



GENERAL HEALTH  
INSURANCE COMPANY  
OF THE CZECH REPUBLIC



## ANNUAL REPORT

of the General Health Insurance Company  
of the Czech Republic

**FOR 2012**

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# INTRODUCTORY DATA

# 1



## **THE 2012 ANNUAL REPORT IS SUBMITTED BY:**

**GENERAL HEALTH INSURANCE COMPANY OF THE CZECH REPUBLIC**

**Registered office:**

Orlická 4/2020, Prague 3  
IČ 41197518

**ESTABLISHED:**

**by Act of the Czech National Council No. 551/1991 Coll.,**

on the General Health Insurance Company of the Czech Republic,  
of 1 January 1992

**BANK DETAILS:**

**Československá obchodní banka, a.s.**

Radlická 333/150, Prague 5

**GE Money Bank, a.s.**

BB Centrum, Vyskočilova 1422/1a, Prague 4

**Komerční banka, a.s.**

Na Příkopě 33, Prague 1

**Česká spořitelna, a.s.**

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# **FOREWORD OF THE CEO OF THE INSURANCE COMPANY**

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Dear clients and partners

I hereby submit the Annual Report of the General Health Insurance Company of the Czech Republic for 2012. That year, like the three preceding ones, was marked by economic stagnation of Czech economy, which dived into recession in 2012. It was naturally reflected in all segments of the economy and also the important healthcare sector felt the consequences, even if to a lesser degree and scope. The recession resulted in an effective stagnation of the collection of premiums. The delayed effect in the healthcare sector manifested itself in continued growth of expenditures for the reimbursement of the healthcare provided, even if this growth was much slower. In spite of these difficulties the General Health Insurance Company continued to be a strong partner to its clients, providing to them the most advanced care in the largest network of healthcare facilities in the Czech Republic. For our partners it has been a stable and trustworthy institution with strong background and client-oriented approach.

The Insurance Company took a number of measures in its management of funds in order to minimize the impact of the recession, both on its clients and business partners and health service providers, and to continue providing the best possible services to them. In the area of internal management, we have completed the restructuring of the network of offices, reducing the

original 14 regional offices to 6, which are much more efficient in ensuring the fundamental objectives of the Insurance Company. More than one-third of management positions in the Insurance Company were abolished and optimization of the number of employees was completed. The number of jobs was reduced by more than 900 over the last two years. These organizational changes and the reduction of the number of employees have caused savings of hundreds of millions of Crowns per year, while bringing no limitations to the quality and scope of services provided to clients and partners. The Insurance Company has also started transparent sales of unnecessary assets.

At the same time another stage of centralization of the information system was carried out, in particular in its expenditure part. The use of electronic instruments in the area of public tendering, e.g., auctions, dynamic purchasing system or electronic auctions, has resulted in reduction of operating expenses, year-on-year, by dozens of millions of Crowns, which has provided better stability and a good head-start against our competition.

In spite of these internal savings, and in particular due to the continuing recession, the expenditures from the Capital Fund for healthcare services exceeded the potential of the income side of its balance and the Insurance Company posted a negative result for the Health Insurance Capital Fund amounting to CZK 3.3 billion in 2012. The Insurance Company has not fully exhausted the statutory funds for its own activities, achieving savings against the approved limit of CZK 0.5 billion. These undrawn funds as well as funds arising from savings measures were temporarily kept to cover healthcare for our clients, who have always been and always will be our priority.

I consider it positive that during such demanding period we managed to secure the required healthcare to our clients to the full extent. The pace in the development of new treatment possibilities has not slowed down and even the most expensive and advanced care could be funded for our clients without difficulties. The General Health Insurance Company has thus fully kept its obligation to provide the best possible healthcare in the widest network of healthcare facilities to our clients.

It is our responsibility not only to look after our clients and partners to contribute to higher efficiency of the whole healthcare system in the Czech Republic. We take every effort, and ensure reliable reimbursement of the healthcare provided. We also want, that the environment in the Czech Republic may create favourable conditions for the prevention of diseases and for strengthening the responsibility of the patients, clients and insured persons for their health. We strengthened our client orientation. New Prevention Fund programmes, direct contributions to insured persons, state-of-the-art client offices, regional events for clients, from children to senior citizens, awareness activity within the framework of Community 111 as well as the personal advisor programme 111, continuing Programme Healthy Company or convalescent stays of chronically ill children "Sea Horse" certainly testify to it.

The Insurance Company, besides the above, also carries out extensive activities in the area of the agenda of the European Union and international agreements. More than 80% of European insured persons who draw healthcare in the Czech Republic choose our Health Insurance company for their assisting institution.

In closing, allow me to thank all our employees and external co-workers for their contribution in 2012. I thank also our partners, doctors and nurses for their work on behalf of our clients. I am glad that our clients believe in the strength and capabilities of the General Health Insurance Company and I would like to assure them that we appreciate their support and faithfulness very much and will do our utmost to continue being a forthcoming, trustworthy and safe health insurance company for them, providing the best services and standing by them in every situation.



Zdeněk Kabátek

# **GOVERNING BODIES OF THE INSURANCE COMPANY**

# **3**



In accordance with Act No. 551/1991 Coll., the Insurance Company had the following bodies in 2012: the Board of Directors of the Insurance Company and the Supervisory Board of the Insurance Company. Pursuant to Act No. 93/2009 Coll., the Supervisory Board established the Audit Committee of the Insurance Company.

The statutory representative of the Insurance Company in 2012 was the CEO of the General Health Insurance Company of the Czech Republic:  
**MUDr. Pavel Horák, CSc., MBA (until 30.11.2012)**  
**Ing. Zdeněk Kabátek (since 1.12.2012)**

## 3.1 BOARD OF DIRECTORS

In 2012, the Board of Directors had the following structure and members:

**Chairperson** Bc. Marek ŠNAJDR (until 26.11.2012)  
Ing. Petr NOSEK (since 26.11.2012)

**Vice-Chairman:** MUDr. Jiří BĚHOUNEK

Members:

nominated by the Government of the Czech Republic:

Ing. Stanislav BLAHA (until 14.11.2012)  
Ing. Jarmila FUCHSOVÁ  
Ing. David HAVLÍČEK (since 15.11.2012)  
MUDr. Zdeněk HEJDUK (until 20.6.2012)  
Ing. Ivana JENŠOVSKÁ (until 20.6.2012)  
Zdeněk KADLEC  
Mgr. David KOTRIS (until 14.11.2012)  
Ing. Petr NOSEK  
MUDr. Ferdinand POLÁK, Ph.D. (since 15.11.2012)  
Ing. Helena RÖGNEROVÁ (since 15.11.2012)  
Ing. Jiří RUSNOK, st. (until 14.11.2012)  
Mgr. Jan RŮŽIČKA (until 14.11.2012)  
RNDr. Jiří SCHLANGER (until 20.6.2012)  
Mgr. Josef SLOVÁK (since 15.11.2012)  
Mgr. Zdeněk ZAJÍČEK (since 15.11.2012)  
MUDr. Petr ZIMMERMANN (since 15.11.2012)  
PhDr. Marek ŽENÍŠEK, Ph.D. (since 15.11.2012)

elected by the Chamber of Deputies:

Michal BABÁK  
MUDr. Jiří BĚHOUNEK  
Ing. Ladislav BÝČEK  
Mgr. Jan FARSKÝ  
Ing. Martin FASSMANN  
MUDr. Jozef KOCHAN  
MUDr. Jiří KOSKUBA  
MUDr. Patricie KOTALÍKOVÁ  
MUDr. Jaroslav KRÁKORA  
Mgr. Soňa MARKOVÁ  
RSDr. Miroslav OPÁLKA  
Ing. Miloš PATERA  
MUDr. Mgr. Vladimír PLAČEK  
Prof. MUDr. Aleš ROZTOČIL, CSc.  
Ing. Jiří RUSNOK, ml.  
PharmDr. Jiří SKALICKÝ, Ph.D.  
MUDr. Michal SOJKA  
Bc. Marek ŠNAJDR  
MUDr. Boris ŠŤASTNÝ  
Petr TLUCHOR

In 2012, 11 meetings of the Board of Directors were held.

## 3.2 SUPERVISORY BOARD

In 2012, the Supervisory Board had the following structure and members:

**Chairperson:** Ing. Josef KANTŮREK

**Vice-Chairman:** Mgr. Martin PLÍŠEK (since 12.4.2012)

**Members:**

nominated by the Government of the Czech Republic:

Ing. Marie HERANOVÁ

MUDr. Tomáš JULÍNEK, MBA

Mgr. Martin PLÍŠEK (since 3.2.2012)

elected by the Chamber of Deputies:

MUDr. Martin GREGORA

MUDr. Michal JANEK

Ing. Josef KANTŮREK

Zdeněk MARŠÍČEK

PhDr. Lenka MAZUCHOVÁ, MBA

MUDr. Dagmar MOLENOVÁ

PaedDr. Josef NOVOTNÝ

MUDr. Vladimír ŘIHÁK

Mgr. Tomáš ÚLEHLA

Ing. Radim VYSLOUŽIL

In 2012, 6 meetings of the Supervisory Board were held.

## 3.3 ARBITRATION BODY

In 2012, the Arbitration Body had the following structure and members:

**Chairperson:** JUDr. Hana HYNKOVÁ

Representative of the Insurance Company

**Vice-Chairman:** MUDr. Mgr. Vladimír PLAČEK

Representative of the Board of Directors of the Insurance Company

**Members:**

for the Board of Directors of the Insurance Company:

MUDr. Michal SOJKA

MUDr. Mgr. Vladimír PLAČEK

Ing. Miloš PATERA

for the Supervisory Board of the Insurance Company:

Ing. Marie HERANOVÁ

Ing. Josef KANTŮREK

PhDr. Lenka MAZUCHOVÁ, MBA

for the Ministry of Health: Ing. Ivana JENŠOVSKÁ

until 15.4.2012

Bc. Radko ČESENEK

since 16.4.2012

for the Ministry of Finance: Ing. Květuše SRNOVÁ

for the Ministry of Labour and Social Affairs:

JUDr. Tomáš HEJKAL

until 30.9.2012

Ing. Květoslava CIMLEROVÁ

since 1.10.2012

## 3.4 AUDIT COMMITTEE OF THE INSURANCE COMPANY

In 2012, the Audit Committee had the following structure and members:

**Chairperson:** Ing. Martin FASSMANN

**Members:** Ing. Josef KANTŮREK

Ing. Květuše SRNOVÁ

In 2012, 6 meetings of the Audit Committee were held.

# ACTIVITIES OF THE INSURANCE COMPANY

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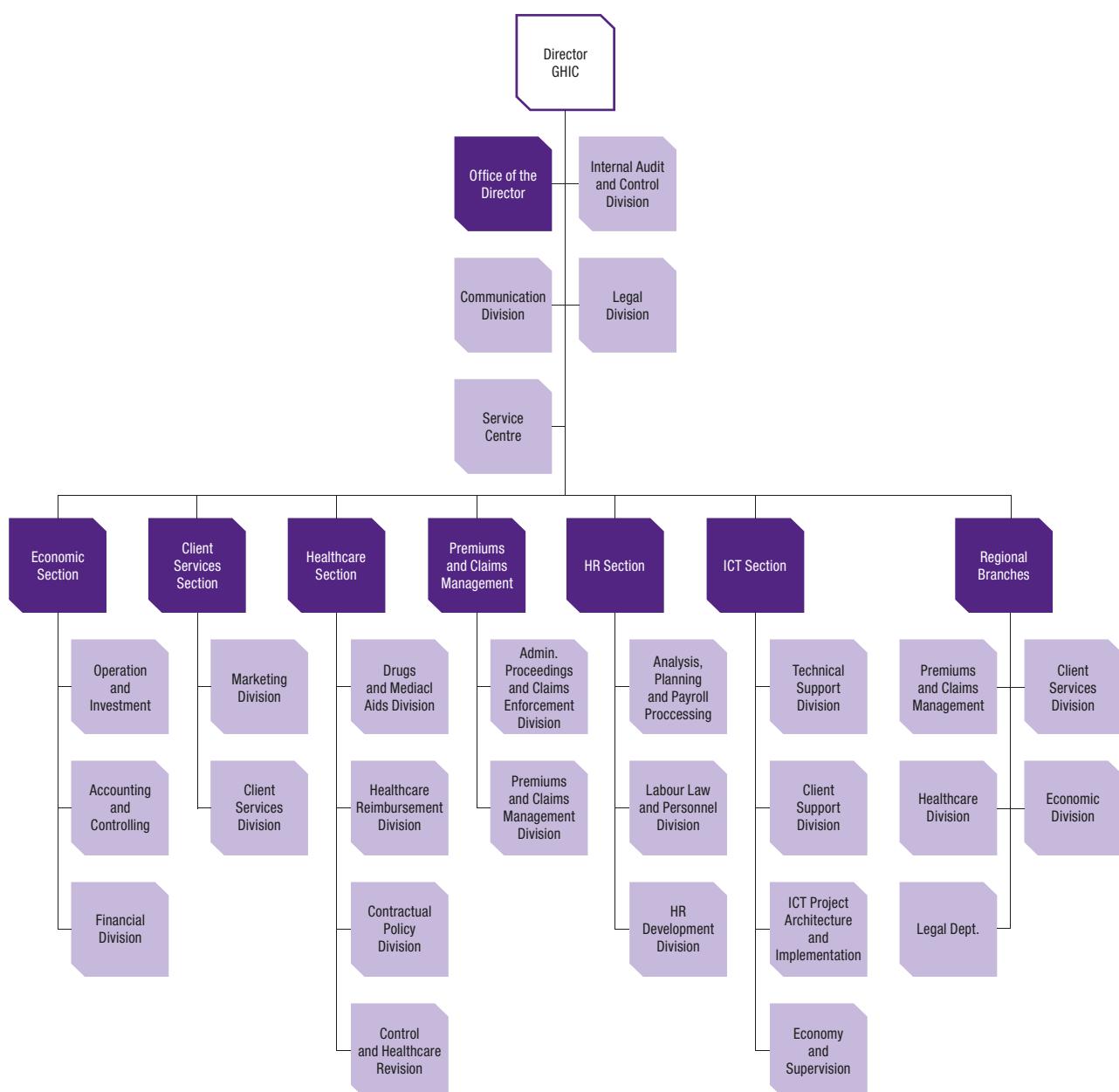
## 4.1 ORGANISATIONAL STRUCTURE

The organisational structure of the Insurance Company consists of the Head Office, the regional branches (RB) and client (local) offices. In 2012 new Organizational Rules and relating guidelines were adopted, completing the reorganization of the regional offices of the Insurance Company, and other organizational changes were made with the view of centralizing the agenda and increasing work efficiency of all units of the Insurance Company.

The Insurance Company is the sole shareholder of the company Pojišťovna VZP, a.s., (PVZP). In accordance with the licence issued by the MF under reference No. 322/102368/2003, of 1 December 2003, PVZP conducts insurance activities in the non-life insurance category – contractual health insurance. PVZP specialises in insuring those who do not qualify for participation in the public health insurance system, as well as insuring healthcare costs not covered by public health insurance, primarily the costs of treatment incurred by clients when abroad.

The Insurance Company owns 51% of the shares in IZIP, a.s.

### Organisational chart as of 31 December 2012:



## **4.2 INFORMATION SYSTEM**

The Insurance Company operates a centralized Information system (IS), which is based on the principle of component architecture with independent components that are easy to combine. Due to the specifics of public health insurance, the fundamental business applications have been tailor-made while for other applications the deployment of standard commercial solutions is preferred. Individual components are designed with the ability to serve as part of several IS at the same time. The application of these rules as well as adherence to standardization and principles of service-oriented architecture enables the Insurance Company to significantly reduce the costs for creation and operation of new parts of the IS.

In accordance with its ICT Strategy, the Insurance Company moved towards the development of an IS on the basis of enterprise architecture in 2012. The approach provides for consistent view of business architecture, its functions and processes, application architecture, information flows and technological support services with the view of achieving best possible support of business strategy and business objectives of the company. In further development emphasis is put on continuing standardization, virtualization, integrability and openness of the system.

After the IS had been centralized in the previous years, it was subject to stabilization and optimization of new centrally designed applications and components in 2012. Obsolete servers of the original decentralized IS were disposed of. In the area of application units, in particular applications MIS/BI, B2B channel for communication with external partners and system for management and enforcement of receivables were developed. In accordance with the requirement to enhance transparency of the public tendering process, the tool for electronization of related activities was further developed. As regards the development of voice services, the Insurance Company has completely changed over to IP telephony.

## **4.3 CONTROL AND THE CONTROL SYSTEM**

The control system used at the Insurance Company includes two basic segments. The first of these is its internal control system, which is governed by Act No. 320/2001 Coll. and Decree No. 16/2004 Coll., which implements this Act. This system consists of controls conducted by managerial staff as well as activities conducted by the Internal Audit and Control Division at the Head Office of the Insurance Company. This includes the Internal Audit Department and the Control Department.

The Internal Audit and Control Division is directly subordinated to the Director of the Insurance Company. It is independent of the activities and processes that it audits and is organisationally separated from the managing and executive structures. The director of the Internal Audit and Control Division takes part in the meetings of the Audit Committee and the Supervisory Board as it relates to audits and control activities.

The second fundamental segment of the control system is focused outside the Insurance Company and is made up of systems to control premium payers, carried out according to Act No. 592/1992 Coll., and control and inspection activities focusing on the use and provision of healthcare covered by public health insurance, which are carried out in accordance with Act No. 48/1997 Coll.

Systematic control is also performed by the bodies of the Insurance Company which, according to Act No. 551/1991 Coll., are the Board of Directors and the Supervisory Board of the Insurance Company, and, according to Act No. 93/2009 Coll., the Audit Committee of the Insurance Company.

The activities of the Insurance Company are also supervised through approval processes carried out by the relevant ministries, the Government of the Czech Republic, the Chamber of Deputies and the Senate of the Parliament of the Czech Republic, as part of their statutory powers.

### **4.3.1 CONTROLS IMPLEMENTED BY EXTERNAL CONTROL BODIES**

In 2012 an inspection by the Prague Social Security Administration was conducted at the Insurance Company. The inspection focused on the fulfilment of reporting obligations, obligations relating to sickness insurance, obligations in the field of premiums and obligations relating to pension insurance. No deficiencies were found by the inspection, no remedies were prescribed.

In 2012 a public administration inspection by the Ministry of Health was conducted at the Insurance Company.

## 4.3.2 INSPECTIONS CARRIED OUT BY INTERNAL CONTROL BODIES AND ACTIVITIES OF THE ARBITRATION BODY

The control department carries out internal inspections within the framework of the entire Insurance Company. These are internal inspections rather than public administration inspections, since the Regional Branches of the Insurance Company and their client offices are part of the Insurance Company as a single public administration body, they are not separate public administration bodies.

The activities of the control department in 2012 were subject to the inspection plan, which called for 32 inspections. The control department carried out the planned inspections and, over and above the approved plan, 3 extraordinary inspections and 2 control examinations on the basis of complaints received. The 2012 plan was fulfilled.

Individual inspection reports were submitted to the Director of the Insurance Company and the Audit Committee. These reports contained the findings of the inspections, including the prescription of remedial measures stipulated in follow-up to the findings that were discussed with and accepted by managers of the units subject to inspection.

The total of 123 remedial measures were prescribed in relation to these inspections, of which 121 measures were implemented in 2012, 1 measure was abolished (due to change of law) and 1 measure will be implemented in 2013. On a semi-annual basis, monitoring of the fulfilment of remedial measures was made and submitted to the Insurance Company's Management, Audit Committee and Supervisory Board.

The control department examines submissions (i.e. complaints, suggestions and notices by insured persons and premium payers). In 2012 the Control Department recorded 566 new submissions. The processing of 20 submissions from the previous year was completed, so that 586 submissions were processed in total. Of which the processing of 568 submissions was completed in 2012 and 18 submissions are carried over into 2013. The submissions related mainly to the provision of healthcare, collection of premiums, enforcement of outstanding premiums and penalties and the contractual policy of the Insurance Company.

Of the processed submissions, 13 (i.e., 2.3%) were found to be justified and 7 (i.e., 1.2%) were found to be partially justified. These cases included, e.g., a complaint for sending an unsolicited document, settlement of premiums, failure to grant a request, failure to return an overpayment or mismatch of opening hours at the local office. Appropriate remedial measures were taken in the case of justified or partially justified submissions.

Of the above number of submissions, investigations were conducted on the basis of requests by the MH (a total of 14), the Parliament of the Czech Republic (a total of 3) and the Public Defender of Rights (a total of 34). These requests related to the provision of healthcare, change of registration at a health insurance company, settlement of outstanding premiums and penalties, reporting and billing of healthcare services, duration of insurance time in connection with pensions that were not awarded ('orphans', widow's and invalidity pensions), etc.

The AB in its decision-making secures an important form of internal control in the area of assessment of outstanding premiums, penalties, fines and extra charges to premiums as well as in the area of decisions on removing harshness in respect to penalties.

The AB held 24 working meetings in 2012 and discussed, as part of administrative appeal proceedings and proceedings on removing harshness, a total of 6,338 submissions by premium payers. The institute of removing harshness in the sense of Section 53a of Act No. 48/1997 Coll. was applied by the AB in 5,042 cases, with penalties totalling CZK 144,659 being waved. RBs of the Insurance Company that decide on waiving penalties of up to CZK 20,000 issued a total of 32,976 decisions in 2012, with a total of CZK 75,665 thousand in penalties being waved.

As a result of the organizational changes in the Insurance Company as of 1 July 2012, the agenda of administrative proceedings in the first instance and proceedings on removing harshness in respect to penalties up to CZK 20,000 were centralized at the RBs of the Insurance Company and these agendas were also centralized within the framework of the regions.

Decisions by the AB are subject to judicial review in administrative jurisdiction. Court decisions serve as a basis for amendment of the Insurance Company's internal methodology.

### 4.3.3 FOCUS OF THE INTERNAL AUDIT

In 2012 the internal audit activities were subject to the annual plan for internal audits, which was based on the Medium-Term Internal Audit Plan of VZP CR for the period 2012 to 2016, prepared on the basis of an analysis of the risks of the Insurance Company's individual areas of activity.

In 2012 the internal audit plan was fulfilled. Besides planned audits also 2 extraordinary audits were conducted. A total of 69 remedial measures were prescribed and adopted on the basis of the findings identified during the course of these audits. The internal audit monitors and evaluates the fulfilment of remedial measures.

These audits focused primarily on the payment for medical services provided within reimbursed healthcare, issues of regulatory mechanisms, the agenda of control and reviews of healthcare, financial controls, public tendering and issues related to centralization of the IS.

During the audit investigations, compliance of the activities carried out by the Insurance Company and its internal regulations with the valid legislation was always verified.

In addition the suitability and efficiency of the internal control system and the economy, effectiveness and purposefulness of the operations and activities carried out were audited. The audits also examined the validity of information on the activities and results of the Insurance Company for the management of the Insurance Company, including information submitted to the Insurance Company's Board of Directors, Supervisory Board and Audit Committee.

The audit reports were submitted to the Insurance Company's Audit Committee and Supervisory Board.

Internal audit activities also included quarterly monitoring of the fulfilment of remedial measures and recommendations ensuing from the conclusions of previous audits, which was submitted to the Management of the Insurance Company, its Audit Committee and its Supervisory Board.

The internal audit also provided consultation and advisory services within the Insurance Company in 2012.

### 4.3.4 INSPECTIONS OF PREMIUM PAYERS

The basis for the Insurance Company's control activities was the regular inspections carried out according to the control plan. In addition to regular inspections, extraordinary inspections were also performed as a result of special functions built into the IS, which searched out those payers who did not observe due dates set by law or whose level of premium payments did not comply with the estimate based on the Insurance Company's knowledge of the number of employees and average wages for the relevant activity of the payers.

Failure to submit overviews after having been requested to do so was another criterion for the selection of payers to be subjected to physical inspection. Last but not least, information of the possible dissolution of the payer, strong variations in premium payments or declaration of bankruptcy etc. were also impulses to carry out an inspection.

Controls of premium payments of individual premium payers, i.e., self-employed persons, whose monthly premium claims result from annual overviews submitted to the Insurance Company after the filing of their tax returns, and of persons with no taxable income, where claims are stipulated by law, were conducted mostly in the form of premium settlement on the basis of data collected from the Insurance Company's IS. Physical inspections of accounting records of self-employed persons are only carried out in specific cases.

The fundamental and most important control activity of the Insurance Company was controlling premium payments in accordance with Section 22 of Act No 592/1992 Coll., carried out as physical inspections of the premium payers' documents. In 2012, as part of their control activities, specialised auditors at regional branches of the Insurance Company performed 72,872 inspections of premium payment for public health insurance and the fulfilment of other premium payers' obligations, of which 72,815 were inspections of group premium payers, who, in terms of their registered number as of 31 December 2012, amounted to 226,314 with 57 inspections conducted of individual premium payers.

During the inspections in 2012, debts on premiums were ascertained in 19,445 cases and penalties were imposed in 24,369 cases. The most frequent findings of inspections included delays of payment of premiums due to insufficient funds to pay them. Inspection findings relating to erroneous premium calculation, breaches of the notification duty by premium payers and the duty to send the Insurance Company records of work-related accidents are recorded only rarely, due to regular and conceptual system of controls.

The results of the inspections led to the subsequent enforcement of outstanding premiums and/or penalties. If, based on the conducted inspection, the payer did not pay the outstanding premiums or penalties according to the inspection protocol or after receiving the assessment of premiums, the regional branches of the Insurance Company issued payment assessments (PA) in administrative proceedings or, in some cases, arrears statements (AS) without administrative proceedings. The regional branches of the Insurance Company also use payment assessments in administrative proceedings to levy fines for breaches of the notification duty, failing to submit documents for control purposes, failing to submit annual overviews of the sum of advance payments made and the income and expenses of SEPs, failing to submit monthly employer records or breaches of the employer's duty to send the Insurance Company a record of work-related accidents.

In 2012, the regional branches of the Insurance Company issued 31,990 payment assessments for outstanding premiums, with 35,930 payment assessments issued for penalties and 889 payment assessments issued for fines. Additionally, the regional branches of the Insurance Company issued 68,349 arrears statements for outstanding premiums, with 84,340 arrears statements issued for penalties (these are payment assessments and arrears statements issued not only as a result of inspections carried out directly at the payers' premises). Overviews of the amounts of outstanding premiums, penalties and fines issued and paid in 2012, based on issued payment assessments and arrears statements, are shown in Tables No. 1 and 2.

**Table No. 1 (internal): Amounts of outstanding premiums, penalties and fines paid in 2012 (in CZK thousands)**

PA	2012		%
	Required	Paid	
Outstanding premiums	964,379	551,094	57.1
Penalties, fines	795,434	367,503	46.2
Total	1,759,813	918,597	52.2

**Table No. 2 (internal): Amounts of outstanding premiums and penalties paid in 2012 (in CZK thousands)**

AS	2012		%
	Required	Paid	
Outstanding premiums	1,631,979	1,179,135	72.3
Penalties	916,978	354,788	38.7
Total	2,548,957	1,533,923	60.2

### **Evaluation of the Effectiveness of the Use of Arrears Statements Compared with Payment Assessments**

The form using arrears statements, where administrative proceedings need not be initiated, is mainly used in regulating lower, indisputable outstanding amounts. In contrast, payment assessments, which require the instigation of administrative proceedings, are used to regulate the payment of higher outstanding amounts. In 2012 the effectiveness of payments using payment assessments was 52% (percentage of paid payment assessments of prescribed amounts), while the effectiveness of payments based on arrears statements was 60%. In the case that the debtor has no funds available, there is no way to secure the payment of the debts. Payment assessments and arrears statements are instruments that can ensure payment only when the debtor is once again able to pay. Otherwise the debt is recorded as a receivable until the time it is written off.

### 4.3.5 WRITE-OFFS OF OUTSTANDING PREMIUMS

In 2012, unenforceable claims against premium payers were written off in accordance with Section 26c of Act No. 592/1992 Coll. and methodical guidelines generally governing the write-off of all Insurance Company claims. Write-offs of premiums, penalties, fines and extra charges to premiums are a crucial long-term indicator for the Insurance Company's write-off policy (see Table No. 3).

**Table No. 3 (internal): Write-offs of premiums, penalties, fines and extra charges in 2012  
(in CZK thousands)**

Write-offs	Premiums		Penalties		Fines and extras		Total
	Write-off	Statute bar	Write-off	Statute bar	Write-off	Statute bar	
Employers	427,880	3,463					
Self-employed	624,017	81,557	1,740,262	184,753	12,197	275	
Write-offs, total	1,051,897		1,740,262		12,197		2,804,356
Statute-barred, total		85,020		184,753		275	270,048
Write-offs and statute bar, total	1,136,917		1,925,015		12,472		3,074,404
of which: "Public Aid"							189,761

The main reasons for writing off outstanding premiums in 2012, according to the valid methodology, were: the payer's dissolution without a legal successor, the death of the payer, unsuccessful enforcement according to Section 26c of Act No. 592/1992 Coll., statutory bar, removal of harshness, bankruptcies according to Act No 328/1991 Coll. and Act No. 182/2006 Coll. Write-offs and, in particular, statutory barring, occurred more often in respect of claims against self-employed persons. It is far more common that the securing and enforcement of the debt costs more than the debt is worth.

In accordance with EU legislation, the Insurance Company monitored decisions to waive penalties to ensure that the permitted level of public or so-called de minimis aid was not exceeded.

The amount of fully written off items in off-balance sheet accounts as of 31 December 2012 was CZK 12,324,109 thousand.

The indicator "Write-offs of claims pursuant to Sec 1 (5) of the Decree on Funds" amounting to CZK 3,103,757 thousand, recorded in Table No. 9 HICF, gives the write-offs of claims including claims from damage compensation and unauthorized billing by HCFs.

### 4.3.6 ASSESSING THE FULFILMENT OF THE NOTIFICATION DUTY BY EMPLOYERS

The cases in which employers failed to submit overviews on time continued to decline in 2012. If the employer does not submit an overview even after a call to do so is made, or if an overview is submitted late repeatedly, the Insurance Company employs the institute of probable premium amounts or determines the claim by conducting an inspection of the payer, as the case may be. In view of the penalties associated with such a procedure, the number of cases has declined in 2012 to a negligible level of less than one percent.

### 4.3.7 CREATION OF ADJUSTING ENTRIES PERTAINING TO INDIVIDUAL FUNDS

The Insurance Company created adjusting entries against the HICF for receivables in the general health insurance area in 2012. Pursuant to Section 21(2) of Decree No. 503/2002 Coll., as amended by Decree No. 445/2009 Coll., adjusting entries are created equal to 5% for each 90 days after maturity of the receivable. Adjusting entries totalling CZK 19,774 million were created as of 31 December 2012.

## **4.4 HEALTH POLICY AND INSPECTION ACTIVITIES**

### **4.4.1 HEALTH POLICY**

#### **Reimbursement mechanisms applied in individual healthcare segments in 2012, including the application of regulatory mechanisms**

In 2012, reimbursement of healthcare in all segments was implemented in particular in accordance with MH Decree No. 425/2011 Coll. (hereinafter the "Reimbursement Decree") with reference period of 2010. In some healthcare segments reimbursement mechanisms were applied in 2012 on the basis of agreements reached within the Conciliatory proceedings on point value and amount of reimbursement for healthcare paid from the health insurance. A brief overview of the reimbursement mechanisms in individual healthcare segments follows.

#### **Dental Care**

Reimbursements were carried out in accordance with the Reimbursement Decree. Within the framework of changes, a new operation of regular care was introduced – the Comprehensive examination by the dentist upon registration of the insured person, which is reported with the registration of a new insured person admitted for care. At the same time the interpretation was unified for reporting of preventive care, with the related change in the names of the relevant operations. Payments in 2012 reflected also the changes in accordance with the amended Appendix No. 1 of Act No. 48/1997 Coll.

Reimbursement of dental products fully covered by the public health insurance was made in accordance with the maximum prices set out by the MH CR Price Decision, which designates the maximum prices for healthcare provided by dentists and reimbursed from public health insurance, in the wording of MH CR Price Decision 2/2012 and in accordance with Appendix No. 4 of Act No. 48/1997 Coll.

#### **General practitioners**

Healthcare provided by general practitioners (GP) for adults and by general practitioners for children and youth (GPCY) in 2012 was mainly reimbursed through CCFP. The basic capitation rate was dependent on the spread and duration of the surgery hours, i.e. the basic capitation rate in the case of practitioners amounted to CZK 50, 49 or 47 per month per one converted registered insured individual, with this figure being CZK 50 or 49 for general practitioners for children and youth. For GP the point value was set to CZK 1.08 for medical services not included in capitation payments, medical services for non-registered insured persons and for insured persons from EU countries. For GPCY the point value was set to CZK 1.05 for medical services not included in capitation payments, medical services for non-registered insured persons and for insured persons from EU countries; preventative and comprehensive examinations and vaccinations were reimbursed at a point value of CZK 1.10 in 2012. The point value for transport was set for both specializations at CZK 0.90.

Also in 2012 the Insurance Company continued supporting those general practitioners who actively participate in securing generational changeover of doctors through professional development of trainees. In 2012, the basic capitation rate was increased by CZK 1 for GPs and GPCYs who submitted an Accreditation Decision from the MH. The basic capitation rate was increased by a further CZK 3 in the event of the physical presence of the trainee in a surgery and by CZK 4 in the case of GPCY.

