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Małgorzata Olszewska
University of Social Sciences

Disease Fund Management on the example of the Social Insurance Institution for the period between 2008–2012

Abstract: In Poland, after the economic transformation a lot of fields of business lines required adaptation, also in social security. On last years performed some changes in the insurances.

The sick insurance in the common social insurance has been defined as obligatory for the employees, and voluntary at the request of the person. The cash expenditures for benefits from sick insurance of the contribution charges only the employee insured, also employers incur cost connected with the sickness of employees to pay the remuneration for inability for work.

The unfavorable demographic conditions which determine making the decisions also in the past years, modification of rights and levels of benefits from sick insurance was introduced, which did not reduce, but quite contrary, increased expenses, especially for sick and maternity benefits. It means lack for balancing the sick fund and necessity to search an answer in the foreseeable future to the question whether the level of the contribution should not be reviewed and updated.

Key-words: sickness insurance, contribution for insurance, financing sources.

Introduction

Disease insurance and a method of its financing since the beginning of its existence has been characterized by different solutions. In Poland, disease insurance, was introduced with the Act of 19th of May, 1920 on mandatory insurance in case of a sickness, to cover all employees employed on the basis of the employment contract. A little bit later, sickness funds were established, to which a contribution was paid to charge partially the employer and the employee. In the post-war period, within the frames of the unified social insurance, a cost of the contribution was incurred by the employer exclusively. It was different in case of independent activity, as the contribution was financed by the insured.

The development of social insurance and changes applicable since have been affecting the management of public means, including also the area of sick insurance. The goal of the article is to examine which elements affect an increase in expenses for benefits from health insurance and, in particular, in the scope of extending the rights to the benefits.

Types of social insurance

Social insurance is assumed to secure the persons covered with the protection in the event when a defined act of God occurs. In classic social insurance, there are the following types of risk: ageing, disability, sickness, marriage, accident work and occupational sickness, loss of job as well as death of the family bread-winner. Each risk has a proper role ascribed which has a particular meaning when the system of social insurance is subject to modifications as it took place in Poland at the turn of the 21st century.

Since 1st of January, 1999, in the place of applicable many legal regulations, a unified social insurance system was introduced, characterized by the aspect that one legal act included all occupational groups being subject to social insurance, principles for establishing an obligation of social insurance were defined, as well as the basis for the contribution level and equal levels of contributions for particular types of insurance. What is significant in relation to previous regulations, is a change justifying division of social insurance into:

1. pension insurance – securing the risk of ageing – which finance pensions, from the old and new system,
2. disability pension insurance – intended for financing disability pensions for inability for work, disability pension benefits in case of loss of the bread-winner and a nursery allowance for the persons towards whom the inability for independent existence was declared or who turned 75 years of age,
3. sickness insurance – guarantees for the person covered with the insurance a compensation of the lost source of income in case of temporary inability to perform work in the form of: sickness allowance, rehabilitation allowance and equivalent, maternity and nursery allowances,
4. accident insurance which covers the payments for the provisions being the consequence of accident at work or occupational sickness, including sickness benefit, equivalent allowance, rehabilitation allowance, compensation for the damage to health as a result of the accident and disability pension for inability for work and family disability pension.

Disease insurance after introducing a reform of social insurance system and its financing sources

With reference to the sickness insurance, the issues were subject to different considerations. In the mid-war period, the burden of the contribution was divided between the employer and the employee. In the post-war period, as a result of social insurance existing only, without separation of types of insurance, the insurance cost was covered by the employer / to reduce in this manner the remuneration/. In turn, since 1976 common social insurance has been

introduced for the persons conducting business activity and these persons were charged with a burden to pay the cost of the contribution.

