



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

ANNUAL REPORT

**OF THE GENERAL HEALTH INSURANCE COMPANY
OF THE CZECH REPUBLIC
FOR 2013**

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Introductory Data

The 2013 Annual Report is submitted by:

GENERAL HEALTH INSURANCE COMPANY OF THE CZECH REPUBLIC

Registered office:

Orlická 4/2020, Prague 3

ID 41197518

ESTABLISHED:

by Act of the Czech National Council No. 551/1991 Coll.,
on the General Health Insurance Company of the Czech Republic,
as 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.

Olbrachtova 1929/62, Prague 4

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The right side of the page features several overlapping blue geometric shapes. These include a large blue rectangle, a blue trapezoid, and a blue parallelogram, all arranged in a way that creates a sense of depth and movement. The shapes are in various shades of blue, from a deep navy to a lighter sky blue.

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Foreword by the General Director
of the Insurance Company



Dear clients and partners,

In 2013, the General Health Insurance Company (VZP) strove to shore up its position as a market leader. To achieve this, the Insurance Company endeavoured to attain the best possible financial results; however, I also see the effort to reinforce our forthcoming and predictable approach to clients as well as to contractual partners and insurance premium payers as no less important. The goal of this effort has been to ensure that VZP continues to be associated with terms such as security, stability and observance of clear and intelligible rules.

Year 2013 was not easy for the healthcare sector. It is unnecessary to reiterate data evidencing the development of the entire economy of the Czech Republic. From the beginning of the year, voices were raised to predict various catastrophic scenarios for VZP. Some predictions even envisioned a loss of CZK 6 billion. This did not happen. Although the General Health Insurance Company really posted a loss last year, its loss was in orders of magnitude lower – CZK 958 million.

The fact that last year's result was eventually better than it seemed possible as late as the autumn stemmed from numerous austerity moves. By putting pressure for the reductions of medication prices, changing the reimbursements of special materials and cutting the operating costs, VZP saved CZK 1.7 billion in 2013. Moreover, none of these measures had any adverse impact on the care provided to clients.

A new instrument that proved to be exceptionally efficient in cutting the medication prices has been the positive listing of medications. Using the principle of generic prescription, this instrument was put in place in March last year. Owing to this, VZP cut the costs of medications by CZK 425 million for 2013.

Reimbursements were also reduced in respect of artificial cardiac pacemakers and cardioverters, with VZP's costs of these materials having fallen by CZK 500 million last year. This had again no impact on the extent of care provided. We could give more examples like that.

Last year, VZP's Operation Fund was reduced by CZK 600 million, and CZK 200 million was saved owing to tendering procedures. These led to significant reductions in ICT expenditure in particular, with this trend to influence also the years to come. All of the money saved was allocated to cover healthcare.

Another important indicator, which will be certainly appreciated the most by VZP's contractual partners, is that the Insurance Company settled its payables within the agreed deadlines virtually throughout last year. Hence the warning predictions threatening that all money for healthcare would be used up by the autumn and that the Insurance Company would stop paying healthcare facilities entirely or its payments would be significantly delayed did not materialise either.

An improvement in the predictability of VZP's activities was also essential for its contractual partners. At the very beginning of the year, the situation regarding contracts with hospitals calmed down. The new contracts were designed in such a way as to be acceptable for both contracting parties and to maintain the high quality and availability of care to clients.

In subsequent months, VZP strengthened its cooperation with the Czech Medical Chamber. One of the outcomes has been that, for the first time ever, the Insurance Company guarantees to enter into contracts of indefinite duration with outpatient specialists. I am frankly delighted that, owing to these and many other moves, our partners could make sure of our seriousness and of the benefits of their cooperation with VZP.

In 2013, the General Health Insurance Company continued to make efforts to keep and, preferably, to increase the number of persons insured with it. In doing so, it also used numerous marketing activities, some of the most successful of which included the offer of a financial contribution for influenza vaccination, a financial contribution for mammography and some other similar events.

However, our efforts did not always consist of financial contributions only – the Insurance Company also strove to build a more friendly image by establishing kids corners in tens of its branches, by newly allowing the Internet booking of a visit to some of its offices, or by launching the SMS and e-mail alerts to scatterbrained clients, who forgot to make a single payment of insurance premium. All of that received a highly positive response from those insured and helped build up the VZP brand.

