

Veterinary economics - lecture 3

Health insurance and social security services in the Czech Republic

- health insurance (act No. 592/1992 Coll.)
- social security services

Health insurance - who is insured?

- based on **obligatory participation** of insured persons
- every person is insured **individually**
- according to the Czech national law following persons should be insured obligatorily:
 - **permanent residents** (all **Czech citizens**)
 - **employees** of employers based in the territory of the **Czech Republic**
 - **self-employed persons** from other EU countries, **active** in the territory of **Czech Republic** and covered by **Czech social security legislation**
 - **employees** from **other EU states**, working on Czech territory for employer based in other EU country, if they are covered by **Czech social security legislation**
 - **non-active family members** of **migrant workers** from other EU states insured in the Czech Republic



Health insurance - who pays contributions?

1) Employees:

- **gross salary** of the employee represents the **assessment base (AB)** for calculating health insurance contributions
- altogether, **13.5 %** of the **AB** shall be paid (**employer** pays **9 %**, while **employee** contributes with **4.5 %**)
- everything is paid to the **fund of employee** by his/her **employer**
- **minimum assessment base (MAB)** as high as **minimal salary** (i. e. **15,200 CZK** for 2021*) was set up by relevant Czech law (→ *it means that even when an employee's gross salary is lower than 15,200 CZK, at least 2,052 CZK (i.e 13.5 % from MAB shall be paid per month as a health insurance contribution of each employee)*)

* (minimal salary in 2020 was 14,600 CZK → at least 1,971 CZK used to be paid)



Health insurance - who pays contributions?

2) Self-employed persons:

- **50 % of personal income tax base**, i. e. **50 %** of entrepreneur's **profit**, represents the assessment base (AB) for calculating his/her health insurance contributions
- self employed persons pay **13.5 %** of the **AB**
- **minimum assessment base (MAB)** represents 50 % of recent average salary (*i. e. 35,441 CZK → 17,721 CZK for 2021*)
- minimal contribution is **2,393 CZK** per month (*13.5 % of the MAB*)



Health insurance - who pays contributions?

3) State:

- unemployed persons (job-seekers)
 - dependent children/students (up to 26 years)
 - pensioners
 - women on the maternity leave
 - women taking care of one child less than 7 years old or more children less than 15 years old
 - prisoners
 - soldiers
 - people receiving social security benefits
- amount of state contribution is regulated by Czech government
 - at present (2021) the State pays for the state-insured persons CZK 1,767 per month (AB = 13,088 CZK)*

**(it used to be much less before - e. g. 969 CZK in 2018)*



Health insurance - who pays contributions?

4) Persons without taxable income:

- people without a taxable income (e. g. students older than 26 years or unemployed people not registered by Labour Office) need to pay their health insurance contributions themselves
- they have to pay **2,052 CZK** per month (*13.5 % of min. AB - 15,200 CZK*)



Ex. 1) Please calculate a health insurance contribution of an employee having the gross salary of **16,000 CZK**. How much will be payed by employer and what will be the contribution of employee himself/herself?

- gross salary = assessment base = **16,000 CZK**
- total contribution: $16,000 \times 0.135 = \underline{\underline{2,160 \text{ CZK}}}$
- employer: $16,000 \times 0.09 = \mathbf{1,440 \text{ CZK}}$
- employee: $16,000 \times 0.045 = \mathbf{720 \text{ CZK}}$

Ex. 2) Please calculate a health insurance contribution of an employee having the gross salary of **8,000 CZK**. How much will be payed by employer and what will be the contribution of employee himself/herself?

- gross salary = assessment base = **8,000 CZK**
- total contribution: $8,000 \times 0.135 = \mathbf{1,080 \text{ CZK}} \rightarrow \underline{\underline{2,052 \text{ CZK}}} \text{ (-972 CZK)}$
(In this case, health insurance contribution shall be calculated from minimum assessment base (MAB = 15,200 CZK), as the employee's gross salary is too low).
- employer: $8,000 \times 0.09 = \mathbf{720 \text{ CZK}}$
- employee: $(8,000 \times 0.045) + \text{undercharge} = \mathbf{360 + 972 = 1,332 \text{ CZK}}$
(The undercharge of health insurance contribution shall be paid by employee.)



