-times less on taxes and even 13-times less on health insurance contributions than employees.[33]
- The State pays contributions on behalf of dependent children, pensioners and persons taking care of children aged up to 3 years. The Government gradually increases the amount of the premium paid for the state policyholder; since 2006 the payment increased from 4% to 4.9% of the average wage in the economy reported two years ago.

Table 7: Health insurance payments by the State on behalf of state policyholders

| **Year** | **2006** | **2007** | **2008 e** | **2009 f** |
|---|---|---|---|---|
| Percentage of average wage | 4% | 4.33% | 4.5% | 4.9% |
| Total sum in SKK billion | 23.3 | 26.9 | 29.5 | 36.2 |
| in GDP terms (%) | *1.4* | *1.5* | *1.5* | *1.8* |

*Note: e – estimate, f - forecast*

*Source: Health Policy Institute*

In September 2008, the non-governmental organisation Health Policy Institute published a **ranking of health insurance funds** based on seven evaluation criteria – financial stability, operating processes, business profile, relations with providers of health care, quality of delivered care, services for policyholders and satisfaction of policyholders with insurance company. [34] The ranking saw private companies ahead of state-owned. However, results are partly distorted due to reluctance of state insurance companies to provide requested

30 http://www.rokovania.sk/appl/material.nsf/0/7CD16464220F423AC1257479004493AE?OpenDocument.
31 http://www.nrsr.sk/Default.aspx?sid=zakony/zakon&MasterID=2611.
32 See, for example: http://www.iness.sk/modules.php?name=News&file=article&sid=1273.
33 Source: http://blogy.etrend.sk/inekomenty/zamestnanci-platia-vysoke-odvody/144265.html.
34 http://www.hpi.sk/attachments/rating_zp_2008.pdf.

information. The Health Care Surveillance Authority published an own list of insurance companies ranked according to the amount of funds spent on health care per policyholder.[35] The two state companies ranked higher in this list than privately-owned.

Until end of 2008, 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 beginning of 2009 new regulation is in force[36], according to which a health insurance company becomes insolvent as late as it reports liabilities which are due more than 30 days. The Health Care Surveillance Authority is obliged to abolish the insurance company when insolvency lasts over five months. Experts point to a relaxation of rules, which threatens the financial stability of public health insurance.

**Voluntary private health insurance** does not exist 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 negotiate with health care providers 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 this year are marked by the crisis. Unemployment growth and a slowdown in wage dynamics are behind a year-on-year decrease of revenues of health insurance companies. Providers insist on increased payments. For the time being, insurance companies keep payments at the 2008 level.

The Government introduced in 2008 so-called **exchange cards** – recommendation 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 from an injury or another sudden change of health and in cases of so-called dispensarisation (systematic care for patients). Cards are not required also at visit of a dentist or gynaecologist. A proposal is currently negotiated in the parliament which should as from June 2009 cancel exchange cards at repeated visit of specialists, at visit of psychiatrists and ophthalmologists for prescription of glasses.

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 lead 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 as public entities in state ownership.

Health insurance companies are obliged to contract all general practitioners and pharmacies, and a specified minimum number of specialised doctors and hospitals. In October 2007, the

35 http://www.udzs.sk/buxus/generate_page.php?page_id=745.

36 Amendment to the Act on health insurance companies and to the Act on health insurance http://www.nrsr.sk/Default.aspx?sid=zakony/zakon&MasterID=2611.

Government defined a public minimum network of health care providers.[37] The network includes 34 hospitals which are all state-owned. Subsequently, in January 2008 the biggest insurance company Vseobecna zdravotna poistovna for the first time applied selective signing of contracts with health care providers. For some providers payments for services were lowered or even completely cancelled. Selective contracting lead to the closure of medical departments and entire facilities. Other insurance companies started to apply similar steps with own evaluation criteria. Reduction of payments in 2008 concerned mainly smaller and private hospitals. They filled an appeal to the Antimonopoly Office, which examined possible breach of the Act on protection of competition from side of large teaching hospitals. Subject to investigation was the suspicion that large hospitals, included in the minimum network, receive unjustifiably more funds from insurance companies than other hospitals.

