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## **Why there is no health insurance in the Republic of Kosovo?**

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### **Abstract:**

*Although the legal basis for an adjustment and legal definition can be found in the Constitution of Kosovo, namely in Section 51.2, since 1990, Kosovo could not guarantee a provision of Healthcare Insurance (HI) for its citizen. While it is the recent statistics that have been showing a high degree of unemployment and poverty, the importance of functionalizing of a Health Insurance Fund (HIF) has been considered as a very important issue, particularly in regard to a most vulnerable layer of the local population. Along the previous 10 years, since the first Law on Healthcare Insurance has been initially drafted in 2004, attempts were made by the Ministry of Health (MH) to establish different working groups for the purpose of defining the legislation, which should lead to its adoption and creating the legal basis for the establishment of the Health Insurance Fund. Despite the efforts, to date, these attempts have proved unsuccessful due to the lack of the serious approach to the issue by the changing government. Furthermore, in consultation with International Monetary Fund, a study worth mentioning is also the one which has been developed by the World Bank in 2008 (for the purpose of studying fusibility regarding the macroeconomic involvement), which also brought important recommendations for the Government of Kosovo. In the section where the results are presented, different views from the Government of Kosovo, Ministry of Health and World Bank are portrayed in the manner of creation, financing and fund management. Further discussions should aim to define the causes and key problems behind the question: "Why there is no Health Insurance in Kosovo?".*

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Keywords: Health Insurance, Study, Views, Government, World Bank

**JEL Code Classification:** I10, I13, K31, K32

## **Introduction**

Health Insurance Fund of Kosovo until 1990 has been functioning as part of the Health Insurance Fund of the former Yugoslavia and the mandatory fund financed by contributions of the employee's from the payroll. After 1989 and the separation of some of the Former Yugoslav Republics, HIF was centralized with its headquarters in Belgrade, leaving only several other managing offices in other regions. As the result of the political turmoil, by 1990, Albanian national representatives in Kosovo were gradually dismissed from all Insurance managerial positions, likewise from all the other position within the public sector. As the result of the lack of the systematic contribution within the HIF, such a situation son led towards exclusion of the Kosovo Albanian nationals from using the public health system.

Even though 16 years have gone by since the last armed conflict in Kosovo and in coordination with international factor the independence has been declared for nearly six years now, Healthcare Insurance has not been and it is still not an guaranteed right for the citizens. Although there are no accurate data to the actual number, the only persons with Healthcare Insurance in Kosovo remain those individuals who are employed by international organizations, or those who choose voluntary to get insured.

## **Methods & Materials**

This study has mainly used descriptive and analytical methods, as well as comparative measures. During the study, primarily, the authors participating experience within the Healthcare Services in Kosovo has been used where she worked at the different levels, covering the period between 2001 and 2010. In this process (bearing in mind also the author's participation in countless healthcare sector financing seminars and debates over the period of nearly ten years), the difficulties, organization, function and challenges within the Healthcare Sector have been analyzed. Annual governmental budgets, legislations and different study reports from 'World Bank' (especially 2008 'World Bank' study on the Health Insurance of Kosovo) were further elaborated in this study.

## **What were attempted after the conflict in Kosovo to create a health insurance fund and which were the main reasons behind its non-consolidation?**

In 1999, after the establishment of the Provisional Institutions of Kosovo and later

the Government of Kosovo, the new Law on Healthcare Insurance has been submitted to Parliament for approval. At that time, the Interim Special Secretary of the United Nations had refused to sign the law on the grounds that; budgetary implications were not foreseen, which accordingly would have affected not only the Healthcare System but also the overall national financial system in Kosovo.

One of the main factors that Healthcare Services are underperforming in Kosovo is because of the absence of the Healthcare Insurance Law. The absence of this Law has also caused that the financial support for the healthcare personnel is far below the average. This especially if we are to make comparison with the other regional countries that have adopted and already practicing such a law and have their Health Insurance Funds running.

The current funding mechanism of Healthcare in Kosovo has an administrative cost advantage in comparison with the additional costs needed, particularly in the case of additional administrative and professional staff and other costs needed to run the new Health Insurance System. Furthermore, there is no association between individual taxpayers and beneficiaries, so realistically and unfortunately, in Kosovo, the budget allocation is not based upon performance, contribution and needs, but in relation to capital head and relative to the political influences.

Comparing it to the neighboring regional countries, after 1999, the financial system in Kosovo has much simplified. However, giving to the fact that it was not manageable to create a modern and transparent system for gathering public contributions, there are still complex issues in the process of transfers and spending. Currently in Kosovo the tax reserve for the Healthcare Services does not exist.