Ex. 3) Please calculate a health insurance contribution of a self-employed person having the income (I) of **88,000 CZK** and expenses (E) **50,000 CZK**.

- assessment base (AB) = $(I) - (E) \times 0.50$
(Assessment base is 50 % of a profit i. e. the difference between income and expenses)
 - $AB = (88,000 - 50,000) \times 0.50 = 19,000 \text{ CZK}$
 - health insurance contribution = $19,000 \times 0.135 = \underline{2,565 \text{ CZK}}$
(13.5 % of the AB shall be paid by self-employed person/entrepreneur)
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Ex. 4) Please calculate a health insurance contribution of a self-employed person having the income (I) of **88,000 CZK** and expenses (E) **68,000 CZK**.

- $AB = (88,000 - 68,000) \times 0.50 = 10,000 \text{ CZK}$
- health insurance contribution = $10,000 \times 0.135 = \underline{1,350 \text{ CZK}} < 2,393 \text{ CZK}$

*(In this case, the entrepreneur's profit is too low, therefore a minimum health insurance contribution of **2,393 CZK** shall be paid by the entrepreneur.)*

(minimum health insurance is $17,721 \times 0.135 \sim 2,393 \text{ CZK}$)



Health insurance structure

- **health insurance contributions** from employers, employees, self-employed persons and people without taxable income are collected by **health insurance companies**:
 - **111** General Health Care Insurance Company
 - **201** Military Health Insurance Company
 - **205** Czech Industrial Health Insurance Company
 - **207** Departmental Health Insurance Company for Employees of Banks, Insurance Companies and in Construction
 - **209** Skoda Employee Insurance Company
 - **211** Health Insurance Company of the Ministry of the Interior
 - **213** District Fraternal Treasury, Health Insurance Company
- when a foreign national **meets** the **requirement** for **participation** in the **public health insurance program**, he/she needs to **pick** one of the above-listed health insurance companies and **register** to be insured
- **the State** pays the contributions to the so called **Redistribution Fund** and the collected **contributions** are distributed among individual **health insurance companies**



Contracts with healthcare providers

- there are regular frame negotiations among the representatives of **healthcare providers, health insurance companies, hospital associations, scientific organizations and patient associations** → framework contracts
- **health insurance companies** make their own contracts with particular **healthcare providers** based on these framework contracts
- **health care provider** can make a contract with **more** or even **all** health insurance companies
- **health care costs** are paid to contracted **provider** directly by health insurance company



Health care covered by health insurance

- **healthcare** covered by **health insurance** involves:
 - **preventive** care
 - **diagnostic** care
 - **ambulant** and **hospital** care, including **rehabilitation** and care of chronic diseases
 - **dental** care
 - **medicines** and **medical aids**
 - **patient transport**
 - **spa** care
- only the **basic material** and **treatment** is paid in the case of a **dental treatment**
- **cosmetic surgery** without any health reason may be **excluded** from the health insurance
- **medical aids** are **paid** from the health insurance **fully** or **partially**
- every insured person (or his/her legal representative) is obliged to pay the regulatory fee of **CZK 90** for **emergency care** that was provided by the **first aid medical service**



Social security insurance

- social security contributions involve:
 - 1) pension insurance
 - old-age pension
 - invalidity pension
 - widow's (widower's) pension
 - orphan's pension
 - 2) sickness insurance
 - sickness benefit
 - maternity benefit
 - father's postnatal care
 - attendance allowance (short- or long-term)
 - compensatory benefit in pregnancy and maternity
 - 3) unemployment insurance
- social security contributions have to be paid to **Czech Social Security Administration**



Social security insurance - who pays the contributions?

1) Employees:

- altogether, **31.3%** of the gross income of employee is paid
- employer pays **24.8%**
 - pension insurance **21.5%**
 - sickness insurance **2.1%**
 - unemployment insurance **1.2%**
- employee pays **6.5%** (whole amount intended for pension insurance)
- overall amount of contribution is paid to the **fund of employee** by his/her employer



Social security insurance - who pays the contributions?

2) Social security insurance of self-employed persons:

→ up to **31.3%** of the assessment base (i. e. 50% of the profit) is paid

- pension insurance **28.0%**

- sickness insurance **2.1%** (contribution is **voluntary**)

- unemployment insurance **1.2%**

3) Persons voluntarily participating in old-age pension insurance



Social security insurance - who pays the contributions?