In May 2008, biggest private health insurance company Dovera published the historically first ranking of hospitals, based on evaluation of accessibility, human resources, technical equipment and indicators of efficiency and quality.[38] In addition, Dovera and Vseobecna zdravotna poistovna released rankings of providers compiled according to results of surveys conducted among own policyholders.

The Government approved in February 2009 an amended decree of the Ministry of Health on indicators of quality of health care providers.[39] The decree includes a list of indicators (including economic), which shall serve insurance companies to assess the quality of providers.

A long-term problem of the Slovak health sector is the **growing debt in the system**. It has grown from SKK 5.6 billion (EUR 187 million) in 2005 to SKK 8.2 billion in 2008 (EUR 273 million). The biggest portion of the debt is produced by facilities under competence of the Ministry of Health, comprising mainly large state-controlled hospitals. The debt in these facilities has grown from SKK 2.0 billion (EUR 66 million) to SKK 5.9 billion (EUR 196 million) in the same period. The largest hospital in the country admitted early this year that the repayment of an invoice may take 425 days (!) since receipt of invoice.[40] Contributing to the growing debt is a steep increase of wages in teaching hospitals.[41] Wages in smaller hospitals, decentralised to self-governments, grew substantially slower, contributing to debt reduction. Table 8 shows a decelerated debt accumulation in 2008 owing mainly to strong economic growth. The Government announced plans to address the debt in the health sector by way of special (preferential) loans from the State budget.[42] Debt consolidation should help to prepare hospitals for drawing support from structural funds (totalling EUR 250 million till 2013); entitled to apply are only debt-free facilities. The Ministry of Health does not consider a transformation of state hospitals into joint stock companies, although their indebtedness is minimal, as suggested by available data (table 10).

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37 http://www.rokovania.sk/appl/material.nsf/0/C2E6491B9DE44896C1257378003DA15C?OpenDocument.

38 http://www.dovera.sk/sk/zdravotna-starostlivost/rebricek-nemocnic/.

39 http://www.rokovania.sk/appl/material.nsf/0/F268E283D1D7679CC125755F002C096C?OpenDocument

40 Source: http://ekonomika.sme.sk/c/4350453/fakultna-nemocnica-vydiera-svojich-dodavatelov.html.

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

42 *Outline of the system of addressing internal and external indebtedness in health care facilities in a medium-term horizon*, Ministry of Health, December 2008 http://www.rokovania.sk/appl/material.nsf/0/C4779F144242CA9AC125751D0049A617?OpenDocument.

Table 8: 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*[43]*, 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 a 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 – member of senior coalition party SMER – was installed in the office. The partiality of the authority is manifested in an unequal approach to public and private health insurance companies (soft position to financially troubled Vseobecna zdravotna poistovna, while rigorous stance towards private company Dovera, whose reports confirm financial stability).[44]

**Expenditures on drugs** in GDP terms (2.3% in 2005) and as a share on total health care spending (32% in 2005) are among the highest in the OECD.[45] In order to decrease the expenditures and prices of drugs, several measures have been adopted:

- Effective from 1 January 2007, VAT on drugs and medical tools was lowered from 19% to 10%.
- 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. In 2009 the Ministry announced the intent to abolish the degressive profit margin and replace it with a flat maximum profit margin equalling to 9% of the maximum regulated price of drug. The aim is to improve the access mainly to expensive drugs.

43 http://www.rokovania.sk/appl/material.nsf/0/750AC0939D55957EC125759F002BEC05?OpenDocument.

44 The Health Care Surveillance Authority penalised Dovera with the highest possible fine and the obligation to elaborate a recovery plan for not submitting a monthly balance sheet and income statement in January 2009. The requested information was, in the opinion of Dovera representatives, submitted under a different heading. Monthly reports suggest that Dovera is financially stabilised and solvent. On the other hand, the authority does not consider it necessary to assign the development of a recovery plan to Vseobecna zdravotna poistovna, which according to published information is in a critical financial situation. See, e.g.: http://ekonomika.sme.sk/c/4381952/vseobecna-zdravotna-vyschyna.html and http://ekonomika.sme.sk/c/4383440/urad-nenariadi-vseobecnej-ozdravny-plan.html.

