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**GENERAL**

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**DRUG COVERAGE INSURANCE AS A NOVEL ELEMENT OF PRIVATE HEALTH INSURANCE IN POLAND**ALEKSANDRA CZERW<sup>1</sup>\* and URSZULA RELIGIONI<sup>1</sup><sup>1</sup>Department of Public Health, Medical University of Warsaw, 1a Banacha St., 02-097 Warszawa, Poland

**Abstract:** In recent years, there have been observed increased costs of health care in Poland. The patient's out of pocket expenses on drug have grown too. To the above, the insurance companies have offered patients drug coverage insurance policies since recently. Drug insurance policy covers the cost of purchasing pharmaceutical products not reimbursed by the National Health Fund is a modern product on the Polish health insurance market.

The aim of the article is to characterize drug coverage insurance policies on the health insurance market in Poland. The Polish insurance market and entities offered these types of insurance are also presented.

**Keywords:** medicinal product, drug coverage insurance policies

New products - drug coverage insurance policies have recently appeared on the Polish insurance market. Similarly to health insurance, they are a form of risk sharing within an insured group. The risk in health insurance is based on coverage of medical expenses that occur in life or health threatening situations, during illnesses as well as in other health needs, e.g., pregnancy, postpartum care, dental care or activities within the scope of health prophylaxis. The risk in drug coverage insurance involves coverage of the expenses connected with purchase of medicinal products with occurrence of an insured event. The segment of drug coverage insurance policies is still a niche market and their cost, due to low popularity, is relatively high.

Development of private health insurance in Poland, including drug coverage insurance policies, is strongly conditioned on legal regulations. Their legal definition, specifying what they are and what their scope is, would be a huge step towards dynamic development of this sector. Currently, there is no such definition and, thus, health and drug coverage insurance is offered as a part of property or life insurance.

The aim of the article is to characterize drug coverage insurance policies on the insurance market in Poland. The mechanism of action of such insurance policies was presented as well as their current

market position. Moreover, entities were indicated that offer this type of insurance products.

**Private health insurance - the essence**

In accordance with the definition proposed by E. Mossialos and S. Thompson, private health insurance is insurance that is taken up voluntarily and paid for privately, either by individuals or by employers on behalf of individuals (1).

The basic criteria taken into consideration by insurance companies while entering into insurance agreements include age, sex, health condition and occupation. The criteria constitute a basis for calculating the net insurance premium, which may be different for the same risk in each insurance company (2).

The system of private health insurance appeared as a response to the demand of groups and individuals for security from the risk of health loss, illness or accident, which naturally generated a health need that had to be satisfied. As the health needs were developing, the range of insurance products was extended to include the elements of prophylaxis, health promotion, diagnostics (including highly specialist computer tomography or magnetic resonance tests), rehabilitation and attendance benefits.

The element diversifying the scope of insurance between the variants of a given product as well

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\* Corresponding author: e-mail: ola\_czerw@wp.pl

as between competitive products is an access to specialists, diagnostic and laboratory tests, as well as other instruments limiting the warranty liability of an insurance company including limited frequency of use of individual services or introduction of deductibles.

### **The market of drug coverage insurance in Europe and the United States**

Private health insurances are generally an additional, voluntary method of financing health care in most European countries. Exceptions are the Netherlands and Switzerland, where private health insurance regulated by the law are obligatory for all residents. However, because of the strong regulation of these markets, to ensure common access to health insurance, insurances are often classified as a social health insurance rather than a private health insurance (3).

Due to the steady increase in demand for health services, generated by an aging population, rising costs of achieving these benefits as well as limitations and inefficient use of public resources, more and more attention to the extension of the private forms of financing health care is paid.

A complementary drug insurances are prevalent in France, Belgium, Denmark, Ireland, Italy and Sweden. An insurances reducing the co-payment are offered in these countries. This type of insurance have been recently introduced in Croatia and Slovenia too. There are also some European countries where drug insurance have minor importance (Netherlands) or are not found (Spain) (4).

On the markets where drug coverage insurance is more popular (e.g., France), insurance companies sign agreements on provision of medicinal products with pharmacies. Then, an insurance policy works not on the basis of refunding of the cost incurred, but on the basis of benefits in kind. A drug is provided to a patient free of charge based on an insurance policy and a signature of the insured person, while the cost of the drug is paid directly by an insurance company (5).