Since 1st of January, 1999 the reform of social insurance system has been introduced to separate sickness insurance from the social one and general principles were established concerning insured persons to affect both the insurance itself, but also the right to future cash benefits. As a result, the following was applied in the structure of the insurance:

1. pension and disability pension insurance as the leading ones,
2. making the sickness insurance dependent on the obligation to be subject to pension and disability pension insurance,
3. covering occupational groups of employee nature, with full insurance protection, with a guarantee to pay the benefit even to these persons, when the employer did not settle all due contributions for the insurance,
4. a possibility to be subject to voluntary sickness insurance exclusively at the request of the person interested, provided the person is obligatory subject to pension and disability pension insurance,
5. towards persons who voluntarily are subject to the insurance, the necessity of absolute obligation to pay contributions for social insurance, their lack means the lack of right to cash benefits.

In the new system since January 1999, the insurance has been defined as:

1. **obligatory** for the employees / except for prosecutors/ members of agricultural production cooperatives and cooperatives of agricultural circles and persons doing substitute forms of military service,
2. **voluntary / at the request of the person** / established for: the persons conducting business activity and persons cooperating with them, persons employed on the basis of the agency agreement or order agreement, the person who at the time of doing the sentence of deprivation of freedom or arrest perform the work on the basis of the referral also for the ecclesiastic persons.

A basic difference between these forms boils down to differentiated waiting periods for the sickness allowance, which amounts to 30 days in mandatory insurance, and in voluntary insurance it is 90 days of continuous insurance¹ and the fact of absolute payment of the contribution by those being subject to voluntary insurance. Such a requirement does not exist towards those being subject to obligatory insurance, which constitutes a beneficial situation for those persons, as it does not have negative effects for an employee in a form of liability for non-payment of the contribution by the employer who in fact deducted the contribution from the employee's remuneration, but did not pay it into the Social Insurance Institution.

Separation of a new sickness insurance is connected with defining the contribution for insurance of 2,45 % established on the individual basis of the insured person. The basis depends on achieved revenues or on the amounts

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¹ In the period from September 1999 till December 2008, sickness benefit for the persons being subject to sickness insurance voluntary was granted after the lapse of 180 days of continuous insurance.

declared by the insured. The cost of the contribution charges only the employee insured, as the contribution reduces the remuneration, whereas all activities connected with establishing and transferring the contribution on the individual basis of the revenue were imposed on the contribution payer, who transfers them to the Social Insurance Institution. In cases of persons being subject to sickness insurance, a person is charged voluntarily with the contribution who is subject to insurance, except for the persons cooperating with the persons conducting business activity, for which the person conducting the business incurs the cost.

Types of benefits from sickness insurance

While analyzing problems of cash benefits from social insurance, it is worth paying attention to the expenses which are subject to the principles of managing public means, namely the Fund of Social Insurance, dominant target fund in Poland. The rules resulting from the social insurance at the same time define and indicate the scope of the insurance protection, which is an inherent element of the insurances. On the basis of the applicable legal acts, types of benefits may be classified in accordance with different criteria.

Assuming the payment period as a criterion, the following can be distinguished:

1. short-term benefits – sick benefit, equivalent benefit, rehabilitation allowance, maternity and nursery benefits,
2. long-term benefits – which include pensions, disability pensions for inability for work, training pensions and family disability pensions,
3. lump-sum benefits – namely compensation.

Short-term benefits are characterized by a differentiated scope for particular insurance groups and by the fact that the right to the sick benefit is created as late as the condition being the waiting period has been fulfilled. Each benefit is an equivalent of the income lost in connection with transitional inability for work.

Disease benefit is a form of security which in the period of inability for work is to replace the income lost on which the contribution for insurance was previously established. It is granted to the person insured after the listed period of insurance / 30 days with obligatory one, 90 days with voluntary, both during the insurance and after its cessation. The payment period is 182 days and in case of a sickness, with which incubation period is longer than 270 days.

Increasing expenses from sickness insurance contributed to differentiation of the benefit and the following was adopted as a criterion:

1. the reason for inability for work of the person insured,
2. the place in which the person is during the inability for work.
3. Age of the person insured.