45 http://www.i-health.sk/sk/statistiky/vydavky-na-lieky.html.

Experts and health insurance companies criticise the proposal 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 should not exceed the average of prices in six EU Member States with lowest prices of the given drug.

Health care is perceived as the sector with **highest incidence of bribing**. According to a survey conducted by Transparency International Slovakia in 2006[46], as many as 63% of respondents think that bribes are existent and widespread in the health care sector. Media reports informed about suspected corruption in public procurement procedures in the health sector.[47]

The Regional Office of Public Health in Banska Bystrica published in July 2008 preliminary results of the project "Closing the health gap in the European Union".[48] The study concludes that Slovak citizens live longer lives than in previous decades, nevertheless, Slovakia still ranks among countries with a high number of years spent in ill-health. 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. The Government adopted a number of legislative and strategic documents, which address risk factors of health (Outline of State Health Policy of the SR[49], National Programme of Obesity Prevention[50], amendment to the Act on protection of non-smokers[51], Update of the Programme on Improved Nutrition of the Population of the SR[52], 2$^{nd}$ phase of the Programme on health promotion in disadvantaged communities in Slovakia for the years 2009-2015[53]).

The health sector in Slovakia is fit for a recovery plan. This should, inter alia, include:

- reduced scope of mandatory health insurance,
- introduction and support to voluntary health insurance,
- improved collection of premium, unified tax and social security contribution system,
- re-instalment of co-payments for outpatient and hospital care, and drug prescription,
- support to competitiveness in the health insurance sector, fair redistribution criteria,
- transformation of large hospitals to joint stock companies,
- public awareness raising about health risk factors.

## 2.3 Long-term care

Long-term care in Slovakia is provided primarily within the framework of **social services**.[54] With effect from 1 January 2009, new legislation is in force (Act on social services, Act on

46 http://www.transparency.sk/prieskumy/060424_perce.pdf.
47 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.
48 http://www.vzbb.sk/sk/projekty/hem.php.
49 http://www.rokovania.sk/appl/material.nsf/0/EDC56424CAC63AE8C12573C400349540?OpenDocument.
50 http://www.rokovania.sk/appl/material.nsf/0/01A2D41A160A9E9AC12573B800391F62?OpenDocument.
51 http://www.rokovania.sk/appl/material.nsf/0/6A9D1803ED9A482FC12574F80045E495?OpenDocument.
52 http://www.rokovania.sk/appl/material.nsf/0/A8BBAA361596B298C125751C004B42A7?OpenDocument.
53 http://www.rokovania.sk/appl/material.nsf/0/763DFBEB482F5517C12574B2003F588C?OpenDocument.
54 Long-term care is not defined in the Slovak legislation.

financial allowances for compensation of severe disability[55]), which replaced previous regulation integrated in the Act on social assistance. The new organisation of social services connects on the decentralisation of respective agenda to municipalities and self-governing regions and the need to adjust competences and responsibilities in view of key challenges related to accessibility, quality, sustainable financing, equal opportunities for providers, etc.

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 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 his/her 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 are substantially subsidised from 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 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 result is perhaps the main failure of the basically constructive legal norm. Non-governmental organisations and later on also opposition parties criticised the law for discriminating private

[55] The parliament ratified both laws in October. They can be accessed at http://jaspi.justice.gov.sk (Act No. 448/2008 Coll. on social services, Act No. 447/2008 Coll. on financial allowances for compensation of severe disability)

care providers and for hindering citizens to freely choose a provider.[56] Provisions of the law namely stipulate that provision of a social service to a citizen, who is dependent on the service, has to be arranged by the municipality or self-governing region by way of an own facility. In case the facility can not provide the service, the municipality or region must ensure that the service is provided by another public provider (in some cases this may be in another municipality). Only when this option is not feasible, the municipality/region shall arrange the service at a private provider. In practice, this means that a retired senior citizen or a disabled person dependent on care may not freely decide for a provider of their choice. In case they agree with a private facility regardless the given order, they (and/or the provider) lose the entitlement to a financial subsidy. At the same time, private providers are obliged to accept every person "sent in" by the municipality or region if they want to avoid a fine. Media informed about private care facilities, which are facing serious problems due to unfilled capacities in spite of existing demand for their services.[57]

Opposition MPs attempted to submit an amendment to the law in the February parliamentary session, but it was not included in the programme. In April, opposition party KDH (supported by other opposition parties) announced the decision to file a complaint to the Constitutional Court regarding the law.