Regulatory mechanisms were set for 2012 for this segment in respect of prescribed medicaments and medical devices and requested care. The specialization 902 (Physiotherapy) was newly included in requested care. The regulatory mechanisms will be applied in case of surpassing of the total costs in monitored indicators compared to the HIP 2012.

#### **Use of Quality Indicators**

In the GP segment, the quality of the healthcare provided was primarily monitored in the Quality Care Programme – Akord, in which the doctor had the possibility of an increase of the basic capitation rate. If conditions defined in advance were fulfilled, the doctor could receive further financial bonus. Besides the economic dimension, where comprehensive costs for the registered clients were evaluated, the Insurance Company put emphasis also on the monitoring of fundamental good practise indicators – the number of preventive examinations carried out, colorectal carcinoma screenings, flu vaccination, drawing care from other GPs etc.

Since 2011, monitoring of comprehensive costs in accordance with the methodology of the Akord Programme has been one of the criteria for calculation and subsequent application of regulatory mechanisms according to the basic payment annex for the given period. By comparing comprehensive costs to both regional average and own reference period, the Insurance Company took into account differences among regions as well as different structure of registered insured persons, in particular in terms of their cost demands.

## **Gynaecological care**

In 2012, outpatient healthcare provided in the specialised fields of gynaecology and obstetrics and child gynaecology was reimbursed by way of fee-for-service payments limited by a maximum payment and a point value of CZK 1.06. Preventive care granted to registered insured persons was reimbursed by a fixed aggregated payment, which included a bonus of CZK 100 for preventive examination. The HCFs also received, over and above the total remuneration for 2012, an amount of CZK 200 for a newly registered insured person who was not in the care of the given HCF for at least two preceding years.

In 2012 a pilot project in the South Bohemian and South Moravian Regions continued, which offers the HCFs reimbursement for healthcare provided to pregnant insured persons by way of aggregated payments.

Regulatory mechanisms were set in 2012 in the outpatient gynaecological care segment for the prescribed medicaments and medical devices and for requested care. The regulatory mechanisms will be applied in case of surpassing of the total costs in monitored indicators compared to the HIP 2012.

## **Rehabilitation care**

Healthcare in the rehabilitation care segment in 2012 was reimbursed by fee-for-service payments with a point value of CZK 0.80 up to 100% of the calculated volume. If a HCF provided healthcare over and above 100% of the calculated amount, a descending point value of CZK 0.40 was applied. The point value for transport for visiting services paid according to the list of operations was set at CZK 0.90.

## **Diagnostic healthcare**

In 2012, healthcare provided by way of specialist complementary care, including radio diagnostics, was reimbursed in one of two ways - either by way of a fee-for-service payment applying a descending point value limitation, or by reimbursement for services performed without the application of the descending point value.

For healthcare provided in the laboratory specialisations (222, 801, 802, 804, 805, 812 to 815, 818, 819 and 822), the stipulated point value was CZK 0.67 up to 100% of the calculated volume in accordance with the Reimbursement Decree. Over and above the stipulated volume the point value was set to CZK 0.40.

For healthcare provided in the laboratory specialisations 807, 816 and 817 the stipulated point value was CZK 0.67 up to 100% of the calculated volume. If the HCFs did not prove that they were the holders of ISO ČSN 15189 or NASKL II certificates in the relevant period, the point value was set to CZK 0.52 up to 100% of the calculated volume. Over and above the stipulated volume the point value was set to CZK 0.20.

Radio diagnostic operations – specialization 809 - were reimbursed with a point value of CZK 1.05 up to the calculated volume, save for selected magnetic resonance and CT operations, where the stipulated point value was CZK 0.67. Healthcare provided over and above the stipulated volume was reimbursed with a point value of CZK 0.40.

For mammography screening and cervical carcinoma screening, the healthcare was reimbursed on a fee-for-service basis without application of a descending point value, with a point value of CZK 1.00 for mammography screening and CZK 1.03 for cervical carcinoma screening.

## **Home medical care**

In 2012 the healthcare provided in the home medical care segment was reimbursed on a fee-for-service basis with a point value of CZK 1.00 up to 105% of the calculated volume in accordance with the Reimbursement Decree. If a HCF provided healthcare over and above 105% of the calculated amount, a descending point value of CZK 0.70 was applied. Transport for visiting services was reimbursed with a point value of CZK 0.90.

## **Healthcare provided at independent workplaces of midwives, psychiatric nurses and nutritional therapists**

In 2012, the healthcare provided by the specialisation independent workplace of midwives, independent workplace of psychiatric nurses and independent workplace of nutritional therapists was reimbursed on a fee-for-service basis with a point value of CZK 0.90 up to 105% of the calculated volume. If a HCF provided healthcare over and above 105% of the calculated amount, a descending point value of CZK 0.63 was applied. Transport for visiting services was reimbursed with a point value of CZK 0.90.

## **Outpatient specialists**

In 2012, specialist outpatient healthcare provided by OHCFs, save for the specialisations stipulated below, was reimbursed on a fee-for-service basis with a point value of CZK 1.02 up to the volume of points calculated according to the Reimbursement Decree, with healthcare above this points volume being reimbursed at CZK 0.30.

Reimbursement for haemodialysis care provided by OHCFs in 2012 was made on a fee-for-service basis with a point value of CZK 0.95, save for code 18550, which was reimbursed with a point value of CZK 0.80.

Specialised outpatient healthcare provided in the specialised fields of clinical psychology, clinical logopaedics and orthoptics was reimbursed by fee-for-service payments in 2012 with a point value of CZK 1.08 (clinical psychology), CZK 1.00 (clinical logopaedics) and CZK 1.00 (orthoptics). OHCFs providing healthcare performance in the specialised field of psychotherapy along with DT in a day hospital in the specialised fields of psychiatry, child and adolescent psychiatry, addiction-related diseases and sexology was reimbursed by fee-for-service payments with a point value of CZK 1.08.

Specialised outpatient healthcare in the specialised fields of radiotherapy and radiation oncology was reimbursed by fee-for-service payments with a point value of CZK 0.68 for selected operations and with a point value of CZK 1.02 for other operations. No descending point value was applied.

Regulatory mechanisms were set for 2012 in the specialised outpatient healthcare segment for SAD and SAM, prescribed medicaments and medical devices and for requested care. The regulatory mechanisms will be applied in case of surpassing of the total costs in monitored indicators compared to the HIP 2012.

### **Cataract operations**

Cataract operations were reimbursed to OHCFs in 2012 in the form of a “package” reimbursement. The maximum price of a “package” for 2012 was CZK 9,975.

### **One-day surgery bed treatment**

Selected operations in the field of one-day bed treatment were reimbursed in the form of a “package” reimbursement in 2012. The price of the package was set individually on the basis of a proposal by the HCF, provided the proposal did not exceed the maximum price for the given operation. Both outpatient and inpatient HCFs could provide healthcare in the one-day treatment mode in 2012.

### **Healthcare in healthcare facilities provided to those placed in them for other than health-related reasons**

In 2012 in acute and subsequent care inpatient HCFs, special outpatient care provided according to Section 22 (c) of Act No. 48/1997 Coll. was reimbursed by fee-for-service payments according to the LMS and a point value of CZK 0.90 up to the calculated amount, which equals the reference number of points multiplied by the ratio of insured persons for the period under review and the reference period; healthcare provided over and above the stipulated volume was reimbursed with a point value of CZK 0.40.

The Insurance Company stipulated a bonus mechanism for care provided in IHCFs. Its purpose is to create the best conditions for the active incorporation of the HCFs into the system of providing inpatient social services to those who are in HCFs for other than health-related reasons. The conditions were stipulated for the HCFs for inclusion in the bonus mechanism and entitlement to the bonus was subsequently defined.

### **Nursing and rehabilitation care in social services facilities**

Healthcare provided in ISSF under the specialisation 913 - general nurse in social services, were reimbursed on a fee-for-services basis in 2012 applying a descending point value limitation. Up to 100% of the calculated amount the point value of CZK 0.90 was used and over and above the stipulated volume the point value of CZK 0.40.

### **Hospitals**

In 2012, reimbursement for acute bed care in IHCF was made in accordance with the Reimbursement Decree in a combined way.

Reimbursement of healthcare provided to hospitalized patients was made on the basis of case flat rate (DRGalfa) with the coefficient of basic rate increase over the reference period of 1.07 and by payments excluded from the case flat rate (DRGbetta) increased by 7% over the reference period with the maximum payment increase of up to 10% over the reference period.

Outpatient care was fully reimbursed by way of fee-for-service payments provided the condition was met of at least 100% of points and 100% of unique insured persons treated in comparison with the reference period. If the set conditions were met and the hospital did not reach 98% of outpatient care payments of the reference period, the payments were added to reach that amount.

Other reimbursement methods included so-called “individual reimbursement components”, such as contractually arranged medicaments covered by “Special Contracts”, planned endoprosthetic operations on lower limb joints, cataract operations, healthcare provided as part of implanting permanent cardio stimulators and defibrillators and medical operations in the segments of orthopaedics, gynaecology, surgery etc.

For 2012 the Insurance Company offered the option of specific reimbursement methods for selected types of healthcare, such as one-day care, robot-assisted operations, implantation of aorta valves and others.

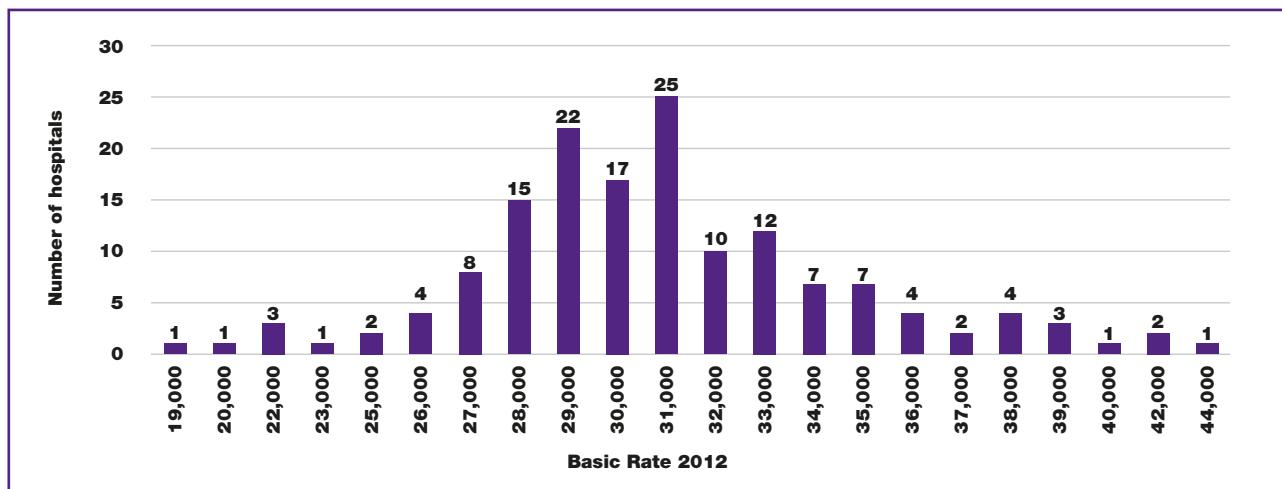
On the basis of the Reimbursement Decree and over and above the flat payments, the following services were reimbursed: 09563 – hospital emergency service and 88101 – autopsy at forensic department of HCFs.

Regulatory mechanisms were applied in accordance with the Reimbursement Decree.

#### **Use of the reimbursement mechanism of case flat rate (DRG) and the amount of average basic rate and the volume of healthcare reimbursed by way of this mechanism and the number of contractual facilities where it is used**

In 2012, more than 75% of healthcare provided during hospitalization was reimbursed by way of case flat rate. Almost all hospitals used this mechanism for the reimbursement of healthcare. When calculating the basic rate, the Insurance Company adhered consistently to the Reimbursement Decree; for 2012 the rate consisted to 75% of individual basic rate of the given hospital (this amount is based on historical payment mechanisms and the related individual access of hospitals to the provision of healthcare, e.g., in terms of its structure and volume) and to 25% of the national basic rate set in accordance with the Reimbursement Decree, i.e., CZK 29,500.

**Graph No. 1: Hospital basic rates in 2012**



#### **Structure and volume of individual reimbursement components (so-called “packages”)**

Endoprosthetic operations on lower limb joints were reimbursed on the basis of individual agreements with hospitals, with the payment being divided into three components:

- maximum average payment for hospital stay
- maximum average payment for SAM
- payment for rehabilitation care

The total financial volume amounted to 95% of total payments for these implantations carried out in the reference period.

Implantation of cardio stimulators and cardioverters were reimbursed on the basis of individual agreements with hospitals, with the payment being divided into two components:

- maximum average payment for hospital stay
- maximum average payment for SAM

The total financial volume amounted to 87% of total payments for these implantations carried out in the reference period.

Cataract operations were reimbursed in the form of a “package” reimbursement. The maximum price of a “package” for 2012 was CZK 9,975. The total financial volume amounted to 90% of total payments for these implantations carried out in the reference period.

Other healthcare mentioned in Paragraph 2.1(d) – (i), Part A) of Appendix No. 1 of Decree No. 425/2011 was reimbursed as follows:

- operations carried out in hospital mode were reimbursed according to the DRG methodology
- operations carried out in outpatient mode were reimbursed in the standard way according to the conditions for outpatient specialized care stipulated by the Reimbursement Decree
- the ratio was set between the number of operations carried out in outpatient and hospital modes.

The total financial volume was not limited.

#### **Use of quality indicators, quality assessment and adherence to clinical standards for reimbursement mechanisms and their regulation in outpatient and inpatient care**

The Insurance Company cooperated with representatives of professional associations in the area of the provision of healthcare and quality assurance. The trend of concentrating specialized healthcare services in selected facilities in order to secure quality continued in 2012.

In specialized centres where treatment is concentrated of insured persons with rare diseases, metabolic defects, multiple sclerosis, rheumatic conditions, tumour conditions and other diseases, healthcare was reimbursed on the basis of Special Contracts. The costs of pharmacotherapy and the effectiveness of the treatment was monitored with the help of so-called Records of cost-intensive insured persons. This database of insured persons serves to control the billing of healthcare provided and at the same time gives an overview of the number of currently treated insured persons in different diagnostic groups with the identification of specific drugs and the possibility to keep track of the number of currently treated insured persons, including a cost forecast. In addition it serves the purpose of inspection and review activities. Great attention was given to biological treatment with the requirement that it is indicated on the basis of laboratory results with valid certificate. There is no doubt that predictive diagnostics is very important for the decision about adequate and high quality treatment.

Other specialized care, e.g., the implantation of cardio stimulators and cardioverters and endoprosthetic operations on lower limb joints, was contracted in selected hospitals only, where, inter alia, the conditions stipulated by recommendations of professional associations were met and where the Insurance Company puts emphasis also on the monitoring of the basic indicator of the number of operations performed per year.

The trend of concentrating specialized healthcare in selected facilities in order to secure quality has been applied by the Insurance Company for several years and it will continue in the same direction.

#### **Structure and volume of reimbursements of medicaments and foodstuffs for special medical purposes marked by "S" pursuant to Sec. 39 (1) of Decree No. 376/2011 Coll.**

The reimbursement of medicaments and foodstuffs for special medical purposes, in so-called centre care, was made in 2012 in accordance with the Reimbursement Decree. Annual financial volume was agreed with individual facilities, with the possibility of transferring the funds between contracted diagnostic groups according to current needs of the given workplace. Cost forecast for 2012 was based on the costs of the reference period, with also newly included diagnostic groups or medicaments, which were introduced in centre care in 2011, being taken into account. Centre care in 2012 included 109 ATC group medicaments used with 41 diagnostic groups.

#### **Evaluation of cost effectiveness of the care provided, including preventive care**

In 2012 the Insurance Company focused, within the framework of its contractual policy, on the reduction of prices of material components (SAM) for certain types of healthcare, e.g., prices of cardio stimulators and cardioverters or intraocular lenses. Savings resulting from the reduction of prices was used for the reimbursement of further costly care or new technologies.

#### **Specialised curative institutions**

In 2012, reimbursement for healthcare was made in the flat rate regime for day treatment. For special curative institutions of all types (psychiatric, rehabilitative, pneumological and phthisiological institutions including children's) the reimbursement per day of treatment was set to 103% of the reimbursement in the reference period.

The Insurance Company offered the same reimbursement mechanism as in contractual outpatient HCFs providing specialised outpatient care for reimbursement for outpatient care at specialised curative institutions. In 2012, this manner of reimbursement of outpatient care was acceded to by all SCI.

Billing for the healthcare provided was carried out in accordance with reported healthcare with a final settlement on a half-yearly basis.

In relation to the amendment of Sec 33 of Act No. 48/1997 Coll., the method based on proposals was introduced and implemented in the area of the provision of curative rehabilitation care by specialised curative rehabilitation institutions for adults as of 1 April 2012.

### **Long-term care hospitals and nursing care beds**

In 2012, reimbursement for healthcare provided in long-term care hospitals and nursing care beds was made in the flat rate regime for day treatment, which was set to 103% of the reimbursement in the reference period. Billing for the healthcare provided was carried out in accordance with reported healthcare with a final settlement on a half-yearly basis.

A regulatory mechanism was applied for prescribed medicaments and medical devices in the subsequent care segment.

### **Hospices**

Reimbursement for healthcare provided in hospices in 2012 was implemented through a fee-for-service method, according to the LMS, at a point value of CZK 0.90.

### **Balneal and convalescent care**

In 2012, balneal curative rehabilitation and convalescent care was provided in accordance with Act No. 48/1997 Coll. and Decree No. 58/1997 Coll., and from 1 October 2012 with Decree No. 267/2012 Coll. Reimbursement of the balneal and convalescent care was made by payments for one day of stay in accordance with the Reimbursement Decree.

### **Ambulance services**

Reimbursement in accordance with the Reimbursement Decree, i.e., for HCFs that provided 24-hour healthcare the point value was CZK 0.95 up to the stipulated volume and CZK 0.55 over and above the stipulated volume.

HCFs that did not provide 24-hour transport healthcare were reimbursed at a point value of CZK 0.85 and at a descending point value of CZK 0.45.

### **Emergency medical services**

HCFs providing emergency medical services (EMS) were reimbursed using a fee-for-service system in 2012, with a point value of CZK 1.10.

### **First aid medical services**

HCFs providing first aid medical services were reimbursed using a fee-for-service system in 2012, with a point value of CZK 0.95.

### **Medicaments**

The Insurance Company participated in 2012 in influencing the prices and reimbursements of medicaments by its active participation in administrative proceedings before the SIDC. By its proactive approach it pushed to speed up the process of revisions of complete reference groups of medicaments with the view of unifying reimbursements made from the public insurance in accordance with the law. The Insurance Company has been maintaining correct relations and engaging in long-term price negotiations with Czech representations of companies marketing medicaments in the Czech Republic. Thanks to this proactive approach, the Insurance Company helped significantly by concluding contractual arrangements to cap public expenditures so as to avoid wasteful spending, in particular with respect to many groups where the law stipulates the obligation to fully cover at least one medicament.

The Insurance Company initiated other possibilities for a reduction of the total costs of medicaments – by shortening revisions in groups with sufficient generic competition on the basis of concluded Contract on Agreed maximum production prices in order to reduce costs in these groups, by updating the rational prescription project, by concluding pilot risk-sharing and “price-volume” contracts with pharmaceutical producers of new drugs, by organizing discount competitions, by positively listing medicaments etc.

The total costs of medicaments are continually influenced by transfer of information (e.g., on current range and prices of medicaments) towards HCFs and by ongoing evaluation of the efficiency of valid regulatory measures. The overview of reimbursed medicaments and foodstuffs for special medical purposes (AMBULEKY), which is part of doctors' software, has been already in operation and continues to develop.

In 2012 the preparatory stage of implementation of an updated AMBULEKY database was launched, with the view of utilizing medicaments with the lowest reimbursement equivalent in each group and positively listing medicaments with significantly lower reimbursement equivalent. The Positive listing category will be filled gradually also on the basis of discount competitions and other offers made to the Insurance Company by drug producers. Active use of preferred

medicaments from the AMBULEKY database is being evaluated on a long-term basis and may be taken into account when applying regulatory mechanisms on the volume of prescribed medicaments and medical devices.

## Medical devices

The Insurance Company continued creating the Code List for medical devices and dental products:

- Code list for medical devices –VZP Code List – MD
- Code list of dental products (STOMAG)

Price comparisons, the objective of which is to maintain financial stability, are an inseparable part of the process of including new products in reimbursement catalogues. Medical devices continued to be classified into individual groups of therapeutically mutually interchangeable medical devices, where the criterion was the medicinal effect for patients. The amount of reimbursements for medical devices was consistent with the legal regulations.

## Regulation fees and additional payments for medicaments

The total number of insured persons who exceeded the legal limit (CZK 2,500 or CZK 5,000) was lower than in 2011 and also the total financial amount by which the legal limit was exceeded was by 10.4% lower than in 2011 (2011 – CZK 349,429 thousand, 2012 – CZK 313,044 thousand).

HCFs collected a total of CZK 5,081 million in regulation fees and includable additional payments for medicaments from the persons insured by the Insurance Company in 2012, of which CZK 3,484 million, i.e. 68.6%, was collected in regulation fees and CZK 1,597 million, i.e. 31.4%, for includable additional payments for medicaments.

The main reason for the lower amount of collected regulation fees in pharmacies against 2011 was a change of the method of payment of regulation fees: since 1 December 2011, regulations fees are payable for the complete prescription only, rather than for each item in the prescription as before.

The total volume of regulation fees and additional payments for medicaments includable in the statutory limit was CZK 3,603 mil., which was lower by 14.9% than in 2011.

**Table No. 4: General information on the amount of regulation fees paid and the amount of includable additional payments for medicaments reported by HCFs**

R.	Indicator	Measurement unit	2012				
			I. Q	II. Q	III. Q	IV. Q	Total
1.	Number of insured persons that exceeded the legal limit in the given period*)	person	2,677	32,576	56,302	81,864	173,419
2.	Amount by which the legal limit was exceeded *) (=refund*)	TCZK	2,305	27,325	64,797	218,617	313,044
3.	Total amount in regulation fees of CZK 30 (reported medical service 09543)	TCZK	228,357	226,220	195,631	235,646	885,854
4.	Total amount in regulation fees of CZK 60 or 100, resp. (reported medical service 09544)	TCZK	343,723	363,717	337,568	330,237	1,375,245
5.	Total amount in regulation fees of CZK 90 (reported medical service 09545)	TCZK	24,700	25,937	26,701	24,996	102,334
6.	Total amount in regulation fees paid in pharmaceutical care (reported medical service 09540)	TCZK	296,620	300,765	243,113	279,818	1,120,316
7.	Total amount of includable additional payments for medicaments and foodstuffs for special medical purposes	TCZK	460,220	444,697	332,189	359,966	1,597,072
8.	Total amount for regulation fees and includable additional payments (sum of rows 3–7)	TCZK	1,353,620	1,361,336	1,135,202	1,230,663	5,080,821

Note:

Link to Table No. 12, row 10, AR 2012.

Data reported in the individual quarters is for the indicated period only.

\*) CZK 5 000 or CZK 2 500. This is the number of „refunds“ made in the period in question.

If an insured person receives more than one refund, he/she shall be recorded in each period.

## 4.4.2 INSPECTION ACTIVITIES

As of the end of 2012, inspection activities such as specialised medical control, checking of correctness of billing or justification of requested healthcare, regulation (approving or allowing reimbursement) and expert assessment, were carried out at all the offices of the Insurance Company by a total of 387.9 inspection officers (converted to full-time positions), which represents a decrease of 69 full-time positions, or 15%, as well as by 250 external inspection officers (decrease by 9 persons or 3.5%).

In autumn 2011, the Insurance Company decided to partly centralize its inspection officers. Centralized inspection officers fulfilled specific tasks in 2012 at the central Control and Inspection Department, or assignments which were more demanding (in terms of scope, economic impact, type of provider etc.), pilot controls and inspections of correctness and justification of reported healthcare, as well as other specialized activities, like more complex approval and authorization activities (reimbursement of costly medicaments or selected medical devices) and others. Control and inspection officers at the management level of the regional branches of the Insurance Company were in charge of the usual scope of current activities of their inspection departments.

During the first half of the year, the activity of inspection officers, and the compilation of control and inspection reports from the controls of correctness and justification of billed healthcare they carried out, was significantly constrained by limited functionality of the new, centralized IS. In spite of certain technical difficulties, reduction of the number of employees and reorganization at the Head Office as well as RB level of the Insurance Company, the performance of the inspection system was successfully kept at the level of previous years.

A summary of all the inspection activities performed in 2012 is given in Table No. 5 and the quantification of the inspection activities of the Insurance Company including the number of rejected points, is given in Table No. 6.

**Table No. 5 (internal): Summary overview of the inspection activities performed by the Insurance Company in 2012**

Item	Total
Total number of concluded revisions and inspections	19,775
Approvals for coverage of drugs, devices and surgeries	104,526
Permits for coverage of drugs, devices and surgeries*	2,293
Confirmation of balneal care	32,839
Confirmation of sanatorium stay	412
Confirmation of children's sanatorium care	7,340
Number of assessments	64,242
Total	231,427

\* in accordance with s. 16 of Act No. 48/1997 Coll.

**Table No. 6 (internal): Quantification of the inspection and control activities of the Insurance Company in 2012**

Item	Points*	Total**
number of concluded revisions	426,393	418,692
number of concluded inspections	1,020,287	491,631
Total	1,446,680	910,323

\* Points deducted by revisions and inspections - different point values in segments

\*\* Crown items deducted by revisions and inspections (SAM, SAD, prescription of drugs)

The total quantification of deficiencies found during controls carried out in 2012 represents an amount of about CZK 2.4 billion (they include points recalculated to point value of CZK 1 + CZK items in SAM, SAD and drug prescriptions).

Centralized inspection groups performed two main tasks in 2012. Hospital inspections and inspections at HCFs providing care at specialized workplaces – centres with Special Contract.

From January 2012 until the end of February 2013, a total of 90 controls were conducted in hospitals with acute inpatient care, focusing on the correctness of encoding acute inpatient care in the DRG system, and a total of 11,367 inpatient cases were controlled. Owing to the method of applying deductions and sanctions stipulated in the Reimbursement Decree, the results of the controls and inspections can only be given as a qualified estimate based on preliminary

and model calculations. Expected economic impact of inspections of DRG for 2009, 2010 and 2012 is approximately CZK 165 million.

During 2012, a total of 47 controls were conducted at HCFs providing care at specialized workplaces – centres with Special Contract. Deficiencies found were quantified by more than CZK 336 mil.

In cooperation with the administration of the CPD application, systematic quarterly controls were carried out in 2012 at clients with the highest levels of payables. Where it was necessary to check the data directly in the client's medical records, the control was carried out by the relevant RB of the Insurance Company according to the client's place of residence and in cooperation with the relevant HCF. Within the framework of these controls, the adherence to both the reimbursement rules and the rules for collection of regulation fees was assessed. At the same time client complaints in respect to discrepancies in the overview of healthcare reimbursements were dealt with (58). No significant deficiencies were found.

## **4.5 OUTSTANDING CLAIMS AGAINST HEALTHCARE FACILITIES**

As of 31 December 2012, the Insurance Company recorded outstanding overdue claims against healthcare facilities in the amount of CZK 1,547 million. They represent mainly claims pertaining to regulatory deductions by the HCFs. Payment schedules have been agreed in respect of these claims.

## **4.6 CONTRACTUAL POLICY**

The Insurance Company continued to fulfil its mandatory obligation to secure accessible, quality and safe healthcare for the insured persons through a network of contractual healthcare providers.

Outpatient and inpatient healthcare services were sufficiently provided for the insured persons of the Insurance Company in all regions by the existing network of contractual HCFs.

Like last year, the Insurance Company supported in primary care by GPs and GPCYs generational changeover of doctors as well as the establishment of new practices. In regions with poorer geographic access, the Insurance Company continued the provision of extra capitation payments for so-called small practices. The Insurance Company contributed to the support of new GPs by paying a bonus for the attainment of MH accreditation for the holding of an educational programme in the field and a bonus for practical education attained by a specific doctor. The Quality Care Programme – Akord was being further developed in the case of GPs and GPCYs. The Insurance Company also supported generational changeover of dental practices in the regions. The network was further cultivated by controls of the material, technical and staffing provisioning. Emphasis was put on the checking and quality of complementary segment workplaces, including laboratories for cervical carcinoma screenings and workplaces accredited to conduct mammography screenings. In 2012, electronization of Annexes No. 2 of Contracts for the provision and reimbursement of healthcare with OHCF was supported.

In the inpatient care segment the main strategic focus of the contractual policy of the Insurance Company was on the process of restructuring of the number of hospital beds. The actual restructuring process was conducted at the level of negotiations between the representatives of the Insurance Company, Association of Health Insurance Companies, statutory representatives of HCFs and founders and in active participation of professional associations in the healthcare sector, MH and public administration bodies. In June 2012 a Memorandum of health insurance companies on the restructuring of the number of hospital beds with the view of its optimization was signed. The document declared common interest of MH and all health insurance companies with respect to securing higher level of provision of inpatient care and maximum safety, at the same time making the provision of healthcare services more efficient. The migration of appropriate scheduled operations to the one-day bed care regime was initiated and the contracting of joint hospital facilities for surgery or internal medicine departments was supported. In 2012 the total number of acute care beds dropped by 2928, of which 2847 were in the standard bed category and 81 intensive care beds. In the case of subsequent care beds, there was a growth by 95 beds. A total of 20 LIC and LINC beds were newly contracted. In 2012 the centralization of specialised and super-specialized care continued.

The Insurance Company focused in 2012 on the monitoring of quality and efficiency of the healthcare provided, in particular in institutional care, outpatient care, transport and balneal curative and rehabilitation care.

## 4.6.1 ACCESS TO REIMBURSED SERVICES IN TERMS OF LOCATION AND TIME PURSUANT TO SEC 40 OF ACT NO. 48/1997 COLL. – THE METHOD FOR SECURING THE NETWORK

By Act No. 48/1997 Coll., in the wording effective since 1 April 2012, the right of the insured person is defined for access in terms of location and time to reimbursed services provided by contractual providers of the relevant health insurance company and in this context the HICs were obliged to secure to its insured persons the access so defined. Government Resolution No. 307/2012 Coll., with effect from 1 January 2013, defines commuting times, expressing local accessibility, and time limits for planned reimbursed services, which express accessibility with respect to time.

In 2012, the Insurance Company was working on a systemic solution to the obligation of access in terms of location and time to be able to respond to individual requests of its insured persons.

**Table No. 7: System of contractual healthcare facilities**

R.	Category of contractual healthcare facilities	No. of HCF HIP 2012 as of 31/12	No. of HCF Actual 2012 as of 31/12	No. of HCF Actual 2011/ as of 31/12	% increase decrease 2012/2011
1.	Outpatient healthcare facilities*	35,146	36,067	36,054	0.04
	of which:				
1.1	General practitioner for adults (specialisation 001)	5,429	5,415	5,422	(0.13)
1.2	General practitioner for children and youth (specialisation 002)	2,298	2,264	2,288	(1.05)
1.3	Dentist (specialisation 014 - 015, 019)	7,370	7,513	7,441	0.97
1.4	Total outpatient specialists	16,169	15,926	15,912	0.09
1.5	Domestic healthcare (specialisations 925, 911, 914, 916 and 921)	463	462	462	0.00
1.5.1	of which: domestic healthcare, specialisation 925	435	426	429	(0.70)
1.6	Rehabilitation (specialisation 902)**	1,391	1,383	1,401	(1.28)
1.7	Complementary healthcare facilities (specialities 222, 801 - 805, 806, 807, 809, 812 - 823)	1,789	1,752	1,791	(2.18)
	of which:				
1.7.1	Radiology and imaging technology HCFs (specialisations 806 and 806)	704	709	706	0.42
1.7.2	Forensic medicine (specialisation 808)	12	13	13	0.00
1.7.3	Pathology (specialisation 807 + 823)	131	119	128	(7.03)
1.8	Other outpatient workplaces***	237	1,352	1,337	1.12
2.	Inpatient facilities	272	272	275	(1.09)
	of which:				
2.1	Hospitals	138	133	138	(3.62)
2.2	Specialist curative institutions (except for long-term care hospitals and healthcare facilities exclusively reporting code OD 00005)	56	57	57	0.00
2.2.1	of which: psychiatric (OD 00021, OD 00026)	17	18	18	0.00
2.2.2	rehabilitation (OD 00022, OD 00025, OD 00027)	11	12	12	0.00
2.2.3	pneumology and phtiseology (TRN) (reporting code OD 00023, OD 00028)	2	2	2	0.00
2.2.4	other	26	25	25	0.00
2.3	Long-term care facilities - total (reporting code 00024)	130	130	130	0.00
2.3.1	of which: separate healthcare facilities	42	41	41	0.00
2.3.2	included in another healthcare facility	88	89	89	0.00
2.4	Treatment beds (reporting code 00005)	76	65	65	0.00
2.4.1	of which: separate healthcare facilities	27	15	15	0.00
2.4.2	included in another healthcare facility	49	50	50	0.00
2.5	Beds in special hospice-type inpatient facilities (reporting code OD 00030)	14	16	14	14.29
	Long-term intensive care	15	18	17	5.88
	Long-term intensive nursing care	18	20	18	11.11

R.	Category of contractual healthcare facilities	No. of HCF HIP 2012 as of 31/12	No. of HCF Actual 2012 as of 31/12	No. of HCF Actual 2011/ as of 31/12	% increase decrease 2012/2011
3.	Spas	44	44	44	0.00
4.	Sanatoria for children	4	2	3	(33.33)
5.	Ambulance service	596	542	542	0.00
6.	Emergency medical service (specialisation 709)	163	162	165	(1.82)
7.	Pharmacies and facilities dispensing medical devices	2,443	2,456	2,432	0.99
8.	OTHER healthcare facilities				
	Social service inpatient facilities (specialisation 913)	552	573	558	2.69

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Notes:

The number of HCFs according to HIC 2012 was in outpatient HCFs structured differently from the current outpatient HCFs.

