

VOLUNTARY HEALTH INSURANCE DEVELOPMENT PROBLEMS AND IMPROVEMENT MAIN TRENDS IN GEORGIA

Revaz Gogitidze

Shota Rustaveli State University of Batumi, Georgia

CITATION: Gogitidze, R. (2014). Voluntary health insurance development problems and improvement main trends in Georgia. *International Journal of Social Sciences and Entrepreneurship*, 1 (11), 300-306.

ABSTRACT

Insurance in industrially developed countries organically is merged with the Social Security system; it is one of the mandatory attribute of the life. Insurance couldn't find appropriate development in Georgia. Social insurance - one of the most demanded and regulated product by the state is health insurance, which services by the state and private insurance companies are functionally similar. However, the private medical insurance in Georgia cannot be considered as developed, the most part is occupied by the compulsory medical insurance. the hindering reasons for development of private health insurance are: low-income of populations, the less information about content of services of the insurance package, in more cases the failure to fulfill the expectations for coverage of medical services, with a simple reason, that the medical package was not interpreted correctly to the potential insurer by the representative of the insurance company. The article presents the development of the necessary measures for health insurance.

Key Words: *voluntary health insurance, development problems, main trends, Georgia, private insurance, medical insurance*

Introduction

In the modernization process of contemporary Georgian society constantly arise new risky situations that have a natural, technological, socio - economic, political character. In this regard, reducing not only distant, but the near future predicting ability, that with people's daily life is accompanied by a feeling of uncertainty and instability. In conditions when the social reality rapidly changes, the risk becoming characteristics of human activity. Finally, each man faces necessity to be insured form different kinds of risks.

Insurance in industrially developed countries organically is merged with the Social Security system; it is one of the mandatory attribute of the life. Insurance development is one of the indicators of living standard: The higher the standard of living, more diverse and demanding is insurance relationships. Insurance couldn't find appropriate development in Georgia.

In market economy conditions products delivered to consumers by the insurance companies should be focused on the needs of the population of a certain class. At present insurance structure

is extraordinary, both in its content and development, and its service area includes all the risk to human life and activity.

Social insurance - one of the most demanded and regulated product by the state is health insurance, which services by the state and private insurance companies are functionally similar. Other Types of social insurance of Georgia, except medical insurance is considered to be underdeveloped, so it is difficult to reveal the long-term prospects for the mentioned sector's development. Reasonable to consider its development in the shortest period of time.

Results

Biographical particulars survey of the population, and participated in the filling of the questionnaire respondents belonging to the 20-35 (81.0%), 35-55 (19.0%), 55-65 (1.0%) age groups, showed that 53.0% of 106 respondents are insured, while 47.0% aren't insured.

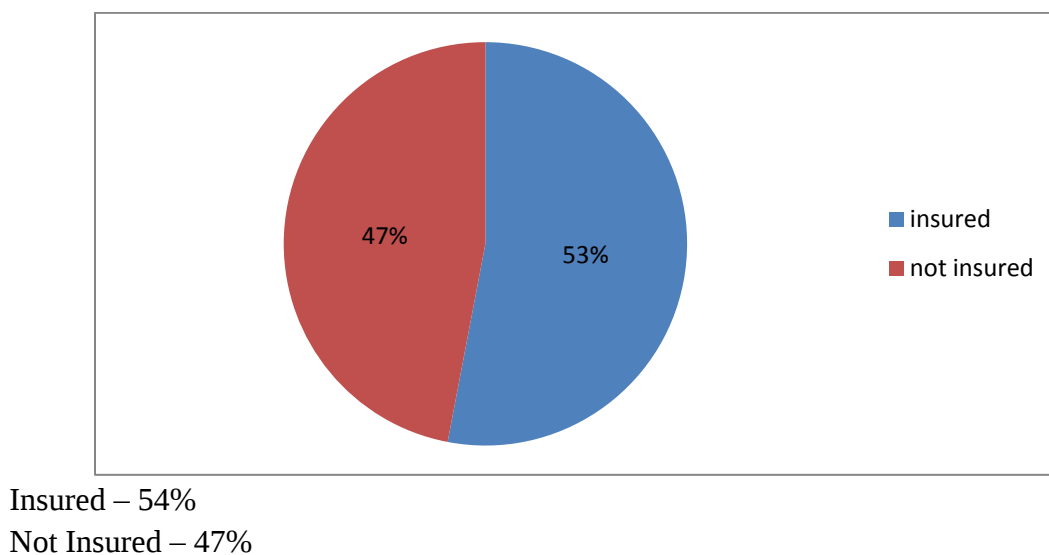


Figure 1: Respondents Insurance Status

Now regarding the question: Do respondent use any other product of social insurance? Turned out that only 24.5% of respondents use social insurance. There are several factors why people are reluctant to voluntary social insurance: level of mistrust towards the insurance companies, ignorance of social conditions and the types of insurance products, as well insufficient financial condition. The survey results allow formulating the following recommendations:

1. Insurance companies need to raise public awareness regarding the types and conditions of personal voluntary insurance. For this reason it is important to take an active involvement of the mass media (television, newspapers, Internet, radio, billboards).
2. Insurance companies can conduct outgoing consultation and educational seminars and training in organizations and enterprises.

3. It is necessary that state insurance unions increase control over the activities of insurance companies: regarding the fulfillment of obligations before the clients and their interactions to treatment-prophylactic institutions, in order to prevent insurance fraud.
4. State and local self government authorities should pay more attention to the development of the insurance culture of the population. People need to be aware in order to predict their own future rationally.

Health insurance by which can be said “breathes” Georgian insurance market and stable holds 62-68 % of the market. Despite the fact that health insurance is distinguished by a high portion, to it cannot be attributed the development of private sector of social insurance, since the state health insurance occupies a large portion in it, which we call Mandatory - voluntary form, namely about 1.5 million insured, 84% is insured by state-insurance programs. Private health insurance plays variety of roles in health care financing system. There are three types of private health insurance, according to these roles: substitutive, supplementive and additional. (Verulava 2010:) Voluntary health insurance substitutive form for the certain group of population is an alternative form of compulsory insurance system of the country (first substituting), form of mandatory health insurance coverage for a certain group of the population that is replaced by a voluntary health insurance. Substitutive health insurance can be depended on income (Germany and the Netherlands before the reform), employee status (self-employed in Austria, Belgium and Germany), the business (some professions in Austria).

In our opinion, the substitutive private insurance should be used in Georgia, since our country doesn't have such a luxury to spend money on high-income officials. Their involvement in private insurance by buying high-cost medical packages will develop the insurance market and the state budget would benefit doubly: First will be released from the extra costs and, secondly, high income of insurance companies will increase volume of taxes. Supplementive voluntary health insurance is spread in all countries of Western Europe, but in different forms. It especially common in those countries where national health systems operate, whereby medical services are related to certain problems (e.g. waiting period, selection a preferred provides est.). Supplementive voluntary health insurance covers the co-payment in Belgium, Denmark, Sweden (basic medications, dental services), France (outpatient medical services), Ireland (outpatient medical services), and Luxembourg (co-payment for inpatient medical services) and Netherlands (mainly dental services). Additional voluntary health insurance includes funding of those types of medical care, which aren't included in the scheme of mandatory health insurance or is included but with additional insurance the patient has free right of choice of health care providers, that increasing quick access to health services (planned medical care or consultation with a specialist are provided without waiting).

In terms of competition in the private health insurance market, it is important that residents be able to compare different packages of benefits. Some researchers believe that the comparing of the benefits is easier in case if there exist standard minimum packages. Beneficiary has the

possibility over the minimum packages compare conditions offered by the different companies and make the right choice. Thus, the minimum basic package has a positive effect on consumer choice and increases competition.

Mostly the majority of beneficiaries don't have sufficient information regarding benefit packages offered by insurance companies. Premiums are determined according to individual risk (i.e. the risk of morbidity based on individual assessment), Public risk (averaged for a certain group of people based on risk assessment), group risk (risk assessment based on the average personnel) basis. High-risk individuals, who often need medical care, the insurance companies have imposed a higher insurance premium. It is clear, that relatively healthy individuals suffer from discrimination, because they are rarely using the medical services. The private insurance organizations because of risk redistribution, prefer grouped insurance (usually hired workers), than individual insurance. So the cost of individual insurance increases, which is the less accessible for unemployed poor people, whose morbidity risk is the higher above average.

In some countries for insurance of low-income residents are allocated governmental subsidies, with increased age the need for medical care is growing, so increased the insurance premiums. In order to increase the health care services the pensioners apply for the state insurance in some countries (for example, South Africa, Chile).