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.[58]

Decentralisation of powers (2004) has changed the provider structure. More than 40% of facilities are managed by self-governing regions and almost 20% by municipalities. Non-public providers (legal entities, physical persons, church) account for 27% of social service facilities (2004 data). Available information suggests that higher quality of services is delivered by private care providers due to more incentives, knowledge and transfer of new trends, involvement in international partnerships, etc.[59] Demand for typical services (e.g. public pensioner homes) usually exceeds the available capacity.[60] Payments in many public facilities are below the actual cost of provided service.

The Act on compensation of severe disabilities stipulates different compensation instruments for disabled persons with the aim to support their integration into society. The draft law received 487 comments from interested parties, of which 333 were rejected. Representatives of the Alliance of organisations of disabled people in Slovakia did not succeed in pushing through one of their main claims to cancel income testing at provision of allowances, which acts as a disincentive to work for disabled citizens.

In spite of the partially improved legislative framework, most of the key challenges in long-term care remain valid. In view of demographic ageing and the expected growing demand for care services, policymakers and other stakeholders must focus on:

- further improvement of the institutional and legislative framework to increase access to services,

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56 See, for example: http://www.sme.sk/c/4731079/kdh-napadne-zakon-o-socialnych-sluzbach-na-ustavnom-sude.html and http://www.changenet.sk/?section=kampane&x=417978.

57 http://www.sme.sk/c/4390917/nestatnym-domovom-zacinaju-chybat-klienti-hrozi-im-zanik.html.

58 Wolekova, H. – Petijova, M: *Social services in Slovakia. Analysis of supply and demand.* Socia foundation, June 2007, available at http://www.spo.sk/dokumenty/socialnesluzby.pdf.

59 Ditto.

60 In case of facilities for retired senior citizens, there is no income testing.

- introduce incentives for a greater involvement of private sector investment in long-term care,
- sustainable financing through a reasonable public-private mix, presumably with increased participation of recipients,
- further improve linkage between health and social care,
- promote homely care for dependent and disabled persons,
- pay increased attention to quality standards in care.

# 3 Impact of the Financial and Economic Crisis on Social Protection

The global economic downturn hit Slovakia with full strength in the last quarter of 2008, when economic growth decelerated to 2.5 %, after 6.6 % in the third quarter. According to a flesh estimate, released by the Statistical Office on 15 May, GDP fell by 5.4% in the 1st quarter of 2009, which is well below market expectations. As a consequence of the steadily worsening external outlook, all major public and private agencies have undertaken repeated revisions of growth forecasts for 2009. The National Bank of Slovakia expects a slowdown at -2.4%, while the Ministry of Finance postponed its update of GDP forecast until June (the latest projection saw the economy growing at 2.1%). Adding to the worsening outlook are extraordinary deteriorating data on industrial production, retail sales, economic sentiment, and unemployment.

Despite a relatively sound macroeconomic background and a stabilised local financial market, the fading situation on world markets pulls the small and open economy fully into the whirl of the crisis. Decreasing foreign demand is the main impediment to growth in an economy, which is crucially reliant on export-oriented production. The economic slowdown negatively impacts on labour market performance and subsequently on consumption. Lower than projected tax revenues pose a threat to fiscal targets and force the Government to reassess spending in order to finance anti-crisis measures.

Data released by the Central Labour Office reflect the considerable inflow of unemployed people onto the register: headline unemployment rocketed to 10.9% in April after 10.3% in March and 9.7% in February (7.5% in November). Although seasonal factors are playing a role, the recent increase clearly mirrors the growing number of redundancies triggered by the downturn. Employment is expected to decrease and the unemployment rate could attack the 12% threshold.