Contractual outpatient HCFs, including ambulance and rescue services are defined by Id. Numbers.

Contractual inpatient HCFs and pharmacies and facilities dispensing medical devices are defined by Id. Numbers.

Explanatory note:

\* all outpatient HCFs, separate, in outpatient facilities with more outpatient care types and included in inpatient HCFs

\*\* including specialisation 917

\*\*\* specialisations 003, 004, 901, 903, 904, 927

#### Commentary to Table No. 7:

In 2012 there was a slight increase in the number of OHCFs. In case of IHCFs and EMS there was a small reduction of the number of HCFs. The number of spas and medical transport services remained the same as in 2011. During 2012 the number of sanatoriums decreased by one provider.

In the case of OHCFs, there is a year-on-year increase of 0.97% in the number of contractual dentists. On the contrary, there is a small decrease in the number of contractual GPs and GPCYs. In home care facilities there was a decline of 0.70% and in the number of complementary HCFs a decline of 2.18% compared to 2011.

In the case of IHCFs we can observe and comment, mainly in view of their lower number, on the concrete changes that occurred in 2012:

#### In 2012 one new business ID was contracted:

- 28971906 Vršovická zdravotní a.s.; contracted OLÚ hospital facility ID 10693000 – Vršovická zdravotní a.s.; originally included within business ID 879649 Léčebny dlouhodobě nemocných Vršovice

#### IDs which did not provide inpatient care in 2012 any more:

- 25093126 CLINICUM a.s., currently only outpatient ID
- 25314394 BMI Chirurgie, a.s., ID dissolved
- 61382981 Ústav leteckého zdravotnictví Praha, currently only outpatient ID
- 61858366 ISCARE I.V.F. a.s., currently only outpatient ID

#### Changes within current/valid business IDs:

- 183024 Hamzova odborná léčebna pro děti a dospělé; nursing care beds contracted within the framework of current hospital ID 62901000 – Hamzova odborná léčebna pro děti a dospělé
- 90638 NEMOCNICE JIHLAVA, přísp. organizace; hospice beds contracted within the framework of current hospital ID 76002000 – Nemocnice Jihlava
- 25079174 ALMEDA, a.s.; DIOP workplace contracted within the framework of current hospital ID 25312000 – Městská nemocnice Neratovice
- 26397943 PRIVAMED Healthia s.r.o.; NIP workplace contracted within the framework of current hospital ID 31500000 – DIOP

## 4.7 HEALTHCARE PROVIDED TO THE INSURED PERSONS AND REIMBURSED BEYOND THE FRAMEWORK OF PUBLIC HEALTH INSURANCE

### CARE REIMBURSED FROM THE PREVENTION FUND

The Insurance Company created a PrevF, pursuant to Section 7(2) of Act No. 551/1991 Coll. The PrevF is used to reimburse healthcare beyond the framework of healthcare covered by public health insurance with a demonstrable preventative or curative effect. In 2012, total drawings on the PrevF for preventive programmes amounted to CZK 426.8 million, which was by 7.0% more than the HIP 2012. Higher drawing in the area of Health Programmes was influenced by the conditions for the acknowledgement of a contribution. In other items there was a reduction of drawing. Costs of convalescent stays were lower by 15.2% and costs of other activities were lower by 26.8% compared to the HIP 2012.

**Table No. 8: Preventive healthcare costs drawn from the Prevention Fund (in CZK thousands)**

R.	Purpose	Number of participants <sup>1)</sup>	2012 HIP	2012 Actual	% Actual 2012/HIP 2012	2011 Actual	% Actual 2012/Actual 2011
1.	Costs of healthcare programmes	169,000	257,326	152.3	98,579	261.0	
	Healthy lifestyle		160,861		52,954	303.8	
	Healthy family		82,720		30,778	268.8	
	Contribution for gluten-free diet		4,060		3,761	108.0	
	Voucher system		9,685		11,086	87.4	
2.	Contribution for convalescent stays <sup>2)</sup>	105,000	89,013	84.8	84,446	105.4	
	Mořský koník (Sea Horse)	3,178	89,013		84,446	105.4	
3.	Other activities <sup>2)</sup>	110,000	80,518	73.2	126,934	63.4	
	Preventing addiction among children and youth		19,680		19,274	102.1	
	Preventing overweight and obesity		15,501		17,177	90.2	
	Preventing child injuries		3,636		6,668	54.5	
	Preventing civilisation diseases		2,233				
	Health Days in regions		2,285		36,838	6.2	
	Healthy Company		23,308		20,324	114.7	
	Blood donor programmes		2,220				
	Marketing support to Prevention Fund programmes		10,905		14,985	72.8	
	Pilot programmes		750		9,022	8.3	
	Reserve – programmes				2,646	0.0	
4.	Reserve for Prevention Fund programmes	15,000					
5.	Total costs of preventative healthcare <sup>3)</sup>	399,000	426,857	107.0	309,959	137.7	

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Notes to the table:

- 1) The health insurance company reports only in row 2 as of 31 December of the calendar year.
- 2) The health insurance company shall stipulate the individual types of programmes or activities by name.
- 3) Link to the data in row 1 of Section A III, Annex No. 7, minus row 4 of Section A II plus row 5 of Section A III.

# **CREATION AND DRAWING ON INSURANCE COMPANY FUNDS**

# **5**



The management of the Insurance Company's financial funds is shown according to the individual activities carried out by the Insurance Company. The Insurance Company's fundamental activity is to provide public health insurance, while other taxable activities are a by-product of its activities. In 2012, the management of the Insurance Company was monitored via the Insurance Company's funds and activities, which are kept on the following separate accounts (in accordance with Act No. 551/1991 Coll.):

- 5.1 Health Insurance Capital Fund
- 5.2 Operation Fund
- 5.3 Capital Reproduction Fund
- 5.4 Social Fund
- 5.5 Surplus Fund

plus additional funds and activities allowed by law, namely:

- 5.6 Prevention Fund
- 5.7 other taxable activities

## 5.1 THE HEALTH INSURANCE CAPITAL FUND (HICF)

The HICF is used to accumulate funds in order to reimburse healthcare in accordance with valid legal regulations.

In relation to the amendment of Act No. 551/1991 Coll. and Act No. 280/1992 Coll., the HICF was boosted in 2012 by funds from extraordinary redistribution amounting to CZK 3,901.8 mil., or more precisely, to CZK 3,135.5 million after deduction of CZK 766.3 million for redistribution.

The aim of the Insurance Company set out in the HIP in 2012 was to keep its operations balanced in accordance with Act No. 551/1991 Coll. The HIP 2012 envisioned savings in all funds and in particular a reduction of costs for healthcare services and a reduction of costs of internal operations and investment. However, it was not possible to reach this aim even in spite of the strengthening of HICF by the extraordinary redistribution because of higher healthcare costs.

### Creation and drawing of the HICF

The total creation of the HICF in 2012 was CZK 150,419.3 mil., decreasing against the planned value by 1.1%. The sources grew year-on-year, after deduction of the extraordinary redistribution, by 2.8% (by 0.1% after deduction of the extraordinary redistribution).

The main item of the sources of the HICF are the premiums from public health insurance, after redistribution. In 2012 they amounted to CZK 147,000.9 million and were lower by 0.7% than planned. The premiums after redistribution grew year-on-year by 3.3% (by 0.5% after deduction of the extraordinary redistribution). Lower accumulation of premiums than expected by the HIP 2012 is related in particular to higher loss of insured persons and overall poorer economic development in the Czech Republic.

The total amount drawn from the HICF in 2012 was CZK 154,695.9 million, exceeding the plan by 1.8%. The exceeding of the plan was influenced mainly by obligations to reimburse healthcare services, which were set in the HIP 2012 at the level of CZK 140,452.0 million with year-on-year decrease of 2%. Payables for healthcare services in 2012 reached CZK 143,745.5 million, rising by 2.3% against the plan. The increase against 2011 was 0.6%, with the growth rate of these obligations slowing down.

Prescribed allocations to other funds of the Insurance Company amounted to CZK 4,872.6 mil, reaching the planned value. SpF was filled (only booked) up to the statutory limit. The OF limit was lower by 0.35% than the maximum limit stipulated by MF Decree No. 418/2003 Coll. Savings for the benefit of the HICF amounted to CZK 509.4 million in 2012.

There was an increase of write-offs of claims against the plan by 10.8%. Creation of adjusting entries to premiums, penalties, fines and extra charges to premiums was lower than plan by 37.9%. Payables from the provision of healthcare services to foreigners posted an increase against the plan by 19.1%. Bank fees for the management of the HICF account and other fees fell against the plan by 14.3%.

The Insurance Company created and drew from reserves for litigations, in which it stands as the defendant and there is a risk of loss and possible future obligations arising from these litigations. The subject of these litigations was the reimbursement of healthcare provided, increase of flat rate reimbursement, entitlement to flat rate reimbursement without annex to the contract, contractual penalties, interests on late payments or late reimbursement of healthcare,

regulatory deductions and price regulation, retrograde enforcement of regulatory deductions, information duties and other issues. In 2012 the reserves for litigations were raised by CZK 34.2 million to a total of CZK 121.6 mil.

The closing balance of the HICF in 2012 amounted to CZK -4,276,4 million.

### **Income and expenditure of the HICF**

The total income of the HICF in 2012 reached CZK 147,724.5 million, exceeding the planned value by 0.6% due to extraordinary transfers between funds, which had not been planned in the HIP 2012. Year-on-year, after deduction of all extraordinary influences, the income of the HICF grew by 0.4%.

Income collected from public health insurance was CZK 93,867.1 million, lower by 0.9% against the plan and growing year-on-year by 0.7%. Lower income is related mainly to higher loss of insured persons and poorer development of macroeconomic indicators.

Funds ensuing from the results of redistribution amounted to CZK 51,331.3 million in 2012, growing year-on-year, after deduction of extraordinary redistribution, by 0.2%.

In 2012 an extraordinary transfer between funds amounting to CZK 1,029.4 million was made, which was connected mainly to the settlement of OF obligations (booking of Electronic Health Cards - financial settlement of OF obligation from 2010).

The total expenditure of the HICF in 2012 amounted to CZK 148,511.8 million, exceeding the plan by 1.2%.

The highest item was expenditure on healthcare services, totalling CZK 142,392.8 million, growing by 1.1% against the plan a by 1.2% year-on-year.

Allocations to other funds amounted to CZK 4,697.5 million, exceeding the planned value by 2.1% because of higher budget base.

The closing balance of HICF funds as of 31 December 2012 amounted to CZK 123.5 million.

### **The balance of income and expenditure of the HICF**

In 2012, the balance of income and expenditure of the HICF was CZK 3,333.1 million, i.e., lower by CZK 3,534.1 million than set out in the HIP 2012. It was slightly more favourable than in 2011 when it reached CZK -3,441.9 million.

The disproportion between income and expenditures caused by unfavourable external economic effects has thus continued.

On the income side, the balance was lower than plan by CZK 108.7 million, while on the expenditure side the balance rose against the plan by CZK 3,425.4 million.

The goal of balanced management set out in the HIP 2012 was not fulfilled in 2012 for objective reasons.

**Table No. 9: The Health Insurance Capital Fund (in CZK thousands)**

#### **PART I.**

A.	The Health Insurance Capital Fund (HICF) Creation and drawing during the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	<b>Opening balance as of 1 January of the reported period</b>	<b>3,859,127</b>	<b>130</b>	
II.	<b>Total creation = sources:</b>	<b>152,054,830</b>	<b>150,419,323</b>	<b>98.9</b>
1	Premiums from public health insurance pursuant to s. 1(1)(a) of the Decree on Funds, including estimates	97,003,000	95,669,550	98.6
1.1	of which: estimated items on premiums pursuant to s. 1(1)(c) of the Decree on Funds <sup>5)</sup>		11,739	
2	Cash from monthly settlement of redistribution results +/- pursuant to s. 1(1)(b) of the Decree on Funds	51,006,320	51,331,308	100.6
2.1	of which: extra share of HIC in redistribution of funds according to amendment to Act No. 280/1992 Coll., Article VIII(2) and Act No. 551/1991 Coll., Article VI(1)	3,901,760	3,901,760	100.0
2.2	Premiums from public health insurance after redistribution (row 1 + 2) pursuant to ss. 20, 21a of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, and pursuant to s. 1(1)(a) - (c) of the Decree on Funds	148,009,320	147,000,858	99.3
3	Penalties, fines and extras to premiums pursuant to s. 1(2) or (3) of the Decree of Funds, incl. estimates	3,320,000	2,208,441	66.5

A.	The Health Insurance Capital Fund (HICF) Creation and drawing during the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
3.1	of which: estimated items <sup>5)</sup>		7,632	
4	Damage compensation pursuant to s. 1(1)(d) of the Decree on Funds	265,000	316,500	119.4
5	Interest earned from the management of the Health Insurance Capital Fund pursuant to s. 1(2) or (3) of the Decree of Funds	2,300	8,501	369.6
6	Other receivables pursuant to s. 1(1)(g) of the Decree on Funds		16,812	
7	Transfers from other funds pursuant to s. 1(1)(i) of the Decree on Funds	210	190	90.5
8	Transfer of the balance of the Capital Fund in the case of a merger or amalgamation of the health insurance company pursuant to s. 1(1)(j) of the Decree on Funds			
9	Receivables from foreign insurance companies for healthcare paid to foreign insured persons pursuant to s. 1(1)(f) of the Decree on Funds	380,000	453,509	119.3
10	Receivables from foreign insurance companies for lump sum payments for foreign nationals pursuant to s. 1(1)(f) of the Decree on Funds	30,000	23,723	79.1
11	Positive exchange rate differences pursuant to s. 1(1)(h) of the Decree on Funds			
12	Donation intended by the donor as a donation for the Capital Fund or, without specification of the purpose of the donation, pursuant to s. 1(1)(e) of the Decree on Funds			
13	Reduced or cancelled adjusting entries to penalties, fines and extras to premiums pursuant to s. 1(1)(k) of the Decree on Funds		389,822	
14	Reduced or cancelled other adjusting entries pursuant to s. 1(1)(l) of the Decree on Funds		383	
15	Applied, reduced or cancelled reserves for ongoing litigations pursuant to s. 1(1)(m) of the Decree on Funds	48,000	584	1.2
16	Applied, reduced or cancelled other reserves not stipulated in s. 1(4)(m), linked to s. 1(1)(n) of the Decree on Funds			
17	Other estimated asset items relating to the Capital Fund not stipulated in s. 1(1)(c), linked to s. 1(1)(o) of the Decree on Funds			
18	Irregular external occurrences			
19	Irregular transfers between funds			
<b>III.</b>	<b>Total drawing = source reduction:</b>	<b>151,983,997</b>	<b>154,695,875</b>	<b>101.8</b>
1	Payables for healthcare, including corrections and revisions and payments to other health insurance companies pursuant to s. 1(4)(a), (4)(b), (4)(d) and (4)(e) of the Decree of Funds, incl. Estimates	140,452,000	143,745,533	102.3
	of which:			
1.1	payables for the treatment of the given health insurance company's clients abroad pursuant to s. 1(4)(b) of the Decree on Funds	300,000	510,586	170.2
1.2	estimated items on payables pursuant to s. 1(4)(e) of the Decree on Funds related to s. 1(4)(a) of the Decree on Funds <sup>5)</sup>	200,000	2,871,015	1 435.5
2	Loan interest pursuant to s. 1(4)(f) of the Decree on Funds			
3	Compulsory contributions to other funds (3.1+3.2+3.3 +3.4)	4,872,677	4,872,601	100.0
	of which:			
3.1	- Surplus Fund pursuant to s. 1(4)(k) of the Decree on Funds <sup>4)</sup>	51,231	43,771	85.4
3.2	- Operation Fund pursuant to s. 1(4)(j) of the Decree on Funds <sup>1)</sup>	4,387,376	4,395,533	100.2
3.3	- Prevention Fund pursuant to s. 1(4)(l) of the Decree on Funds <sup>2)</sup>	434,070	433,297	99.8
3.4	Extraordinary transfer to the Operation Fund - Military Health Insurance Company CR only, pursuant to s. 1(4)(m) of the Decree on Funds			
4.	Write-offs of receivables pursuant to s. 1(5) of the Decree on Funds	2,800,000	3,103,757	110.8
5	Reduction of the Capital Fund by penalties, fines and extras on the basis of decisions to eliminate harshness pursuant Section 53a of Act No. 48/1997 Coll., as amended, pursuant to s. 1(6) of the Decree on Funds <sup>3)</sup>	360,000	189,761	52.7
6	Payables arising from the provision of healthcare services billed to HIC by domestic HCFs for foreign clients , including revision result pursuant to s. 1(4)(c) of the Decree on Funds	380,000	452,732	119.1
7	Payables to foreign insurance companies for lump sum payments for the given insurance company's insured pursuant to s. 1(4)(c) of the Decree on Funds	30,000	69,388	231.3
8	Bank fees for the management of the Health Insurance Capital Fund's current account and other fees pursuant to s. 1(4)(g) of the Decree on Funds	153,000	131,164	85.7
9	Expenses related to keeping personal accounts of the insured pursuant to s. 1(4)(h) of the Decree on Funds			
10	Negative exchange rate differences pursuant to s. 1(4)(i) of the Decree on Funds		3	
11	Creation of reserves for ongoing legal disputes pursuant to s. 1(4)(n) of the Decree on Funds	48,000	34,812	72.5
12	Creation of other reserves pursuant to s. 1(4)(o) of the Decree on Funds			

A.	<b>The Health Insurance Capital Fund (HICF) Creation and drawing during the reported period</b>	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
13	Creation of adjusting entries for premiums, penalties, fines and extras to premiums pursuant to s. 1(4)(p) of the Decree on Funds	2,122,000	1,317,516	62.1
14	Creation of other adjusting entries pursuant to s. 1(4)(q) not stipulated in s. 1(4)(p) of the Decree on Funds		12,288	
15	Irregular levy based on amendment no. 298/2011 Coll., Act No. 280/1992 Coll. Article VIII (2)(a) and Act No. 551/1991 Coll., Article VI (1) – transfer of 1/3 of balance recorded as of 31/12/2010 to HICF's current account, special health insurance subaccount	766,320	766,320	
16	Irregular external occurrences			
17	Irregular transfers between funds			
IV.	Closing balance on the last day of the reported period = I + II - III	3,929,960	-4 276,422	-108.8
B.	<b>The Health Insurance Capital Fund (HICF) Income and expenditure in the reported period pursuant to s. 1 (7) of the Decree on Funds</b>	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	<b>Opening balance as of 1 January of the reported period</b>	100,000	910,771	
II.	<b>Total income:</b>	146,803,810	147,724,491	100.6
1	Loan interest pursuant to s. 1(1)(a) of the Decree on Funds	94,683,000	93,867,114	99.1
2	Cash from monthly settlement of redistribution results +/- pursuant to s. 1(1)(b) of the Decree on Funds	50,773,320	51,331,308	101.1
2.1	of which: extra share of HIC in redistribution of funds according to amendment to Act No. 280/1992 Coll., Article VIII(2) and Act No. 551/1991 Coll., Article VI(1)	3,901,760	3,901,760	100.0
2.2	Premiums from public health insurance after redistribution (row 1 + 2) pursuant to ss. 20, 21a of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, and pursuant to s. 1(1)(a) and (b) of the Decree on Funds	145,456,320	145,198,422	99.8
3	Penalties, fines and extras to premiums pursuant to s. 1(2) or (3) of the Decree of Funds	825,000	834,054	101.1
4	Damage compensation pursuant to s. 1(1)(d) of the Decree on Funds	245,000	281,296	114.8
5	Interest earned from the management of the CHIF pursuant to s. 1(2) or (3) of the Decree of Funds	2,300	8,501	369.6
6	Other income pursuant to s. 1(1)(g) of the Decree on Funds		9,152	
7	Transfers from other funds pursuant to s. 1(1)(i) of the Decree on Funds	190	435	228.9
8	Transfer of the balance of the Capital Fund in the case of a merger or amalgamation of the health insurance company pursuant to s. 1(1)(j) of the Decree on Funds			
9	Income from foreign insurance companies pursuant to s. 1(1)(f) of the Decree on Funds for healthcare provided by healthcare service provider, paid for foreign nationals	250,000	353,540	141.4
10	Income from foreign insurance companies for lump sum payments pursuant to s. 1(1)(f) of the Decree on Funds	25,000	9,737	38.9
11	Exchange rate gains pursuant to s. 1(1)(h) of the Decree on Funds			
12	Donation intended by the donor as a donation for the Capital Fund or, without specification of the purpose of the donation, pursuant to s. 1(1)(e) of the Decree on Funds			
13	Receipt of loans to reinforce the Capital Fund			
14	Receipt of short-term loans to reinforce the Capital Fund			
15	Irregular external occurrences			
16	Irregular transfers between funds		1,029,354	
III.	<b>Total expenditure:</b>	146,803,810	148,511,791	101.2
1	Expenditure on healthcare, including corrections and revisions and payments to other health insurance companies pursuant to s. 1 (4)(a), (4)(b) and (4)(d) of the Decree on Funds	140,901,684	142,392,816	101.1
	of which:			
1.1	expenditure on treatment of the given health insurance company's clients abroad pursuant to s. 1(4)(b) of the Decree on Funds	300,000	387,238	129.1
2	Loan interest pursuant to s. 1(4)(f) of the Decree on Funds			
3	Contributions to other funds (3.1 + 3.2 + 3.3 + 3.4)	4,602,806	4,697,457	102.1
	of which:			
3.1	- Surplus Fund pursuant to s. 1(4)(k) of the Decree on Funds <sup>4)</sup>			
3.2	- Operation Fund pursuant to s. 1(4)(l) of the Decree on Funds <sup>1)</sup>	4,168,736	4,242,467	101.8
3.3	- Prevention Fund pursuant to s. 1(4)(l) of the Decree on Funds <sup>2)</sup>	434,070	454,990	104.8

B.	The Health Insurance Capital Fund (HICF) Income and expenditure in the reported period pursuant to s. 1 (7) of the Decree on Funds	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
3.4	Extraordinary transfer to the Operation Fund - Military Health Insurance Company CR only, pursuant to s. 1(4)(m) of the Decree on Funds			
4	Expenditure on the provision of healthcare services billed to HIC by domestic healthcare service provider for foreign clients, including revision result pursuant to s. 1(4)(c) of the Decree on Funds	360,000	439,997	122.2
5	Expenditure on lump sum payments to foreign insurance companies pursuant to s. 1(4)(c) of the Decree on Funds	20,000	75,427	377.1
6	Bank fees for the management of the Health Insurance Capital Fund's current account and other fees pursuant to s. 1(4)(g) of the Decree on Funds	153,000	139,771	91.4
7	Expenditure related to keeping personal accounts of the insured pursuant to s. 1(4)(h) of the Decree on Funds			
8	Exchange rate losses pursuant to s. 1(4)(i) of the Decree on Funds		3	
9	Repayment of loans to reinforce the Capital Fund			
10	Repayments of short-term loans to reinforce the Capital Fund			
11	Irregular levy based on amendment no. 298/2011 Coll., Act No. 280/1992 Coll. Article VIII (2)(a) and Act No. 551/1991 Coll., Article VI (1) – transfer of 1/3 of balance recorded as of 31/12/2010 to HICF's current account, special health insurance subaccount.	766,320	766,320	
12	Irregular external occurrences			
13	Irregular transfers between funds			
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>100,000</b>	<b>123,471</b>	<b>123.5</b>
	Value of reserves attributed to B IV on the last day of the reported period	65,430	121,625	185.9

C.	Specification of indicator B II 1	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
1	Premiums received from employers	83,560,139	83,125,287	99.5
2	Premiums received from the self-employed	9,181,710	8,883,752	96.8
3	Premiums received from other payers (people with no taxable income + other potential payments of public health insurance)	1,941,151	1,871,397	96.4
4	Non-identifiable payments from different types of payers		-13,322	
5	Sum of rows C r. 1 to C r. 4 = B II r. 1	94,683,000	93,867,114	99.1

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#### Notes to PART I of the table:

- 1) The calculation of the limit for the allocation pursuant to s. 7 of the Decree on Funds is linked to the data of the balance sheet base calculated from Section B II of the HICF.
- 2) If the health insurance company charges interest, fines, penalties and extras to the Capital Fund and subsequently makes transfers from the Capital Fund to the Prevention Fund, it shall apply it shall apply both row 3.3 of Section A III as well as row 3.3 of Section B III.
- 3) If HICs do not report the elimination of harshness value in row 6 of Section A III of Appendix No. 7, the elimination of harshness value must be reported in this row. Even if an EHIC accounts for the given item as a so-called „balance“ in the row of Section A II.1 of HICF, it shall report the given value in row A III.5 and adjust the individual items and subtotals by the given value so that the value on the closing balance in row IV is maintained. Any comment on the resulting difference compared to the accounting statements shall be inserted below.
- 4) A calculation of the transfer to the SpF in row 3.1 of Section A III is performed even if a transfer is not reported in row 3.1 of Section B III due to lack of funds in row 3.1. Section B III.
- 5) The lines designated as „of which“, appearing in row A.II 1.1, A.II 3.1 or A.III 1.2, show the state of the posting of estimated items (-), carried forward to the given period as part of opening balances. The item appearing in the financial statements thus reflects the value of the newly-set estimated items (+), (-).

## PART II.

### Calculation of the balance of income and expenditure of the HICF (TCZK ) from selected items of Section A III and Section B II of HICF

B.	Income in the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	Link to row of Section B II HICF
<b>I.</b>	<b>Total income:</b>	<b>146,803,810</b>	<b>146,695,137</b>	<b>99.9</b>	
1	Premiums from public health insurance pursuant to s. 1(1)(a) of the Decree on Funds	94,683,000	93,867,114	99.1	1
2	Cash from monthly settlement of redistribution results +/- pursuant to s. 1(1)(b) of the Decree on Funds	50,773,320	51,331,308	101.1	2

B.	Income in the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	Link to row of Section B II HICF
2.1	of which: extra share of HIC in redistribution of funds according to amendment to Act No. 280/1992 Coll., Article VIII(2) and Act No. 551/1991 Coll., Article VI(1)	3,901,760	3,901,760	100.0	2.1
2.2	Premiums from public health insurance after redistribution (row 1 + 2) pursuant to ss. 20, 21a of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, and pursuant to s. 1(1)(a) and (b) of the Decree on Funds	145,456,320	145,198,422	99.8	2.2
3	Penalties, fines and extras to premiums pursuant to s. 1(2) or (3) of the Decree of Funds	825,000	834,054	101.1	3
4	Damage compensation pursuant to s. 1(1)(d) of the Decree on Funds	245,000	281,296	114.8	4
5	Interest earned from the management of the CHIF pursuant to s. 1(2) or (3) of the Decree of Funds	2,300	8,501	369.6	5
6	Other income pursuant to s. 1(1)(g) of the Decree on Funds	0	9,152		6
7	Transfers from other funds pursuant to s. 1(1)(i) of the Decree on Funds	190	435	228.9	7
8	Income from foreign insurance companies pursuant to s. 1(1)(f) of the Decree on Funds for healthcare paid to local healthcare facilities for foreign nationals	250,000	353,540	141.4	9
9	Income from foreign insurance companies for lump sum payments pursuant to s. 1(1)(f) of the Decree on Funds	25,000	9,737	38.9	10
10	Positive exchange rate differences pursuant to s. 1(1)(h) of the Decree on Funds				11
11	Donation intended by the donor as a donation for the Capital Fund or, without specification of the purpose of the donation, pursuant to s. 1(1)(e) of the Decree on Funds				12

A.	Drawing in the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	Link to row of Section A III HICF and Section A II HICF
II.	Drawing total:	146,602,766	150,028,198	102.3	
1	Payables for healthcare, including corrections and revisions and payments to other health insurance companies pursuant to s. 1(4)(a),(4)(b) and 4 (d) of the Decree on Funds, including estimates of which:	140,452,000	143,745,533	102.3	1
1.1	payables for the treatment of the given health insurance company's clients abroad pursuant to s. 1(4)(b) of the Decree on Funds	300,000	510,586	170.2	1.1
1.2	estimated items on payables pursuant to s. 1(4)(e) of the Decree on Funds related to s. 1(4)(a) of the Decree on Funds	200,000	2,871,015	1 435.5	1.2
2	Loan interest pursuant to s. 1(4)(f) of the Decree on Funds				2
3	Compulsory contributions to other funds (3.1 + 3.2 + 3.3 + 3.4) of which:	4,821,446	4,828,830	100.2	3
3.1	- Surplus Fund pursuant to s. 1(4)(j) of the Decree on Funds <sup>1)</sup>				3.1
3.2	- Operation Fund pursuant to s. 1(4)(l) of the Decree on Funds	4,387,376	4,395,533	100.2	3.2
3.3	- Prevention Fund pursuant to s. 1(4)(k) of the Decree on Funds	434,070	433,297	99.8	3.3
3.4	Extraordinary transfer to the Operation Fund - Military Health Insurance Company CR only, pursuant to s. 1(4)(l) of the Decree on Funds				3.4
4	Payables arising from the provision of healthcare billed by domestic HCF for foreign clients , including revision result pursuant to s. 1(4)(c) of the Decree on Funds	380,000	452,732	119.1	6
5	Payables to foreign insurance companies for lump sum payments for the given insurance company's insured pursuant to s. 1(4)(c) of the Decree on Funds	30,000	69,388	231.3	7
6	Bank fees for the management of the Health Insurance Capital Fund's current account and other fees pursuant to s. 1(4)(g) of the Decree on Funds	153,000	131,164	85.7	8
7	Expenditure related to keeping personal accounts of the insured pursuant to s. 1(4)(h) of the Decree on Funds				9
8	Negative exchange rate differences pursuant to s. 1(4)(h) of the Decree on Funds		3		10
9	Creation of reserves for ongoing legal disputes pursuant to s. 1(4)(m) of the Decree on Funds		34,228		A III 11-A II 15
10	Creation of other reserves pursuant to s. 1(4)(n) of the Decree on Funds				A III 12-A II 16

B.	Income in the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	Link to row of Section B II HICF
11	Irregular levy based on amendment no. 298/2011 Coll., Act No. 280/1992 Coll. Article VIII (2)(a) and Act No. 551/1991 Coll., Article VI (1) – transfer of 1/3 of balance recorded as of 31/12/2010 to HICF's current account, special health insurance subaccount	766,320	766,320	100,0	15
	Total balance of income and expenditure = B I total - A II total <sup>2)</sup>	201,044	-3,333,061	-1,657,9	

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Notes to PART II of the table:

- 1) Reported by health insurance companies in the event that the Surplus Fund is also supplemented financially.
- 2) The table will be supplemented by commentary on the balance of income and expenditure of the HICF attained in relation to the balance of funds on the bank account of the HICF and the status of the payables towards HCFs or other reasons for this development, as the case may be. With regard to information provided by the special account manager we include an extra row for fund transfers to a special redistribution account

In columns Year HIP 2012 of the table HICF-2 the values from the extraordinary redistribution were moved so as to be in line with the methodology of the table compilation and could be properly compared to actual values.

### 5.1.1 THE COST STRUCTURE OF HEALTHCARE CLASSIFIED BY INDIVIDUAL SEGMENTS

The costs of healthcare in 2012 amounted to CZK 143,745.5 million. Compared to 2011 the costs were higher by CZK 877 million, i.e., by 0.6%, and compared to the HIP 2012 they were higher by CZK 3,294 million, i.e., by 2.3%.

In 2012, estimated items created for 2011 were recorded in the amount of CZK 637.5 million (of which active items amounted to CZK 283.7 million and passive items to CZK 921.2 million) and as of 31 December 2012, estimated items for 2012 were created in the amount of CZK 3,508.5 million (of which active items amounted to CZK 405.4 million and passive items to CZK 3,914.0 million).