Acceptance of such criteria means that the sickness benefit shall be granted in the following levels:

1. 80 % of the basis for calculation – as a basic level in case of inability for work and for the persons who turned 50 years of age and during the sickness stayed in hospital,

2. 70 % of the basis for calculation in the event when the sickness period falls for the stay in hospital, except for those insured how turned 50 years of age,
3. 100 % of the basis for calculation for pregnant women for the persons who became unit for work in connection with the accident on the way to or from work and for the insured who stay on sick leaves in order conduct examinations, if they are to be donors of tissues, organs.

Disease insurance is connected with a necessity to stay on insurance and pay the contribution, but for many years in Poland there have also other principles been applicable, imposing an obligation on the employer to pay the remuneration for the period of unfitness for work and then the remuneration is paid without employment provision [Jończyk 2010, pp. 8–9]. Bearing in mind the expenses for sick absence, growing for years, in the past since 1st of March 1995, an obligation has been imposed on the employers to pay the guarantee remuneration for the absence for work up to 35 days / currently up to 33 days / in a calendar year [Muszalski 1999, p. 115].

The issue has been a subject of the discussion for years in the circle of employers as in case of some companies, especially those which employ a larger number of persons, often staying on sick leaves, the situations disorganize operation of these entities. An average length of sick absence in 2012 in accordance with sick leaves issued amounts to 36,77 days and the largest parameter is in the łódzkie province 47,26 and the świętokrzyskie one 43,56, whereas the shortest periods refer to podlaskie province 30,55 days. As a result, the employer, without paying the contributions for sickness insurance incurs, however, a significant cost for the sick absence.

In the past years, in the social policy, the attention was paid to the necessity to increase occupational activation of the unemployed especially those who exceeded 50 years of age. One of the incentive form towards the employers to employ the unemployed and persons who turned 50 years of age was an introduction, towards the person who are subject to obligatory disease insurance, of the principle limiting the cost incurred by the employers for the remuneration paid for the period of unfitness for work.

Preferences for the employers boil down to the payment of the remuneration in total for 14 days in a calendar year of inability in the place for the present remuneration, the sick benefit is paid. The data contained in the table below no. 1 indicates that in fact a number of benefit days for which the remuneration is paid decreases for the period of inability for work, but the amount of these payments in particular years between 2008–2012 exceeds 4 bn PLN. A justification for such a state of affairs is that in each year analyzed, the calculation basis for the social insurance contribution increased as well as the amount of the lowest remuneration for the persons employed on a full time basis ², which affects an increase of an average daily level of the benefit³, and as a consequence, the global amount of the remunerations paid in the period of an employee's sickness. Since 2009, a number of days for which

² The lowest remuneration in 2012 amounted to 1500 PLN, in 2013 amounts to 1600 PLN and then in 2014 is established on the level of 1680 PLN.

³ An average daily rate of disease absence amounted in 2008 to 50.34 PLN; in 2009 to 57,23 PLN; in 2010 to 63.14 PLN; 2011 to 66.12 PLN and in 2012 to 69.20 PLN.

remunerations were paid for the time of inability for work, which is connected with shortening the period of payment for the persons above 50 years of age, but also with popularization of self-employment, which has undoubtedly an influence on reducing the number of persons being subject to insurance in employment system.

In addition, it is worth emphasizing that some circumstances which justify an inability for work result in paying the benefit in 100% as a derivative from remuneration/ pregnancy⁴, accident on the way to work and from work / which indisputably affects an average daily rate of the remuneration for inability period for work.

Table 1. Remuneration cost for the inability for work incurred by the employers between 2008–2012 /in thous. PLN/

Specification	Year				
	2008	2009	2010	2011	2012
Amount of payment	4 316 380.6	4 522 778.3	4 322 184.5	4 489 675.8	4 456 925.5
Number of sickness days	85 739.7	79 028.3	68 453.0	67 897.6	64 403.0

Source: own study on the basis.

Whereas, in the scope of payment of sickness benefits, despite limitations undertaken in the scope of the level of the benefits, a number of days of inability for work in 2012 in relation to 2008 increased by over 15 %, and this was accompanied also by an increase to pay the benefits by over 59 %. In the subsequent years, the situation will certainly have an up warding tendency which must result in changing the provisions.

