Hungary’s administrative map

19 counties
23 county boroughs

Budapest

Settlements approx. 3,100
Capital, towns and villages
168 Districts (23 in the Capital)
Csongrad County = 7 Districts

Population: 423,000
Settlements: 60
County boroughs: 2
Towns: 8
Villages: 50
Settlement level least units of the health administration = Precincts
(for public health commitments & financing reasons)

Precinct: in average for 2-3,000 inhabitants
Primary care provider (GPs, Dentists, Pediatricians) are self-employed and for a specific precinct contracted first by the local authority and afterward by the NHIF (National Health Insurance Fund).
Maternity and Child Health Service: nurses are public employees of the local authority responsible for a specific precinct.
From patients’ point of view the precinct system is

Mandatory: MCHS

Optional: by free choice of inhabitants of GPs, Dentists, Pediatricians

All the people of part A are registered with GP-B

All the people of part B are registered with GP-A
The Executive
power – function – institution
administration of public affairs
providing certain goods and services for the people

Centralised
1. concentrated
   only one institution in the country
2. deconcentrated
   multi-tier system set up in hierarchical order

GOVERNMENT
of the country
CIVIL SERVICE
staff of the government departments and the Diplomatic Service
Quasi-government organisations e.g. public corporations in the nationalized industries.

Executive Power

Delegated
1. particular settlement
2. territorial unit

LOCAL AUTHORITY
body corporate: an artificial person having continuity of life a continuing identity, notwithstanding changes in its component personnel and the power to hold property as though it were an individual

ELECTED COUNCIL
mayor (salaried)
councillors (allowance)
chief executive officer and dept. officers
Hungary’s Health System

**AUTHORITY FUNCTIONS**

1. Parliament (health legislation)
2. Central Government (orders)
3. Ministry of Health (orders)
4. Public Health Authorities
   - National Centre
   - County & District Offices
5. Health Care Financing
   based on taxation and on the NHIF (social security system)
6. Local Governments

**PROVIDING SERVICES**

1. Community Health Care
2. Individual Health Care
   - medical (dental) care
   - nursing care
   - paramedics (emergency)

**PRODUCING GOODS**

3. Pharmaceutical Industry
4. Medical Equipment Industry
5. Hospital Engineering Industry
**PARLIAMENT IN HUNGARY**

**Single chamber** body with 386 elected MPs by general elections in every four years. National Assembly may be dissolved by the President of the Republic or it may dissolve itself.

**Election system** is mixed 176 single-member constituencies and 210 seats distributed on proportions of party lists in 19 counties and the capital Budapest and on a national list of compensation. Parliamentary threshold 5% of votes won nationwide by a specific party.

**Constituent sitting:** after elections the President of the Republic recommends the new Prime Minister who nominates the candidates for the specific ministries. Hearings in standing Committees, Government’s Programme debated and adopted, PM and Ministers appointed.

**Legislative body** of the Parliament is the plenary session chaired by the speaker and Deputy Speakers. Proposals for agenda based on the resolutions of standing Committees (14-25) are prepared by the House Committee Committee on Health 23 members Temporary committees: inquiry and ad hoc types
Authorities:

1. Parliament (health legislation)
2. Central Government (orders)
3. Ministry of Health (orders)
4. Public Health Authorities centralized or in different departments
5. Health Care Financing based on taxation or on social security system
6. Local Governments

Services and Goods:

1. Community Health Service
2. Individual Health Care
   - medical (dental) care
   - nursing care
   - paramedics (emergency)
3. Pharmaceutical Industry
4. Medical Equipment Industry
5. Hospital Engineering Industry
### LOCAL AUTHORITY

#### Permanent Officials

- Chief Executive Officer
- Department Officers

#### Health Department

- Head of the Department
  (health officer)

#### Elected Councils

- Councillors – Mayor

#### Committee system

- statutory or permissive
- standing or special committees
- elected and co-opted members
- extent of powers delegated

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**Health Committee**

- chairman of the committee
  
  (resolutions and recommendations to the full council)

- providing public and private services

  - public facilities
  - public employees

  - private business
  - **privatisation** (assets or function)
Community Health Service