Table No. 10: Structure of the costs of healthcare classified by individual segments

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
I.	<b>Total healthcare costs drawn from Section A (Appendix No. 2, Section A III., r. 1) of the Health Insurance Capital Fund, including estimated items posted in the given period (sum of rows 1–12)<sup>1)</sup></b>	TCZK	140,452,000	143,745,533	102.3	142,868,845	100.6
	of which:						
1.	total outpatient care (healthcare facilities not reporting any day of treatment code, including costs of separately accounted drugs and separately accounted materials, except for costs of prescription drugs and devices issued against coupons)	TCZK	34,061,000	34,638,669	101.7	34,485,533	100.4
	of which:						
1.1	dental care (specialisations 014–015, 019)	TCZK	5,954,000	5,726,380	96.2	5,894,907	97.1
1.2	general practitioners for adults, general practitioners for children and youth (specialisations 001, 002)	TCZK	7,897,000	7,693,369	97.4	7,715,339	99.7
	of which:						
1.2.1	general practitioners, specialisation 001	TCZK	5,710,000	5,583,506	97.8	5,651,860	98.8
1.2.2	general practitioners, specialisation 002	TCZK	2,187,000	2,109,863	96.5	2,063,479	102.2
1.3	gynaecological care (specialisations 603, 604)	TCZK	1,694,000	1,922,363	113.5	1,693,130	113.5
1.4	rehabilitation (specialisation 902)	TCZK	1,225,000	1,335,677	109.0	1,318,201	101.3
1.5	diagnostic healthcare (specialisations 222, 801–805, 806, 807, 808, 809, 812–823)	TCZK	4,394,000	4,956,832	112.8	4,704,711	105.4
	of which:						
1.5.1	laboratories (specialisations 801–805, 222, 812–822)	TCZK	3,120,000	3,722,090	119.3	3,501,134	106.3
1.5.2	radiology and imaging methods (specialisations 809 and 806)	TCZK	970,000	969,495	99.9	938,987	103.2
1.5.3	forensic medicine (specialisation 808)	TCZK					

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
1.5.4	pathology (specialisation 807 + 823)	TCZK	304,000	265,247	87.3	264,590	100.2
1.6	domestic healthcare (specialisations 925, 911, 914, 916 and 921)	TCZK	940,000	950,950	101.2	963,281	98.7
1.6.1	of which: domestic healthcare, specialisation 925	TCZK	936,240	948,096	101.3	960,323	98.7
1.7	specialised outpatient care (specialisations not included in rows 1.1–1.6 and 2)	TCZK	11,100,000	11,292,399	101.7	11,328,633	99.7
	of which:						
1.7.1	medical preparations reimbursed only to HCFs providing care in specialised workplaces (see s. 15 of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	TCZK	420,000	336,057	80.0	429,645	78.2
1.8	healthcare in healthcare facilities for those placed there for reasons that are not healthcare related (s. (22)(c) of Act No. 48/1997 Coll., on Public Health Insurance and Amendments to Certain Other Acts (hereinafter referred to as Act No. 48/1997 Coll.) (specialisation 913)	TCZK	40,000	36,027	90.1	29,141	123.6
1.9	healthcare provided in social service facilities (s. 22(d) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (all contracted specialisations except for 913)	TCZK					
1.10	nursing and rehabilitation care provided in social service facilities (s. 22(e) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (specialisation 913)	TCZK	817,000	724,672	88.7	838,190	86.5
2	total inpatient care (healthcare facilities reporting day of treatment codes, including costs of separately accounted drugs and separately accounted materials, lump sums for drugs and contracted outpatient care, if applicable, dental care and transport operated by the hospital, except for costs for prescription drugs and medical devices issued against coupons)	TCZK	74,657,000	76,595,619	102.6	76,932,668	99.6
	of which:						
2.1	hospitals	TCZK	68,507,000	70,310,987	102.6	70,588,772	99.6
	of which:						
2.1.1	outpatient care in hospitals (documents 01, 01s, 03, 03s, 06 without a link to the hospitalisation document 02 "Methodologies for the compilation and handover of documents")		18,504,000	18,500,966	100.0	18,915,895	97.8
2.1.2	acute inpatient care (documents 02, 02s, 03, 03s and 06 with a link to document 02 "Methodologies for the compilation and handover of documents")	TCZK	42,338,000	43,589,154	103.0	44,137,088	98.8
2.1.3	subsequent inpatient care (OD 00005 or 00024)	TCZK	2,554,000	2,967,081	116.2	2,778,661	106.8
2.1.4	other (FAMS, transport, etc., i.e. remaining care not included on r. 2.1.1, 2.1.2 and 2.1.3)	TCZK	31,000	72,604	234.2	25,561	284.0
2.1.5	medical preparations reimbursed only to HCFs providing care in specialised workplaces (see s. 15 7b) of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	TCZK	5,080,000	5,181,182	102.0	4,731,567	109.5
2.2	specialised curative institutions (with the exception of healthcare facilities stipulated in row 2.3 and 2.4)	TCZK	4,050,000	4,156,579	102.6	4,213,977	98.6
	of which:						
2.2.1	psychiatric (OD 00021, 00026)	TCZK	3,091,000	3,121,602	101.0	3,214,382	97.1
2.2.2	rehabilitation (OD 00022, OD 00025, OD 00027)	TCZK	690,000	646,532	93.7	713,556	90.6
2.2.3	pneumology and phtiseology (TRN) (OD 00023, OD 00028)	TCZK	190,000	196,133	103.2	197,169	99.5
2.2.4	other	TCZK	79,000	59,689	75.6	88,870	67.2
2.3	long-term care hospitals (separate healthcare facilities reporting day of treatment code 00024)	TCZK	1,600,000	1,617,249	101.1	1,626,875	99.4
2.4	nursing care beds (separate healthcare facilities reporting day of treatment code 00005)	TCZK	400,000	404,329	101.1	400,548	100.9
2.5	beds in special hospice-type inpatient facilities (OD 00030)	TCZK	100,000	106,475	106.5	102,496	103.9

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
3.	balneal curative rehabilitation care	TCZK	1,700,000	1,406,819	82.8	1,717,797	81.9
	of which:						
3.1	comprehensive balneal curative rehabilitation care	TCZK	1,601,000	1,304,669	81.5	1,598,067	81.6
3.2	contributory balneal curative rehabilitation care	TCZK	99,000	102,150	103.2	119,730	85.3
4.	sanatorium care for children	TCZK	10,000	9,334	93.3	11,381	82.0
5.	transport (including ambulance services, including individual transport, not including transport from row 2)	TCZK	1,020,000	941,098	92.3	1,036,125	90.8
6.	emergency medical services (specialisation 709, healthcare facility not reporting any day of treatment code)	TCZK	1,233,000	1,390,487	112.8	1,245,445	111.6
7.	total prescription drugs:	TCZK	22,000,000	23,062,461	104.8	22,153,215	104.1
	of which:						
7.1	drugs prescribed in outpatient healthcare facilities (separate outpatient healthcare facilities)	TCZK	15,232,800	15,687,209	103.0	15,446,588	101.6
7.1.1	by general practitioners	TCZK	6,972,000	6,790,458	97.4	7,252,038	93.6
7.1.2	by specialised outpatient healthcare facilities	TCZK	8,260,800	8,896,751	107.7	8,194,550	108.6
7.2	drugs prescribed in hospitals	TCZK	6,767,200	7,375,252	109.0	6,706,627	110.0
8.	total devices issued against coupons	TCZK	4,236,000	4,185,668	98.8	4,279,956	97.8
	of which:						
8.1	drugs prescribed in outpatient healthcare facilities (separate outpatient healthcare facilities)	TCZK	3,092,700	2,690,808	87.0	3,139,128	85.7
8.1.1	by general practitioners	TCZK	959,600	1,551,073	161.6	971,430	159.7
8.1.2	by specialised outpatient healthcare facilities	TCZK	2,133,100	1,139,735	53.4	2,167,698	52.6
8.2	drugs prescribed in hospitals	TCZK	1,143,300	1,494,860	130.7	1,140,828	131.0
9.	treatment abroad pursuant to s. 1 (4)(b) of the Decree on Funds) <sup>1)</sup>	TCZK	300,000	510,586	170.2	397,023	128.6
10.	funds (refunds) pursuant to s. 16b of Act No. 48/1997 Coll.	TCZK	345,000	313,044	90.7	349,429	89.6
11.	costs for vaccination materials pursuant to Act No. 48/1997 Coll., as amended	TCZK	850,000	661,024	77.8	220,413	299.9
12.	other healthcare costs (that cannot be included in the above – explain what these include in notes)	TCZK	40,000	30,724	76.8	39,860	77.1
<b>II.</b>	<b>Costs for improving healthcare drawn from other funds<sup>2)</sup></b>	<b>TCZK</b>	<b>399,000</b>	<b>426,857</b>	<b>107.0</b>	<b>309,959</b>	<b>137.7</b>
<b>III.</b>	<b>Total healthcare costs (sum of rows. I. + II.)</b>	<b>TCZK</b>	<b>140,851,000</b>	<b>144,172,390</b>	<b>102.4</b>	<b>143,178,804</b>	<b>100.7</b>

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Notes to the table:

1) Data based on 1.1 of Section A III, Table No. 2.

2) Data based on row 1 of Section A III, Table No. 7 less row 4 of Section A II, Table No. 7 plus row 5 of Section A III, Table No. 7 plus row 1 of Section III, Tables no 9 and 10.

If the HIC states zero in row 1.9 , although it pays for this type of healthcare service, below the table the HIC must specify the relevant point stating such services and reason for not reporting them separately.

## Outpatient care

The costs of outpatient care in 2012 were CZK 34,639 million, i.e., by 0.4% higher than in 2011 and by 1.7% higher against the HIP 2012.

Healthcare costs classified according to individual segments:

- Dental care – the total costs of CZK 5,726 million were lower than in 2011 as well as in comparison to the HIP 2012.
- General practitioners – the total costs of CZK 7,693 million were comparable to 2011, but lower than the HIP 2012.
- Gynaecological care – the total costs of CZK 1,922 million were higher by 13.5% than in 2011 and by 13.5% against the HIP 2012. The costs in 2012 were influenced in particular by accounting for preliminary monthly reimbursements, which reflected the billing of the reference period and the total production of points from the reference period.

In December 2012 estimated items were accounted for, which reflect realistic costs to be paid by the Insurance Company after the settlement of 2012. The reason was a change of the method of funding of preventive care, where reimbursement is made in the form of aggregated payment.

- Rehabilitation care – total costs of CZK 1,336 million, i.e., were comparable to 2011, but higher by 9.0% against the HIP 2012. Higher costs were caused in particular by an increase in the number of points reported compared to the same period in 2011, in particular for spine and peripheral joint mobilisation and for therapeutic physical education on neurophysiological basis.
- Diagnostic healthcare – the total costs of CZK 4,957 million were higher by 5.4% than in 2011 and by 12.8% against the HIP 2012. Costs of radiology and imaging methods were comparable to the HIP 2012, but in the case of laboratory services there was an increase of points reported in comparison to 2011, in particular with respect to specializations genetics, microbiology and clinical biochemistry.
- Home healthcare – the total costs of CZK 951 million were comparable to the HIP 2012 as well as to 2011.
- Specialised outpatient care – the total costs of CZK 11,292 million were comparable to 2011 but higher by 1.7% against the HIP 2012. In 2012 for the specialization of haemodialysis the fee-for-service payment method was set and the HCFs reported a number of points for this specialization which was higher by 22.7% in comparison with 2011, which was caused in particular by higher number of points for haemodiafiltration and haemofiltration compared to other methods.
- Nursing and rehabilitation care – the total costs were CZK 725 million, lower than in 2011 as well as in HIP 2012.

## Hospitals

In 2012, hospital costs amounted to CZK 70,311 million, which was comparable to 2011 but higher by 2.6% against the HIP 2012.

The main causes of cost increases in 2012 in comparison with the HIP 2012 were as follows:

- increase of the basic rate,
- number of hospitalizations and CM,
- additional payments in the lower risk corridor in hospital outpatient departments,
- commissioning of new capacities, introduction of new technologies,
- costs of medicaments earmarked by Special Contracts for specialised centres, caused by:
  - higher number of patients in diagnostic groups with chronic treatment,
  - introduction of new medicaments in the system of reimbursement from public health insurance,
  - extending indication rules for current medicaments,
- numbers of DT in follow-up intensive care and subsequent care included in hospitals.

## Subsequent bed care

The costs of subsequent bed care (SCI, LTCH, NCBs and hospices) were CZK 6,285 million, which was lower than in 2011 but higher by 2.2% against the HIP 2012. Higher costs in comparison with the HIP 2012 were caused in particular by an increase of the flat rate for DT by 3%.

## Balneal curative and rehabilitation care

The costs for balneal care were CZK 1,407 million, lower than in 2011 as well as in the HIP 2012. In 2012 there was a decrease of the number of treated patients in comparison with 2011, in particular in the case of comprehensive balneal care. This decrease was achieved by applying a single approach by inspection physicians when assessing and confirming proposals for comprehensive balneal care. The effects of the new indication list did not manifest itself in 2012.

**Table No. 11: Costs of balneal curative and rehabilitation care**

Indicator	m.u.	2011 Actual	2012 HIP	2012 Actual	% 2012/2011	% 2012/2012 HIP
Balneal care total	TCZK	1,717,797	1,700,000	1,406,819	81.9	82.8
of which:						
comprehensive care	TCZK	1 598,067	1,601,000	1,304,669	81.6	81.5
contributory care	TCZK	119,730	99,000	102,150	85.3	103.2
Number of insured persons treated	persons	64,763	x	54,556	84.2	x
of which:						
comprehensive care	persons	54,444	x	44,913	82.5	x
contributory care	persons	10,319	x	9,643	93.4	x
Average cost per insured person treated	CZK	26,524	x	25,787	97.2	x
of which:						
comprehensive care	CZK	29,352	x	29,049	99	x
contributory care	CZK	11,603	x	10,593	91.3	x

x - numbers of treated insured persons are not included in HIP

## **Convalescent care**

The costs of convalescent care were CZK 9.3 million, lower than in 2011 as well as in the HIP 2012. Lower costs were the result of lower number of treated patients. One of the reasons for the low interest in this kind of healthcare lies in economic capabilities of parents as it is quite costly for many of them to equip the child for the duration of the care and pay for transport and regulation fees. The average cost for one insured person treated in 2012 was CZK 11,509, comparable to 2011.

**Table No. 12 (internal): Overview of treated patients and the number days of treatment at children's sanatorium care**

Number	2011	2012	% 2012/2011
Treated patients	989	811	82.0
Days of treatment	20,247	16,694	82.5

## **Transport**

The costs of transport were CZK 941 million, lower than in 2011 as well as in the HIP 2012. The number of kilometres travelled in 2012 was lower by 2.3% than in 2011.

## **Emergency medical services**

The costs of EMS were CZK 1,390 million, i.e., higher by 11.6% in comparison with 2011 and higher by 12.8% in comparison with the HIP 2012. The higher costs compared to 2011 were caused mainly by the increase of the point value by CZK 0.04 (in 2011 – CZK 1.06 and 2012 – CZK 1.10), increase in the number of points for healthcare operations by 8.3% (the increase in the number of points was related mainly to emergency pre-hospital care provided by a medical rescue worker or a general nurse with a specialisation), increase of the number of kilometres travelled by 8.5%, and the possibility to prescribe SAM and SAD by a medical rescue worker or a general nurse with a specialisation, where the price increase amounted to 83%.

## **Prescription drugs**

The costs of prescription drugs amounted to CZK 23,062 million, which was higher by 4.1% in comparison with 2011 and by 4.8% in comparison with the HIP 2012. The higher costs were caused in particular by higher VAT rate. Since 1 December 2011 with the introduction of so-called core payment the basis was raised for the setting of the highest payment for end consumers in case of preparations, which have not been subject to revision yet and where the VAT increased from original 5% to 10% and from 9% to 10%. Since 1 January 2012 the VAT rate rose again by 4% for all medicaments and at the same time costs were higher because of ordering supplies of medicaments for which reimbursement from public health insurance was terminated by 30 June 2012.

## **Medical devices issued for coupons**

The total costs of medical devices issued for coupons were CZK 4,186 million, which was lower in comparison with 2011 as well as with the HIP 2012.

In comparison of the development of the total costs for medical devices in 2012, there were lower costs compared to 2011 in particular in the case of group 11 – aids for diabetics – and group 05 – individually made orthopaedic and prosthetic aids. Higher costs compared to 2011 were recorded in particular in the case of group 02 – incontinency aids (higher frequency of prescribed absorption pants).

## **Costs of treatment abroad**

The total costs of treatment abroad amounted to CZK 511 million, which was higher by 28.6% in comparison with 2011 and by 70.2% in comparison with the HIP 2012. In relation to the judgements of the European Court of Justice and adoption of the Directive on patients' rights in cross-border healthcare, there was higher interest on the part of insured persons to draw healthcare abroad. Another reason for the growth of the costs of treatment abroad is a change of behaviour of our insured persons who do not always take out commercial travel insurance when travelling abroad, either because of financial limits of coverage or because commercial insurance does not cover certain risky sports.

## **Costs for vaccines**

The costs of vaccines were CZK 661 million, higher by 199.9% than in 2011, but lower than in the HIP 2012. The reason for the higher costs is the fact that since 2012, public insurance covers the costs of medical devices containing vaccines for regular vaccination. The costs of vaccines against pneumococcal infections (Synflorix, Prevenar and Prevenar 13) reached the same volume as in 2011.

## 5.1.2 AVERAGE COST OF HEALTHCARE PER INSURED PERSON, CLASSIFIED BY INDIVIDUAL SEGMENTS

Healthcare costs, when converted to a single insured person, reached CZK 23,293 in 2012, i.e., were higher by 2.3% in comparison with 2011 and by 3.7% in comparison with the HIP 2012. The comments on the costs of healthcare on a per insured person basis are comparable to the justification given in chapter 5.1.1.

**Table No. 13: Structure of the costs of healthcare classified by individual segments, converted to a single insured person**

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
I.	Total healthcare costs drawn from Section A (Appendix No. 2, Section A III., r. 1) of the Health Insurance Capital Fund, including estimated items posted in the given period (sum of rows 1 - 12)	CZK	22,457	23,293	103.7	22,765	102.3
	of which:						
1.	total outpatient care (healthcare facilities not reporting any day of treatment code, including costs of separately accounted drugs and separately accounted materials, except for costs of prescription drugs and medical devices issued against coupons)	CZK	5,446	5,613	103.1	5,495	102.1
	of which:						
1.1	dental care (specialisations 014 - 015, 019)	CZK	852	928	108.9	939	98.8
1.2	general practitioners for adults, general practitioners for children and youth (specialisations 001, 002)	CZK	1,263	1,247	98.7	1,229	101.5
	of which:						
1.2.1	general practitioners, specialisation 001	CZK	913	905	99.1	901	100.4
1.2.2	general practitioners, specialisation 002	CZK	350	342	97.7	329	104.0
1.3	gynaecological care (specialisations 603, 604)	CZK	271	312	115.1	270	115.6
1.4	rehabilitation (specialisation 902)	CZK	196	216	110.2	210	102.9
1.5	diagnostic healthcare (specialisations 222, 801 - 805, 806, 807, 808, 809, 812 - 823)	CZK	703	803	114.2	750	107.1
	of which:						
1.5.1	laboratories (specialisations 801 - 805, 222, 812 - 822)	CZK	499	603	120.8	558	108.1
1.5.2	radiology and imaging methods (specialisations 809 and 806)	CZK	155	157	101.3	150	104.7
1.5.3	forensic medicine (specialisation 808)	CZK					
1.5.4	pathology (specialisation 807 + 823)	CZK	49	43	87.8	42	102.4
1.6	domestic healthcare (specialisations 925, 911, 914, 916 and 921)	CZK	150	154	102.7	153	100.7
1.6.1	of which: domestic healthcare, specialisation 925	CZK	150	154	102.7	153	100.7
1.7	specialised outpatient care (specialisations not included in rows 1.1 - 1.6 and 2)	CZK	1,775	1,830	103.1	1,805	101.4
	of which:						
1.7.1	medical preparations reimbursed only to HCFs providing care in specialised workplaces (see s. 15 of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	CZK	67	54	80.6	68	79.4
1.8	healthcare in healthcare facilities for those placed there for reasons that are not healthcare related (s. (22)(c) of Act No. 48/1997 Coll., on Public Health Insurance and Amendments to Certain Other Acts (hereinafter referred to as Act No. 48/1997 Coll.)) (specialisation 913)	CZK	6	6	100.0	5	120.0

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
1.9	healthcare provided in social service facilities (s. 22(d) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (all contracted specialisations except for 913)	CZK					
1.10	nursing and rehabilitation care provided in social service facilities (s. 22(e) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (specialisation 913)	CZK	131	117	89.3	134	87.3
2	total inpatient care (healthcare facilities reporting day of treatment codes, including costs of separately accounted drugs and separately accounted materials, lump sums for drugs and contracted outpatient care, if applicable, dental care and transport operated by the hospital, except for costs for prescription drugs and medical devices issued against coupons)	CZK	11,937	12,412	104.0	12,259	101.2
	of which:						
2.1	hospitals	CZK	10,954	11,393	104.0	11,248	101.3
	of which:						
2.1.1	outpatient care in hospitals (documents 01, 01s, 03, 03s, 06 without a link to the hospitalisation document 02 "Methodologies for the compilation and handover of documents")	CZK	2,959	2,998	101.3	3,014	99.5
2.1.2	acute inpatient care (documents 02, 02s, 03, 03s and 06 with a link to document 02 "Methodologies for the compilation and handover of documents")	CZK	6,769	7,063	104.3	7,033	100.4
2.1.3	subsequent inpatient care (OD 00005 or 00024)	CZK	408	481	117.9	443	108.6
2.1.4	other (FAMS, transport, etc., i.e. remaining care not included on r. 2.1.1, 2.1.2 and 2.1.3)	CZK	5	12	240.0	4	300.0
2.1.5	medical preparations reimbursed only to HCFs providing care in specialised workplaces (see s. 15 7b) of Act No. 48/1997 Coll. And Decree No. 376/2011 Coll.)	CZK	812	840	103.4	754	111.4
2.2	specialised curative institutions (with the exception of healthcare facilities stipulated in row 2.3 and 2.4)	CZK	648	674	104.0	671	100.4
	of which:						
2.2.1	psychiatric (OD 00021, 00026)	CZK	494	506	102.4	512	98.8
2.2.2	rehabilitation (OD 00022, OD 00025, OD 00027)	CZK	110	105	95.5	114	92.1
2.2.3	pneumology and phthisiology (TRN) (OD 00023, OD 00028)	CZK	30	32	106.7	31	103.2
2.2.4	other	CZK	13	10	76.9	14	71.4
2.3	long-term care hospitals (separate healthcare facilities reporting day of treatment code 00024)	CZK	256	262	102.3	259	101.2
2.4	nursing care beds (separate healthcare facilities reporting day of treatment code 00005)	CZK	64	66	103.1	64	103.1
2.5	beds in special hospice-type inpatient facilities (OD 00030)	CZK	16	17	106.3	16	106.3
3.	balneal curative rehabilitation care	CZK	272	228	83.8	274	83.2
	of which:						
3.1	comprehensive balneal curative rehabilitation care	CZK	256	211	82.4	255	82.7
3.2	contributory balneal curative rehabilitation care	CZK	16	17	106.3	19	89.5
4.	sanatorium care for children	CZK	2	2	100.0	2	100.0
5.	transport (including ambulance services, including individual transport, not including transport from row 2)	CZK	163	152	93.3	165	92.1

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
6.	emergency medical services (specialisation 709, healthcare facility not reporting any day of treatment code)	CZK	197	225	114.2	198	113.6
7.	total prescription drugs: of which:	CZK	3,518	3,737	106.2	3,530	105.9
7.1	drugs prescribed in outpatient healthcare facilities (separate outpatient healthcare facilities)	CZK	2,436	2,542	104.4	2,461	103.3
7.1.1	by general practitioners	CZK	1,115	1,100	98.7	1,156	95.2
7.1.2	by specialised outpatient healthcare facilities	CZK	1,321	1,442	109.2	1,306	110.4
7.2	drugs prescribed in hospitals	CZK	1,082	1,195	110.4	1,069	111.8
8.	total medical devices issued against coupons of which:	CZK	677	678	100.1	682	99.4
8.1	drugs prescribed in outpatient healthcare facilities (separate outpatient healthcare facilities)	CZK	494	436	88.3	500	87.2
8.1.1	by general practitioners	CZK	153	251	164.1	155	161.9
8.1.2	by specialised outpatient healthcare facilities	CZK	341	185	54.3	345	53.6
8.2	drugs prescribed in hospitals	CZK	183	242	132.2	182	133.0
9.	treatment abroad pursuant to s. 1 (4)(b) of the Decree on Funds 1)	CZK	48	83	172.9	63	131.7
10.	funds (refunds) pursuant to s. 16b of Act No. 48/1997 Coll.	CZK	55	51	92.7	56	91.1
11.	costs for vaccination materials pursuant to Act No. 48/1997 Coll., as amended	CZK	136	107	78.7	35	305.7
12.	other healthcare costs (that cannot be included in the above – explain what these include in notes)	CZK	6	5	83.3	6	83.3
II.	<b>Costs for improving healthcare drawn from other funds</b>	CZK	<b>64</b>	<b>69</b>	<b>107.8</b>	<b>49</b>	<b>140.8</b>
III.	<b>Total healthcare costs (sum of rows. I. + II.)</b>	CZK	<b>22,521</b>	<b>23,362</b>	<b>103.7</b>	<b>22,814</b>	<b>102.4</b>

2012 AR Healthcare Costs – structure per insured person – 13

Notes to the table:

1) Link to Table No. 12 using the average number of insured persons, Annex No. 1, Overview of the Basic Indicators, row 2.

### 5.1.3 TRENDS IN THE COSTS FOR TREATING FOREIGNERS IN THE CZECH REPUBLIC

The trends in the costs for treating foreigners in the Czech Republic show that the Insurance Company has remained the preferred assisting health insurance company, which temporarily bears the costs of healthcare provided in the territory of the Czech Republic to foreigners from the EU, EEP and Switzerland. The growth of costs by 13.5% is a natural reflection of continuing migration of workers as well as inactive persons across Europe.

In 2012 the Insurance Company paid more than CZK 522 million for the treatment of foreigners, with the number of foreigners treated and registered with the Insurance Company on a temporary basis growing by 21.2% to 78,652 cases, as expressed by the number of forms sent through the CIR for payment to competent institutions. At the same time, average cost for one foreigner treated fell by 6.4% in comparison with 2011. These figures indicate that there is no increase of costly treatments but rather an increase of the number of treatments during temporary stays of foreigners in the Czech Republic. In terms of costs of treatment per case there is a clear decline.

**Table No. 14: Trends in the costs for treating foreigners in the Czech Republic**

R.	Indicator	M. unit	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012	2011 Actual	% Actual 2012/ Actual 2011
1.	Trends in the costs of treating foreigners in the Czech Republic	T CZK	410,000	522,120	127.3	460,103	113.5
	Total incl. lump sum payments: <sup>1)</sup>						
2.	Number of foreigners treated <sup>2)</sup>	number	68,000	78,652	115.7	64,896	121.2
3.	Average cost per treated foreigner	CZK	6,029	6,638	110.1	7,090	93.6

2012 AR Treatment of Foreigners – 14

Notes to the table:

1) Data based on Section A III (r. 6 + r. 7), Annex No. 2.

2) Expressed as the number of statements.

## 5.2 THE OPERATION FUND

The aim for the management of the OF in 2012 was to continue the trend of savings on operational activities from the previous years.

The Operation Fund of the Insurance Company entered 2012 with an opening balance of CZK 3.0 million. The total creation of funds for the OF amounted to CZK 4,734.5 million, i.e., it was higher by CZK 240.3 million compared to the HIP 2012. The main source for OF was an allocation from the HICF amounting to CZK 4,395.5 million. The allocation from the HICF was carried out on the basis of a reduced limit on the costs of activities by 0.35 percentage points compared to the maximum limit according to Decree No. 418/2003 Coll. Thus, funds amounting to CZK 509.4 million were left for the benefit of reimbursements of healthcare. The HICF allocation grew year-on-year by 13.8% for two reasons: on the one hand, basis for the calculation of the allocation was higher in 2012; on the other hand, the cost limit was reduced in 2011 by 0.50 percentage points compared to the maximum limit. Extraordinary transfer from CRF with the consent of the Board of Directors amounting to CZK 100.0 million, sale of long-term tangible and intangible assets amounting to CZK 191.8 million and other sources amounting to CZK 47.1 million represented other sources of the OF in 2012.

The total amount drawn from the OF was CZK 4,350.3 million, which was lower by CZK 190.7 million in comparison with the HIP 2012. Labour and other related costs amounted to CZK 2,155.2 million, i.e., less by CZK 198.6 million in comparison with the previous year and by CZK 80.6 million in comparison with the HIP 2012. The reduction of labour costs is the result of ongoing reduction of staff in 2011 and 2012 in accordance with the fulfilment of the strategic goal of raising the operating efficiency of the Insurance Company. Other liabilities, which represent costs for current operations, reached CZK 1,311.4 million, i.e., by CZK 212.4 million less than planned. The difference resulted from savings of the Insurance Company, also in relation to the reduction of staff. Depreciation of tangible and intangible assets amounted to CZK 825.5 million, exceeding the plan by CZK 153.5 million. The increase was caused by higher sales of the Insurance Company's assets within the framework of rationalization of the use of real estate. Thus, in 2012 OF depreciation included the book value of sold buildings e.g., in České Budějovice, Ústí nad Labem, Hradec Králové, Brno and Strakonice.

The result of the OF management is a closing balance as of 31 December 2012 of CZK 387.1 million in part A of the fund and a closing balance of CZK 45.7 million in part B of the fund. The difference between the A and B parts of the fund is caused in particular by internal transfers of funds between individual funds of the Insurance Company. Free funds are kept in the HICF to pay for healthcare services and they are transferred to the OF only up to the amount of payable performance. Also at the beginning of 2012 the last instalment was paid of the loan of CZK 32.5 million, relating to the OF in relation to the merger of the Insurance Company with the Média Insurance Company in 2011. Also a settlement was made of the obligation of the OF towards the HICF in the amount of CZK 929.4 million, which arose in 2010 due to a transfer of funds from the HICF to the OF for the project of the Electronic Health Cards for the period 2008 to 2010.