In France, the participation of the patient in payment for drugs ranges from 35% for drugs belonging to the group of "very important" to 65% for drugs classified as "important". Drugs identified as "not replacing" are 100% funded by the state. The majority of complementary health insurance policies covers the patient's charge in full, or non-full amount (6).

In the UK, private insurance has a supplementary character. Wide range of services funded by National Health Service (NHS), for example, reim-

bursment policies and low patient's drug co-payment, cause that private health insurance in the UK do not cover drug costs. Similar situation takes place in Switzerland, where obligatory health insurance covers approximately 80% of the cost of medicines (7).

In Denmark, because of the wide and easy access to most of the health benefits, private health insurance does not play a significant role in the health services financing (8). Private insurances relate mainly to patient's co-payment, chiefly drug costs. In the case of the complementary insurance the principle is that in the costs of hospital treatment or buying medicines, a partial patient's participation in these costs is maintained.

In the Netherlands, the public insurer share on drugs spending reach 82.6%, 17.4% of the drugs costs are covered by patients. Voluntary supplementary insurance covering patients drug costs, which are not covered by public refund, have not been popular in the Netherlands yet (9).

The U.S. health insurance offered prescription drugs with very low rates of co-payment for many years. Patients paid a fixed charge for a drug (10 USD for branded products and 30 USD for specialist drugs), regardless of the actual price of the product. Since 2008, most insurers have introduced a new pricing systems for drug insurance, where patients have been charged for the cost of the selected drug percent (from 22 to 33%). A new system significantly reduced the amount of co-insurance premiums and drug abuse on the part of patients (10).

According to the studies conducted in the United States, patient's payment for drugs can lead to a significant decline in a drug consumption. A study conducted by the RAND Corporation proved that when prescription drugs were given free of charge, spending on drugs were 60% higher compared to the situation when patients were obliged to 95% repayment. Additional research conducted in Western European countries confirmed the decline in drug consumption as a result of co-payment for them.

### **The market of drug coverage insurance in Poland**

In 2012, the first drug coverage insurance policies appeared in Poland that covered the cost of purchasing medicinal products. An important impulse for the development of drug coverage and other supplementary insurance was provided by the Act on Reimbursement (Journal of Laws of 2011, no. 122, item 696). Limiting the budget for reimbursement of drugs makes it more difficult for new technologies to be included in the range of reimbursed benefits.

Such situation creates possibilities for the development of supplementary drug coverage insurance. The Act generates potential benefits for enterprises offering drug coverage insurance policies as the amount of payments made by patients for drugs is systematically increasing (changes on the list of reimbursed drugs introduced in December 2011, which were supposed to make them less expensive, increased the amount paid by patients from 33 to 35%. It must also be emphasised that the World Health Organization considers the level above 25% to be dangerous for patients) (11).

The market offer of insurance and subscription companies within the scope of insurance concerning the consumption of drugs is very limited. Its small share in the market of private health insurance is particularly visible against the background of high expenses incurred by households on drugs (according to the report prepared by the research company PMR - *The Market of Private Health Care in Poland*, the total amount spent on drugs and medical devices is 51% of all the amount spent by the Poles on private health care).

Low supply of products in this insurance branch is caused, to a large extent, by factors related to high level and high dynamics of medicinal product consumption in Poland. High prices of original drugs, insufficient popularity of cheaper generic drugs, high dynamics of new pharmacotherapies entering the market and common character of drug consumption result in low interest of insurance companies in this segment of the market. Taking responsibility for drug consumption by insurance companies, due to the risk referred to as moral hazard, is their obvious and justified fear. Literature mentions many definitions of moral hazard within the scope of health care. P. Zweifel and W.G. Manning define moral hazard as health-related behavior and consumption of health care caused by the fact of being insured (12). Another interesting definition has been provided by Folland et al., according to which moral hazard refers to a situation of increased service consumption when risk distributions results in reduced marginal costs of such services (13). More generally, moral hazard refers to each type of behavior that results from a decision to take out insurance. The solution to this problem is creation of a complex protection offer that combines all the necessary services into one offer dependent on a specific illness event. Such a measure allows for proper risk evaluation and maintenance of profitability of an insurance policy. Thanks to such a solution, private insurance companies offering drug coverage insurance would have a significant influ-

ence on cost effectiveness of pharmacotherapy. Acting for profit, they would probably introduce limitations in the form of pharmacotherapy standards or prescription books.