The slower than expected growth will translate into a higher shortfall in public finances, which is projected at 2.1% in the 2009 State budget. The progressing slump in tax revenues (mainly in VAT collection) suggests that the deficit could rise to 5% of GDP (latest forecast of the European Commission is 4.7% of GDP). The Government is facing the challenge to undertake further cuts in spending. While the cabinet reaffirmed that welfare spending will remain untouched, the fall in revenues will clearly affect also social protection provision. The Social Insurance Agency and the five health insurance companies are in the process of modifying their fiscal plans for 2009 on the back of declining tax and social security collection. Revenues suffer from growing unemployment, lower than expected wage dynamics and a worsening contributions payment discipline. In its February update of tax revenues forecasts the Ministry of Finance envisaged a drop by EUR-127.7 million and EUR-

87.1 million in social insurance contributions and health insurance contributions in 2009, respectively (against plans). However, these figures appear very optimistic in view of the progressing downturn. A more precise assessment may be expected after the release of updated macroeconomic projections, which will enable an update of revenue forecasts (envisaged in early June).

In February, the Government initiated the adoption of new anti-crisis measures in response to the deepening crisis and the fading outlook (in addition to a 1st package adopted in November 2008[61]). The parliament approved a second package, which pursues measures in support of employment by means of new labour market policies.[62] Additional anti-crisis measures (3rd package) have been adopted in support of domestic demand in the area of taxes and business environment.[63] The packages (worth around 0.5% of GDP) should help to mitigate the negative impacts of the global crisis in 2009 and 2010. Measures, which directly or indirectly refer to social protection, include *inter alia*:

- allowance covering part of social security contributions granted to enterprises dealing with the consequences of the crisis who retain jobs;
- allowance granted to previously unemployed persons, recipients of material need benefits, who commence self-employment, to cover health insurance and social insurance costs for a limited period;
- increased support to the creation and retention of social enterprises;
- opportunity for employers and employees to agree flexible working arrangements in case of operational problems;
- increase of the non-taxable item of the income tax base for physical persons, which shall lead to increased earnings in mainly lower income groups;
- increase of the employee tax bonus for low-income groups;
- reduced social security contributions (paid to the reserve fund of SIA) for tradesmen for a period of two years.

Most of the proposed measures deserve a positive assessment. From a global view, though, the ability of the rescue packages to provide strong stimuli for the economy is uncertain. The size of the downturn in Slovakia is namely crucially dependent on the development of foreign demand. Moreover, several measures implemented by the Government in the framework of anti-crisis management are considered controversial, costly or preferential to specific sectors (e.g. car-scraping bonus scheme, subsidies to railway companies, etc.).

The political opposition and the business and expert communities call for a reform of taxes and social contributions, notably a decrease of the income tax and social security burden. The Government earlier rejected the idea of decreased taxes due to worries about an increasing shortfall in public finances. There are no signals that the Government would proceed to a substantial reform and lowering of social security contributions, which businesses unanimously call for.

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[61] The 1st package include a set of broadly defined measures, of which most are medium-term plans rather than an immediate response to the financial and economic crisis. See http://www.rokovania.sk/appl/material.nsf/0/E6E9A4A7ABF7FDF6C12574F80047C7F2?OpenDocument and http://www.rokovania.sk/appl/material.nsf/0/1151FADCF372A7D8C1257522002A4E2B?OpenDocument.

[62] http://www.rokovania.sk/appl/material.nsf/0/34E44F58F4968DA0C12575510050E94D?OpenDocument.

[63] http://www.rokovania.sk/appl/material.nsf/0/79F08970EDB8D0D5C125755800349D7C?OpenDocument.