**Table No. 15: The Operation Fund (in CZK thousands)**

A.	Operation Fund (OF) Creation and drawing during the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	<b>Opening balance as of 1 January of the reported period <sup>2)</sup></b>	<b>46,912</b>	<b>2,951</b>	
II.	<b>Total creation = sources:</b>	<b>4,494,147</b>	<b>4,734,457</b>	<b>105.3</b>
1	Compulsory contribution pursuant to s. 1(4)(i) of the Decree on Funds from the Health Insurance Capital Fund, specified pursuant to s. 7(1) and (2) of the Decree on Funds	4,387,376	4,395,533	100.2
2	Compulsory contribution from the Capital Reproduction Fund of the amount approved by the Board of Directors pursuant to s. 3(2)(c) of the Decree on Funds		100,000	
3	Transfer of funds from the Operation Fund in the case of a merger or amalgamation of the insurance company pursuant to s. 3(2)(g) of the Decree on Funds			
4	Receivable from the sale of tangible and intangible fixed assets pursuant to s. 3(2)(h) of the Decree on Funds	71,500	191,777	268.2
5	Extraordinary compulsory contribution from the Military Health Insurance Company of the Czech Republic by transfer from the Health Insurance Capital Fund			
6	Interest related to the Operation Fund pursuant to s. 3(2)(d) of the Decree on Funds	1,052	482	45.8
7	Contractual fines for violating contractual relationships to healthcare service providers pursuant to s. 3(2)(i) of the Decree on Funds		20	
8	Positive difference from the valuation of securities acquired from the Operation Fund to fair value pursuant to s. 3(2)(f) of the Decree on Funds			
9	Positive exchange rate differences related to OF pursuant to s. 3(2)(e) of the Decree on Funds		1	
10	Other receivables related to the Operation Fund pursuant to s. 3(2)(j) of the Decree on Funds	13,495	19,292	143.0
11	Receivables of the General Health Insurance Company pursuant to s. 3(3) of the Decree on Funds	20,724	27,352	132.0
12	Donation donated specifically to the Operation Fund pursuant to s. 3(2)(b) of the Decree on Funds			
13	Gain from the sale of securities from the Operation Fund pursuant to s. 3(7) of the Decree on Funds			
14	Gain from holding securities from the Operation Fund pursuant to s. 3			
15	Other reserves applied, reduced or cancelled pursuant to s. 3(2)(k) of the Decree on Funds			
16	Reduced or cancelled other adjusting entries pursuant to s. 3(2)(l) of the Decree on Funds			
17	Other estimated assets pursuant to s. 3(2)(m) of the Decree on Funds			
18	Irregular external occurrences			
19	Irregular transfers between funds			
III.	<b>Total drawing = source reduction:</b>	<b>4,541,059</b>	<b>4,350,311</b>	<b>95.8</b>
1	Classification of payables of the Insurance Company in the operations area - pursuant to s. 3 of the Decree on Funds	4,499,069	4,308,229	95.8
1.1	of which: wages, not including other personnel costs (including compensation of wages)	1,630,347	1,586,577	97.3
1.2	other personnel costs	27,900	18,242	65.4
1.3	employee health insurance <sup>4)</sup>	148,922	144,037	96.7
1.4	employee social security premiums and state employment policy contributions	413,673	394,272	95.3
1.5	remuneration to members of Boards and arbitration bodies	14,958	12,086	80.8
1.6	interest			
1.7	share of payment for International Reimbursement Centre services	17,019	13,712	80.6
1.8	share of payment of employee health insurance company for Information Centre services			
1.9	share of payment of employee health insurance company for Central Register management			
1.10	negative exchange rate differences related to the Operation Fund	200	496	248.0
1.11	fees	300	172	57.3
1.12	liabilities to pay fines and penalties pursuant to s. 3(4)(i) of the Decree on Funds <sup>"</sup>	50,000	1,716	3.4
1.13	payments for healthcare services on the basis of a decision by the receiver of an employee health insurance company pursuant to s. 3(4)(j) of the Decree on Funds			
1.14	funds expended by the employee health insurance company for purchasing methodologies from VZP CR pursuant to s. 3(3) of the Decree on Funds			
1.15	share of depreciation of tangible and intangible assets related to the Operation Fund	672,000	825,535	122.8
1.16	other payables	1,523,750	1,311,384	86.1
1.16.1	of which: services for developing system information infrastructure <sup>3)</sup>	5,000	2,965	59.3
2	Compulsory contribution to the Social Fund pursuant to s. 3 4(b) and s. 4(2)(a) of the Decree on Funds	32,607	31,731	97.3

	<b>Operation Fund (OF)</b> <b>Creation and drawing during the reported period</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
3	Compulsory contribution to the Health Insurance Surplus Fund pursuant to s. 3(4)(c) and s. 2(5) of the Decree on Funds			
4	Compulsory contribution to the Capital Reproduction Fund pursuant to s. 3(4)(d) of the Decree on Funds			
5	Compulsory contribution to the Health Insurance Capital Fund pursuant to the decision of the Board of Directors based on s. 3(4)(e) of the Decree on Funds			
6	Compulsory contribution to the Capital Reproduction Fund of an amount equal to the positive difference between the sales and residual price pursuant to s. 3(4)(k) of the Decree on Funds	9,383	10,351	110.3
7	Positive difference from the valuation of securities acquired from the Operation Fund to fair value pursuant to s. 3(4)(g) of the Decree on Funds			
8	Losses from the sale of securities acquired from the Operation Fund pursuant to s. 3(7) of the Decree on Funds			
9	Creation of other reserves pursuant to s. 3(4)(l) of the Decree on Funds			
10	Creation of other adjusting entries pursuant to s. 3(4)(m) of the Decree on Funds			
11	Other estimated liabilities pursuant to s. 3(4)(n) of the Decree on Funds			
12	Irregular external occurrences			
13	Irregular transfers between funds			
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>0</b>	<b>387,097</b>	

	<b>Operation Fund (OF)</b> <b>Income and expenditure in the reported period pursuant to s. 3 of the Decree on Funds</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
<b>I.</b>	<b>Opening balance as of 1 January of the reported period</b>	<b>109,233</b>	<b>440,727</b>	
<b>II.</b>	<b>Total income:</b>	<b>4,331,542</b>	<b>4,788,028</b>	<b>110.5</b>
1	Compulsory contribution pursuant to s. 1(4)(i) of the Decree on Funds from the Health Insurance Capital Fund, specified pursuant to s. 7(1) and (2) of the Decree on Funds	4,168,736	4,242,467	101.8
2	Compulsory contribution from the Capital Reproduction Fund of the amount approved by the Board of Directors pursuant to s. 3(2)(c) of the Decree on Funds		390,000	
3	Transfer of funds from the Operation Fund in the case of a merger or amalgamation of the insurance company pursuant to s. 3(2)(g) of the Decree on Funds			
4	Income from the sale of tangible and intangible fixed assets pursuant to s. 3(2)(h) of the Decree on Funds	71,500	91,883	128.5
5	Extraordinary contribution from the Military Health Insurance Company of the Czech Republic by transfer from the Health Insurance Capital Fund			
6	Interest received, related to the Operation Fund pursuant to s. 3(2)(d) of the Decree on Funds	1,052	482	45.8
7	Contractual fines received for violating contractual relationships to healthcare service providers pursuant to s. 3(2)(i) of the Decree on Funds		20	
8	Positive exchange rate differences related to OF pursuant to s. 3(2)(e) of the Decree on Funds		1	
9	Other income related to the Operation Fund pursuant to s. 3(2)(j) of the Decree on Funds	13,495	11,720	86.8
10	Income of the General Health Insurance Company pursuant to s. 3(3) of the Decree on Funds	20,724	23,802	114.9
11	Donation donated specifically to the Operation Fund pursuant to s. 3(2)(b) of the Decree on Funds			
12	Advances, including final settlement for paying part of overheads and other taxable activities pursuant to s. 3(11) of the Decree on Funds <sup>1)</sup>	31,035	27,653	89.1
13	Gain from the sale of securities pursuant to s. 3(7) of the Decree on Funds			
14	Gain from holding securities pursuant to s. 3(7) of the Decree on Funds			
15	Sale of securities valued at the accounting value of the sold securities			
16	Irregular external occurrences			
17	Irregular transfers between funds	25,000		
<b>III.</b>	<b>Total expenditure:</b>	<b>4,440,493</b>	<b>5,183,046</b>	<b>116.7</b>
1	Classification of operating expenditure pursuant to s. 3 of the Decree on Funds	3,575,578	3,523,952	98.6
1.1	of which: wages, not including other personnel costs (including compensation of wages)	1,639,750	1,683,669	102.7
1.2	other personnel costs	27,263	18,027	66.1

B.	<b>Operation Fund (OF) Income and expenditure in the reported period pursuant to s. 3 of the Decree on Funds</b>	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
1.3	employee health insurance <sup>4)</sup>	150,722	146,710	97.3
1.4	employee social security premiums and state employment policy contributions	418,857	402,280	96.0
1.5	remuneration to members of Boards and arbitration bodies	14,889	8,324	55.9
1.6	interest			
1.7	share of payment for International Reimbursement Centre services	17,019	15,804	92.9
1.8	share of payment of employee health insurance company for Information Centre services			
1.9	share of payment of employee health insurance company for Central Register management			
1.10	negative exchange rate differences related to the Operation Fund	200	160	80.0
1.11	fees	300	173	57.7
1.12	fines and penalties paid pursuant to s. 3(4)(i) of the Decree on Funds	50,000	1,711	3.4
1.13	payments for healthcare services on the basis of a decision by the receiver of an employee health insurance company pursuant to s. 3(4)(i) of the Decree on Funds			
1.14	funds expended by the employee health insurance company for purchasing methodologies from VZP CR pursuant to s. 3(3) of the Decree on Funds			
1.15	other expenditure	1,256,578	1,247,094	99.2
1.15.1	of which: services for developing system information infrastructure <sup>3)</sup>	5,000	2,965	59.3
2	Compulsory contribution to the Social Fund pursuant to s. 4(2)(a) of the Decree on Funds	32,795	39,629	120.8
3	Compulsory contribution to the Health Insurance Surplus Fund pursuant to s. 2(5) of the Decree on Funds			
4	Compulsory contribution to the Capital Reproduction Fund pursuant to s. 3(4)(d) of the Decree on Funds			
5	Compulsory contribution to the Health Insurance Capital Fund pursuant to the decision of the Board of Directors based on s. 3(4)(e) of the Decree on Funds			
6	Compulsory contribution to the Capital Reproduction Fund of an amount equal to the positive difference between the sales and residual price pursuant to s. 3(4)(l) of the Decree on Funds	9,383	4,725	50.4
7	Compulsory contribution to the Capital Reproduction Fund of an amount equal to the positive difference between the sales and residual price pursuant to s. 6(2)(a) of the Decree on Funds	759,170	560,000	73.8
8	Settlement of advance by Military Health Insurance Company of CR for the management of specific fund pursuant to s. 3(11) of the Decree on Funds <sup>1)</sup>			
9	Settlement of advances for the share of overheads related to other taxable activities pursuant to s. 3(11) of the Decree on Funds <sup>1)</sup>	31,035	27,653	89.1
10	Losses from the sale of securities acquired from the Operation Fund pursuant to s. 3(7) of the Decree on Funds			
11	Purchase of securities paid by the Operation Fund pursuant to s. 3(7) of the Decree on Funds			
12	Repayments of loans from applicants pertaining to this fund			
13	Irregular external occurrences	32,532	32,532	100.0
14	Irregular transfers between funds		994,555	
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>282</b>	<b>45,709</b>	<b>16 208.9</b>
	Value of reserves attributed to B IV on the last day of the reported period			

C.	<b>Supplementary information to Section B - pursuant to s. 3(7) of the Decree on Funds</b>	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
1	Balance of securities as of 1 January of the reported period			
2	Balance of securities as of the last day of the reported period			

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Notes to the table:

- 1) Financial advances (transferred between separate bank accounts) towards a share of common expenditure pertaining to other taxable activities (or also, in the case of Military Health Insurance Company of CR, to specific funds), are recorded only in Section B, i.e. on a bank account pursuant to Czech accounting standards for health insurance companies.
- 2) The sum of the opening balance of Section B and the opening balance of the balance of securities as of 1 January should equal the opening balance of Section A. This relationship also applies to the closing balances in the reported period. For HIC's comments on any differences see the appendix.
- 3) The lines designated as „of which“, appearing in row 1.16.1 of Section A III. and in row 1. 15.1 of Section B III, are intended for uniform reporting of costs and expenses related to the information infrastructure development.
- 4) Health insurance companies shall also include, as part of the figure stipulated in row 1.3 (1.4) of Section A III and Section B III, costs relating to the payment of health insurance (social insurance) on behalf of members of their Boards and arbitration bodies.

### Reimbursements for the administration of the CRI, ICHI and CC

Cost item	In CZK thousands
Wages	7,296
Health insurance premiums	1,824
Social security premiums	657
Write offs	3,721
Other costs	8,756
Total	22,254

Note: This is the employee health insurance company's share of the costs for administering common agendas for the system of public health insurance, expended in 2012. The employee health insurance company's share of the costs expended in the 4th Quarter 2012 was re-invoiced in January 2013, in accordance with the Contract on the transfer of data and reimbursement of the administration.

### Reimbursements for blank forms and code lists

Cost item	In CZK thousands
Wages	1,687
Health insurance premiums	422
Social security premiums	152
Write offs	860
Other costs	2,024
Total	5,145

Note: This is the employee health insurance company's share of the costs for compiling the code lists for 2012. The costs and expenses are included in the total costs and expenses of the Insurance Company, according to the specified types.

## 5.3 THE CAPITAL REPRODUCTION FUND

The CRF is used to accumulate funds for the acquisition of long-term tangible and intangible assets.

The opening balance of the CRF was CZK 811.2 million. Total CRF funds were created in the amount of CZK 864.9 million. The main item was the allocation from the OF in the amount of the depreciation of CZK 854.5 million, which was higher by CZK 178.1 million in comparison with the HIP 2012. Additional sources amounting to CZK 10.4 million were proceeds from the sale of long-term assets and interest income.

The total amount drawn was CZK 563.0 million while the HIP 2012 expected an amount of CZK 771.0 million. In 2012, the Insurance Company used funds for the acquisition of long-term tangible and intangible assets in the amount of CZK 463.0 million, i.e., less by CZK 308.0 million than in the HIP 2012. The CRF continued to adopt savings measures. Allocation from the CRF to the OF in the amount of CZK 100.0 million was another item drawn.

Investments for information technologies formed the main part, amounting to CZK 309.5 million, for other investment CZK 127.4 million were spent and for building investment CZK 26,0 million were spent. The main focus of IS investments was on the development of applications, data centres and IP telephony. Building investments were used mainly for partial reconstruction of a building in Mladá Boleslav, reconstruction of clients' hall and elevators in the Head Office and reconstruction of a building in Přerov. The funds earmarked for other investments were drawn in particular for the claim management system and security systems.

Table No. 16: The Capital Reproduction Fund (in CZK thousands)

A.	Capital Reproduction Fund (CRF) Income and expenditure in the reported period pursuant to s. 6(4) of the Decree on Funds	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	Opening balance as of 1 January of the reported period	544,621	811,188	
II.	Total income:	686,461	864,916	126.0
1	Contribution from the Operation Fund current account of the amount of depreciations pursuant to s. 6(2)(a) of the Decree on Funds	676,428	854,491	126.3
2	Compulsory contribution from the Operation Fund current account of the amount approved by the Board of Directors pursuant to s. 6(2)(b) of the Decree on Funds			
3	Interest from the FCR current account pursuant to s. 6(2)(f) of the Decree on Funds	650	74	11.4

	<b>Capital Reproduction Fund (CRF) Income and expenditure in the reported period pursuant to s. 6(4) of the Decree on Funds</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
A.				
4	Donation specifically intended by the donor to reinforce the FCR pursuant to s. 6(2)(d) of the Decree on Funds			
5	Contribution from profit after tax pursuant to s. 6(2)(e) of the Decree on Funds			
6	Transfer of funds from the FRM current account in the case of a merger or amalgamation of the insurance company pursuant to s. 6(2)(g) of the Decree on Funds			
7	Targeted subsidy from the state budget pursuant to s. 6(2)(h) of the Decree on Funds			
8	Transfer from the Operation Fund current account - positive difference between the sales and residual value of sold tangible and intangible fixed assets pursuant to s. 6(2)(c) (pursuant to s. 3(4)(k) of the Decree on Funds)	9,383	10,351	110.3
9	Positive exchange rate differences related to FCR pursuant to s. 6(2)(i) of the Decree on Funds			
10	Receipt of loans to reinforce the FCR			
11	Irregular external occurrences			
III.	<b>Irregular transfers between funds</b>	<b>771,010</b>	<b>562,960</b>	<b>73.0</b>
1	Acquisition of tangible and intangible fixed assets, including advances, pursuant to s. 6(3)(a) of the Decree on Funds	771,000	462,960	60.0
2	Repayment of loan interest pursuant to s. 6(3)(b) of the Decree on Funds			
3	Banking and postal fees paid pursuant to s. 6(3)(d) of the Decree on Funds	10		
4	Compulsory contribution to the Operation Fund current account with the approval of the Board of Directors pursuant to s. 6(3)(c) of the Decree on Funds		100,000	
5	Negative exchange rate differences pursuant to s. 6(3)(e) of the Decree on Funds			
6	Payments for healthcare services based on the decision of a receiver pursuant to s. 6(3)(f) of the Decree on Funds			
7	Irregular transfers between funds			
8	Irregular external occurrences			
IV.	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>460,072</b>	<b>1,113,144</b>	<b>241.9</b>

	<b>Capital Reproduction Fund (CRF) Income and expenditure in the reported period pursuant to s. 6(4) of the Decree on Funds</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
B.				
I.	<b>Opening balance as of 1 January of the reported period</b>	<b>2,034</b>	<b>311,406</b>	
II.	<b>Total income:</b>	<b>769,203</b>	<b>564,799</b>	<b>73.4</b>
1	Contribution from the Operation Fund current account of the amount of depreciations pursuant to s. 6(2)(a) of the Decree on Funds	759,170	560,000	73.8
2	Compulsory contribution from the Operation Fund current account of the amount approved by the Board of Directors pursuant to s. 6(2)(b) of the Decree on Funds			
3	Interest from the FCR current account pursuant to s. 6(2)(f) of the Decree on Funds	650	74	11.4
4	Donation specifically intended by the donor to reinforce the FCR pursuant to s. 6(2)(d) of the Decree on Funds			
5	Contribution from profit after tax pursuant to s. 6(2)(e) of the Decree on Funds			
6	Transfer of funds from the FRM current account in the case of a merger or amalgamation of the insurance company pursuant to s. 6(2)(g) of the Decree on Funds			
7	Targeted subsidy from the state budget pursuant to s. 6(2)(h) of the Decree on Funds			
8	Transfer from the Operation Fund current account – positive difference between the sales and residual value of sold tangible and intangible fixed assets pursuant to s. 6(2)(c) (pursuant to s. 3(4)(k) of the Decree on Funds)	9,383	4,725	50.4
9	Positive exchange rate differences related to FCR pursuant to s. 6(2)(i) of the Decree on Funds			
10	Receipt of loans to reinforce the FCR			
11	Irregular external occurrences			
12	Irregular transfers between funds			
III.	<b>Total expenditure:</b>	<b>771,010</b>	<b>870,989</b>	<b>113.0</b>
1	Acquisition of tangible and intangible fixed assets, including advances, pursuant to s. 6(3)(a) of the Decree on Funds	771,000	462,960	60.0
2	Repayment of loan interest pursuant to s. 6(3)(b) of the Decree on Funds			
3	Banking and postal fees paid pursuant to s. 6(3)(d) of the Decree on Funds	10		
4	Compulsory contribution to the Operation Fund current account with the approval of the Board of Directors pursuant to s. 6(3)(c) of the Decree on Funds		390,000	
5	Negative exchange rate differences pursuant to s. 6(3)(e) of the Decree on Funds			

	<b>Capital Reproduction Fund (CRF)</b> Income and expenditure in the reported period pursuant to s. 6(4) of the Decree on Funds	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
B.				
6	Payments for healthcare services based on the decision of a receiver pursuant to s. 6(3)(f) of the Decree on Funds			
7	Repayment of loans related to this fund (linked to s. 6(3)(b) of the Decree on Funds) <sup>1)</sup>			
8	Repayments of loans from applicants pertaining to this fund			
9	Irregular external occurrences			
10	Irregular transfers between funds	18,029		
IV.	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>227</b>	<b>5,216</b>	<b>2 297.8</b>

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Notes to the table:

- 1) The Health Insurance Company shall attach a copy of the repayment schedule to the table for the calendar quarter in which the loan was accepted. The same procedure shall also be applied in the case of the draw-down of a loan. The note shall not apply to VZP ČR with respect to repayment of the loan balance for HIC Média.

## 5.4 THE SOCIAL FUND

The management of the SF in 2012 was carried out in accordance with Decree No. 418/2003 Coll. and the Collective agreement. The funds were made available mainly by an allocation from the OF equal to 2% of the annual volume of costs incurred for wages and wage compensation and an allocation equal to 1% of the annual volume of costs incurred for wages and wage compensation from the profit after taxation. The allocation from the profit after taxation was carried out with the consent of the Board of Directors. The SF was further supplemented by interest from the current account and repayments of loans by employees.

Drawing from the SF in 2012 was made in accordance with the HIP 2012 in particular for the supplementary pension insurance and life insurance, contributions to catering and other contributions towards career and life jubilees, social assistance and loans to employees who found themselves in particularly difficult life situations. In order to mitigate social effects of mass layoffs, higher severance payments were made in 2012 to socially disadvantaged groups of employees (employees in pre-retirement age who cannot claim early retirement, single parents, parents to two or more dependent children).

Table No. 17: The Social Fund (in CZK thousands)

	<b>Social Fund (SF)</b> Creation and drawing during the reported period	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
A.				
I.	<b>Opening balance as of 1 January of the reported period</b>	<b>41,656</b>	<b>34,716</b>	
II.	<b>Total creation = sources</b>	<b>49,337</b>	<b>47,997</b>	<b>97.3</b>
1	Compulsory contribution from the Operation Fund pursuant to s. 4(2)(a) of the Decree on Funds	32,607	31,731	97.3
2	Interest on the SF current account pursuant to s. 4(2)(e) of the Decree on Funds	400	353	88.3
3	Other compulsory contributions pursuant to s. 4(2)(d) of the Decree on Funds			
4	Compulsory contribution from profit after tax from taxable activities pursuant to s. 4(2)(b) of the Decree on Funds	16,303	15,866	97.3
5	Transfer of funds from the Social Fund in the case of a merger or amalgamation of the insurance company pursuant to s. 4(2)(h) of the Decree on Funds			
6	Repayment of loans to employees pursuant to s. 4(2)(c) of the Decree on Funds	27	47	174.1
7	Positive exchange rate differences related to SF pursuant to s. 4(2)(f) of the Decree on Funds			
8	Donations intended by the donor for reinforcing the SF pursuant to s. 4(2)(g) of the Decree on Funds			
9	Other reserves applied, reduced or cancelled pursuant to s. 4(2)(j) of the Decree on Funds			
10	Reduced or cancelled other adjusting entries pursuant to s. 4(2)(k) of the Decree on Funds			
11	Estimated assets pursuant to s. 4(2)(l) of the Decree on Funds			
12	Irregular external occurrences			
13	Irregular transfers between funds			
III.	<b>Total drawing = source reduction pursuant to s. 4(3)(a)</b>	<b>59,179</b>	<b>56,365</b>	<b>95.2</b>
1	Compulsory source reduction pursuant to s. 4(3) of the Decree on Funds (1.1 + 1.2)	59,069	56,289	95.3
1.1	of which: loans	20	50	250.0
1.2	other drawing	59,049	56,239	95.2

	<b>Social Fund (SF) Creation and drawing during the reported period</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
2	Banking (postal) fees and charges	110	76	69.1
3	Negative exchange rate differences			
4	Creation of other reserves pursuant to s. 4(4)(f) of the Decree on Funds			
5	Creation of other adjusting entries pursuant to s. 4(4)(g) of the Decree on Funds			
6	Estimated liabilities pursuant to s. 4(4)(h) of the Decree on Funds			
7	Irregular external occurrences			
8	Irregular transfers between funds			
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>31,814</b>	<b>26,348</b>	<b>82.8</b>

	<b>Social Fund (SF) Income and expenditure in the reported period pursuant to s. 4(4) of the Decree on Funds</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
<b>I.</b>	<b>Opening balance as of 1 January of the reported period</b>	<b>43,724</b>	<b>32,468</b>	
<b>II.</b>	<b>Total income:</b>	<b>49,620</b>	<b>55,436</b>	<b>111.7</b>
1	Interest from the Social Fund current account pursuant to s. 4(2)(a) of the Decree on Funds	32,795	39,629	120.8
2	Interest on the SF current account pursuant to s. 4(2)(e) of the Decree on Funds	400	353	88.3
3	Other income pursuant to s. 4(2)(d) of the Decree on Funds			
4	Contribution from profit after tax from taxable activities pursuant to s. 4(2)(b) of the Decree on Funds	16,398	15,407	94.0
5	Transfer of funds from the Social Fund current account in the case of a merger or amalgamation of the insurance company pursuant to s. 4(2)(h) of the Decree on Funds			
6	Repayment of loans to employees pursuant to s. 4(2)(c) of the Decree on Funds	27	47	174.1
7	Positive exchange rate differences related to SF pursuant to s. 4(2)(f) of the Decree on Funds			
8	Donations intended by the donor for reinforcing the SF pursuant to s. 4(2)(g) of the Decree on Funds			
9	Irregular external occurrences			
10	Irregular transfers between funds			
<b>III.</b>	<b>Total expenditure: pursuant to s. 4(3)(a) of the Decree on Funds</b>	<b>59,179</b>	<b>57,277</b>	<b>96.8</b>
1	Expenditure pursuant to s. 4(3) of the Decree on Funds (1.1 + 1.2)	59,069	57,201	96.8
1.1	of which: loans	20	50	250.0
1.2	other expenditure	59,049	57,151	96.8
2	Banking (postal) fees and charges	110	76	69.1
3	Negative exchange rate differences related to the Social Fund			
4	Irregular external occurrences			
5	Irregular transfers between funds			
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>34,165</b>	<b>30,627</b>	<b>89.6</b>
	Value of reserves attributed to B IV on the last day of the reported period			

	<b>Supplementary information to Section B</b>			
1	Balance of loans to employees as of 1 January of the reported period	82	106	129.3
2	Balance of loans to employees as of the last day of the reported period	75	109	145.3

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## 5.5 THE SURPLUS FUND

Pursuant to Section 7 (1) (b) of Act No. 551/1991 Coll., the amount of the SpF equals 1.5% of the HICFs average annual expenses for the previous three calendar years.

The opening balance of the SpF as of 1 January 2012 was CZK 2,125.1 million. During the year the SpF was supplemented in the accounts up to the statutory limit of CZK 2,168.9 million, i.e., with the amount of CZK 43.8 million.

The SpF was not covered financially in 2012 in the set amount. Expenditures amounting to CZK 0.2 million were made, in accordance with the provision of Section 7 (1) (b) of Act No. 551/1991 Coll., in the form of a transfer of funds from the CA SpF to cover the deficit of the HICF. It represented part of the funds which had not been transferred in 2011 as intended by the HIP 2011.

**Table No. 18: The Surplus Fund (in CZK thousands)**

A.	Surplus Fund (SpF) Creation and drawing during the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	<b>Opening balance as of 1 January of the reported period</b>	<b>2,125,167</b>	<b>2,125,167</b>	
II.	<b>Total creation = sources:</b>	<b>51,251</b>	<b>43,771</b>	<b>85.4</b>
1	Transfer from Health Insurance Capital Fund pursuant to s. 2(1)(b) of the Decree on Funds	51,231	43,771	85.4
2	Interest on the Surplus Fund current account pursuant to s. 2(1)(e) of the Decree on Funds	20		
3	Donations intended by the donor for reinforcing the SpF pursuant to s. 2(1)(f) of the Decree on Funds			
4	Gain from the sale of securities pursuant to s. 2(1)(c) of the Decree on Funds			
5	Gain from holding securities pursuant to s. 2(1)(c) of the Decree on Funds			
6	Transfer of the balance of the Surplus Fund in the case of a merger or amalgamation of the health insurance company pursuant to s. 2(1)(g) of the Decree on Funds			
7	Bail deposited by applicant pursuant to s. 2(1)(a) of the Decree on Funds			
8	Positive differences resulting from the valuation of securities acquired from the Surplus to fair value pursuant to s. 2(1)(d) of the Decree on Funds			
9	Irregular external occurrences			
10	Irregular transfers between funds			
III.	<b>Total drawing = source reduction:</b>	<b>20</b>	<b>0</b>	
1	Compulsory contribution from SpF to the Health Insurance Surplus Fund pursuant to s. 2(2)(a) of the Decree on Funds			
2	Fees for the management of the SpF's current account and fees for postal services related to the SpF pursuant to s. 2(2)(b) of the Decree on Funds			
3	Losses from the sale of securities acquired from SpF's funds pursuant to s. 2(2)(c) of the Decree on Funds			
4	Payables for healthcare services based on the decision of a receiver pursuant to s. 2(2)(e) of the Decree on Funds			
5	Negative valuation of securities acquired from SpF's funds pursuant to s. 2(2)(d) of the Decree on Funds			
6	Irregular external occurrences			
7	Irregular transfers between funds	20		
IV.	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>2,176,398</b>	<b>2,168,938</b>	<b>99.7</b>

B.	Surplus Fund (SpF) Income and expenditure in the reported period pursuant to s. 2(3) of the Decree on Funds	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	<b>Opening balance as of 1 January of the reported period <sup>1)</sup></b>	<b>2,374</b>	<b>257</b>	
II.	<b>Total income:</b>	<b>20</b>	<b>0</b>	
1	Transfer from Health Insurance Capital Fund current account pursuant to s. 2(1)(b) of the Decree on Funds			
2	Interest on the Surplus Fund current account pursuant to s. 2(1)(e) of the Decree on Funds	20		
3	Donations intended by the donor for reinforcing the SpF pursuant to s. 2(1)(f) of the Decree on Funds			
4	Gain from the sale of securities pursuant to s. 2(1)(c) of the Decree on Funds			
5	Gain from holding securities pursuant to s. 2(1)(c) of the Decree on Funds			

B.	<b>Surplus Fund (SpF) Income and expenditure in the reported period pursuant to s. 2(3) of the Decree on Funds</b>	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
6	Transfer of the balance of the Surplus Fund current account in the case of a merger or amalgamation of the health insurance company pursuant to s. 2(1)(g) of the Decree on Funds			
7	Bail deposited by applicant pursuant to s. 2(1)(a) of the Decree on Funds			
8	Sale of securities valued at the accounting value of the sold securities <sup>2)</sup>			
9	Irregular external occurrences			
10	Irregular transfers between funds			
<b>III.</b>	<b>Total expenditure:</b>	<b>0</b>	<b>245</b>	
1	Transfer from Surplus Fund current account to the current account of HICF pursuant to s. 2(2)(a) of the Decree on Funds		245	
2	Fees for the management of the SpF's current account and fees for postal services related to the SpF pursuant to s. 2(2)(b) of the Decree on Funds			
3	Losses from the sale of securities acquired from SpF's funds pursuant to s. 2(2)(c) of the Decree on Funds			
4	Payables for healthcare services based on the decision of a receiver pursuant to s. 2(2)(e) of the Decree on Funds			
5	Purchase of securities from the SpF's funds			
6	Irregular external occurrences			
7	Irregular transfers between funds			
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III 1)</b>	<b>2,394</b>	<b>12</b>	<b>0.5</b>
<b>C.</b>	<b>Supplementary information to Section B</b>			
1	Balance of securities as of 1 January of the reported period			
2	Balance of securities as of 31 December of the reported period			

<b>Supplementary table: Calculation of the SpF limit<sup>3)</sup></b>		2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
Year	Basis for calculating the limit for the allocation to the SpF			
2009		143,752,554	143,752,554	100.0
2010		144,181,007	144,181,007	100.0
2011		147,346,072	145,854,106	99.0
	Average annual expenditure from the HICF in the three immediately preceding calendar years	145,093,211	144,595,889	99.7
	Limit calculation = 1.5 % of the calculated average expenditure of HICF	2,176,398	2,168,938	99.7

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Notes to the table:

- 1) The information in Sections B.I and B.IV merely indicate the balance of funds without financial investments, which are part of the Surplus Fund, in accordance with s. 7(1)(b) of Act No. 551/1991 Coll., as amended, and s. 18 of Act No. 280/1992 Coll., as amended. More detailed conditions of management are contained in s. 2(3) of the Decree on Funds. If the health insurance company does not show that A.I = B.I + C.1 or A.IV = B.IV + C.2, it shall comment on the differences in an appendix to the table.
- 2) If securities are sold at a "profit", the total sales price will be the sum of row B.II.8 and row B.II.4. If securities are sold at a loss, the total sales price will be the difference between row B.II.8 and row B.II.3.
- 3) The table for the calculation of the SpF is completed by VZP CR pursuant to s. 7(1)(b) of Act No. 551/1991 Coll., as amended, and other health insurance companies pursuant to s. 18(1) of Act No. 280/1992 Coll., as amended. The limit observation shall be assessed as of 31 December of the reported period. When calculating the SpF limit, a merged HIC shall take into account s. 2(6) of Decree No. 418/2003 Coll., as amended. The creation in Section A always corresponds to the calculation of the compulsory allocation in the supplementary table, even if the transfer of funds in Section B cannot be realised in the compulsory amount, or if funds were drawn from the CA of the SpF. A positive difference in the balances of Section A and Section B (including the value of the securities) indicates a so-called internal debt of the SpF's current account. The HIC shall justify such a difference in a comment.

## 5.6 THE PREVENTION FUND

The Insurance Company created a PrevF, pursuant to Section 7(2) of Act No. 551/1991 Coll. The PrevF is used to reimburse healthcare beyond the framework of healthcare covered by public health insurance with a demonstrable preventative or curative effect. In 2012, an amount was transferred to the PrevF from funds collected from fines and penalties in a maximum amount corresponding to 0.3% of the financial income from premiums after redistribution pursuant to the General Health Insurance Contributions Act.

The total creation of PrevF in 2012 was CZK 468.3 million, i.e., by 0.6% lower than planned in the HIP 2012. The greatest parts of this amount were the prescribed allocation from the HICF of CZK 433.3 million, which was by 0.2% lower in comparison with the HIP 2012, and the settlement of preventive programmes for the insured persons amounting to CZK 34.9 million.

Total drawings on the PrevF for preventive programmes amounted to CZK 461.8 million, which was higher by 5.9% in comparison with the HIP 2012. The drawing was influenced by the fact whether it concerned existing or new client programmes and by the conditions for the acknowledgement of a contribution.

The total income of PrevF in 2012 amounted to CZK 490.8 million, i.e., was by 4.2% higher in comparison with the HIP 2012. Most income came from the transfer of funds from the HICF in the amount of CZK 455.0 million, i.e., higher by 4.8% in comparison with the HIP 2012. The growth was caused by the settlement of a claim of the PrevF towards the HICF in the amount of CZK 21.7 million.

Total PrevF expenditures were CZK 506.2 million, higher by 14.8% compared to the HIP 2012.