The scheme of society risks is based on the principles of social justice. But, in conditions of private insurance the individuals of low-risk (relatively healthy individuals), consider that the premiums calculated on the basis of the society risk as very expensive and may leave it and insure by individual scheme. As a result, due to the relatively high concentration of risks, the premiums calculated on the basis of society risks become more expensive, and the self - insurance less accessible. In this regard, it is problem in Georgia, because the health insurance packages are different from one another only by quantity of services and do not involve the risks of individual clients. Mostly this leads to dissatisfaction of healthy people and log out from insurance system. Thus, the effectiveness of insurance manifested by the fact, that on the one hand by using the insurance system decreases the budget expenditures, in order to cover losses incurred by unfavorable events and on the other hand by development of insurance sector (by increasing the quantity of insured people) increases taxable base, and ultimately comes the growth of efficiency of redistribution of budgetary resources and reduction of the tax burden. Let do analyzes by calculating efficiency of this kind medical insurance in Georgia. The efficiency of medical insurance on the basis of the human capital theory is the ratio of factually reimbursed amount by the insurance company with the incurred expenditures:

$$EF = \Sigma SK / \Sigma SX$$

Where:

SK – is the remuneration amount caused by the social risk;

SX – the insurance premium paid by the insured person to the insurance company; let's calculate the efficiency of the health insurance in Georgia according to the data of 2011-2013:

$$1. \text{ For 2011 } EF = 175\,412\,471 / 200\,590\,584 = 0,87$$

$$2. \text{ For 2012 } EF = 235\,294\,925 / 380\,333\,584 = 0,61$$

$$3. \text{ For 2013 } EF = 257\,920\,648 / 316\,629\,725 = 0,81$$

Table 1: The structure of Insurance Market According to the Medical Insurance Data of 2011-2013 (the direct insurance activity)

#	The type of Insurance	Attracted Premium	Compensated Losses
2011	Medical (health) Insurance	380 333 584	235 294 925
2012	Medical (health) Insurance	245 796 219	158 324 993
2013	Medical (health) Insurance (I-III of the quarter)	316 629 725	257 920 648

As the table shows, the Health insurance in comparison with 2011 increased in 2012 by 189%, and in comparison with 2013 reduced by 16.75 % in 2012, as for the quantity of health insurance policies in comparison with 2011 increased by 36 % in 2012, and in 2013 decreased again. (National Statistics Office, 2011-2013).

So, the private medical insurance in Georgia cannot be considered as developed, the most part is occupied by the compulsory medical insurance. The above mentioned substitution insurance will give the relatively high-income population to fund health services due to private insurance system, which assists the government to apply the limited resources toward poor and non-insured population; the hindering reasons for development of private health insurance are: low-income of populations, the less information about content of services of the insurance package, in more cases the failure to fulfill the expectations for coverage of medical services, with a simple reason, that the medical package was not interpreted correctly to the potential insurer by the representative of the insurance company; the fragmentation of insurance market, which leads to the minimization of competition according to prices: the existence of many small insurance companies and accordingly insurance packages in the insurance market determines the fragmentation of market, complicates the comparison of packages with each other and practically

makes it impossible to choose by price; non covering of medical institutions operating throughout the country by medical insurance systems.

For the development of medical insurance the following measures are necessary to be performed:

1. To be considered the profitability of population in Voluntary medical insurance and the tariff of insurance shall be construed so, that was available for the employees with average salary;
2. To be legibly written in the insurance policy the types of medical services and to be prepared the package of relevant medical service;
3. To abolish compulsory medical insurance for the groups with high income, for the groups with the average income to be used the package of supplementary type, and in its filling process will take part the employer;
4. The obligation for medical insurance of the employees with the average salary be imposed on the employer;

In conclusion, it can be noted, that the development of compulsory social insurance will contribute the exemption process from social protection expenses of the state insured population, and the state will be able to appeal more funds for social protection of the population, be maintained and improved the citizen's standard of living, will increase the budget revenues and will rise socio-economic status in the whole country.

References

1. Tengiz Verulava- "the Private Health Insurance", Health Economic-Health Care Economics and Insurance, July, 2010.
2. M. Kharashvili, the Scales of Private Insurance is too small in Georgia, April, 2011
<http://sajarodazgveva.wordpress.com>
3. Ani Kalmakhelidze, the Insurance in Georgia, Advantages and disadvantages, 2010.12.29. **net gazeti.ge**
4. The National Bank of Georgia, the Statistical Information of Insurance Surveillance -2011, 2012, 2013.