It also worth mentioning that; non-recognition of Kosovo as sovereign state by some of the countries, especially from 5 EU countries (as a consequence of which the membership in international organizations was not possible), is yet another reason why so much effort is being spent to resolve political obstacles, rather than holding up with the useful democratic principles, economic prosperity and the welfare for the citizens.

After overcoming the so-called emergency phase (1999 – 2001) and the development reconstruction phase (2002 – 2004), through research, new methods have been tried in order to collect the needed revenues to finance Kosovo's Healthcare Sector. Even though no concrete results have been achieved, the aim was to create a sustainable system of financing based in mixed methods of funding. Prolonging the adoption and implementation of the legal basis for the establishment and functioning of the Health Insurance Fund and the establishment of a system of financial sustainability and Health Insurance, proved that since after the war of 1999, HIF was not part within the agendas and policies of any changing

political government in Kosovo.

As to the Healthcare Insurance legislature, altogether, from 2004 the government has worked on three versions of drafts (2004, 2007 and 2009). Adding to this, up to date, quite serious studies have been conducted about the Kosovo Healthcare Insurance Services. Of particular importance are: a prolonged study by the World Bank and the symposium dedicated to the financing modalities of the health sector (organized by the Centre for Research within the American University of Kosovo).

Giving in to the fact of the willingness to have a law which could be implemented, reflecting into the macroeconomics, the government should foresee to coordinate a very serious inter-ministerial approach. This particularly when foreseeing the changes within the related legislature (of particular importance is the Law on Managing Public Finances) which is directly implicated with the changes in the Law on Health Insurance.

Ultimately, lacking serious approach to the solution of the abovementioned problems by the often changing governments in Kosovo, non-consideration of the recommendations from the World Bank experts and the American University of Kosovo, creates a doubt in the tentative and the failures to consolidate a Healthcare Insurance Found in Kosovo.

#### **Funding proposal and creation of HIF under the draft Law on Healthcare Insurance proposed by MH**

The 2009 version of the draft law on Health Insurance proposed by the MH proposes a combination of resources from; direct and indirect taxes, revenue from monthly contributions, co-payments as well as the World Bank recommendations on Healthcare Financing from the study in 2008. This law was focused on the organization and functioning of HIF way of financing, rather than the way the fund should be managed.

According to the 2009 law, the method of calculation for the contributions for compulsory Healthcare Insurance and payment terms are established by the government through found proposal. By this law, it is also the government responsibility to provide the necessary financial resources for mandatory Healthcare Insurance towards central and municipal levels. Regarding the transfer of funds foreseen by the law, this should be covered on regular bases and each month by the government. As to the amount, this should cover roughly 4% from the total annual budget. Regarding the voluntary collections, it has been predicted that these should be recorded into a special account and are to be used specifically according to the curriculum.

As for the Fund management, according again to the law from 2009, it is foreseen to be controlled by an elected Board (which should serve a three year term, with possible re-election for the second term). The board membership should be

comprise from: Minister of Health, Minister of Economy and Finance, Minister of Labor and Social Welfare, one representative from Assembly, two representatives of the insured, two representatives of employers, two representatives from public institutions, a representative of the Union and a representative from civil society. Proposed beforehand by their respective institutions, these board members are to be nominated by the Government of Kosovo. Short and medium term strategy, the annual budget and chairperson was to be elected by the Council proposition. The fund was to be overlooked and controlled by one elected director (through public announcement) from the executive board.

he latest draft law for Healthcare Insurance defines the rights for basic Healthcare that are to be included in the list of services covered by the Fund and approved by the government. List of rights from mandatory Health Insurance is determined each year by "list of health services covered by the Fund". Bill also provides for services excluded from the list of fundamental rights (as defined in Section 20).

According to experts who have worked in calculating the annual expenditure in the MH, it has been understood that the annual cost for the Healthcare Insurance should be no less than € 296,100.000. Accordingly, it has been presumed that a sum of € 187,366.054 from the above cited total *could be collected*), while the rest of the amount, respectively €108,733,946 has been foreseen to be financed directly by the Kosovo Budget.