**Table No. 19: The Prevention Fund (in CZK thousands)**

A.	Prevention Fund (PrevF) Creation and drawing during the reported period	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
I.	<b>Opening balance as of 1 January of the reported period</b>	<b>238,811</b>	<b>329,494</b>	
II.	<b>Total creation = sources:</b>	<b>471,110</b>	<b>468,314</b>	<b>99.4</b>
1	Sources pursuant to Act No. 551/1991 Coll. and No. 280/1992 Coll., as amended.	434,070	433,297	99.8
1.1	of which: contribution from profit after tax			
1.2	contribution pursuant to s. 19(1) of Act No. 280/1992 Coll., as amended <sup>1)</sup>	434,070	433,297	99.8
1.3	contribution pursuant to s. 6(7) of Act No. 551/1991 Coll., as amended	434,070	433,297	99.8
2	Interest earned on PrevF bank account	40	22	55.0
3	Other (such as donations)		91	
4	Settlement with insured in relation to preventative programme settling	37,000	34,904	94.3
5	Irregular external occurrences			
6	Irregular transfers between funds			
III.	<b>Total drawing = source reduction:</b>	<b>441,000</b>	<b>462,837</b>	<b>105.0</b>
1	Prevention programmes	436,000	461,761	105.9
2	Interest on loans to reinforce PrevF			
3	Other (banking fees)	5,000	1,076	21.5
4	Write off of penalties, fines and extras to premiums as a source of the PrevF			
5	Settlement with insured in relation to preventative programme settling			
6	Reduction of the fund by penalties, fines and extras based on decisions to eliminate harshness pursuant to s. 53a of Act No. 48/1997 Coll., on Public Health Insurance, as amended			
7	Irregular external occurrences			
8	Irregular transfers between funds			
IV.	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>268,921</b>	<b>334,971</b>	<b>124.6</b>

	<b>Prevention Fund (PrevF) Income and expenditure in the reported period</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
<b>I.</b>	<b>Opening balance as of 1 January of the reported period</b>	<b>25,704</b>	<b>19,388</b>	
<b>II.</b>	<b>Total income:</b>	<b>471,110</b>	<b>490,789</b>	<b>104.2</b>
1	Income pursuant to Act No. 551/1991 Coll. and Act No. 280/1992 Coll., as amended	434,070	454,990	104.8
1.1	of which: contribution from profit after tax			
1.2	contribution pursuant to s. 19(1) of Act No. 280/1992 Coll., as amended <sup>1)</sup>			
1.3	contribution pursuant to s. 6(7) of Act No. 551/1991 Coll., as amended	434,070	454,990	104.8
2	Interest earned on PrevF bank account	40	22	55.0
3	Other (donations)		409	
4	Loans received to reinforce PrevF			
5	Settlement with insured in relation to preventative programme settling	37,000	35,368	95.6
6	Irregular external occurrences			
7	Irregular transfers between funds			
<b>III.</b>	<b>Total expenditure:</b>	<b>441,000</b>	<b>506,193</b>	<b>114.8</b>
1	Expenditure related to prevention programmes	436,000	504,564	115.7
2	Loan interest			
3	Other (banking fees)	5,000	1,076	21.5
4	Loan repayments			
5	Settlement with insured in relation to preventative programme settling		460	
6	Irregular external occurrences			
7	Irregular transfers between funds		93	
<b>IV.</b>	<b>Closing balance on the last day of the reported period = I + II - III</b>	<b>55,814</b>	<b>3,984</b>	<b>7.1</b>
	Value of reserves attributed to B IV on the last day of the reported period			

	<b>Actual 2012</b>	<b>link to PrevF</b>	<b>informative</b>	<b>Structure of row A II 1<sup>1)</sup></b>
<b>C.</b>	<b>Supplementary information to Sections A and B</b>	<b>col. 1</b>	<b>col. 2</b>	<b>col. 3 = 1 + 2</b>
	Structure of contributions to the Prevention Fund not coming from the Health Insurance Capital Fund	TCZK	transfer <sup>1)</sup>	total
<b>I.</b>	<b>To Section A/ II = sum of items 1 to 4</b>			<b>433,297</b>
1	Compulsory payments of penalties and fines, including estimated items <sup>2)</sup>			
2	Compulsory payments of extras to premiums			
3	Fines imposed on healthcare service providers			
4	Compulsory interest from the HICF (if the HIC posts it directly to the PrevF)			
		<b>col. 1</b>	<b>col. 2</b>	<b>Structure of row A II 1<sup>1)</sup></b>
		TCZK	transfer <sup>1)</sup>	<b>col. 3 = 1 + 2</b>
<b>II.</b>	<b>To Section B/ II = sum of items 1 to 4</b>			<b>454,990</b>
1	Income from penalties and fines			
2	Income from extras to premiums			
3	Revenues from fines imposed on healthcare service providers			
4	Income from HICF interest (if the Insurance Company posts it directly to the PrevF)			

D.	HIP 2012	link to PrevF	informative	Structure of row A II 1 <sup>1)</sup>
	Supplementary information to Sections A and B	col. 1	col. 2	col. 3 = 1 + 2
	Structure of contributions to the Prevention Fund not coming from the Health Insurance Capital Fund	TCZK	from HICF	
I.	<b>To Section A/ II = sum of items 1 to 4</b>		<b>434,070</b>	<b>434,070</b>
1	Compulsory payments of penalties and fines, including estimated items <sup>2)</sup>			
2	Compulsory payments of extras to premiums			
3	Fines imposed on healthcare service providers			
4	Compulsory interest from the HICF (if the HIC posts it directly to the PrevF)			
II.	<b>To Section B/ II = sum of items 1 to 4</b>	<b>col. 1</b> TCZK	<b>col. 2</b> transfer <sup>1)</sup>	<b>Structure of row A II 1<sup>1)</sup></b> <b>col. 3 = 1 + 2</b> <b>434,070</b>
1	Income from penalties and fines			
2	Income from extras to premiums			
3	Revenues from fines imposed on healthcare service providers			
4	Income from HICF interest (if the Insurance Company posts it directly to the PrevF)			

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#### Notes to the table:

- 1) If the employee health insurance company realises a contribution in row 1.2 of Section A II and in row 1.2 of Section B II using both permitted procedures simultaneously (i.e. by a transfer from the CFHI and simultaneously also directly to the PrevF) it shall complete col. 1 as well as col. 2 in Section C. 2. The value of the amount in Section C col. 3 should correspond for all HICs to the amount in row 1.2 of Section A II, or row 1.2 of Section B II of the PrevF's table.
- If the employee health insurance company realises a contribution to the PrevF solely by way of a transfer from the Health Insurance Capital Fund, it shall state this fact in Section C col. 2 - transfer from HICF in the value stipulated for HICF in row 3.3 of Section A III and in Section B III row 3.3. In such a case, they do not even complete row A III 6. This procedure shall also be followed in completing this table by VZP CR.
- 2) The volume of estimated items included in the items of Section C I shall be given in a comment.

## 5.7 OTHER TAXABLE ACTIVITIES

The Insurance Company, as a corporate income tax payer, continued to conduct taxable activities in 2012. These activities were primarily connected with the Insurance Company's key activity, the management of its assets (leasing non-residential premises and management of financial assets) and implementing brokering activities for PVZP, which is its 100% subsidiary.

In 2012 the Insurance Company as the sole shareholder decided on the change of the number and the nominal value of PVZP shares. The increase of the registered capital of PVZP was carried out without share subscription from retained profits of the previous years and from the profit of PVZP for the current year 2011 in the total amount of CZK 45,200 thousand.

Thus, since 25 April 2012 the registered capital of PVZP consists of 1,000 shares of nominal value of CZK 210 thousand per share.

The Insurance Company owns 51% shares of the company IZIP, a.s.

During 2012, other taxable activities (OTA) generated a positive economic result, after tax, of CZK 15,751 thousand, i.e., 76% of the planned value. The revenues include income from the ownership interest in PVZP in the amount of CZK 11,050 thousand.

**Table No. 20: Other taxable activities (in CZK thousands)**

A.	Other taxable activities in the reported period (OTA)	2012 HIP	2012 Actual	Actual 2012/ HIP 2012
I.	<b>Total income:</b>	<b>52,837</b>	<b>44,448</b>	<b>84.1</b>
1	Income from taxable activities	52,489	44,078	84.0
2	Interest	348	370	106.3
3	Income from sale of financial investments			
4	Increase in the value of securities resulting from valuation at fair value			
5	Irregular external occurrences			
6	Irregular transfers between funds			

	<b>Other taxable activities in the reported period (OTA)</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
<b>A.</b>				
<b>II.</b>	<b>Total expenditure:</b> <sup>1)</sup>	<b>31,035</b>	<b>27,803</b>	<b>89.6</b>
1	Operating costs related to the OTA of the insurance company	31,035	27,803	89.6
1.1	– wages, not including other personnel costs	12,395	9,849	79.5
1.2	– other personnel costs			
1.3	– employee health insurance	1,115	931	83.5
1.4	– employee social security premiums and state employment policy contributions	3,070	2,536	82.6
1.5	– share in depreciation of tangible and intangible assets related to OTA	4,428	4,789	108.2
1.6	– interest			
1.7	– fines and penalties			
1.8	– financial costs related to the sale of financial investment <sup>2)</sup>			
1.9	– other operating costs	10,027	9,698	96.7
2	Reduction in the value of securities resulting from valuation at fair value			
3	Irregular external occurrences			
4	Irregular transfers between funds			
<b>III.</b>	<b>Profit/loss = I - II</b>	<b>21,802</b>	<b>16,645</b>	<b>76.3</b>
<b>IV.</b>	<b>Income tax</b>	<b>1,102</b>	<b>894</b>	<b>81.1</b>
<b>V.</b>	<b>Profit from OTA after tax = III - IV.</b>	<b>20,700</b>	<b>15,751</b>	<b>76.1</b>
<b>B.</b>	<b>Supplementary information about securities acquired from sources obtained OTA</b>	<b>2012 HIP</b>	<b>2012 Actual</b>	<b>% Actual 2012/ HIP 2012</b>
1	Balance of securities as of 1 January of the reported period	106,024	106,024	100.0
2	Balance of securities as of 31 December of the reported period	106,024	106,024	100.0
	of which, securities related to the subsidiary providing commercial insurance			
of 1	Balance of securities as of 1 January of the reported period	104,800	104,800	100.0
of 2	Balance of securities as of 31 December of the reported period	104,800	104,800	100.0
	of which: IZIP			
of 1	Balance of securities as of 1 January of the reported period	1,224	1,224	100.0
of 2	Balance of securities as of 31 December of the reported period	1,224	1,224	100.0
<b>C.</b>	<b>Supplementary information on the state of and changes in cash flows on the CA for other taxable activities <sup>3)</sup></b>			
<b>I.</b>	<b>Opening balance as of 1 January of the reported period</b>		<b>70,111</b>	
<b>II.</b>	<b>Total income:</b>		<b>301,209</b>	
<b>III.</b>	<b>Total expenditure:</b>		<b>303,541</b>	
<b>IV.</b>	<b>Balance of income and expenditure for the reported period</b>		<b>-2,332</b>	
<b>V.</b>	<b>Closing balance on the last day of the reported period</b>		<b>67,779</b>	

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Notes to the table:

- 1) Costs of other taxable activities represent, not later than as of 31 December of the given year, the total costs for these activities, including a share of the costs paid during the course of the year initially (as an advance) from the OF.
- 2) In row 1.8 of Part A II it is merely necessary to state the book value of the financial investments sold so as to make it possible, after the deduction of this value from the item in row 3 of Part A I., to calculate the realised profit or loss from the sale.
- 3) The table continues on from the content of Appendix No. 4 "Cash Flow Statement" of Decree No. 503/2002 Coll., as amended by Decree No. 445/2009 Coll. The figure in row C IV. of the supplementing information corresponds to the figure in row II F of the Cash Flow Statement for the given period. Stating thereof in HIP 2012 is not mandatory.

## 5.8 SUPPLEMENTARY DATA

### REDISTRIBUTION FUND

The collected premiums (hereinafter referred to as "redistribution") are redistributed pursuant to Act No. 592/1992 Coll., through a special general health insurance account (hereinafter referred to as the "special account"). The special account is intended for financing healthcare. In accordance with the law, the special account is set up and managed by the Insurance Company. The supervisory body oversees the management of the special account monthly. The Insurance Company carries out monthly redistribution to all health insurance companies operating in the Czech Republic.

# **SUMMARY OF SELECTED INDICATORS OF THE ACTIVITIES OF THE INSURANCE COMPANY**

# **6**



## 6.1 STATE OF CLAIMS AND LIABILITIES OF THE INSURANCE COMPANY

The total liabilities of the Insurance Company as of 31 December 2012 amounted to CZK 24,426.2 million. Liabilities to HCFs amounted to CZK 23,964.1 million, exceeding the value pursuant to the HIP 2012 by 32%. Of this amount, the Insurance Company recorded overdue liabilities in the amount of CZK 740.4 million, while no such liabilities were recorded in the same period of 2011. The delay of payments was the consequence of the financial reserves of the Insurance Company having been exhausted during the economic recession since 2008. Liabilities to HCFs also include estimated liabilities of CZK 3,914 million.

The total claims of the Insurance Company amounted to CZK 24,061.0 million, after the deduction of adjusting entries of CZK 19,774.1 million. Total claims, including adjusting entries as of 31 December 2012, amounted to CZK 43,835.0 million, a growth by 4.9% compared to the previous year. Actual claims are lower by CZK 924.9 million compared to the HIP 2012.

Of total net claims, CZK 18,943.8 million were claims towards premium payers (79%). This amount was made up of claims from premiums for public health insurance in the amount of CZK 14,549.9 million and claims from additional charges and fees to premiums in the amount of CZK 4,393.9 million.

Claims against HCFs as of 31 December 2012 amounted to CZK 3,924.3 million. This amount includes estimated asset items in the amount of CZK 405.4 million. The sum of all claims against HCFs increased in comparison with 2011 by 221.9%, of which overdue claims amounted to CZK 1,457.4 million.

Other claims as of 31 December 2012 totalled CZK 1,192.9 million, of which CZK 1,058.2 million were within the due term. They were composed of claims from damage compensation, from the performance of international treaties and claims from other funds of the Insurance Company and estimated asset items. Overdue claims in the amount of CZK 134.7 million were claims from damage compensation.

## 6.2 MEETING THE TERMS OF LOAN REPAYMENT SCHEDULES

In January 2012 the Insurance Company paid the last instalment of the loan of CZK 32.5 million ensuing from the merger with the HIC Média. It was a loan provided by the founder of the Média Insurance Company, the company GES MEDICAL CARE a.s. in the years 2009 to 2011.

Table No. 21: Overview of the basic indicators of the activities of the Insurance Company in 2012

R.	Indicator	m.u.	2012 HIP	2012 Actual	% Actual 2012/ HIP 2012
<b>I. The Insured persons</b>					
1	Total number of the insured person on the last day of reported period	persons	6 242 000	6 162 465	98,7
1.1	of which: covered by the state	persons	3 740 000	3 639 810	97,3
2	Average number of the insured persons in reported period	persons	6 254 250	6 171 190	98,7
2.1	of which: covered by the state	persons	3 745 000	3 668 718	98,0
<b>II. Other indicators</b>					
3	Balance of fixed assets, including advances, acquired as of the last day of the reported period	TCZK	5 212 346	4 526 208	86,8
4	Balance of fixed assets, including advances, acquired in the reported period	TCZK	771 000	462 960	60,0
4.1	of which: assets for in-house operations	TCZK	771 000	462 960	60,0
4.2	other assets	TCZK			
5	Balance of financial investments as of the last day of the reported period (short- and long-term)	TCZK	106 024	106 024	100,0
5.1	of which: bound in a subsidiary providing commercial insurance + value ownership interest in IZIP	TCZK	106 024	106 024	100,0
6	Financial investments acquired in the reported period (purchase/sale balance)	TCZK			
6.1	of which: bound in a subsidiary	TCZK			
7	Total bank loans received (i.e. excluding data on rows 10 and 13) for the reported period	TCZK			
7.1	of which: long-term	TCZK			
7.2	short-term	TCZK			

R.	Indicator	m.u.	2012 HIP	2012 Actual	Actual 2012/ HIP 2012
8	Total repayments of short-term and long-term bank loans for the reported period	TCZK			
9	Total outstanding bank loan balance on the last day of the reported period	TCZK			
10	Repayable short-term loans received from the state budget in the reported period	TCZK			
11	Repayments of repayable short-term loans received from the state budget in the reported period	TCZK			
12	Total unpaid state budget short-term loan balance on the last day of the reported period	TCZK			
13	Loans received in the reported period (e.g. from applicant for a permit pursuant to s. 3 of Act No. 280/1992 Coll.)	TCZK			
14	Loan repayments in the reported period	TCZK	32,532	32,532	100.0
15	Total outstanding loan balance on the last day of the reported period	TCZK			
16	Financial donations and non-repayable subsidies received in the reported period	TCZK			
17	Converted number of employees on the last day of the reported period (rounded to whole numbers)	persons	3,698	3,539	95.7
18	Average converted number of employees (rounded to whole numbers)	persons	3,812	3,710	97.3
19	Calculation of the limit costs for activities pursuant to Decree No. 418/2003 Coll., stipulating in detail the scope and amount of income and expenditure related to public health insurance funds of health insurance companies, the conditions of their creation, use, permissibility of mutual transfers of funds and their management, limit costs of activities of insurance companies covered from the Capital Fund, including the procedure for calculating this limit, as amended (hereinafter the "Decree on Funds") (rounded to two decimal places).	%	3,36	3,37	100.3
20	Allocation base for the calculation of the contribution to the Operation Fund pursuant to s. 7 of the Decree on Funds	TCZK	145,760,000	145,547,452	99.9
21	Maximum limit of the costs of activities calculated from the allocation base pursuant to s. 7 of the Decree on Funds	TCZK	4,897,536	4,904,949	100.2
22	Actual contribution from the CFHI to the Operation Fund in the reported period	TCZK	4,387,376	4,395,533	100.2
<b>III. Payables and receivables</b>					
23	Total payables on the last day of the reported period (do not include the outstanding balances of bank loans, repayable subsidies from the state budget and loans stipulated in rows 9,12 and 15)	TCZK	18,845,000	24,426,236	129.6
23.1	of which: payables to healthcare service providers within the due term	TCZK	18,145,000	23,223,787	128.0
23.2	payables to healthcare service providers past the due term	TCZK		740,362	
23.3	other payables within the due term	TCZK	700,000	462,087	66.0
23.4	other payables past the due term	TCZK			
24	Total receivables on the last day of the reported period	TCZK	25,719,000	24,060,958	93.6
24.1	of which: receivables from premium payers within the due term	TCZK	8,380,000	7,849,565	93.7
24.2	receivables from premium payers past the due term	TCZK	14,619,000	11,094,193	75.9
24.3	receivables from healthcare service providers within the due term	TCZK	1,600,000	2,466,966	154.2
24.4	receivables from healthcare service providers after the due term	TCZK		1,457,372	
24.5	other receivables within the due term	TCZK	1,000,000	1,058,202	105.8
24.6	other receivables past the due term	TCZK	120,000	134,660	112.2
25	Total estimated liabilities – balance on the last day of the reported period	TCZK	1,270,060	3,914,098	308.2
26	Total estimated assets – balance on the last day of the reported period	TCZK	241,556	557,019	230.6
27	Total reserves – balance on the last day of the reported period	TCZK	65,430	121,625	185.9
28	Total adjustments - balance on the last day of the reported period	TCZK	19,040,990	19,774,083	103.9

m.u.	2012 HIP	2012 Actual	Actual 2012/ HIP 2012
<b>Supplementary data to rows 1, 2, 5 and 6.</b>			
to 1.1 of which: insured persons from EU countries	persons	21,000	21,236
to 2.1 of which: insured persons from EU countries	persons	20,500	20,508
to 5 of which: in the Asset Fund (FM)	TCZK		
to 6 of which: in the Asset Fund (FM)	TCZK		

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Note:

Contents of r. 23 shall correspond to Balance Sheet, col. 4 - Liabilities, Section C I. For HIC's comments on any differences see the text part of the Annual Report.

Contents of r. 24 shall correspond to Balance Sheet, col. 4 - Assets, Section E I. For HIC's comments on any differences see the text part of the Annual Report.

## **6.3 INDIVIDUALS INSURED BY THE INSURANCE COMPANY AND THEIR MOVEMENT IN 2012**

### **6.3.1 INSURED PERSONS**

In accordance with the definition in Act No. 48/1997 Coll., participants in public health insurance in 2012 were:

- those with permanent residence in the Czech Republic (regardless of their nationality),
- those who do not have permanent residence in the Czech Republic, but who are employed by an employer based in the Czech Republic, inasmuch as they receive income or emoluments from this employment relationship, pursuant to Section 6 of the Income Tax Act,
- family members of the insured from EU countries undertaking remunerative activities in the CR,
- foreign nationals who have been granted asylum and children born in the CR to mothers who have been granted asylum,
- foreign nationals with a residence permit for the purpose of temporary protection,
- foreign nationals holding a visa for tolerated residence and their children born in the CR,
- foreign nationals enjoying supplementary protection and their children born in the CR,
- applicants for international protection and their children born in the CR.

The Insurance Company insured a total of 6,162,465 people as of 31 December 2012 (59.2% of all public health insurance participants). Of the Insurance Company's insured people, 304,392 were foreign nationals, which is an increase by 5% compared to last year.

Of the number of people insured by the Insurance Company as of 31 December 2012, 3,071,156 were men and 3,091,309 were women.

### **6.3.2 MOVEMENT OF INSURED PERSONS**

During the period between 31 December 2011, when 6,247,532 insured persons were registered, and 31 December 2012, when 6,162,465 were registered, the registered number of the Insurance Company's insured people decreased by 85,067 persons.

Newborn infants and foreign nationals who met the conditions for participation in health insurance in the Czech Republic were included in groups of persons who came to the Insurance Company for reasons other than transfers from another HIC during 2012.

Those leaving the Insurance Company for reasons other than transfers to another HIC included, for example, people who died, those who left the Czech Republic for a continuous period of at least six months or dependents of Czech citizens undertaking remunerative activities (employment, self-employed activity) in another EU country.

As of 31 December 2012 the Insurance Company registered 59,899 persons residing abroad long-term (in accordance with Section 8 (4) of Act No. 48/1997 Coll.), of which 8,727 commenced their long-term stay in 2012. Pursuant to Section 2 (5) of the above law these persons do not pay premiums for the duration of their stay abroad and are entitled neither to the reimbursement of healthcare provided nor to the reimbursement of medicaments.

**Table No. 22 (internal): The age structure of insured persons of the Insurance Company in 2012 compared to the total number of insured persons covered by public health insurance in the CR – situation as of 31 December 2012**

Age group		Males			Females			All insured persons in the CR		
		Total	of which: VZP number	%	Total	of which: VZP number	%	Total	of which: VZP number	%
Row	A	B	C	D	E	F	G	H	I	J
1	0–5 yrs	296,526	153,962	51.9	282,866	146,545	51.8	579,392	300,507	51.9
2	5–10 yrs	267,853	133,070	49.7	253,990	126,026	49.6	521,843	259,096	49.7
3	10–15 yrs	236,135	119,630	50.7	223,247	112,657	50.5	459,382	232,287	50.6
4	15–20 yrs	261,917	144,525	55.2	248,477	134,617	54.2	510,394	279,142	54.7
5	20–25 yrs	332,902	192,913	57.9	315,193	175,954	55.8	648,095	368,867	56.9
6	25–30 yrs	352,715	214,249	60.7	331,375	188,056	56.8	684,090	402,305	58.8
7	30–35 yrs	405,023	244,799	60.4	378,840	204,803	54.1	783,863	449,602	57.4
8	35–40 yrs	472,279	261,437	55.4	444,060	228,124	51.4	916,339	489,561	53.4
9	40–45 yrs	378,515	220,591	58.3	357,268	189,743	53.1	735,783	410,334	55.8
10	45–50 yrs	361,883	218,346	60.3	344,365	191,460	55.6	706,248	409,806	58.0
11	50–55 yrs	319,263	200,202	62.7	311,946	181,750	58.3	631,209	381,952	60.5
12	55–60 yrs	360,422	231,670	64.3	370,054	221,716	59.9	730,476	453,386	62.1
13	60–65 yrs	351,431	228,595	65.0	383,886	236,017	61.5	735,317	464,612	63.2
14	65–70 yrs	290,369	192,592	66.3	345,159	223,129	64.6	635,528	415,721	65.4
15	70–75 yrs	183,084	125,375	68.5	240,840	167,308	69.5	423,924	292,683	69.0
16	75–80 yrs	119,532	86,702	72.5	183,117	139,538	76.2	302,649	226,240	74.8
17	80–85 yrs	84,027	64,790	77.1	154,625	122,744	79.4	238,652	187,534	78.6
18	85–90 yrs	47,354	37,708	79.6	121,359	101,122	83.3	168,713	138,830	82.3
19	Total	5,121,230	3,071,156	60.0	5,290,667	3,091,309	58.4	10,411,897	6,162,465	59.2

## **6.4 EFFECTS OF THE MERGER OF THE INSURANCE COMPANY WITH THE MÉDIA INSURANCE COMPANY AS OF 28 MARCH 2011**

In accordance with section 6 (2) (a) of Act No. 280/1992 Coll., the Média Health Insurance Company and the Insurance Company merged as of 29 March 2011. The Média Insurance Company was dissolved without liquidation and ceased to exist as of the day of its deletion from the Commercial Register on 28 March 2011. The Insurance Company took over the insured persons, employees, assets and liabilities from the Média Insurance Company.

The merger of the Insurance Company with the Média HIC had no significant effect on the management of the Insurance Company in 2012 and no effect on its operations is expected in the following years.

# **COMPLIANCE WITH THE CONDITIONS OF SECTION 18 OF ACT NO. 106/1999 COLL., AS AMENDED**

# **7**



As a statutory institution established by law, the Insurance Company is a mandatory subject with an absolute informative duty under the Freedom of Information Act. In 2012 the Insurance Company settled 36 applications; in one case a decision to reject the application was issued, in one case an appeal against a decision was filed, and in one case the applicant filed a complaint.

In 2012 an applicant filed an appeal, which was assessed as a complaint on the basis of its contents pursuant to section § 16a of Act No. 106/1999 Coll. The applicant did not agree with the scope of the information provided. Decision on the complaint was made in accordance with section 16a (6) (a) of Act No. 106/1999 Coll. to the effect that the procedure adopted by the mandatory subject was confirmed.

# CONCLUSION

# 8



The management of the Insurance Company continued in 2012 in the trend set after the crisis year 2008, where the costs of healthcare exceed the possibilities of the income side of the balance. Thus, attempts to solve the negative balance of the HICF have not been successful so far. The operations were influenced, besides internal savings, also by one-off measures – in 2012 by extraordinary redistribution in the total amount of CZK 3.1 billion and in 2011 by exhausting the SpF funds in the amount of CZK 2.1 billion.

The total income of the HICF in 2012, including the extraordinary redistribution, reached CZK 146.7 billion (excluding internal transfers) and grew year-on-year by 1.6%. After deduction of extraordinary income in 2011 (transfer of CZK 2.1 billion from the SpF) and 2012 (extraordinary redistribution of CZK 3.9 billion), the year-on-year growth was only by 0.4%. In comparison to the pre-crisis year 2008 the total income of the HICF grew in 2012 only by CZK 1.6 billion (excluding extraordinary redistribution and internal transfers) and, e.g., in the case of revenues from the premiums on public health insurance, the collection only this year exceeded the value of 2008 by CZK 285 million. Revenues from premiums after redistribution (including extraordinary redistribution) amounted to CZK 145.2 billion and fell short of payables for healthcare services and costs for operation of the Insurance Company by CZK 1.6 billion.

Payables for healthcare amounted to CZK 143.7 billion in 2012, growing year-on-year by 0.6%. In comparison with 2008, the amount of these costs grew in absolute figures by CZK 14.3 billion in 2012.

Neither savings on operation and investment, nor extraordinary income could cover the deficit. Moreover, in 2012 financial reserves were exhausted and payments to HCFs were delayed, with payables after the due term reaching CZK 740 million as of 31 December 2012. Liabilities to HCFs within the due term reached CZK 23,224 million as of the end of 2012, growing year-on-year by 17.3%. Average daily expenditure of the Insurance Company for healthcare amounted to CZK 390.1 million in 2012. Liabilities to HCFs within the due term as of 31 December 2012, compared to average daily expenditures, (number of days representing payables within the due term) represent almost 60 calendar days. In case of overdue payables to HCFs, it represents almost 2 calendar days.

Other funds were filled in 2012 in accordance with Act No. 551/1991 Coll. and Decree No 418/2003 Coll. by allocations consisting of prescribed payments of mutual claims from the various funds. The Insurance Company did not carry out an allocation to the OF in the maximum amount allowed by Decree No. 418/2003 Coll. and created savings in the amount of CZK 509 million for the benefit of the HICF.

The closing balance of the CA of the HICF as of 31 December 2012 was CZK 123 million, having decreased in comparison with the opening balance by CZK 787 million.

The total balance with respect to the extraordinary redistribution in accordance with the amendment of Act No. 551/1991 Coll. and Act No. 280/1992 Coll. was positive for the Insurance Company and reached the amount of CZK 3,135.4 million. The Insurance Company transferred one-third of the balance of the CA of the HICF as of 31 December 2010 in the amount of CZK 766.3 million to a separate account on 3 January 2012; the total income for the Insurance Company was CZK 3,901.7 million.

Overdue claims against premium payers as of 31 December 2012 amounted to CZK 11,094.2 million and decreased year-on-year by 8.3%. Overdue claims against HCFs amounted to CZK 1,457.4 million, an increase compared to 2011 by CZK 686.9 million.

In 2012, the Insurance Company posted an overall negative result of the HICF of CZK 3.3 billion. For objective reasons it did not manage to fulfil the goal of a balanced outcome set out in the HIP 2012.

# APPENDICES

# 9





**GENERAL HEALTH  
INSURANCE COMPANY  
OF THE CZECH REPUBLIC**

## **RESOLUTION OF THE VZP CR BOARD OF DIRECTORS ON THE ANNUAL REPORT OF VZP CR FOR 2012**

At its session held on 29 April 2013, the VZP CR Board of Directors discussed the draft Annual Report of VZP CR for 2012 and adopted the following resolution:

**The VZP CR Board of Directors approves the submitted Annual Report of VZP CR for 2012.**

Prague, 29 April 2013

Ing. Petr NOSEK  
Chairman of the VZP CR Board of Directors



**GENERAL HEALTH  
INSURANCE COMPANY  
OF THE CZECH REPUBLIC**

## **RESOLUTION OF THE VZP CR SUPERVISORY BOARD ON THE ANNUAL REPORT OF VZP CR FOR 2012**

At its session held on 16 April 2013, the VZP CR Supervisory Board discussed the submitted draft of the Annual Report of VZP CR for 2012, accepted the comments raised by the members of the VZP CR Supervisory Board, and adopted the following resolution:

**The VZP CR Supervisory Board recommends the VZP CR Board of Directors to approve the draft Annual Report of VZP CR for 2012, subject to inclusion of the comments attached.**

Prague, 16 April 2013



Ing. Josef KANTŮREK  
Chairman of the VZP CR Supervisory Board



## Independent Auditor's Report

### To the Board of Directors and the Supervisory Board of the General Health Insurance Company of the Czech Republic

We have audited the financial statements of the General Health Insurance Company of the Czech Republic, Company Id. No. 41197518, registered office at Orlická 4/2020, Prague 3 (hereinafter "Insurance Company") for the year 2012, presented in Chapter 9 of the draft Annual Report, to which we issued the opinion presented in Chapter 9, on 11 March 2013.

We have audited other information stated in the Insurance Company's draft Annual Report for the year 2012 for consistency with the financial statements referred to above. The General Director of the Insurance Company is responsible for the correctness of the draft Annual Report. Our responsibility is to express an opinion on the consistency of the draft Annual Report and the financial statements based on our audit.

#### Auditor's Responsibility

We have conducted our audit in accordance with the International Standards on Auditing and the related application clause issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information included in the draft Annual Report, which also describes facts included in the financial statements, complies in all material respects with the relevant financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, other information presented in the draft Annual Report of the Insurance Company for the year 2012 complies in all material respects with the financial statements mentioned above.

The management of the Insurance Company is responsible for the administration and maintenance of the integrity of the website of the Insurance Company. Our task is not to assess these matters and therefore we bear no responsibility for any changes made to the draft Annual Report after its first publication on the website of the Insurance Company.

23 April 2013

Represented by the Partner

Ing. Petr Kříž FCCA

Statutory auditor, certificate no. 1140

PriceWaterhouseCoopers Audit s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic  
Tel.: +420 251 151 111, fax: +420 252 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)

PriceWaterhouseCoopers Audit s.r.o., registered office at Hvězdova 1734/2c, 140 00 Prague 4, Company Id. No. 40765521, entered in the Commercial Register of the Municipal Court in Prague, Section C, File no. 3637 and on the list of Auditing Companies of the Chamber of Auditors of the Czech Republic under certificate no. 021



## Independent Auditor's Report

**To the Board of Directors and the Supervisory Board of the General Health Insurance Company of the Czech Republic**

We have audited the attached financial statements of the General Health Insurance Company of the Czech Republic, Company Id. No. 41197518, registered office at Orlická 4/2020, Prague 3 (hereinafter "Insurance Company"), i.e. the balance sheet as at 31 December 2012, the profit and loss statement, the statement of changes in equity and the cash flow statement for 2012 and the notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as "Financial Statements").

### **Responsibility of the General Director of the Insurance Company for the Financial Statements**

The General Director is responsible for the preparation of financial statements giving a true and fair view in accordance with the Czech accounting regulations applicable to health insurance companies and for internal controls considered necessary for elaboration of the Financial Statements free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with the Act on Auditors valid in the Czech Republic, International Standards on Auditing and the related application clauses issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation of Financial Statements giving a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Insurance Company as of 31 December 2012, and of the results of operations and cash flow of the Insurance Company for 2012 in accordance with Czech accounting regulations applicable to health insurance companies.