General social and health security

Contribution for	Maximum base per year	Employee	Employer	Sole entrepreneur
Pension insurance		6.5%	21.5%	28%
Sickness insurance	CZK XXXXXX (approx. EUR 56,343) CZK 1,701,168	N/A	XX% 2.1%	XX% ¹⁾ 2.1%
Unemployment insurance		N/A	1.2%	1.2%
Health insurance	N/A	4.5%	9%	13.5%
TOTAL		11%	XX% 33.8%	XX% 44.8%

1) The contribution is voluntary.



1) Pension insurance - old-age pension

- old-age pension

→ a condition for entitlement is an **accumulation** of the required **period** of **insurance** and attainment of the **stipulated age**

→ a **retirement age** depends on **gender** and the **date** of **birth** of insured person (e. g. retirement age for men born prior to 1936 is 60 years, while for men born in 1971 it is 65 years)

→ in insured women, number of **raised children** is also important for determination of **retirement age**

Year of birth	Retirement age for					
	men	women who raised the following number of children				
		0	1	2	3 - 4	5 or more
1936	60y+2m	57y	56y	55y	54y	53y
1937	60y+4m	57y	56y	55y	54y	53y
1938	60y+6m	57y	56y	55y	54y	53y
1939	60y+8m	57y+4m	56y	55y	54y	53y
1940	60y+10m	57y+8m	56y+4m	55y	54y	53y
1941	61y	58y	56y+8m	55y+4m	54y	53y
1942	61y+2m	58y+4m	57y	55y+8m	54y+4m	53y
1943	61y+4m	58y+8m	57y+4m	56y	54y+8m	53y+4m
1944	61y+6m	59y	57y+8m	56y+4m	55y	53y+8m
1945	61y+8m	59y+4m	58y	56y+8m	55y+4m	54y
1946	61y+10m	59y+8m	58y+4m	57y	55y+8m	54y+4m
1947	62y	60y	58y+8m	57y+4m	56y	54y+8m
1948	62y+2m	60y+4m	59y	57y+8m	56y+4m	55y
1949	62y+4m	60y+8m	59y+4m	58y	56y+8m	55y+4m
1950	62y+6m	61y	59y+8m	58y+4m	57y	55y+8m
1951	62y+8m	61y+4m	60y	58y+8m	57y+4m	56y
1952	62y+10m	61y+8m	60y+4m	59y	57y+8m	56y+4m
1953	63y	62y	60y+8m	59y+4m	58y	56y+8m
1954	63y+2m	62y+4m	61y	59y+8m	58y+4m	57y
1955	63y+4m	62y+8m	61y+4m	60y	58y+8m	57y+4m
1956	63y+6m	63y+2m	61y+8m	60y+4m	59y	57y+8m
1957	63y+8m	63y+8m	62y+2m	60y+8m	59y+4m	58y
1958	63y+10m	63y+10m	62y+8m	61y+2m	59y+8m	58y+4m
1959	64y	64y	63y+2m	61y+8m	60y+2m	58y+8m

1) Pension insurance - old-age pension

- the **required period of insurance** gradually increases depending on the **age** of the insured individual
- the necessary period for **entitlement to old-age pension** amounts to:

Retirement age reached	Required period of insurance:
before 2010	25 years
in 2010	26 years
in 2011	27 years
in 2012	28 years
in 2013	29 years
in 2014	30 years
in 2015	31 years
in 2016	32 years
in 2017	33 years
in 2018	34 years
after 2018	35 years



1) Pension insurance - invalidity pension

- invalidity pension

→ **invalidity** is defined as a **decrease in work ability** that occurs because of a **long-term unfavourable state of health** to the extent of **at least 35%**

→ the **Pension Insurance Act** now differentiates between **3 stages** of **invalidity**:

- stage 1 - decrease in work ability in a range from **35** to **49%**
- stage 2 - decrease in work ability in a range from **50** to **69%**
- stage 3 - decrease in work ability at least of **70%**

→ once an insured individual reaches the age of **65** and starts receiving **old-age pension**, he/she is usually no longer entitled to an **invalid's benefit**