**Table 1** Planning the collection of contributions for Healthcare Insurance

Nr	Contributors	Method of Calculation	Total
1	Contributions of employees	200,000 employees x 312 € / year	62,400,000 €
2	Contributions of other obliged contributors	0	0 €
3	Contributions of family farmers	183,200 families x 240 € / year	43,968,000 €
4	Founds from co-payments	Participation in the cost of health care from 10-80% (article 36.2)	17,000,000 €
5	Contributions to the contractor	350,000 jobseekers x 144 € / year	50,400,000 €
6	Contributions for pensioners	174,949 pensioners x roughly 62.8 €/year (average)	10,986,171 €
7	contributions to social assistance recipients	34,307 families x roughly 76 € / year	2,611,883 €
TOTAL		187,366,054 €	

**Source:** Government of Kosovo, MEF, MH 2010

According to the MH, HIF accrued expenses should reach the total of € 296,100.000. In the table below are presented

**Table 2** Annual labor costs of HIF as foreseen by the Ministry of Health (in Euros).

Healthcare and other services	€ 200,000,000
Drugs	€ 40,000,000
Temporary incapacity for work, injuries and occupational diseases.	€ 37,674,000
Maternity leave	€ 4,334,400
Sub-total	€ 282,008,400
Reserve 4 %	€ 11,280,000
Annual operating expenses1%	€ 2,820,000
Sub-total	€ 14,100,000
TOTAL	€ 296,100,000

**Source:** Government of Kosovo, MH, MEF 2010

**The opinion of the Government of Kosovo in connection with the financing and the functioning of HIF and Financial Implications of the Law on Health Insurance**

The Government of the Kosovo rests on the opinion that the Law on Healthcare Insurance can have “significant” impact within the Kosovo economy. Regarding the fact that estimated number of domestic employees is roughly 200,000 (MEF, 2010), and that the Government of Kosovo does not predict any significant number of additional employees in the next three to five years, it emerges that to ensure sustainable Health Insurance Found will prove an challenging experience.

According to the Government estimates, unemployment in Kosovo is around 40%, thus; unemployment will limit the collection of health contributions from active employees; which consequently should lead to a non-consistency of HIF; understandably there will be a need for additional supporting founds from the budget.

According to Government, Health Insurance Contributions are to be collected likewise from workers and employers. In this regard, the obligatory contribution of 5% revenue from the subjects on top of the current contributions has been anticipated. According to the Government this should raise labor costs from 10% (as it actually stands) to a total of 20%. Understandably, this will create a burden for the businesses, which consequently should lead towards growth in the informal employment or so called ‘black market’; with the final end result showing decrease in the market competition. As result of the labor increase, the Government has also anticipated the possibility of the so called “effect of the price rise for the general goods within the country”, which should lead towards damages for business and

consumers. Finally, the government also stipulates positive effect within the whole process. Mainly this should result from the so called “pressure on employees to register and contribute actively on the Health Insurance Fund”.

In summary of the end result; the government of Kosovo did a study on the impact of the HIF in the country’s economy and thereby assessed it as “law with possible budgetary impact which in itself contains a high degree of uncertainty and instability” and unlike the WB study, did not propose possibilities for additional income.

### **The model proposed by the World Bank on Health Insurance in Kosovo**

At the request of the Minister of Health, a study has been done by the World Bank in 2008 for the purpose of analyzing the possibilities for applying Healthcare Insurance in Kosovo.

The study has been focusing largely on the organizational structure and functioning of the Insurance Found as part of the Kosovo Healthcare system. In terms of mode or the method of financing it was proposed a combination of resources from direct and indirect taxes, revenue from monthly contributions and co-payments.

Based on the analysis carried by the World Bank, the recommended model for the Kosovo Health Insurance is that of the State of Estonia and the Republic of Kirgizstan. The local experience of the institution such as Kosovo Pension Savings Trust (KPST) has also been recommended. At the end of this study, along the lines of three consecutive stages, a framework for financial reforms has been also recommended, which according to WB predictions should last between 10 to 17 years.

Further recommendations from the World Bank suggest that the best model to be considered for HIV is the one which clearly separates buyers from the providers of health services. In this instance it is foreseen that the MH should not share anymore the role of the buyer. Instead, the Ministry of Health will be there to strengthen its role as a policy maker, regulatory and quality assurance of Healthcare Services by managing resources in health institutions (including here also drugs and expendable materials).

World Bank has suggested also the possibility of contracting an international company for managing the Health Insurance in Kosovo. This would help the development of Human Resources and Information Technology for HIF based on the regional and international best practices. According to the further suggestions, the Ministry of Economy and Finance role should be to ensure safe income transfer into the HIF. The responsibility of HIF will then be for the so called “accumulation of risk” and buying the health services from the licensed public and private

institutional providers. Understandably this should bring implications in relation to the system for the payment reform. It has been suggested that the payment should be based accordingly to the number of the cases in relation to the hospital services; while accordingly, the primary health care services should be based in relation to the capital head.

Further recommendations by the World Bank also suggest that health institutions should provide health services defined in the form of the so called basic packages. These should be evaluated accordingly based on the performing standards and from the neutral institutions in relation to those who will providers and those who are to use the services, respectively HIF. To achieve this, it is required greater autonomy for the managers within the health institutions, as to overlook the factors of provision of health services (this in order to create competitive climate when contracting health service providers).