11 March 2013

Represented by the Partner

Ing. Petr Kříž FCCA

Statutory auditor, certificate no. 1140

PriceWaterhouseCoopers Audit s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic  
Tel.: +420 251 151 111, fax: +420 252 156 111, www.pwc.com/cz

PriceWaterhouseCoopers Audit s.r.o., registered office at Hvězdova 1734/2c, 140 00 Prague 4, Company Id. No. 40765521, entered in the Commercial Register of the Municipal Court in Prague, Section C, File no. 3637 and on the list of Auditing Companies of the Chamber of Auditors of the Czech Republic under certificate no. 021

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### Balance Sheet as of 31 December 2012

(TCZK)	Point	31.12.2012			31.12.2011 Previous period	
		Gross amount	Adjustment	Net amount		
<b>ASSETS</b>						
<b>A.</b>	<b>Intangible fixed assets</b>	E.1.1.	<b>2,195,646</b>	<b>1,337,450</b>	<b>858,196</b>	<b>835,608</b>
I.	Intangible fixed assets		1,895,093	1,337,450	557,643	701,046
II.	Tangible fixed assets – work in progress		300,553	0	300,553	134,562
III.	Advances for acquisition of intangible assets		0	0	0	0
<b>B.</b>	<b>Financial placements (investment)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C.</b>	<b>Tangible fixed assets</b>	E.1.2.	<b>5,977,656</b>	<b>2,309,644</b>	<b>3,668,012</b>	<b>4,085,810</b>
I.	<b>Land and buildings</b>		<b>4,329,267</b>	<b>1,138,589</b>	<b>3,190,678</b>	<b>3,315,967</b>
1.	Land		301,313	0	301,313	325,421
2.	Buildings		4,027,954	1,138,589	2,889,365	2,990,546
II.	<b>Movable property</b>		<b>1,551,185</b>	<b>1,171,055</b>	<b>380,130</b>	<b>472,650</b>
1.	Movable property – depreciated		1,550,389	1,171,055	379,334	471,799
2.	Movable property – non-depreciated		796	0	796	851
III.	<b>Tangible fixed assets in progress</b>		<b>96,207</b>	<b>0</b>	<b>96,207</b>	<b>295,896</b>
IV.	<b>Advances for acquisition of tangible assets</b>		<b>997</b>	<b>0</b>	<b>997</b>	<b>1,297</b>
<b>D.</b>	<b>Long-term investments</b>		<b>106,024</b>	<b>0</b>	<b>106,024</b>	<b>106,024</b>
I.	<b>Interests in subsidiaries and associates</b>	E.1.3.	<b>106,024</b>	<b>0</b>	<b>106,024</b>	<b>106,024</b>
1.	Interests with controlling influence		106,024	0	106,024	106,024
2.	Bonds issued by controlled entities and loans to these entities		0	0	0	0
3.	Interests with substantial influence		0	0	0	0
4.	Bonds issued by and loans to undertakings in which the accounting entity has substantial influence		0	0	0	0
II.	<b>Other long-term financial assets</b>	E.1.4.	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1.	Shares and other variable-yield securities, other ownership interests		0	0	0	0
2.	Debt securities		0	0	0	0
3.	Deposits with financial institutions		0	0	0	0
4.	Other long-term financial assets		0	0	0	0
<b>E.</b>	<b>Debtors</b>	E.1.5.	<b>43,835,041</b>	<b>19,774,083</b>	<b>24,060,958</b>	<b>22,967,397</b>
I.	<b>Receivables from public health insurance</b>		<b>43,699,453</b>	<b>19,774,083</b>	<b>23,925,370</b>	<b>22,925,193</b>
1.	Receivables from premium payers		38,515,533	19,571,774	18,943,759	19,961,901
2.	Receivables from healthcare providers		3,518,940	0	3,518,940	1,768,467
3.	Receivables from redistribution of premiums		0	0	0	0
4.	Receivables from public health insurance indemnifications		337,183	202,309	134,874	119,552
5.	Receivables from overpayments to the security fund		0	0	0	0
6.	Receivables from international healthcare contracts		763,958	0	763,958	650,530
7.	Estimated assets		557,019	0	557,019	416,534
8.	Other receivables		6,820	0	6,820	8,209
II.	<b>Other receivables</b>		<b>135,588</b>	<b>0</b>	<b>135,588</b>	<b>42,204</b>
1.	Short-term		130,217	0	130,217	36,856
	of which: from a subsidiary		95,889	0	95,889	1,579
2.	Long-term		5,371	0	5,371	5,348
<b>F.</b>	<b>Other assets</b>		<b>281,601</b>	<b>0</b>	<b>281,601</b>	<b>4,980,763</b>
I.	<b>Inventories</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
II.	<b>Cash in bank accounts and cash in hand</b>		<b>276,949</b>	<b>0</b>	<b>276,949</b>	<b>4,976,554</b>
1.	Special bank accounts		274,831	0	274,831	4,976,553
1.1.	of the Capital Fund		121,634	0	121,634	910,771
1.2.	of the Surplus Fund		12	0	12	257
1.3.	of the Operation Fund		45,635	0	45,635	440,726
1.4.	of the Social Fund		30,627	0	30,627	32,468
1.5.	of the Capital Reproduction Fund		5,216	0	5,216	311,406
1.6.	of the Preventive Fund		3,893	0	3,893	19,388
1.7.	of the Preventive Care Fund		0	0	0	0
1.8.	of the Procurement Fund for Healthcare		0	0	0	0
1.9.	of the Fund for Employee Healthcare Payment by the Employer		0	0	0	0
1.10.	Other bank accounts		67,814	0	67,814	3,261,537
2.	Cash and cash equivalents		2,118	0	2,118	1
III.	<b>Other assets</b>		<b>4,652</b>	<b>0</b>	<b>4,652</b>	<b>4,209</b>
<b>G.</b>	<b>Accruals and deferrals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
I.	<b>Prepaid expenses</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
II.	<b>Deferred income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>			<b>52,395,968</b>	<b>23,421,177</b>	<b>28,974,791</b>	<b>32,975,602</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

**Balance Sheet as of 31 December 2012**

			31.12.2012	31.12.2011	
			Point	Net amount	Previous period
<b>ASSETS</b>					
<b>A.</b>	<b>Equity</b>		E.4.1.	4,426,603	8,323,245
I.	Registered capital		0	0	0
II.	Valuation difference		0	0	0
III.	Other capital funds		6,352,315	6,015,871	
1.	Operation Fund		387,097	2,951	
2.	Social Fund		26,348	34,716	
3.	Asset Fund		4,490,607	4,836,938	
4.	Capital Reproduction Fund		1,113,144	811,188	
5.	Prevention Fund		334,971	329,494	
6.	Preventive Care Fund		0	0	
7.	Procurement Fund for Healthcare		0	0	
8.	Fund for Employee Healthcare Payment by the Employer		0	0	
9.	Other		148	584	
<b>IV.</b>	<b>Other funds from profit</b>		<b>106,024</b>	<b>106,024</b>	
1.	Source of interest in controlled entities		106,024	106,024	
2.	Other funds from profit		0	0	
<b>V.</b>	<b>Public health insurance funds</b>		<b>-2,107,485</b>	<b>2,125,297</b>	
1.	Capital Fund		-4,276,423	130	
2.	Surplus Fund		2,168,938	2,125,167	
<b>VI.</b>	<b>Profit (loss) for the previous years</b>		<b>59,998</b>	<b>68,123</b>	
<b>VII.</b>	<b>Profit (loss) for the current accounting period</b>		<b>15,751</b>	<b>7,930</b>	
<b>B.</b>	<b>Reserves</b>	E.4.1.	121,625	87,397	
<b>C.</b>	<b>Creditors</b>	E.4.2.	24,426,236	24,564,785	
<b>I.</b>	<b>Payables to public health insurance</b>		<b>23,989,007</b>	<b>23,940,095</b>	
1.	Payables to premium payers		40	82	
2.	Payables to healthcare providers		19,883,870	19,580,988	
3.	Payables to redistribution of premiums		0	0	
4.	Payables to security fund		0	0	
5.	Payables to beneficiaries of international healthcare contracts		166,340	224,595	
6.	Estimated liabilities		3,914,098	921,383	
7.	Other payables		24,659	3,213,047	
	of which: special redistribution account payables		0	3,190,841	
<b>II.</b>	<b>Loans secured by bonds, of which:</b>		<b>0</b>	<b>0</b>	
1.	Convertible loans		0	0	
<b>III.</b>	<b>Payables to financial institutions</b>		<b>0</b>	<b>0</b>	
<b>IV.</b>	<b>Other payables</b>		<b>437,229</b>	<b>624,690</b>	
1.	Tax due		17,024	23,426	
2.	Social security and health insurance payables		55,523	69,136	
3.	Other payables		364,682	532,128	
	of which: payables to a subsidiary		13,768	3,763	
<b>D.</b>	<b>Other liabilities</b>		<b>0</b>	<b>0</b>	
<b>E.</b>	<b>Accruals and deferrals</b>		<b>327</b>	<b>175</b>	
<b>I.</b>	<b>Accrued expenses</b>		<b>0</b>	<b>0</b>	
<b>II.</b>	<b>Deferred income</b>		<b>327</b>	<b>175</b>	
<b>TOTAL LIABILITIES</b>			<b>28,974,791</b>	<b>32,975,602</b>	

Identification of the auditor  
PricewaterhouseCoopers Audit, s.r.o.  
Hvězdova 1734/2c  
140 00 Prague 4  
Company Id. No. 40765521, certificate no. 021

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## Profit and Loss Statement for the year ended 31 December 2012

		Point	Base	Subtotal	Result	Base	Subtotal	Result
<b>NON-TECHNICAL ACCOUNT</b>								
1.	Income from financial placements (investments)				11,050			0
	Income from interests – controlled entity				11,050			0
2.	Other income				33,398			40,631
3.	Other expenses				-27,803			-31,513
4.	Income tax	E.2.			-894			-1,188
5.	Profit (loss) after tax				15,690			7,930
6.	<b>Profit (loss) for the accounting period</b>				<b>15,751</b>			<b>7,930</b>

## Cash Flow Statement for the year ended 31 December 2012

		Item	2012	2011
<b>P. Cash balance at the start of the accounting period</b>				
I.	<b>Cash in funds</b>		<b>4,976,554</b>	<b>5,796,432</b>
I.P.	Opening cash balance		4,906,442	5,718,570
I.A.	Income		211,619,035	207,330,587
I.B.	Expenditure		216,316,307	208,142,715
I.F.	Change in the cash balance		-4,697,272	-812,128
I.R.	Cash balance as of the date of interim financial statements or as of the balance sheet date		209,170	4,906,442
II.	<b>Cash for the taxable activity</b>			
II.P.	Cash balance at the start of the accounting period		70,112	77,862
II.A.	Income		301,208	335,017
II.B.	Expenditure		303,541	342,768
II.F.	Change in the cash balance		-2,333	-7,750
II.R.	Cash balance as of the date of interim financial statements or as of the balance sheet date		67,779	70,112
F.	<b>Total change in the cash balance</b>		<b>-4,699,605</b>	<b>-819,878</b>
R.	Cash balance as of the date of interim financial statements or as of the balance sheet date		276,949	4,976,554

## Statement of Changes in Equity for the year ended 31 December 2012

		Item	2011	Increase	Decrease	2012
			Previous period	Increase	Decrease	Current period
A.	Equity		8,323,245	218,289,014	222,185,656	4,426,603
A.I.	Registered capital		0	0	0	0
A.II.	Valuation difference		0	0	0	0
A.III.	Other capital funds		6,015,871	67,810,170	67,473,726	6,352,315
A.IV.	Other funds from profit		106,024	0	0	106,024
A.V.	Public health insurance funds		2,125,297	150,463,093	154,695,875	-2,107,485
A.VI. and A.VII.	Profit (loss)		76,053	15,751	16,055	75,749

		Item	2010	Increase	Decrease	2011
			Previous period	Increase	Decrease	Current period
A.	Equity		17,069,258	207,357,455	216,103,468	8,323,245
A.I.	Registered capital		0	0	0	0
A.II.	Valuation difference		0	0	0	0
A.III.	Other capital funds		6,463,750	60,886,986	61,334,865	6,015,871
A.IV.	Other funds from profit		104,920	1,104	0	106,024
A.V.	Public health insurance funds		10,413,856	146,461,435	154,749,994	2,125,297
A.VI. and A.VII.	Profit (loss)		86,732	7,930	18,609	76,053

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## A. INFORMATION PURSUANT TO ACT NO. 563/1991 COLL., ACCOUNTING ACT, AS AMENDED (HEREINAFTER REFERRED TO AS THE "ACT")

### A.1. INFORMATION PURSUANT TO S. 7 (3) OF THE ACT

The General Insurance Company of the Czech Republic (hereinafter referred to as "Insurance Company") as at the balance sheet date does not have knowledge of any fact that would limit or prevent the Insurance Company in continuing its operations, including operations in the foreseeable future.

### A.2. INFORMATION PURSUANT TO S. 7 (4) OF THE ACT

In the accounting period ended on 31 December 2012 the Insurance Company did not change the structure and identification of items in its primary accounting statements, including contents or valuation thereof.

### A.3. INFORMATION PURSUANT TO S. 7 (5) OF THE ACT

#### A.3.1. General information

The Insurance Company was established by Act No. 551/1991 Coll., on the General Health Insurance Company of the Czech Republic (hereinafter only the "Act on VZP CR"), with effect on 1 January 1992.

The statutory body of the Insurance Company is its General Director. The General Director of the Insurance Company is appointed and recalled by the Board of Directors of the Insurance Company. Other bodies of the Insurance Company are the Board of Directors, the Supervisory Board and the Audit Committee.

The Board of Directors consists of ten members appointed by the Government of the Czech Republic and twenty members elected by the Chamber of Deputies of the Parliament of the Czech Republic, based on the principle of the proportionate representation of the political parties in the Chamber of Deputies of the Parliament of the Czech Republic.

The Supervisory Board consists of three members appointed by the Government of the Czech Republic and ten members elected by the Chamber of Deputies of the Parliament of the Czech Republic, based on the principle of the proportionate representation of the political parties in the Chamber of Deputies of the Parliament of the Czech Republic.

In 2009, on the basis of Act No. 93/2009 Coll., on Auditors, the VZP CR Supervisory Board established the VZP CR Audit Committee. The Audit Committee is composed of three members. The members were appointed by the VZP CR Supervisory Board on 24 September 2009.

Based on the amendment to Act No. 551/1991 on VZP CR, Act No. 298/2011 Coll. the organisational structure of the Insurance Company with effect from 1 December 2011 consists of the Head Office, regional branches and client offices. Regional branches and client offices are organisational units of the Insurance Company, which act and operate on behalf of the Insurance Company. In 2012 the Board of Directors approved new organisational rules of VZP CR, which came into force and effect on 1 July 2012. Six new regional branches were created by mergers.

In accordance with the Act on VZP CR, the main mission of the Insurance Company is to provide general health insurance. In addition to this principal activity, the Insurance Company performs the following activities:

- Procurement and advisory services in business and services
- Leasing residential and non-residential property, including providing services other than basic services
- Purchasing goods for the purpose of resale
- Procurement activities and settlement of insurance claims
- Preventative activities in the public health insurance area

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## A.3.2. Accounting Procedures

### A.3.2.1. Basic bookkeeping principles

The financial statements have been compiled on the principle of historic acquisition cost. Accounts are kept in compliance with Act No. 563/1991 Coll., Accounting Act, as amended, its implementing Decree No. 503/2002 Coll., as amended by Decree No. 445/2009 Coll. issued by the Ministry of Finance of the Czech Republic for health insurance companies (hereinafter referred to as "Decree No. 503/2002") and Czech accounting standards for health insurance companies.

In accordance with the accounting regulations described above, public health insurance transactions are posted to the relevant public health insurance and equity funds and only transactions relating to taxable activities are included in the profit and loss statement.

Amounts in the financial statements and in the appendix are rounded to whole thousands of Czech crowns (TCZK), unless stipulated otherwise. The Insurance Company is not a trading company and therefore, in accordance with the Accounting Act, it does not prepare consolidated financial statements.

### Economic Environment

Due to the continuing economic crisis premium payers are affected by lower liquidity, which has an impact on their ability to repay outstanding premium amounts. Premium collection results shall also be negatively influenced by the increasing unemployment. The lower economic demand and lower labour productivity result in a slowdown of the average wage growth.

These factors inevitably influence the management upon elaborating cash flow prognoses related to collection of the statutory health insurance premiums. In modelling the crisis impacts on the Insurance Company the management had duly taken in account reevaluated estimates of anticipated cash flows.

The Insurance Company invests its available funds solely in deposits with domestic financial institutions.

The Insurance Company as an institution established by the state according to special legislation (Act on VZP CR) guarantees functioning of public health insurance on the territory of the Czech Republic, including the national-wide availability of healthcare services. Its organisational structure has been adapted to the mentioned aim.

According to an amendment of the Act on VZP CR and an amendment to Act No. 280/1992 Coll., on Branch, Industry, Company and Other Health Insurance Companies, effective from 1 December 2011, insurance companies transferred in the beginning of 2012 to a special public health insurance account from the health insurance capital fund an amount equal to one third of the balance recorded on the capital account as of 31 December 2010. The Ministry of Finance of the Czech Republic further transferred from the Security Fund an amount equalling 95% of funds recorded by the fund as of 31 December 2010. The Insurance Company received additional CZK 3.14 billion from this reallocation.

Unlike employee health insurance companies, the Insurance Company is guaranteed by the Act on VZP CR also a possibility to ask after a full drawdown of the reserve fund for a refundable financial aid, to be decided by the government under the terms stipulated by s. 8(3) of the Act on VZP CR. Due to the current development of the Capital Fund and related decrease of the Insurance Company's funds as seen in the cash flow statement, unless the Czech economy recovers substantially or other changes occur in the public health insurance system, necessity of such aid or an alternative solution provided by the State cannot be excluded in near future.

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## **Merger of the Insurance Company and the Média Health Insurance Company**

Based on the provisions of s. 6 of the Act No. 280/1992 Col., on Branch, Industry, Company and Other Health Insurance Companies, as amended, the Média Health Insurance Company (hereinafter referred to as "HIC Média") was dissolved without liquidation by a merger with the Insurance Company on 28 March 2011.

The following accounting balances of HIC Média reported in its irregular financial statements as of 28 March 2011 were transferred to the Insurance Company's accounting books:

<b>Balance of HIC Média as of 28 March 2011</b>		<b>28 March 2011</b>
(TCZK)		Net amount
<b>ASSETS</b>		
A.	Intangible fixed assets	75,861
C.	Tangible fixed assets	26,911
I.	Land and buildings	5,037
II.	Movable property	21,874
E.	Debtors	126,533
I.	Receivables from public health insurance	124,288
II.	Other receivables	2,245
F.	Other assets	77,387
II.	Cash in bank accounts and cash in hand	77,387
<b>TOTAL ASSETS</b>		<b>306,692</b>

<b>Balance of HIC Média as of 28 March 2011</b>		<b>28 March 2011</b>
(TCZK)		Net amount
<b>LIABILITIES</b>		
A.	Equity	29,087
III.	Other capital funds	-69,170
	1. Operation Fund	-158,748
	2. Social Fund	5
	3. Asset Fund	102,772
	4. Capital Reproduction Fund	-13,173
	5. Prevention Fund	-26
V.	Public health insurance funds	98,257
	1. Capital Fund	47,235
	2. Surplus Fund	51,022
C.	Creditors	277,605
I.	Payables to public health insurance	103,083
IV.	Other payables	174,522
<b>TOTAL LIABILITIES</b>		<b>306,692</b>

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### A.3.2.2. Intangible fixed assets

Purchased intangible fixed assets are reported at cost.

Intangible fixed assets shall be amortised during the estimated lifespan thereof by the straight-line method as follows:

Software	4 years on average
Other intangible fixed assets	2–10 years

Intangible assets with acquisition prices not exceeding CZK 60,000 per item are posted as drawings from the Operation Fund upon acquisition.

### A.3.2.3. Tangible fixed assets

Purchased tangible fixed assets are recognized at acquisition cost, which includes acquisition price and expenses related to acquisition of the asset. Tangible fixed assets produced by in-house activities are posted at in-house cost. Assets acquired by donations are recognised at the replacement cost on the date of receipt of the relevant donation.

Tangible fixed assets shall be depreciated during the estimated lifespan thereof by the straight-line method as follows:

Buildings and structures	20–50 years
Machinery and equipment	4–6 years
Furniture and fixtures	10 years on average

Repair and maintenance expenditures related to tangible fixed assets are charged to the Operation Fund directly. Technical improvement of tangible fixed assets shall be capitalized.

Tangible assets with acquisition prices not exceeding CZK 40,000 per item are treated as consumables and posted as drawings from the Operation Fund upon acquisition.

### A.3.2.4. Ownership interest in a company with controlling influence (hereinafter also referred to as a “subsidiary”)

A subsidiary is a company controlled or managed by the Insurance Company.

The ownership interest in the subsidiary is recognised at its acquisition cost. Any value impairment is recognised by creation of an adjusting entry.

### A.3.2.5. Inventory

Purchased inventory items are recognised at acquisition cost. Acquisition cost shall include any expenses related to acquisition of relevant inventory items. The Insurance Company applies the “first in – first out” (FIFO) method to reflect decreases of purchased inventory.

### A.3.2.6. Receivables

Receivables are recognized at nominal values less any adjustments. Adjusting entries are created to receivables from public health insurance, namely for receivables from premium payers and receivables from damage compensation from public health insurance, equal to 5% for each elapsed 90 days after the due term of the respective receivable.

Bad debts are written off into the Capital Fund in accordance with s. 26c of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### A.3.2.7. Premiums and reimbursements of healthcare

Public health insurance premiums and healthcare charges are recognised as accrued credits or debits to/from the Health Insurance Capital Fund posted to equity.

### A.3.2.8. Reserves

In accordance with the accounting regulations for health insurance companies, the Insurance Company creates a reserve for ongoing litigations involving public health insurance. The estimated reserve amount is based on the amount sought in litigation, but does not include cases in which the Insurance Company can be reasonably expected to win the dispute. No reserve is created for any other purpose regarding public health insurance. The reserve is posted as a deduction from the Capital Fund.

### A.3.2.9. Accruals and deferrals

In accordance with the accounting regulations for health insurance companies, the Insurance Company only creates public health insurance asset and liability estimates that are posted as a deduction from the Capital Fund. Estimated assets (including penalties for overdue receivables) are posted on the basis of the expected amount to be recovered. Except for health insurance issues accrual methods are not applied in accordance with accounting regulations for health insurance companies.

### A.3.2.10. Pension schemes

For the purpose of financing the state old-age pension scheme, the Insurance Company contributes regularly to the State Budget. The Insurance Company contributes to the pension schemes of its employees through contributions to independent pension funds by drawing from the Social Fund in accordance with the collective agreement.

### A.3.2.11. Equity

The Insurance Company has no registered capital. The Insurance Company creates the following funds in accordance with the Act on the VZP CR and Decree No. 503/2002 Coll.:

Public health insurance funds:

- Capital Fund
- Surplus Fund

Other capital funds:

- Operation Fund
- Social Fund
- Asset Fund
- Capital Reproduction Fund
- Prevention Fund
- Other
  - Redistribution Fund
  - Fund for the Capital Coverage of the Ownership Interest in the Controlled Entity

Transfers between the above stated accounts not settled as of the book closing date are posted as internal receivables or liabilities of the individual funds and the total sum thereof equals to zero.

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## Capital Fund

The Health Insurance Capital Fund is used to reimburse healthcare covered by public health insurance, for contributions to the Operation Fund to cover the Insurance Company's operating expenses, contributions to other funds and for other payments within the extent stipulated by the implementing legislation. In 2011, in accordance with the health insurance plan 2011, the Insurance Company reduced the limit for contributions for the Operation Fund by 0.5% and left the savings in the Capital Fund for healthcare financing purposes.

In accordance with the health insurance plan 2012 the Insurance Company reduced the limit for contributions for the Operation Fund by 0.35% and left the savings in the Capital Fund for healthcare financing purposes.

## Surplus Fund

The Surplus Fund is created from contributions from premiums transferred as part of the balance of the Capital Fund. According to s. 7 (1)(b) of the Act on VZP CR, the Surplus Fund equals 1.5% of the average annual expenditure from the Insurance Company's Health Insurance Capital Fund over the three immediately preceding calendar years. The Surplus Fund is used by the Insurance Company to cover deficits in the Capital Fund, healthcare in the case of mass epidemics or natural disasters or a significant decrease in premium income that is not caused by the Insurance Company. In accordance with s. 2(5) of Decree No. 418/2003 Coll. as amended, funds were temporarily released from the Capital Fund's bank account in 2011.

## Operation Fund

The Operation Fund is used to cover the operating costs of the Insurance Company.

## Social Fund

The Social Fund is used to cover the cultural, social and other needs of the Insurance Company's employees.

## Asset Fund

The Asset Fund is used to record the book value of tangible and intangible fixed assets. Depreciation and amortisation of tangible and intangible fixed assets, as well as the write-offs of assets, are posted as drawings from this fund.

## Capital Reproduction Fund

The Capital Reproduction Fund is used to accumulate funds for the acquisition of tangible and intangible fixed assets.

## Prevention Fund

The Prevention Fund may be used to cover healthcare above and beyond the limits of healthcare covered by public health insurance with a verifiable preventative, diagnostic or therapeutic effect, if provided to the insured in relation to their existing or pending illness. Funds from the Prevention Fund may also be used to implement preventative healthcare programmes for detecting serious diseases, to support rehabilitation and reconditioning activities demonstrably resulting in improving the health of participants and also to support projects for improving the quality of healthcare, promoting healthy lifestyles or the overall health of the insured.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### Other funds

#### Redistribution Fund

In accordance with ss. 20 and 21 of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, the Insurance Company manages a special general health insurance fund used to finance healthcare fully or partially covered by health insurance on the basis of redistributing premiums and other income of the special fund according to the number of insured, their age structure, gender and cost indexes for age groups of people insured with public health insurance. A supervisory body, established in accordance with ss. 20 and 21 of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, monitors the management of this special fund.

The Insurance Company, as the administrator of the Redistribution Fund, in addition to its own receivables related to this fund, also records all amounts of other receivables, funds and payables related to this fund to other health insurance companies in its balance sheet (A.3.2.1 Basic Bookkeeping Principles, Economic Environment).

#### Fund for the Capital Coverage of the Ownership Interest in the Controlled Entity

This fund was created by the Insurance Company in the amount of the ownership interest in the subsidiary companies Pojišťovna VZP, a.s. and IZIP, a.s. for the purpose of the capital coverage thereof.

### A.3.2.12. Income tax

Income from providing public health insurance is not subject to the Income Tax Act. In accordance with accounting regulations for health insurance companies, the Insurance Company only recognises payable income tax from activities not related to providing public health insurance (taxable activities), while deferred tax is not accounted for.

### A.3.2.13. Non-technical account

Other income in the non-technical account consists of the Insurance Company's income from taxable activities, i.e. activities not connected with providing public health insurance. Other costs include the Insurance Company's costs expended in generating this income, in accordance with an internally determined key (e.g. a proportion of rents and related services).

### A.3.2.14. Subsequent events

The effects of events occurring between the balance sheet date and the date of the financial statements are recognised in the financial records if these events provide supplementary information about facts existing as of the balance sheet date.

If events occurring between the balance sheet date and the date of the financial statements relate to facts occurring after the balance sheet date, the consequences of these events are described in the notes to the financial statements but are not recognised in the accounting reports.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### A.4. INFORMATION PURSUANT TO S. 7 (5) OF THE ACT ON THE BALANCES OF THE OFF-BALANCE SHEET LEDGER ACCOUNTS

(TCZK)	Item no.	Item	Current period	Previous period
<b>P.I.</b>		<b>Assets of the accounting entity</b>	<b>379,602</b>	<b>385,947</b>
1.		Low-value intangible assets	4,226	4,456
2.		Low-value tangible assets	375,294	381,409
3.		Other assets	82	82
<b>P.II.</b>		<b>Receivables and payables written off</b>	<b>12,383,485</b>	<b>10,711,508</b>
1.		Total receivables written off	12,383,485	10,711,508
1.1.		Receivables written off – overdue premium	4,267,353	3,599,022
1.2.		Receivables written off – sanction payments in the public health insurance area (fines, penalties and extras to premiums)	8,056,756	7,075,276
	1.3.	Receivables written off - other	59,376	37,210
2.		Payables written off	0	0
<b>P.III.</b>		<b>Contingent receivables for reason of the use of assets by another party</b>	<b>0</b>	<b>0</b>
1.		Short-term contingent receivables for reason of the use for consideration of assets by another party	0	0
2.		Long-term contingent receivables for reason of the use for consideration of assets by another party	0	0
3.		Short-term contingent receivables for reason of the use of assets by another party pursuant to a borrowing contract	0	0
4.		Long-term contingent receivables for reason of the use of assets by another party pursuant to a borrowing contract	0	0
5.		Short-term contingent receivables for reason of the use of assets by another party for other reasons	0	0
6.		Long-term contingent receivables for reason of the use of assets by another party for other reasons	0	0
<b>P.IV.</b>		<b>Other contingent receivables and other contingent assets</b>	<b>16,302</b>	<b>17,733</b>
1.		Short-term contingent receivables under contracts on the sale of fixed assets	0	0
2.		Long-term contingent receivables under contracts on the sale of fixed assets	0	0
3.		Short-term contingent receivables under other contracts	0	0
4.		Long-term contingent receivables under other contracts	16,302	17,733
5.		Short-term contingent receivables in relation to EU funds	0	0
6.		Long-term contingent receivables in relation to EU funds	0	0
7.		Short-term contingent receivables in relation to other funds	0	0
8.		Long-term contingent receivables in relation to other funds	0	0
9.		Short-term contingent payments of receivables from collateral accepted	0	0
10.		Long-term contingent payments of receivables from collateral accepted	0	0
11.		Short-term contingent receivables from litigation, administrative and other proceedings	0	0
12.		Long-term contingent receivables from litigation, administrative and other proceedings	0	0
13.		Other short-term contingent assets	0	0
14.		Other long-term contingent assets	0	0

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

(TCZK)	Item no.	Item	Current period	Previous period
<b>P.V.</b>		<b>Contingent payables for reason of the use of third-party assets</b>	<b>40,692</b>	<b>26,127</b>
1.		Short-term contingent payables under leasing contracts	0	0
2.		Long-term contingent payables under leasing contracts	40,692	26,127
3.		Short-term contingent payables for reason of the use for consideration of third-party assets on the basis of another reason	0	0
4.		Long-term contingent payables for reason of the use for consideration of third-party assets on the basis of another reason	0	0
5.		Short-term contingent payables for reason of the use of third-party assets pursuant to a borrowing contract	0	0
6.		Long-term contingent payables for reason of the use of third-party assets pursuant to a borrowing contract	0	0
7.		Short-term contingent payables for reason of the use of third-party assets or its assumption for other reasons	0	0
8.		Long-term contingent payables for reason of the use of third-party assets or its assumption for other reasons	0	0
<b>P.VI.</b>		<b>Other contingent payables and other contingent liabilities</b>	<b>1,276,568</b>	<b>1,134,963</b>
1.		Short-term contingent payables under contracts on the acquisition of fixed assets	0	0
2.		Long-term contingent payables under contracts on the acquisition of fixed assets	0	0
3.		Short-term contingent payables under other contracts	0	0
4.		Long-term contingent payables under other contracts	1,276,568	1,134,963
5.		Short-term contingent payables in relation to EU funds	0	0
6.		Long-term contingent payables in relation to EU funds	0	0
7.		Short-term contingent payables from legal regulations and other activities of legislative, executive or judicial powers	0	0
8.		Long-term contingent payables from legal regulations and other activities of legislative, executive or judicial powers	0	0
9.		Short-term contingent payables from collateral provided	0	0
10.		Long-term contingent payables from collateral provided	0	0
11.		Short-term contingent payables from litigation, administrative and other proceedings	0	0
12.		Long-term contingent payables from litigation, administrative and other proceedings	0	0
13.		Other short-term contingent liabilities	0	0
14.		Other long-term contingent liabilities	0	0
<b>P.VII.</b>		<b>Balancing accounts</b>	<b>14,096,649</b>	<b>12,276,278</b>
1.		Balancing account to off-balance sheet accounts	14,096,649	12,276,278

## A.5. INFORMATION PURSUANT TO S. 18 (1)(C) OF THE ACT

Outstanding social security premiums and state employment policy contributions, outstanding public health insurance payables and recognised tax arrears

(TCZK)	Item	31 December 2012	31 December 2011
Outstanding social security premiums and state employment policy contributions		38,549	48,298
Outstanding public health insurance payables		16,974	20,838
Recognised tax liabilities to local tax authorities		17,024	23,426

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012**

### **A.6. INFORMATION PURSUANT TO S. 19 (5)(A) OF THE ACT**

No events have occurred after the balance sheet date that would have a material impact on the financial statements as of 31 December 2012 and require a modification of the posted facts.

### **A.7. INFORMATION PURSUANT TO S. 19 (5)(B) OF THE ACT**

No events have occurred after the balance sheet date that would have a material impact on the financial statements as of 31 December 2012 and require disclosure in the financial statements.

### **A.8. INFORMATION ON CONTINGENCY OF LEGAL EFFECTS OF AN ENTRY INTO THE REAL ESTATE REGISTER – S. 56 (8) OF DECREE NO. 500/2002 COLL.**

As of the book closing date, the Insurance Company does not own assets with contingent legal effects of the entry of legal title in the Real Estate Register.