With respect to direct impacts on social protection, some effects are already clearly visible. Most notably, it is a **decrease of financial sources in the health sector and the public PAYG scheme** as a consequence of lower than projected collection of contributions. There are specific impacts and expectations in the particular sectors:

<u>Pensions</u>

- growing deficit in the Social Insurance Agency, which administers the PAYG scheme,
- lower rate of return in the pension saving scheme due to the turmoil on global markets and new regulation for pension administration funds (see below),
- lower indexation of pensions in the PAYG pillar in 2010 due to a slowdown in wage and price growth,
- postponement of a reform of social security contributions, postponed unification of tax and social security collection

According to latest information, SIA's revenues decreased by 10-12% in the 1st quarter of 2009 in a year-on-year comparison[64]. SIA director Munko informed that the institution recorded a quarterly loss at EUR0.18 billion. Providing that the situation will not improve, SIA may run out of funds in September and will need to draw financial support from the State budget. SIA plans to send out letters to roughly half million savers with information on risks of staying in the second pillar.[65] The 2009 budget of SIA counted with revenues from the opening of the second pillar, which so far does not fulfil the Government's expectations of persons returning to the PAYG pillar. The second pillar was opened for 7.5 months from 15 November to 30 June, officially as a reaction to the worsened performance of pension funds and jeopardised savings. However, opponents believe that the main reason was to lure people and their savings away from the second pillar and alleviate this way the critical situation in SIA (see also section 2 on pensions).

Pension funds performance in the second pillar has been seriously affected by the global crisis. The average return in growth funds was -6.3% in the period March 2008-March 2009, while it was -4.3% in balanced funds and +3.2% in conservative funds. As for the entire period since the launch of the funded scheme in 2005, growth funds posted growth of 1.1% per annum on average, balanced funds 1.6% p.a. and conservative funds 3.8% (gross nominal returns not adjusted for fees and inflation, see table 9). Differences in average yields between pension management companies amount to approximately 1 percentage point in the period 2005-2009.

Table 9: Gross nominal returns in the second pillar (weighted averages)

| | **Average return from 6 March 2008 to 6 March 2009** | **Average return p.a. from 23 March 2005 to 17 April 2009** |
|---|---|---|
| Growth funds | -6.3% | 1.1% |
| Balanced funds | -4.3% | 1.6% |
| Conservative funds | 3.2% | 3.8% |

Source: Association of pension funds management companies

According to the latest comparison of pension fund performance in OECD countries, Slovak pension funds suffered one of the lowest losses in returns in the period January-October

[64] http://www.ta3.com/sk/reportaze/120244_prijmy-socialnej-poistovne-klesli-o-10-az-12.
[65] http://hnonline.sk/ekonomika/c1-37202720-peniaze-su-v-ohrozeni-munko-pise-ludom.

2008.[66] The Association of Pension Funds Management Companies explains the under these circumstances positive performance with the conservative attitude of Slovak pension management companies to investment risk.

The global financial crisis influenced significantly also yields in the third (supplementary) pillar, manifested mainly in a sharp decline of property value in funds investing in shares. Returns adjusted for fees ranged between -20.9% and +2.9% in 2008 (not adjusted for inflation, see table 10).

Table 10: Net nominal returns in the third pillar in 2008 (%)

| **Company** | **Fund** | **Yields** | **Investment portfolio (as of 31 Dec 2008)** | | |
|---|---|---|---|---|---|
| | | | **Financial market** | **Bonds** | **Shares** |
| Aegon | Contributory | 1.8 | 100 | 0 | 0 |
| AXA | Contributory | -3.6 | 37 | 59 | 6 |
| AXA | Global equity | -3.0 | 82 | 0 | 18 |
| Tatra banka | Balanced | -2.9 | 32 | 68 | 0 |
| Tatra banka | Growth | -20.9 | 3 | 51 | 46 |
| Tatra banka | Secured | -10.9 | 16 | 84 | 0 (37 *) |
| ING | Conservative | 2.9 | 72 | 28 | 0 |
| ING | Balanced | 0.3 | 37 | 63 | 0 |
| ING | Growth | -17.0 | 44 | 20 | 36 |
| Stabilita | Contributory | -2.3 | 29 | 70 | 1 |

*Note: as of 30 September 2008*

*Source: Sme daily, 22 January 2009*[67]

The Cabinet approved legislative changes in the administration of pension funds in the second pillar (effective as from 1 July). The restrictive measures (see chapter 2 on pensions) will significantly influence investment activities of pension companies. Paradoxically, the resulting conservative approach may increase the security of investments (people's savings) and thus prevent savers from opting out.