For the method of management of the Fund, based on the model of KPST (Pension Trust), the World Bank have proposed the formation of an governing board with national and international membership rights. In this case, the operational control would be managed by the Central Bank of the Republic of Kosovo. Statutory Reserve Funds than would be invested accordingly to the international best practices, which consequently should bring "positive real net returns" resulting from the administrative low cost.

Referring further to the data from Statistical Office of Kosovo for the annual year of 2005, the World Bank has been analyzing the 1.1 bilion base of contribution. In the table below the basis of annual contributions are presented for Health Insurance in Kosovo for the annual 2005.

**Table 3** - Base contributions for Healthcare Insurance in Kosovo in 2005

Sector	Public	Private	Agriculture	Total
Percentage of employees	25 %	69 %	18,8 %	
Cross sectors employees (approx)	90,313	249,985	67,915	408,213
Average wage (annual amount)	1,800	3,600	720	
Basis of insurance contributions, based on sectors (in euro's)	162,562,500	899,946,000	48,898,800	1,111,407,300

**Source:** WB, 2008

WB study predicts a zero tax invasion on income from the public, 50% form private sector and 80% from agriculture. According to this WB presents three possible



scenarios.

**Table 4-** Scenarios 1-3. Approximate Healthcare estimated costs relative to the source funding (in Euros).

	Base year	%	Scenario 1	%	Scenario 2	%	Scenario 3	%
Funds from wages			62,231,526	40	93,347,289	54	62,241,526	36
Copayments (cost sharing)	62,300,000	40	12,446,305	8	18,669,458	11	12,446,305	7
Central budgeting	87,900,000	56	82,752,169	53	61,156,253	35	98,459,169	57
Donations	7,200,000	5	-	0	-	0	-	0
Total healthcare expenditure	157,430,000	100	157,430,000	100	173,173,300	100	173,173,000	100

Source: WB, 2008

**Recommendations proposed by the Development and Research Center of the American University (AUK) regarding Health Insurance in Kosovo**

Ministry of Health, in cooperation with the American University of Kosovo Research Center (AUK Research Center), on 30/01/2009 organized a symposium devoted to the modality for financing the healthcare sector and the possibility of creating Kosovo Health Insurance.

Recommendations from the symposium include:

- Establish legal preconditions for the introduction of health insurance contributions of 5% (2.5% for employees and 2.5% for the employer).
- Establishment of the Kosovo Fund for Health Insurance as an independent institution.

According to the study, creating a Health Insurance Found of Kosovo should have a positive effect along the following lines:

- Helps in regulating the private sector by introducing the licensing;
- Controls the price discrimination for the similar healthcare services;
- Advancement and centralization of healthcare statistics which should have an positive impact in policy improvement from Ministry of Health;

- Increases the quality of management in public health clinics;
- All the funds are to be collected within one and the same “basket”. This should also place the risk of the collection within the national boundaries;
- Maintaining a universal approach of governing towards the citizens in terms of basic healthcare cost coverage for the unemployed people;
- Materialization of co-payment scheme;
- Private insurance;
- Setting a transitional period of five years during which the healthcare expenses will grow continuously.

**Discussion: To date, how serious were government attempts to create a HIF and why this has not been resolved until now?**

Generally speaking, it remains conviction that in Kosovo there is no serious approach and the Healthcare is not seen by the government as a very important pillar to be taken as the priority. This notion has also been supported by the data which show that Kosovo Healthcare System is lagging behind in all its departments when comparing it to the other regional and European countries. The fact that goes for health budgets being reduced in the context of the overall GDP of the country (according to the AUK source: just over 3% in 2010 in comparison to 9% lowest within the other region countries), portrays quite clearly non-serious approach from the Kosovo government towards the healthcare sector.

In short summary, the issue of the budget does not present the only obstacle for setting up the HIFK. The special role here also plays: implementation of the law and the establishment of a motivated managerial structure at the top of the leading health institutions which would bring a coordinated control of monitoring and accountability.

**Conclusions & Recommendations**

The support from the government and the serious approach to Healthcare System Development in Kosovo actually is only desired by a few individuals.

The actual need to start applying Kosovo Healthcare Insurance; even through a very simple initial scheme, is of outmost importance regarding the present huge needs of the wide population.

The process of HIF should be developed through a feasibility study, by considering all the recommendations mentioned from national and international experts and using suitable relative methods in regard to a new country and a fragile society.

However simple they may be, the work should start with secure operations; this

should continue with transparent and definitive actions, emphasizing the importance of HIF for the population of Kosovo; consequently, this should lead towards confidence build up for the citizens in relation to the Healthcare System, the capacity of HIF and the ultimate belief on state institutions which has been shaken deeply over the recent years.

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