• ample water supply
• sewerage and drainage
• public cleansing (streets, litter collection)
• public cemeteries (funeral services)
• healthy lifestyle education
• managing artificial and natural environment
Providing Health Care

**AUTHORITY FUNCTIONS**

1. Parliament (health legislation)
2. Central Government (orders)
3. Ministry of Health (orders)
4. Public Health Authorities centralized or in different departments
5. Local Governments
6. Health Care Financing based on taxation or on social security system

**PROVIDING SERVICES**

1. Community Health Care
2. Individual Health Care
   - primary care
   - secondary care
   in and outpatient facilities

**PRODUCING GOODS**

3. Pharmaceutical Industry
4. Medical Equipment Industry
5. Hospital Engineering Industry
Primary health care
mandatory for all communities

1. General practitioners (adult, children and mixed-up practices) by public financing
2. Basic dental care (adult, children and mixed-up practices) by public financing, private financing between 18 and 62 years
3. School health service (general and dentistry)
4. Maternity and child health service

5. Optional home nursing service
6. Occupational health service mandatory for public institutions and private corporations
Secondary health care
centralized state run system

1. General out-patient units (with or without a hospital background (depending on the settlement type)
   Special out-patient clinics (as parts of hospitals)
2. General hospitals (with basic special care)
3. Nursing homes
4. Full scale hospitals
5. Special regional centers

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6. Private hospitals
System of Health Care

Single Person
Self-employed Provider

Business Corporations

Public Institutions

Outside of business
Professional Corporations (Chambers, Associations, Societies)
Trade (Labour) Unions
Trade Associations
Patients’ Societies

Service provided
Remuneration

Single Patient
Indemnity Insurance

Consumers’ Co-operatives (HMO)

Non-profit Insurance Companies

Social Health Insurance

Foundations
Summary of Health Care Market

1. Persons and Public Institutions/Corporations consuming and providing services (demand and supply in kind)

2. Persons and Public Institutions/Corporations paying for services, (demand and supply in cash)
   - Health Insurance systems, market based and social health insurance (capital and running cost separated)
   - State run budget type public financing
Private financing of Health Care

**Capital Costs**
- Capital Assets
  - (Land, premises, equipment)
- Capitalisation + Depreciation
- Accounting of Depreciation
  - (legitimate business expenses)

**Running Costs**
- Self-employed Providers
  - (Private Employees’ Salaries)
- Material Expenditures
  - (Non-Staffing Costs)
  - day-to-day expenses

**Price of the Service**
- depreciation (rent) + running costs + profit

**Out-of-pocket**
- (got a provider’s bill)

**Private Insurance Coverage**

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PRIVATE

PUBLIC
Public financing of Health Care

**CAPITAL COSTS**
- Capital Assets
  - (Land, premises, equipment)
  - Central Government
  - Local Council
  - Capitalisation+Depreciation

**RUNNING COSTS**
- Service Staff Salaries
  - (Public Employees)
- Material Expenditures
  - (Non-Staffing Costs)
  - day-to-day expenses

**Budget of the Government**
- Local Authority Budget

**Taxes and Rates**
- citizens

**Social Insurance**
- (Agency, Corporation)

**Contributions**
- employers+employees

PUBLIC

PRIVATE
Historic Types of Health Systems

State run centralized bureaucratic model:
1. The former Soviet-Union and Socialist Countries

Market economy models:
1. German (Bismarck) type
2. National Health Service model (U.K. system)
3. Competitive market based system (U.S. system)
Soviet (Russian) model

1. Nationalization (Communist-type) of the whole infrastructure, functioning by bureaucratic planning
2. Central (state) budget financing (single channel system)
3. Coverage for all by a formal social insurance as a part of the central budget
4. Generally no private practice and financing (exceptional licence for privileged physicians in the out-patient care)
German system

1. mandatory social health insurance with income limit
2. private ownership in the primary and outpatient care
3. hospitals owned by local governments for-profit and non-profit corporations are also in function
4. private facilities and private insurance for people above the income limit of social health insurance (in Germany about 10% of the whole population)
5. in West-Germany continuous since 1883, rehabilitation of the system in the former GDR after 1990
NHS-(U.K.)-model