Rehabilitation provision constitutes a continuation of treatment, directly after a disease benefit, if the person is still unit for work, but further treatment and rehabilitation are likely result in restoring ability for work. The payment of the provision is established for 12 months maximum, and the level amounts to 90 % of the calculation basis for the first 3 months of the provision, whereas for the remaining periods 75 % of the calculation basis. In the scope of these benefits in the period analyzed, both a number of days of payment of benefits and the amount of the benefits paid increase⁵. Such a state of affairs should be recognized as a positive phenomenon because after rehabilitation benefit, the person returns to professional activity and as a result, does not use any other benefit being disability for unfitness for work.

Within the sick insurance, there are also benefits with family nature in the form of: maternity benefit and nursery benefit. The first one has been subject

⁴ Disease absence for own sickness of the insured for 2012 indicates that the number of absences is participated mostly by 18,5 % / 38 216,3 thous. days in total 206 776,3 thous. days/ resulting from pregnancy, labor and childbirth with an average length of sick leave 22,27 days – Sick absence in 2012, ZUS, Warszawa 2013, p. 42.

⁵ As of 8th of February, 2005 sick benefit amounts to 182 days or 270, previously inability period for work could be extended for another 3 months.

to many significant modifications for the last few years, resulting from the priorities of the pro-family policy in Poland in connection with unfavorable demographic conditions. These changes are subject to extending the period of care over a child, which is connected with payment of maternity benefits. In the past, for many years, the periods of maternity leave were treated with different attitude, as the right to the benefit was granted in accordance with another child borne or in connection with multi-children family. Such regulations involving the lack of stabilization on a long perspective were not favorable, as it was difficult for parents-to-be to plan long-term periods of children care, especially in the conditions of unpredictable labor market. The attention should be paid to the fact that since 28th of November, 2002 a maternity benefit was granted to a father or another person who will interrupt an insurance title after using a 14-week maternity benefit by the child's mother. Such a step is favorable to making decisions in the family, who in a given period may take care for the child.

A nursery benefit is a benefit connected, first of all, with paternity, but also with a necessity to take care over other sick members of the family. This manner of taking care in the past referred only to the persons with an employee's status, but since 2005 there has been otherwise, as each person being subject to sick insurance, both in mandatory and voluntary system may use nursery benefit in connection with a necessity to take care over a sick or healthy family member. This benefit is paid in the level of 80 % calculation basis and by what number of days the level increased, the amount of payment increased by over 51 %, similarly as in previously discussed benefits.

Table 2. Payment of benefits from sick insurance between 2008–2012

Specification	Year				
	2008	2009	2010	2011	2012
In total					
Number of days in thous.	194 406,7	205 076,9	187 804,6	189 527,6	189 634,1
Payments in thous. PLN	9 222 758.3	11 140 638.9	11 143 555.0	11 713 763.2	12 281 437.5
Sick benefits					
Number of days in thous. PLN	108 632.9	126 023.5	119 327.2	121 606.4	125 207.0
Payments in thousand PLN.	4 905 672.5	6 617 464.8	6 820 802.2	7 223 446.4	7 823 753.1
Nursery benefits					
Number of days in thous. PLN	7 875.9	8 535.9	7 708.6	8 118.6	7 979.0

Payments in thous. PLN	369 903.0	464 948.5	489 094.5	542 977.6	558 904.6
Maternity benefits					
Number of days in thous. PLN	35 125,2	39 607,0	42 623,9	41 594,1	46 322,1
Payments in thous. PLN	1 810 728.7	2 406 592.3	2 938 818.9	3 018 919.1	3 650 012.7
Equivalent benefits					
Number of days in thous. PLN	28 190	24 470	33 029	23 365	20 488
Payments in thous. PLN	705.2	591.7	774.7	498.5	484.2
Rehabilitation benefits					
Number of days in thous. PLN	58 819	59 231	60 623	63 028	69 708
Payments in thous. PLN	776 202.4	890 616	924 401.5	960 847.7	1 112 167.9

Source: own study.