The Ministry of Economy has re-opened the question of lowering social contributions paid to personal accounts; the reason being decreased revenues caused by the economic slowdown. The Ministry proposes to lower contributions to the private pillar from 9% to 6% of the assessment base in favour of contributions paid to the mandatory public pillar, which would thus increase to 12% of the base. Trade Unions proposed a revision of the 9% : 9% ratio to 4% : 14% in favour of SIA. Although no definite statement from the cabinet has been released, the chances that the Government will proceed to a revision are increasing proportionately to the deepening crisis. A change in the allocation of pension contributions could be justifiable in the time of crisis, yet only under strictly defined conditions such as temporary duration, commitment to use increased contributions exclusively to finance pensions, development of a post-crisis plan on financing, etc.

<u>Health care and long-term care</u>

The impacts of the crisis translate into

66 See http://ocde.p4.siteinternet.com/publications/doifiles/212009011P1G002.xls.
67 http://ekonomika.sme.sk/c/4273779/treti-pilier-klientov-vlani-nepotesil-nezarabal.htm.

- decreased revenues of health insurance companies,
- lower purchase of health care by insurance companies,
- lower number of contracted providers (physicians and hospitals),
- growing indebtedness of providers,
- possible negative effects on quality of services provided (long waiting lists, rejection of patients)
- decreased public funding for social services.

In its publication "Slovak Health Care in 2009 – Impacts of the Crisis"[68], non-governmental organisation Health Policy Institute estimates a drop in revenues of health insurance companies by EUR128-345 million depending on the severity of economic downturn. Authors envisage that in the ranks of providers large hospitals will be mostly affected by the crisis due to accumulated high indebtedness. The Government plan on debt consolidation may crash because of lacking funds. The crisis increases the risk of worsened access of socially vulnerable groups to health services. The authors propose to strengthen protection of patients. To minimise the negative effects of the crisis, measures to stabilise the financial situation should be implemented, including a re-introduction of out-of-pocket co-payments, stricter categorisation of drugs, limits on prescribed drugs and the postponement of steps which could increase costs in the sector. Authors are convinced that the crisis is an opportunity to launch also systemic reforms (transformation of hospitals, reduction of free health care coverage, reform of health insurance contributions, etc.).

[68] http://www.hpi.sk/images/attachments/hpi-dopady-krizy.pdf.

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"Fakultna nemocnica vydiera svojich dodavatelov" (Teaching hospital is rocketeering its suppliers). *Sme daily*, 16 March 2009

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"Ako sa bacuje za Valentovica" (How are things managed under Valentovic). *Trend magazine*, 30 April 2007

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WOLEKOVA Helena, & PETIJOVA Martina, "*Socialne sluzby na Slovensku. Analyza ponuky a dopytu*" (Social services in Slovakia. Analysis of supply and demand). Socia foundation, Bratislava, June 2007

"Prijmy Socialnej poistovne klesli o 10 az 12 %" (Revenues of the Social Insurance Agency decreased by 10 to 12%). *TA3 television report*, 8 May 2009

OECD, "*OECD Private Pensions Outlook 2008*". Paris 2009

"Treti pilier vlani klientov nepotesil. Nezarabal" (The third pillar did not please clients in the last year – it made no money). *Sme daily*, 22 January 2009

HEALTH POLICY INSTITUTE, "Slovenske zdravotnictvo 2009 – Dopady krizy" (Slovak Health Care in 2009 – Impacts of the Crisis). Bratislava, March 2009

# 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.

**[R; H; L]** MINISTRY OF LABOUR, SOCIAL AFFAIRS AND FAMILY OF THE SR, «*Sprava o socialnej situacii obyvatelstva SR v roku 2007*», Bratislava, July 2008, retrieved from:
http://www.rokovania.sk/appl/material.nsf/0/F59364EC3298E05EC125746400438D06?OpenDocument
"Report on the social situation of the population of the SR in 2007"