1. infrastructure nationalized by 1948
2. public financing by a single-channel system based on taxation (all benefits of the German model were preserved except medical care)
3. private insurance encouraged by taxation benefits (England&Wales approx. 7% of the population)
4. private practice and ownership was always an inherent part of the system (hospitals, insurance companies)
U.S. system

1. private ownership of the facilities (for-profit or non-profit corporations) but considerable capacities are owned and run by the federal government (Veterans Administration) and the member states (psychiatric in-patients facilities)

2. down to the 1970s financing was run by traditional indemnity insurance, since that time emerged the HMOs and PPOs (consumers’ and insurance co-operatives)

3. since 1965, U.S. citizens over 65 years are insured by the MEDICARE program (paid for by mandatory contribution during the active life on the labour market)

4. The MEDICAID is not insurance, it is a member state run aid program for people below the federal poverty level.
Social Health Insurance System
(run by corporations or a state agency)

**Compulsory Membership**
- for workers,
- benefits also for dependants

**Institutions**
- national scale
- non-profit enterprises based on territory, occupation, trade associations,

**Cost of Insurance**
- contribution (instead of premium) sharing of the costs by employer and worker

**Principle of Social Solidarity**
- nations are obliged to provide a strong network of social benefits to all their citizens

**Special Characteristics**
NHIF of Hungary

Contributions: employers and employees (2012)

127 units employers’ cost of labour
  27 units by employer paid to the NIF
100 units wage (pay roll) for employees
  3% = health benefits in cash
  4% = health benefits in kind
  10% = old age pensions (age limit 62 years)
  1.5% = labour market contribution
     (no unemployment insurance in Hungary)
16% = flat income taxation
Thank you for attention
CORPORATIONS

is a group of persons authorised by law to act as a unit, therefore a fictitious legal person independent of its individual members.

Varieties

1. in names and activities: company (co-operative), chamber, association, union, society, organisation, club, etc.
2. membership requirement: closed or open, mandatory or voluntary
3. functions: economic or societal
4. complexity of tasks performed: making profit, mutual economic aid, philanthropy, promotion of members’ interest,
5. geographical coverage: local, regional, nation-wide, international, world-wide
Economic Corporations in Health Care and Insurance

For-profit companies pursuing and promoting economic activities within a business partnership (joint enterprises, limited liability companies, and joint-stock companies)

Not-for-profit companies are serving the common interests of society, regularly and without aiming to acquire profit for accumulation. Gains of business must be converted in the non-profit activities, so the profit generated can not be distributed among the owners of the company.
FOUNDATION

1. is a fictitious legal person, set up by sufficient assets in order to serve a long-term public interest,
2. may not be formed for the principal purpose of performing economic activities.
3. A founder may not withdraw a foundation after registration.

Function: applying private wealth to public purposes
Operating: provision of service, or grant-making
Founder: private (single person, family, business corporation) community
Endowment: single action (bequest or gift)
continued giving by the founder,
open foundation (everybody may contribute)
CO-OPERATIVE

The co-operative is a corporation for **mutual** economic aid established by capital contributions of the members who participate personally in the organisation. It pursues entrepreneurial and other activities serving the interests of its members.

**US-HMO’s:** for consumption of pre-paid personal health services, performed by a contracted provider (managed care)

**US-PPO’s:** mutual insurance association for financing the health care expenses of its members
Patients’ Societies

Patients’ societies are voluntary organisations formed for the purposes defined in their statutes, have registered membership, and organise their members' activities in order to achieve their objectives.

**Societies may not be formed with the principal purpose of performing economic activities.**

**Principles of organising:**

**Chronic diseases:** e.g. diabetes, multiple sclerosis, haemophilia, COPD, etc.

**Operations:** e.g. organ transplantations, hemodialysis, definitive intestinal stoma patients, etc.

**Disabilities:** blind, mute and deaf persons, people with limited mobility, etc.
PROVIDERS’ SOCIETIES

**Associations of employers** to promote their economic activities, and represent their professional interests by bringing pressure on the health policy. (e.g. hospital associations)

**Professional Chambers:** associations of the same professions with compulsory or non-compulsory membership for promoting the members’ interests by influencing the health policy. Powers may be delegated by the government (membership compulsory)

**Scientific Societies:** professional associations to organize and promote their members’ scientific activities (surgeons, psychiatrists, cardiologists, gynecologists and obstetricians, etc.)