Influence of new law regulations in the scope of sick insurance on the financial situation of the disease fund

Disease insurance covers two basic types of risk for sickness and maternity and for this reason sex is a parameters which has a significant meaning for the modification of the provisions. In addition, it is characteristic that in some types of benefits – with maternity benefit – a woman preserves a priority to acquire the right to benefit. The reform of social insurance system started over ten years ago to distinguish disease insurance and to indicate that that the insurance may be obligatory or voluntary did not exclude changes in rights to the benefits.

A basic difference between mandatory and voluntary insurance, as it was mentioned before, refers to the period of waiting for the sick benefit.

While analyzing these elements which have an influence on expenses from sick insurance one should mention that since 1st of January, 2009 at the petition of the Member of Parliament the waiting period was shortened from 180 days to 90 days of continuous insurance. As a consequence, it is important for the payments realized from Social Insurance Fund, as voluntary insurance means a payment of sick benefit from the first day of inability for work from this Fund. It is worth adding that in the period preceding the introduction of the change, with a 180-day waiting period, balancing means was not applied, as the payment amounts of the benefits for the persons being subject to voluntary insurance exceeded the amounts of contributions transferred by these groups of insured.

Further transformations in benefits shall cover multiple changes in maternity benefits the only source of financing being Social Insurance Fund. Within the frames of the pro-family, within the frames of the pro-family policy conducted on a broader scale since 2009, the payment period has been extended for maternity benefits.

Current year 2013 is a breakthrough period, at the request of a group of Members of Parliament a project of the Act was prepared assuming extension of the maternity leave and introduction of paternity benefits of 26 weeks. The provisions came into force since 17th of June, 2013 and shall define maximum limits of expenses of the Social Insurance Fund for paternity leave for the years 2013–2022 / in 2013 this is 1 176,000 thous. PLN/. An increase of the limit of expenses was also foreseen at the request of the President of Social Insurance Institution to guarantee the payments to all persons entitled which results not only from estimation and not from actual knowledge on demand for these means by the persons concerned.

The data placed in the table below in the analyzed years shows an increasing tendency of social insurance contributions, but also an increase of expenses for benefits from the disease fund, which does not take place in other types of benefits from social insurance which means that participation of the expenses for benefits from sick insurance in Social Insurance Fund grows rapidly. In addition, it should be mentioned that except for payments of cash benefits from target fund, also employers incur cost connected with the sickness of employees to pay the remuneration for inability for work for the amount of over 4 bn PLN a year.

Table 3. Participation of expenses of Disease Fund in Social Insurance Fund between 2008–2012 /in thous. PLN/

Specification	Rok				
	2008	2009	2010	2011	2012
Social Insurance Fund in total	132 180 820.6	147 896 404.4	156 898 730.9	162 721 174.1	170 913 419.0
Sick fund	7 349 283.4	9 822 371.5	10 589 706.0	11 122 232.7	12 504 349.8
Participation %	5,6	6,6	6,7	6,8	7,3

Source: own study.

Assuming that the employers would not incur such a cost, it would be necessary to lower the payment of benefits or to increase the contribution for sick insurance. It is obvious that no solution would be approved among a majority of the insured as well as among payers of contributions, as it would result in increasing remunerations and labor costs.

Conclusions

1. Reform of social insurance system separated a different types of insurance in mandatory or voluntary form.
2. Sick insurance guarantees for the insured the right to compensation of the source of lost income during periodical inability for work.
3. Cost of sick insurance was established on the level of 2,45 % of the basis and the level was not changed.
4. In the past years, modification of rights and levels of benefits from sick insurance was introduced, which did not reduce, but quite contrary, increased expenses, especially for sick and maternity benefits.
5. Basically, the management of the sick fund takes place, in fact, from two financing sources, i.e. contribution for sick insurance, subsidy from state budget. However, actually, the sick fund is supplemented by the employers to pay the remuneration for the inability period for work. It means lack for balancing the sick fund and necessity to search an answer in the foreseeable future to the question whether the level of the contribution should not be reviewed and updated.

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