2) Sickness insurance - sickness benefit

- sickness benefit (in a case of **temporary incapacity to work**)
 - first **14 days** of the period, **employer** has to provide **compensation wage** (for working days)
 - from **15th day** insured persons incapable of work are supported by **Czech Social Security Administration**
 - support period lasts no longer than **380** (calendar) **days**:
 - (**60%** of **reduced daily basis (RDB)** for the **first 30 days**)
 - (**66%** of **RDB** from **31st** to **60th day**)
 - (**72%** of **RDB** from **61st day** of the period)



2) Sickness insurance - sickness benefit

Determination of reduced daily basis (RDB):

daily basis (DB) = sum of gross wages / number of days (in the decisive period)

Reduction levels (RL) valid from **January 1st 2021**:

1st reduction level - **CZK 1.182**

2nd reduction level - **CZK 1.773**

3rd reduction level - **CZK 3.545**

- **DB below 1. RL (<CZK 1.182)** → RDB for sickness benefit = **90%** of DB
- **1. RL < DB < 2. RL** → RDB for sickness benefit = **60%** of DB
- **2. RL < DB < 3. RL** → RDB for sickness benefit = **30%** of DB
- **DB > 3. RL (>CZK 3.545)** → RDB for sickness benefit = amount above 3. RL disregarded



2) Sickness insurance - maternity benefit

- maternity benefit (MB) - i. e. financial assistance on **maternity leave (ML)**
 - only persons participating in **insurance** at the **time of commencement** (between **8th** to **6th week** prior to the expected date of birth) are **supported**
 - insured person must have participated in the sickness insurance for **at least 270** calendar **days** over the last **2 years** before starting ML
 - **supported period** for maternity benefit:
 - **28 weeks** (for an insured woman bearing **1 child**)
 - **37 weeks** (for an insured woman bearing **2** or **more children**)
 - insured person who is the **father** of a **child** or **husband** of a **woman** who bore the child also has the right to MB, if he has concluded a written agreement with the mother of child that he will take care of baby instead of her
 - from the 1. day, the MB is **70%** of the daily assessment basis



2) Sickness insurance - father's postnatal care (paternity leave benefit)

- father's postnatal care

→ **participation** in the **insurance** is the basic requirement to be entitled to paternity leave

→ **supported period** for this benefit is **7 days**

→ paternity leave benefit amounts to **70%** of **reduced daily basis** of assessment (RDB) per calendar day



2) Sickness insurance - attendance allowance

- (short-term) attendance allowance (SAA)

- intended for insured persons (employees) who cannot work as they have to attend an **ill member** of the **household** or take care of a **healthy child below** the **age** of **10** because the **school** has been **closed**
- an employee is **not entitled** to SAA for attending or taking care of a child if another parent (natural entity) is entitled to **receive maternity benefit**
- **supported period** for this benefit is **9 (16) days**
- SAA amounts to **60%** of **reduced daily basis** of assessment (RDB) per calendar day



2) Sickness insurance - attendance allowance

- long-term attendance allowance (LAA)

→ **insured persons:**

- the **spouse** of the person being cared for
- **direct relative** of the person being cared for (or the sibling, mother-, father-, daughter- or son-in-law, niece, nephew, aunt or uncle and their spouses)
- **cohabitant sharing household** with the person being cared for

→ **person being cared for** - person who suffered a serious health disorder that required hospitalization with medical care rendered for at least **7 consecutive calendar days**

→ **supported period** for this benefit is **90 days**

→ LAA amounts to **60%** of **reduced daily basis** of assessment (RDB) per calendar day



2) Sickness insurance - compensatory benefit in pregnancy and maternity

- compensatory benefit in pregnancy and maternity (CBPM)
 - provided to a **female employee** who was transferred to a **another (different) position** because of her **pregnancy** and **maternity** and, as a result, **receives** a **lower wage** through no fault of her own
 - benefit is provided to a **pregnant employee** or **mother** until the end of the **9th month** following birth
 - benefit is provided for the **number** of calendar **days** that the transfer to a different position lasted



Useful links

- <https://www.kancelarzp.cz/en/links-info-en/health-insurance-system-in-cz> (info about health insurance system in the Czech Republic)
- <https://ec.europa.eu/social/main.jsp?catId=1106&langId=en&intPageId=4473> (EU webpage summarizing info about healthcare in the Czech Republic)
- <https://www.cssz.cz/web/en> (webpage of the Czech Social Security Administration containing the information about pension and sickness insurance)