**Labour (Trade) Union:** any combination of workers (public or private employees) for collective bargaining about their condition of employment by bringing pressure on employers. Industrial (in certain cases political) action.
The Concept of Insurance

**Definition**
is a social device whereby a large group of individuals, through a system of equitable contributions, may reduce or eliminate certain measurable risks of economic loss common to all members of the groups.

**Function**
substitutes certainty for uncertainty as regards the economic cost resulting from the accidental occurrence of disastrous events.

**Effect**
is spreading the cost, which normally would fall upon a single individual, in an equitable manner over the members of a large groups exposed to the same hazard.
the concept of insurance

HAZARD
a factor that may adversely affect the population

RISK
a hazard taken by a single person or population
(e.g. earthquake as a hazard and as a risk)
to persons to property

Risk as a phenomenon
possibility of the accidental occurrence
of disastrous events = loss
What can be insured?

**LOSS = damage or injury**
occurrence of a disastrous event predicted by the risk of the same event.

**Risk**
possibility of the accidental occurrence of disastrous events

- **insurable risk**
in case of loss socially accepted claim for this type of compensation

- **non-insurable risk**
  1. businessman’s decision for possibilities of loss or gain
  2. speculative risk, i.e. the risk of the wager winning the prize or loosing the stake
Measurability of the risk

**PROBABILITY**

measurement of the risk in quantitative terms

\[
\frac{\text{number of units expected to be lost within a given period}}{\text{number of units exposed to loss}} = P \ (1>0)
\]

Value of the risk = average value $\times$ P

(individual loss-cost-share or the pure premium to be paid)
Social preconditions of insurance

1. the risk must exist for large groups of people, and its existence must be recognised by the society as a justification to set up the relevant institutions

2. persons exposed to the risk must feel the responsibility for the risk taken by themselves, and they must bear in mind the possible loss and its consequences

3. people must have the financial resources to pay the cost of insurance

4. disastrous events must be accidental and independent from the insurer or those seeking to insure
Insurable Risks

to persons

Personal Insurance

1. Life assurance
   - death
   - accident
   - old age
2. Health Insurance
3. Unemployment insurance

Property Insurance

1. Damage or destruction of a specific property e.g.
   - fire
   - thefts
   - hazards of the sea
2. Loss from the liability to pay compensation to injured employees (workplace related accidents)
Insurance as a contract

voluntary or commercial

business affair, a contract by which the price and the indemnity are determined

contract = policy
price = premium
payment of a loss = indemnity

compulsory or social

established by the state against the complex new industrial type of insecurity for lower income classes, particularly for the working class society.

Introduced first in Germany in 1883.
Insurance as business organisation

private enterprises
individual underwriters
joining of businessmen
joining on capital stock basis
(joint stock companies)

State-run agency
salaried public employees

co-operative enterprises
mutual associations
(non-profit organisation of mutually insured policy-holders)

associations of insurers
to watch over the special interests of the business
Insurable Social Risks

1. changes in the personal health status
   - costs of medical care in sickness, pregnancy, child-birth and child-bed,
   - loss of income (sickness pay, or benefit)
   - temporary or permanent disability after injuries on the job (allowance)
   - cost of old age social (and nursing) care

2. old age, as a social limit to be employed
   - loss of income because of changing the non-contributory old age pensions for compulsory old age insurance

3. unemployment
   - loss of income as a consequence of loosing the job on a business cycle.
National Health Insurance Fund

Centralized-deconcentrated State Agency
(19 divisions = 18 counties, 1 county+capital)

Purchasing medical service

Payment of benefits and allowances

7 Regional Funds, 51% state ownership

NHIF for financial transfers
Supervisory Board of SHI