### **Drug coverage insurance as an element of health insurance**

Drug coverage insurance is a form of additional health insurance which allows for improving social health through better access to medicinal products and decreasing the financial burden of the insured whose treatment is mainly based on drug therapies. An insured person possessing a drug coverage insurance policy acquires the right to compensation for purchasing drugs, which, in the long run, leads to reduced expenses of patients on medicinal products.

Drug coverage insurance provides an answer to patients' fears caused by increasing drug costs and reduces financial burdens of household budgets resulting from the use of pharmacotherapy. Benefits from drug coverage insurance are paid in the form of compensation throughout the whole period of taking drugs and a patient receives a refund of a partial or total cost of the drugs purchased. Drug coverage insurance is currently available as an additional scope of private health insurance taken out in a group form.

Drug coverage insurance is offered on the Polish market by two insurance companies (as for June 2012) and their market premiere took place with one-month interval. The younger product was introduced onto the market in May 2012 by Medica Polska, Ubezpieczenia Zdrowotne, Towarzystwo Ubezpieczeń S.A. - Drug Coverage Insurance Policy. The subject of insurance in the offered product is the insured person's health and the insurance protection covers the refund of a total or partial cost of purchasing medicinal products. The insurance policy covers only the cost of purchasing drugs prescribed by a physician and included in a catalogue of drugs with limitation of the cost refunded up to the amount of the top limit of the insurance company's liability for each drug package. The system of premium calculation is based on a difference between the retail price of a drug and the reimbursement limit of the National Health Fund (14). Another seller operating within the analyzed segment of the insurance market is PZU Życie S.A. - Drug Coverage Insurance. The product was introduced onto the market in April 2012. The subject of the insurance is the insured person's life and health. The product, apart from liability for benefits paid for the prescriptions issued includes the element of the insured person's death within the liability

Table 1. Drug coverage insurance products on the Polish market [state for June 2012].

	PZU DRUG COVERAGE INSURANCE	MEDICA POLSKA DRUG COVERAGE INSURANCE POLICY
Prescription Book / Drug Catalogue	Ca. 30 thousand items	Variation I - 228 items Variation II - ca. 1260 items
Top age limit for joining	None	75 years old
Risk evaluation	None	Present
Deductible period	Technical - 1 month	Variation I - none Variation II - 4 months
Liability during the first year	12 months	Variation I - 12 months Variation II - 8 months
Limited liability	None	Present
Fulfilment	At a pharmacy, after presenting an insurance card	Refund of the compensation amount after meeting additional requirements
Patient's costs	20% of the drug price at a pharmacy after possible reimbursement	Depending on the reimbursement limit
Insurance benefit	Equivalence of 80% of the payment at a pharmacy	Difference between the retail price of the drug and the reimbursement limit
Indications	All	Pursuant to the Announcement of the Minister of Health
Additional protection	Yes	No
Life protection	Yes	No

Source: self-study.

period. The insurance protection covers 80% of the price paid for prescription drugs bought at a pharmacy by an insured person (15). Table 1 presents the most important elements of the drug coverage insurance products available on the Polish market.

## CONCLUSION

The Act on Reimbursement of Medicinal Products, Food for Special Medical Purposes and Medical Devices (of 12th May 2011, Journal of Laws 2011, no. 122, item 696) and many controversies surrounding it as well as imperfections of the Polish health care system created an opportunity for insurance companies to enter the segment of the insurance market that has so far been unknown in Poland - the drug coverage insurance.

The term of drug coverage insurance refers to a form of completely complementary, supplementary to the public system of drug reimbursement, security of the need to purchase medicinal products. The

products complement the offer of outpatient clinic and hospital health insurance available on sale on the Polish insurance market. Currently, there is no legal definition of drug coverage insurance and, thus, it is offered as a part of property or life insurance.

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