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E. OTHER SUPPLEMENTARY INFORMATION TO OTHER PARTS OF THE FINANCIAL STATEMENTS

### E.1. SUPPLEMENTARY INFORMATION TO BALANCE SHEET ITEMS

#### E.1.1. Intangible fixed assets

(TCZK)	1 January 2012	Additions /transfers	Disposals	31 December 2012
<b>Acquisition cost</b>				
Software	1,962,049	170,320	-339,453	1,792,916
Other fixed assets	171,847	14,624	-84,296	102,177
Work in progress	134,562	283,524	-117,533	300,553
<b>Total</b>	<b>2,268,458</b>	<b>468,468</b>	<b>-541,280</b>	<b>2,195,646</b>
<b>Accumulated amortisation</b>				
Software	-1,294,176	-311,175	338,231	-1,267,120
Other fixed assets	-138,674	-15,950	84,294	-70,330
<b>Total</b>	<b>-1,432,850</b>	<b>-327,125</b>	<b>422,525</b>	<b>-1,337,450</b>
<b>Net book value</b>	<b>835,608</b>			<b>858,196</b>

(TCZK)	1 January 2011	Additions /transfers	Disposals	31 December 2011
<b>Acquisition cost</b>				
Software	1,611,338	379,916	-29,205	1,962,049
Other fixed assets	152,795	19,052	0	171,847
Work in progress	,161,298	299,672	326,408	134,562
<b>Total</b>	<b>1,925,431</b>	<b>698,640</b>	<b>-355,613</b>	<b>2,268,458</b>
<b>Accumulated amortisation</b>				
Software	-1,036,505	-286,875	29,204	-1,294,176
Other fixed assets	-122,226	-16,448	0	-138,674
<b>Total</b>	<b>-1,158,731</b>	<b>-303,323</b>	<b>29,204</b>	<b>-1,432,850</b>
<b>Net book value</b>	<b>766,700</b>			<b>835,608</b>

#### E.1.2. Tangible fixed assets

(TCZK)	1 January 2012	Additions /transfers	Disposals	31 December 2012
Land	325,421	5	-24,113	301,313
Buildings and structures	4,137,093	216,670	-325,809	4,027,954
Separate movables and sets of movables	1,807,794	100,621	-358,026	1,550,389
Other fixed assets	851	0	-55	796
Work in progress	295,896	166,511	-366,200	96,207
Advances paid	1,297	0	-300	997
<b>Total</b>	<b>6,568,352</b>	<b>483,807</b>	<b>-1,074,503</b>	<b>5,977,656</b>
<b>Accumulated depreciation</b>				
Buildings and structures	-1,146,547	-317,518	325,476	-1,138,589
Separate movables and sets of movables	-1,335,995	-192,900	357,840	-1,171,055
<b>Total</b>	<b>-2,482,542</b>	<b>-510,418</b>	<b>683,316</b>	<b>-2,309,644</b>
<b>Net book value</b>	<b>4,085,810</b>			<b>3,668,012</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

(TCZK)	1 January 2011	Additions /transfers	Disposals	31 December 2011
<b>Acquisition cost</b>				
Land	326,408	0	-987	325,421
Buildings and structures	4,138,718	12,816	-14,441	4,137,093
Separate movables and sets of movables	1,758,533	108,176	-58,915	1,807,794
Other fixed assets	851	0	0	851
Work in progress	202,753	190,697	-97,554	295,896
Advances paid	1,297	0	0	1,297
<b>Total</b>	<b>6,428,560</b>	<b>311,689</b>	<b>-171,897</b>	<b>6,568,352</b>
<b>Accumulated depreciation</b>				
Buildings and structures	-1,063,372	-97,621	14,446	-1,146,547
Separate movables and sets of movables	-1,213,321	-181,805	59,131	-1,335,995
<b>Total</b>	<b>-2,276,693</b>	<b>-279,426</b>	<b>73,577</b>	<b>-2,482,542</b>
<b>Net book value</b>	<b>4,151,867</b>			<b>4,085,810</b>

### E.1.3. Ownership interests in companies with controlling influence

Ownership interests with controlling influence include the ownership interest in Pojišťovna VZP, a.s. with its registered office at Jankovcova 1566/2b, 170 00 Prague 7, which provides travel insurance, health insurance for foreigners and supplementary health insurance, and the ownership interest in IZIP, a.s., registered office at Hvězdova 33, 140 21 Prague 4, specialised in the so-called e-healthcare.

In 2010, the Insurance Company acquired 120 shares of IZIP, a.s. at the total acquisition cost of CZK 120,000 recognised as other long-term financial assets. In 2011, the Insurance Company acquired further 1,104 shares of IZIP, a.s. at the total acquisition cost of CZK 1,104,000 by which the Insurance Company acquired a majority share in this company. Therefore the investment has been re-classified to ownership interests with controlling influence. Based on the mentioned purchase contracts concluded in 2011 the Insurance Company is bound by pre-emptive rights to these shares for the benefit of the seller, under terms and conditions stipulated in the relevant contract.

In 2012, the Insurance Company as the sole shareholder decided to change the number and the nominal value of shares in Pojišťovna VZP, a.s.. The registered capital of Pojišťovna VZP, a.s. has been increased without any subscription of shares, by profits from previous years and current profits of Pojišťovna VZP, a.s. from 2011 amounting in total to CZK 45,200,000. Therefore, the registered capital of Pojišťovna VZP, a.s. (since 25 April 2012) consists of 1,000 shares with nominal values CZK 210,000 per share.

	Number of shares	Nominal value per share (CZK)	Acquisition cost (TCZK)	Book value (TCZK)	Share in registered capital (%)	Profit (loss) (TCZK)	Equity (TCZK)	Income from dividends (TCZK)
<b>31 December 2012</b>								
Pojišťovna VZP, a.s.	1,000	210,000	104,800	104,800	100	39,823*	268,641*	0
IZIP, a.s.	1,224	1,000	1,224	1,224	51	-2,219*	4,360*	0
<b>Total</b>			<b>106,024</b>	<b>106,024</b>				<b>0</b>
<b>31 December 2011</b>								
Pojišťovna VZP, a.s.	1,000	160,000	100,000	100,000				
Pojišťovna VZP, a.s.	30	160,000	4,800	4,800				
Subtotal	1,030		104,800	104,800	100	58,151*	244,374*	0
IZIP, a.s.	1,224	1,000	1,224	1,224	51	-2,793*	6,579*	0
<b>Total</b>			<b>106,024</b>	<b>106,024</b>				<b>0</b>

\* unaudited

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E.1.4. Debtors

**As of 31 December 2012:**

(TCZK)	Receivables from premium payers	Receivables from healthcare providers	Receivables from public health insurance*	Other receivables	Total
Within due term	7,849,565	2,061,568	770,993	135,588	10,817,714
Past due term	30,665,968	1,457,372	336,968	0	32,460,308
<b>Total</b>	<b>38,515,533</b>	<b>3,518,940</b>	<b>1,107,961</b>	<b>135,588</b>	<b>43,278,022</b>
Estimated receivables	0	405,398	151,358	263	557,019
<b>Total incl. estimated receivables</b>	<b>38,515,533</b>	<b>3,924,338</b>	<b>1,259,319</b>	<b>135,851</b>	<b>43,835,041</b>
Adjustments	-19,571,774	0	-202,309	0	-19,774,083
<b>Net receivables</b>	<b>18,943,759</b>	<b>3,924,338</b>	<b>1,057,010</b>	<b>135,851</b>	<b>24,060,958</b>

**As of 31 December 2011:**

(TCZK)	Receivables from premium payers	Receivables from healthcare providers	Receivables from public health insurance*	Other receivables	Total
Within due term	7,865,374	997,972	661,461	42,204	9,567,011
Past due term	30,740,607	770,495	307,232	0	31,818,334
<b>Total</b>	<b>38,605,981</b>	<b>1,768,467</b>	<b>968,693</b>	<b>42,204</b>	<b>41,385,345</b>
Estimated receivables	0	283,657	131,986	891	416,534
<b>Total incl. estimated receivables</b>	<b>38,605,981</b>	<b>2,052,124</b>	<b>1,100,679</b>	<b>43,095</b>	<b>41,801,879</b>
Adjustments	-18,644,080	0	-190,402	0	-18,834,482
<b>Net receivables</b>	<b>19,961,901</b>	<b>2,052,124</b>	<b>910,277</b>	<b>43,095</b>	<b>22,967,397</b>

Other receivables as of 31 December 2012 were short-term and included receivables from Pojišťovna VZP a.s. of CZK 95,889,000 (2011: CZK 1,579,000), primarily for sale of a building and commissions from procurement activities.

Receivables from premium payers past due term (gross amount) can be analysed as follows:

(TCZK)	Within 1 year	1–5 years	More than 5 years	Total
As of 31 December 2012	4,835,072	15,223,877	10,607,019	30,665,968
As of 31 December 2011	5,318,924	15,905,736	9,515,947	30,740,607

The amount of receivables from premium payers is influenced by write-offs of receivables carried out primarily for the following reasons: the payers dissolution without a legal successor; the death of the payer; unsuccessful recovery according to s. 26c of Act No. 592/1992 Coll.; statutory bar; bankruptcy according to Act No. 328/1991 Coll., on Bankruptcy and Composition, and Act No. 182/2006 Coll., on Insolvency and the Methods for Solving it (the Insolvency Act) and decisions to remove harshness according to s. 53a of Act No. 48/1997 Coll., on Public Health Insurance, as amended.

### Estimated receivables

(TCZK)	31 December 2012	31 December 2011
Estimated receivables from premium	91,732	79,993
Estimated receivables from penalties	59,626	51,993
Estimated receivables from billing of healthcare	405,398	283,657
Estimated receivables from – other taxable activity	263	891
<b>Total estimated receivables</b>	<b>557,019</b>	<b>416,534</b>

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### E.2. SUPPLEMENTARY INFORMATION TO THE ITEMS OF THE PROFIT AND LOSS STATEMENT

The tax due was calculated as follows:

(TCZK)		2012	2011
Profit before taxation		16,645	9,118
Non-taxable income		12,641	2,198
Non-tax deductible expenses		1,704	331
Adjustment to net tax base		1,000	1,000
<b>Tax base</b>		<b>4,708</b>	<b>6,251</b>
<b>Income tax due, 19%</b>		<b>894</b>	<b>1,188</b>

### E.3. SUPPLEMENTARY INFORMATION TO THE ITEMS OF THE CASH FLOW STATEMENT

The Insurance Company does not have any supplementary information to the cash flow statements items.

### E.4. SUPPLEMENTARY INFORMATION TO THE ITEMS OF THE CHANGES IN EQUITY STATEMENT

#### E.4.1. Equity

Developments in the funds in 2012 and 2011 can be analysed as follows:

(TCZK)	31 December 2011	Creation	Drawing	31 December 2012
<b>Funds</b>				
Capital Public Health Insurance Fund	130	150,419,322	154,695,875	-4,276,423
Surplus Public Health Insurance Fund	2,125,167	43,771	0	2,168,938
Prevention Fund	329,494	468,314	462,837	334,971
Operation Fund	2,951	4,734,457	4,350,311	387,097
Social Fund	34,716	47,997	56,365	26,348
Capital Reproduction Fund	811,188	864,916	562,960	1,113,144
Asset Fund	4,836,938	508,160	854,491	4,490,607
Other – Redistribution Fund	584	61,186,326	61,186,762	148

(TCZK)	31 December 2010	Creation	Drawing	31 December 2011
<b>Funds</b>				
Capital Public Health Insurance Fund	8,358,512	146,382,814	154,741,196	130
Surplus Public Health Insurance Fund	2,055,344	78,621	8,798	2,125,167
Prevention Fund	217,647	459,247	347,400	329,494
Operation Fund	368,885	4,049,714	4,415,648	2,951
Social Fund	37,033	52,500	54,817	34,716
Capital Reproduction Fund	1,016,791	580,014	785,617	811,188
Asset Fund	4,822,783	700,403	686,248	4,490,607
Other – Redistribution Fund	611	55,045,108	55,045,135	584

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E.4.1.1. Capital Public Health Insurance Fund

(TCZK)	31 December 2012	31 December 2011
Balance of funds – current bank account	121,634	910,771
Cash in hand	1,837	0
Receivables	23,396,399	23,425,932
Payables	-24,317,484	-23,743,636
Estimated assets	556,755	415,643
Estimated liabilities	-3,913,939	-921,183
Reserves for ongoing litigation	-121,625	-87,397
<b>Capital Public Health Insurance Fund</b>	<b>-4,276,423</b>	<b>130</b>
<b>Receivables</b>		
– from premium payers	38,515,533	38,605,981
– from contracted healthcare facilities	3,518,940	1,768,467
– from indemnities and damages	337,183	309,954
– other	770,778	658,739
– adjustments to receivables	-19,774,083	-18,834,482
– internal	28,048	917,273
<b>Total</b>	<b>23,396,399</b>	<b>23,425,932</b>
<b>Payables</b>		
– to contracted healthcare facilities	20,050,211	19,804,396
– other	24,699	23,475
– internal settlement	761	9,340
– internal	4,241,813	3,906,425
<b>Total</b>	<b>24,317,484</b>	<b>23,743,636</b>

(TCZK)	2012	2011
<b>Creation</b>		
Public health insurance premium	95,669,550	95,362,508
of which: estimated items	11,739	13,209
Cash from monthly settlement of redistribution results	51,331,308	47,128,176
<b>Public health insurance premium after redistribution</b>	<b>147,000,858</b>	<b>142,490,684</b>
Penalties, fines and extras to premiums	2,208,441	2,680,007
of which: estimated items	7,632	8,584
Indemnities and damages	316,500	287,663
Interest from Capital Fund management	8,501	15,070
Other receivables	16,812	15,326
Transfers from other funds	190	8,988
Assumption of balances from HIC Média	0	46,714
Receivables from foreign insurance companies	453,509	411,188
Receivables from foreign insurance companies – lump sum	23,723	59,476
Reduced or cancelled adjusting entries to premiums, penalties, fines and extras to premiums	389,822	350,882
Other reduced or cancelled adjusting entries	382	0
Reserves used in the case of lawfully ended litigation	584	16,816
<b>Creation total</b>	<b>150,419,322</b>	<b>146,382,814</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

(TCZK)	2012	2011
<b>Drawing</b>		
Payables for healthcare, including corrections and revisions and payments to other health insurance companies	143,745,533	142,868,845
– payables for the treatment of the given health insurance company's clients abroad	510,586	397,023
– estimated items	2,871,015	78,267
Compulsory contributions to other funds, of which	4,872,601	4,304,064
– into the Surplus Fund	43,771	18,943
– into the Operation Fund	4,395,533	3,863,315
– into the Prevention Fund	433,297	421,806
Receivables written off	3,103,757	3,483,151
Reduction of the Capital Fund by penalties, fines and extras on the basis of decisions to eliminate harshness of the Act	189,761	335,657
Payables arising from the provision of healthcare billed by domestic HCFs for foreign clients, including revision results	452,732	394,786
Payables to foreign insurance companies for lump sum payments	69,388	65,317
Bank fees for the management of the Health Insurance Capital Fund's current account and other fees	131,165	143,344
Exchange rate losses	3	1
Creation of reserves for ongoing litigation	34,812	38,782
Creation of adjusting entries for premiums, penalties, fines and extras to premiums	1,317,515	3,092,635
Creation of other adjustments	12,288	14,614
Extraordinary levy based on amendment to Act No. 298/2011 Coll.	766,320	0
<b>Drawing total</b>	<b>154,695,875</b>	<b>154,741,196</b>

## E.4.1.2. Surplus Public Health Insurance Fund

(TCZK)	31 December 2012	31 December 2011
Balance of funds	12	257
Receivables – internal receivable for the Capital Public Health Insurance Fund (basic allocation)	62,714	18,943
Receivables – internal receivable for the Capital Public Health Insurance Fund	2,106,212	2,105,967
Surplus Public Health Insurance Fund	2,168,938	2,125,167

(TCZK)	2012	2011
<b>Creation</b>		
Transfer from Health Insurance Capital Fund	43,771	18,943
Interest on the Surplus Fund current account	0	8,798
Assumption of balances from HIC Média	0	50,880
<b>Creation total</b>	<b>43,771</b>	<b>78,621</b>
<b>Drawing</b>		
Compulsory transfer of interest from the Surplus Fund current account to the Capital Public Health Insurance Fund	0	8,798
<b>Drawing total</b>	<b>0</b>	<b>8,798</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E.4.1.3. Prevention Fund

(TCZK)	31 December 2012	31 December 2011
Balance of funds – current bank account	3,893	19,388
Cash in hand	92	0
Receivables – internal	380,262	401,955
Receivables – external	139	223
Payables – external	-49,415	-92,072
<b>Prevention Fund</b>	<b>334,971</b>	<b>329,494</b>

(TCZK)	2012	2011
<b>Creation</b>		
Share of the income from fines, extras to premiums and penalties (allocation from the Capital Fund)	433,297	421,806
Interest earned on Prevention Fund bank account	22	32
Assumption of balances from HIC Média	0	-26
Other	91	227
Settlement with insured in relation to preventative programme settling	34,904	37,208
<b>Creation total</b>	<b>468,314</b>	<b>459,247</b>
<b>Drawing</b>		
Prevention programmes	461,761	345,368
Other (banking fees)	1,076	233
Settlement with insured in relation to preventative programme settling	0	1,799
<b>Drawing total</b>	<b>462,837</b>	<b>347,400</b>

## E.4.1.4. Operation Fund

(TCZK)	31 December 2012	31 December 2011
Balance of funds – current account	45,635	440,727
Cash in hand, valuables	77	0
Receivables	1,830,822	1,717,799
Payables	-1,489,437	-2,155,575
<b>Operation Fund</b>	<b>387,097</b>	<b>2,951</b>
<b>Receivables</b>		
– receivables from clients	3,409	3,606
– operating advances paid	5,641	5,760
– from employees	80	130
– other	123,404	29,440
– internal settlement	1,127	9,303
– internal	1,697,161	1,669,560
<b>Total</b>	<b>1,830,822</b>	<b>1,717,799</b>
<b>Payables</b>		
– payables to suppliers	172,310	205,737
– to employees	99,061	123,766
– to health insurance and social security institutions	55,523	69,136
– other	18,862	19,201
– internal	1,143,681	1,737,735
<b>Total</b>	<b>1,489,437</b>	<b>2,155,575</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

(TCZK)	2012	2011
<b>Creation</b>		
Compulsory contribution	4,395,533	3,863,315
Compulsory contribution from the Capital Reproduction Fund of the amount approved by BD	100,000	290,000
Assumption of balances from HIC Média	0	-160,320
Receivables from the sale of tangible and intangible fixed assets	191,777	14,539
Allocation of interest related to the Operation Fund	482	1,397
Contractual fines for violating contractual relationships to healthcare facilities pursuant	20	3
Exchange rate gains	1	4
Other receivables related to the Operation Fund	19,292	15,393
Receivables of the General Health Insurance Company of CR (participation in shared costs)	27,352	25,383
<b>Creation total</b>	<b>4,734,457</b>	<b>4,049,714</b>
<b>Drawing</b>		
Classification of payables of the Insurance Company in the operations area, of which:	4,308,229	4,376,293
– wages, not including other personnel costs	1,586,577	1,731,480
– other personnel costs	18,242	16,613
– employee health insurance	144,037	157,755
– employee social security	394,272	435,022
– remuneration to members of Boards and arbitration bodies	12,086	12,899
– share of payment for International Reimbursement Centre services	13,712	5,793
– exchange rate losses	496	147
– fees	172	206
– liabilities to pay fines and penalties	1,716	480
– share of depreciation of tangible and intangible assets related to the Operation Fund	825,535	577,920
– other payables, of which:	1,311,384	1,437,978
services for developing system information infrastructure	2,965	4,148
Compulsory contribution to the Social Fund	31,731	34,630
Compulsory contribution to the Capital Reproduction Fund of an amount equal to the positive difference between the sales price and net book value	10,351	4,725
<b>Drawing total</b>	<b>4,350,311</b>	<b>4,415,648</b>

### E.4.1.5. Staff Analysis

The average converted number of employees of the Insurance Company in 2012 amounted to 3,710 persons (2011: 4,327 persons). The Insurance Company implements centralisation and reorganisation of internal processes involving headcount reductions, which during 2012 resulted into cancellation of 348 posts (2011: 520 posts).

Wages and other personnel costs per employee reported in the Operation Fund can be analysed as follows:

(TCZK)	2012	2011
Wages and salaries	1,604,819	1,748,093
Social security and health insurance costs	538,309	592,777
Other personnel and social costs	36,994	43,598
<b>Total</b>	<b>2,180,122</b>	<b>2,384,468</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E.4.1.6. Social Fund

(TCZK)	31 December 2012	31 December 2011
Balance of funds	30,627	32,468
Receivables – internal	2,531	10,424
Payables – external	-5,074	-3,421
Payables – internal	-1,736	-4,755
<b>Social Fund</b>	<b>26,348</b>	<b>34,716</b>

(TCZK)	2012	2011
<b>Creation</b>		
Compulsory contribution from the Operation Fund	31,731	34,630
Interest on the Social Fund current account	353	486
Compulsory contribution from profit after tax from taxable activities	15,866	17,315
Assumption of balances from HIC Média	0	5
Repayment of loans to employees	47	64
<b>Creation total</b>	<b>47,997</b>	<b>52,500</b>
<b>Drawing</b>		
Compulsory source reduction, of which:	56,289	54,731
– loans provided	50	60
– other (non-refundable) drawing	56,239	54,671
Banking (postal) fees and charges	76	86
<b>Drawing total</b>	<b>56,365</b>	<b>54,817</b>

## E.4.1.7. Capital Reproduction Fund

(TCZK)	31 December 2012	31 December 2011
Balance of funds	5,216	311,406
Receivables – internal	1,107,928	807,789
Payables – external	0	-18,007
Payables – internal	0	-290,000
<b>Capital Reproduction Fund</b>	<b>1,113,144</b>	<b>811,188</b>

(TCZK)	2012	2011
<b>Creation</b>		
Compulsory contribution from the Operation Fund in the amounts of depreciation and net book value of assets sold	854,491	583,476
Interest on the Capital Reproduction Fund current account	74	4,546
Assumption of balances from HIC Média	0	-13,173
Transfer from the Operation Fund – positive difference between the sales and residual value of sold tangible and intangible fixed assets	10,351	4,725
Other creation	0	440
<b>Creation total</b>	<b>864,916</b>	<b>580,014</b>
<b>Drawing</b>		
Acquisition of tangible and intangible fixed assets, including advances	462,960	495,617
Compulsory contribution to the Operation Fund approved by BD	100,000	290,000
<b>Drawing total</b>	<b>562,960</b>	<b>785,617</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E.4.1.8. Internal receivables and payables

As of 31 December 2012:

(TCZK) Debtor	Creditor								Internal payables total
	Capital Fund	Operation Fund	Social Fund	Capital Reproduction Fund	Asset Fund	Prevention Fund	Surplus Fund	Taxable activity	
Capital Fund	x	1,692,625	0	0	0	380,262	2,168,926	0	4,241,813
Operation Fund	28,048	x	2,531	1,107,930	0	0	0	5,172	1,143,681
Social Fund	0	1299	x	0	0	0	0	437	1,736
Capital Reproduction Fund	0	717		x	0	0	0	0	717
Asset Fund	0	0	0	0	x	0	0	0	0
Prevention Fund	0	0	0	0	0	x	0	0	0
Surplus Fund	0	0	0	0	0	0	x	0	0
Taxable activity	0	2,520	0	0	0	0	0	x	2,520
<b>Internal receivables total</b>	<b>28,048</b>	<b>1,697,161</b>	<b>2,531</b>	<b>1,107,930</b>	<b>0</b>	<b>380,262</b>	<b>2,168,926</b>	<b>5,609</b>	<b>5,390,467</b>

As of 31 December 2011:

(TCZK) Debtor	Creditor								Internal payables total
	Capital Fund	Operation Fund	Social Fund	Capital Reproduction Fund	Asset Fund	Prevention Fund	Surplus Fund	Taxable activity	
Capital Fund	x	1,379,560	0	0	0	401,955	2,124,910	0	3,906,425
Operation Fund	917,273	x	10,424	807,789	0	0	0	2,226	1,737,712
Social Fund	0	0	x	0	0	0	0	4,755	4,755
Capital Reproduction Fund	0	290,000	0	x	0	0	0	0	290,000
Asset Fund	0	0	0	0	x	0	0	0	0
Prevention Fund	0	0	0	0	0	x	0	0	0
Surplus Fund	0	0	0	0	0	0	x	0	0
Taxable activity	0	0	0	0	0	0	0	x	0
<b>Internal receivables total</b>	<b>917,273</b>	<b>1,669,560</b>	<b>10,424</b>	<b>807,789</b>	<b>0</b>	<b>401,955</b>	<b>2,124,910</b>	<b>6,981</b>	<b>5,938,892</b>

## E.4.1.9. Other funds from profit

(TCZK)	31 December 2012	31 December 2011
Source of interest in controlled entities - Pojišťovna VZP, a.s.	104,800	104,800
Source of interest in controlled entities - IZIP, a.s.	1,224	1,224
<b>Total</b>	<b>106,024</b>	<b>106,024</b>

# NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

## E.4.2. Payables

As of 31 December 2012:

(TCZK)	Payables to healthcare providers	Other payables from public health insurance*	Payables to financial institutions	Other Payables	Total
Within due term	19,143,508	191,039	0	437,229	19,771,776
Past due term	740,362	0	0	0	740,362
<b>Total</b>	<b>19,883,870</b>	<b>191,039</b>	<b>0</b>	<b>437,229</b>	<b>20,512,138</b>
Estimated payables	3,913,939	0	0	159	3,914,098
<b>Total payables</b>	<b>23,797,809</b>	<b>191,039</b>	<b>0</b>	<b>437,388</b>	<b>24,426,236</b>

As of 31 December 2011:

(TCZK)	Payables to healthcare providers	Other payables from public health insurance*	Payables to financial institutions	Other Payables	Total
Within due term	19,580,988	3,437,724	0	624,690	23,643,402
Past due term	0	0	0	0	0
<b>Total</b>	<b>19,580,988</b>	<b>3,437,724</b>	<b>0</b>	<b>624,690</b>	<b>23,643,402</b>
Estimated payables	921,183	0	0	200	921,383
<b>Total payables</b>	<b>20,502,171</b>	<b>3,437,724</b>	<b>0</b>	<b>624,890</b>	<b>24,564,785</b>

Other payables are short-term. As of 31 December 2012 the Insurance Company records overdue payables to healthcare providers amounting to CZK 740,362,000 (2011: CZK 0).

Payables were not secured by any property of the Insurance Company. Other receivables as of 31 December 2012 include payables to Pojišťovna VZP a.s., amounting to CZK 1,770,000 (2011: CZK 3,763,000), mainly for collected and untransferred premiums for concluded insurance policies, and payables to IZIP, a.s. amounting to CZK 11,998,000 (2011: CZK 0).

As of 31 December 2012 and 2011 the Insurance Company had no payables to financial institutions.

## Estimated liabilities

(TCZK)	31 December 2012	31 December 2011
Estimated liability items to billing of healthcare	3,713,939	721,183
Estimated liability items on the billing of additional payments and includable additional payments	200,000	200,000
Estimated liability items – other taxable activity	159	200
<b>Estimated liability items total</b>	<b>3,914,098</b>	<b>921,383</b>

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### E.4.3. Reserve for litigation

(TCZK)	2012	2011
As of 1 January	87,397	65,430
Creation	34,812	38,782
Drawing	-584	-16,815
As of 31 December	121,625	87,397

Signature of the accounting unit's  
statutory body:

Ing. Zdeněk Kabátek  
General Director



Person responsible  
for accounting and the financial statements:

Ing. Jan Halama, MBA  
Deputy Economic Director



# **MANNER AND FORM OF PUBLISHING THE 2012 ANNUAL REPORT**

The 2012 Annual Report can be inspected at the Head Office of the Insurance Company, at all Regional Branches and Client Offices. The 2012 Annual Report has been published at the web site of the Insurance Company at [www.vzp.cz](http://www.vzp.cz).

## **ABBREVIATIONS IN THE TEXT AND TABULAR APPENDICES OF THE 2012 ANNUAL REPORT**

AB	Arbitration body
AC	Audit Committee
AMS	Ambulance medical services
ARO	Anaesthesiology-Resuscitation Department
ATC	Anatomic, therapeutic and chemical group according to international classification
B2B	Business to Business
BID	Business identification number
BMD	Bone marrow donor
BT	Board of Trustees
CA	Current account
CM	Casemix (summary of relative weights of cases for defined units and period)
CC	Capitation Centre
CCFP	Combined capitation and fee for service payment
CHCF	Contractual healthcare facility
CIR	Centre for International Reimbursements
CMS JEP	Czech Medical Society of Jan Evangelista Purkyně
CNR	Czech National Council
Coll.	Collection of Acts
CR	Czech Republic
CRF	Capital Reproduction Fund
CRI	Central Register of the Insured
CRKVC	Software module for checking the cost component of IS
CSOB	Československa obchodni banka, a.s.
CSR	Central Stomatological Register
DCIC	Department of chronic intensive care
DL	Debt list
DRG	Payment for diagnostic groups (Diagnosis Related Group)
DRNR	Transport of the injured, sick and women in labour
DT	Day of treatment
EEC	European Economic Community
EEC	Exceptionally expensive care
EHIC	Employee health insurance company
EMS	Emergency Medical Service
EU	European Union
FAMS	First aid medical services
FIC	Follow-up intensive care
GDP	Gross Domestic Product
GP	General Practitioner
GPCY	General Practitioner for children and youth
HCCID	Healthcare control and inspection department
HCF	Healthcare facility
HIC	Health insurance company
HICF	Health Insurance Capital Fund
HIP 2012	Health insurance plan for 2012
ICU	Intensive care unit
IHCF	Inpatient healthcare facility
IMP	Individually made drugs
IN	Insured identification number
INF	Identification number of healthcare facility

INW	Identification number of the workplace
IS	Information system
IVF	In Vitro Fertilization
LIC	Long-term intensive care
LINC	Long-term intensive nursing care
LMS	List of medical services with their point values
LP	Lump-sum payment
LTCH	Long-term care hospital
MD	Medical devices
MF	Ministry of Finance
MH	Ministry of Health
MLSA	Ministry of Labour and Social Affairs
MPD	Mass produced drugs
NASKL	National authorization centre for clinical laboratories
NCB	Nursing care bed
OF	Operation Fund
OHCF	Outpatient healthcare facility
OTA	Other taxable activities
PA	Payment assessment
PCR	Police of the Czech Republic
PP	Point price
PrevF	Prevention Fund
PVZP	Pojištovna VZP, a. s. – a subsidiary of VZP CR
PWTI	Persons without taxable income
RB	Regional branch of the Insurance Company
RCN	Rated capacity number
RTG	Radio diagnostics
RW	Regional workplace of the Insurance Company
SAD	Separately accounted drugs
SAM	Separately accounted medical material
SB	Supervisory Board
SCI	Specialised curative institution
SCO	Supreme Control Office
SEA	Standardization of Economic Agendas
SEP	Self-employed persons
SF	Social Fund
SIDC	State Institute for Drug Control
SMPF	Special medical purpose food
SpF	Surplus Fund
SS	Secondary school student
SSS	Social services sanatorium
TIN	Tax identification number
US	University student
VBD	Voluntary blood donors
VZP CR	General Health Insurance Company of the Czech Republic

## **LEGAL REGULATIONS QUOTED IN THE TEXT AND TABULAR APPENDICES**

Act No. 551/1991 Coll.	Act No. 551/1991 Coll., on the General Health Insurance Company of the Czech Republic, as amended
Act No. 93/2009 Coll.	Act No. 93/2009 Coll., on Auditors and on the Amendment to Certain other Acts (Act on Auditors), as amended
Act No. 592/1992 Coll.	Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended
Act No. 48/1997 Coll.	Act No. 48/1997 Coll., on Public Health Insurance and on the Amendment to Certain other Acts, as amended
Act No. 182/2006 Coll.	Act No. 182/2006 Coll., on Insolvency and the Methods for Solving it (the Insolvency Act), as amended
Act No. 320/2001 Coll.	Act No. 320/2001 Coll., on Financial Control in Public Administration and on the Amendment to Certain other Acts (Act on Financial Control), as amended
Act No. 328/1991 Coll.	Act No. 328/1991 Coll., on Bankruptcy and Composition, as amended
Act No. 563/1991 Coll.	Act No. 563/1991 Coll., on Accounting, as amended
Act No. 106/1999 Coll.	Act No. 106/1999 Coll., on Free Access to Information, as amended
Act No. 280/1992 Coll.	Act No. 280/1992 Coll., on Departmental, Professional, Occupational and Other Health Insurance Companies, as amended
Act No. 298/2011 Coll.	Act No. 298/2011 Coll., amending Act No. 48/1997 Coll., on Public Health Insurance and on the Amendment to Certain other Acts, as amended, and related acts
Decree No. 418/2003 Coll.	Decree No. 418/2003 Coll., stipulating in detail the range and amount of income and expenditure related to public health insurance funds of health insurance companies, the conditions of creating them, use, permissibility of mutual transfers of finances and managing them, limit costs of the activities of insurance companies covered from the Capital Fund, including the procedure for calculating this limit, as amended
Decree No. 500/2002 Coll.	Decree implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are entrepreneurs keeping their books in the double entry accounting
Decree No. 503/2002 Coll.	Decree implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for health insurance companies
Decree No. 58/1997 Coll.	Decree of the Ministry of Health No. 58/1997 Coll., which stipulates an indicative list for balneal care for adults, children and youth
Decree No. 445/2009 Coll.	Decree amending Decree No. 503/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for health insurance companies
Decree No. 425/2011 Coll.	Decree No. 425/2011 Coll., stipulating the point value, amount of reimbursements of healthcare from public health insurance and regulatory restrictions on the volume of healthcare provided from public health insurance for 2012
Decree No. 267/2012 Coll.	Decree No. 267/2012 Coll., which stipulates an indicative list for balneal curative and rehabilitation care for adults, children and youth
Government Resolution No. 307/2012 Coll., on the access to healthcare services in terms of location and time	



**[www.vzp.cz](http://www.vzp.cz)**