*Description: The report provides the reader with an overview of demographic and economic trends and a prognosis for 2008-2011. The main focus of the report is on developments in the social protection subsystems.*

**[R2]** OECD, «*Pensions at a glance 2007*», Paris, 2007, retrieved from: http://213.253.134.43/oecd/pdfs/browseit/8107071E.PDF

*Description: The publication describes the different pension schemes in OECD member countries. Slovakia belongs to the countries which have tightened the link between pension entitlements and earnings; this may put low-earners at a higher risk of poverty.*

**[R1]** PALENIK Viliam (ed), «*Makroekonomicke dopady novely zakona o socialnom poisteni*», EMPA, Bratislava, July 2007, retrieved from: http://www.empa.sk/download-files/sk/makroekonomicke-dopady-novely-zakona-o-socialnom-poisteni.pdf

*"Macroeconomic impacts of the amendment to the Act on social insurance"*

*Description: A team of authors undertook qualitative and quantitative analyses for the Association of Pension Funds Management Companies with the use of five models to estimate the short-term and long-term impacts of the amended Act on social insurance. Authors conclude that a reduction of the funded scheme would positively influence the situation in public pensions only in the short-to-medium term; in the long-term, the effect would be negative.*

**[R1]** THE WORLD BANK, «*From red to grey – The "third transition" of aging populations in Eastern Europe and the former Soviet Union*», Washington D.C., June 2007, retrieved from:
http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:21378474~pagePK:146736~piPK:146830~theSitePK:258599,00.html

*Description: Authors argue that by 2025, many countries in Eastern Europe and the former Soviet Union will have populations that are among the oldest in the world, posing a threat to the region's recent economic success if pension and health care reforms are not adequately tackled and policies are not put in place to promote productivity growth. The most difficult challenges stem from concerns that the aging populations will exert new – and possibly unaffordable – pressures on public* *spending, especially for pensions and long-term care for the elderly. Slovakia is advised to raise the retirement age and revise pension indexation.*

**[R1]** VANO Boris, & BLEHA Branislav, «*Prognoza vyvoja obyvatelstva v okresoch SR do roku 2025*», Infostat – Demographic Research Centre, Bratislava, November 2008, retrieved from:
http://www.infostat.sk/vdc/sk/index.php?option=com_content&task=view&id=17&Itemid=18
"Population projection of Slovakia until 2025"

*Description: The projection is an update of a 2003 forecast. It includes population data, broken down by sex and 5-year age groups. A comprehensive set of population data is available under*

[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

**[H1]** SLOVENSKE ZDRAVOTNICTVO, «*Dopady krizy*», Health Policy Institute, Bratislava, March 2009, retrieved from: http://www.hpi.sk/images/attachments/hpi-dopady-krizy.pdf
"Slovak Health Care in 2009 – Impacts of the Crisis"

*Description: Authors analyse the impacts of the crisis on different areas of the health sector. They conclude that the crisis will negatively affect all participants in the system. State-owned hospitals are mainly threatened due to high debts. Authors put forward a set of measures to mitigate the effects of the crisis and focus attention also on structural reforms.*

**[H1]** ZDRAVIE JE LUXUS, «*vieme ako ho financovat?*», Health Policy Institute, Bratislava, April 2008
"Health is luxury – do we know how to finance it?"

*Description: Authors analyse the ability of the current financing system to generate sources in a long-term horizon till 2025. They developed four different scenarios of financing.*

[L] Long-term care

**[L]** WOLEKOVA Helena, & PETIJOVA Martina, «*Socialne sluzby na Slovensku. Analyza ponuky a dopytu*», Socia foundation, Bratislava, June 2007, retrieved from: http://www.spo.sk/dokumenty/socialnesluzby.pdf
"Social services in Slovakia. Analysis of supply and demand"

*Description: Authors describe the existing system of social services in Slovakia and analyse the ability of the existing supply side to satisfy the need for services.*

# 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 Funds 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.addp.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.*

**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 safety and health. The newest research agenda covers also 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. Part 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 Foundation carries out also 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/

*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 cover also 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.*

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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/employment_social/progress/index_en.html