Not even in 2013 did the Insurance Company avoid certain negative affairs, mostly stemming from its past. Some of those where the solution required the greatest attention and that had the greatest impact on VZP's image in the public included the cooperation with IZIP and the situation regarding the Proton Centre in Prague. Both of them are highly complicated legal issues; nevertheless, I hope they are going to be resolved successfully. However, the proton therapy is also a problem with strong ethical and medical implications. In this case, VZP strictly follows recommendations from the Society for Radiation Oncology, Biology and Physics, and I am pleased that an overwhelming majority of expert community supports these efforts. After all, it is VZP that guarantees even the most expensive care in the Czech Republic, providing such care to all of its clients who really need it.

In conclusion, I would like to thank all of those who worked with VZP in 2013, who tried to improve its operations in any way and to provide its clients with the best and most affordable care possible. Naturally, I also thank our clients, whose trust is for me – and I believe that also for all of my colleagues – a commitment to continue to do our utmost for their health, well-being and satisfaction this year.


Zdeněk Kabátek

Governing Bodies of the Insurance Company

In accordance with Act No. 551/1991 Coll., the Insurance Company had the following bodies in 2013: the Board of Directors of the Insurance Company and the Supervisory Board of the Insurance Company. Under Act No. 93/2009 Coll., the Supervisory Board established the Audit Committee of the Insurance Company.

3.1 | Board of Directors

In 2013, the Board of Directors had the following structure and members:

Chairperson:

Ing. Petr NOSEK

Vice Chairperson:

MUDr. Jiří BĚHOUNEK

Members:

nominated by the Government of the Czech Republic:

Ing. Jarmila FUCHSOVÁ
Ing. David HAVLÍČEK
Zdeněk KADLEC
Ing. Petr NOSEK
MUDr. Ferdinand POLÁK, Ph.D.
Ing. Helena RÖGNEROVÁ
Mgr. Josef SLOVÁK
Mgr. Zdeněk ZAJÍČEK
MUDr. Petr ZIMMERMANN
PhDr. Marek ŽENÍŠEK, Ph.D.

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
PharmDr. Jiří SKALICKÝ, Ph.D.
MUDr. Michal SOJKA
Bc. Marek ŠNAJDR
MUDr. Boris ŠŤASTNÝ
Petr TLUCHOŘ

In 2013, a total of 11 meetings of the Board of Directors were held.

3.2 | Supervisory Board

In 2013, the Supervisory Board had the following structure and members:

Chairperson:	Ing. Josef KANTŮREK
Vice Chairperson:	Mgr. Martin PLÍŠEK
Members:	
nominated by the Government of the Czech Republic:	Ing. Marie HERANOVÁ MUDr. Tomáš JULÍNEK, MBA (until 20 April) Ing. Luisa PETRÁKOVÁ (since 31 July) Mgr. Martin PLÍŠEK
elected by the Chamber of Deputies:	MUDr. Martin GREGORA MUDr. Michal JANEK Ing. Josef KANTŮREK Zdeněk MARŠÍČEK PhDr. Lenka MAZUCHOVÁ, MBA MUDr. Dagmar MOLENDOVÁ PaedDr. Josef NOVOTNÝ MUDr. Vladimír ŘIHÁK Mgr. Tomáš ÚLEHLA Ing. Radim VYSLOUŽIL

In 2013, a total of 5 meetings of the Supervisory Board were held.

3.3 | Arbitration Body

In 2013, the Arbitration Body had the following structure and members:

Chairperson:	JUDr. Hana HYNKOVÁ Representative of the Insurance Company
Vice Chairperson:	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 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. Radko ČESENK
for the Ministry of Finance:	Ing. Květuše SRNOVÁ
for the Ministry of Labour and Social Affairs:	Ing. Květoslava CIMLEROVÁ

In 2013, a total of 22 meetings of the Arbitration Body were held.

3.4 | Audit Committee

In 2013, the Audit Committee had the following structure and members:

Chairperson: Ing. Martin FASSMANN

Members: Ing. Josef KANTŮREK
Ing. Květuše SRNOVÁ

In 2013, a total of 6 meetings of the Audit Committee were held.

Activities of the Insurance Company

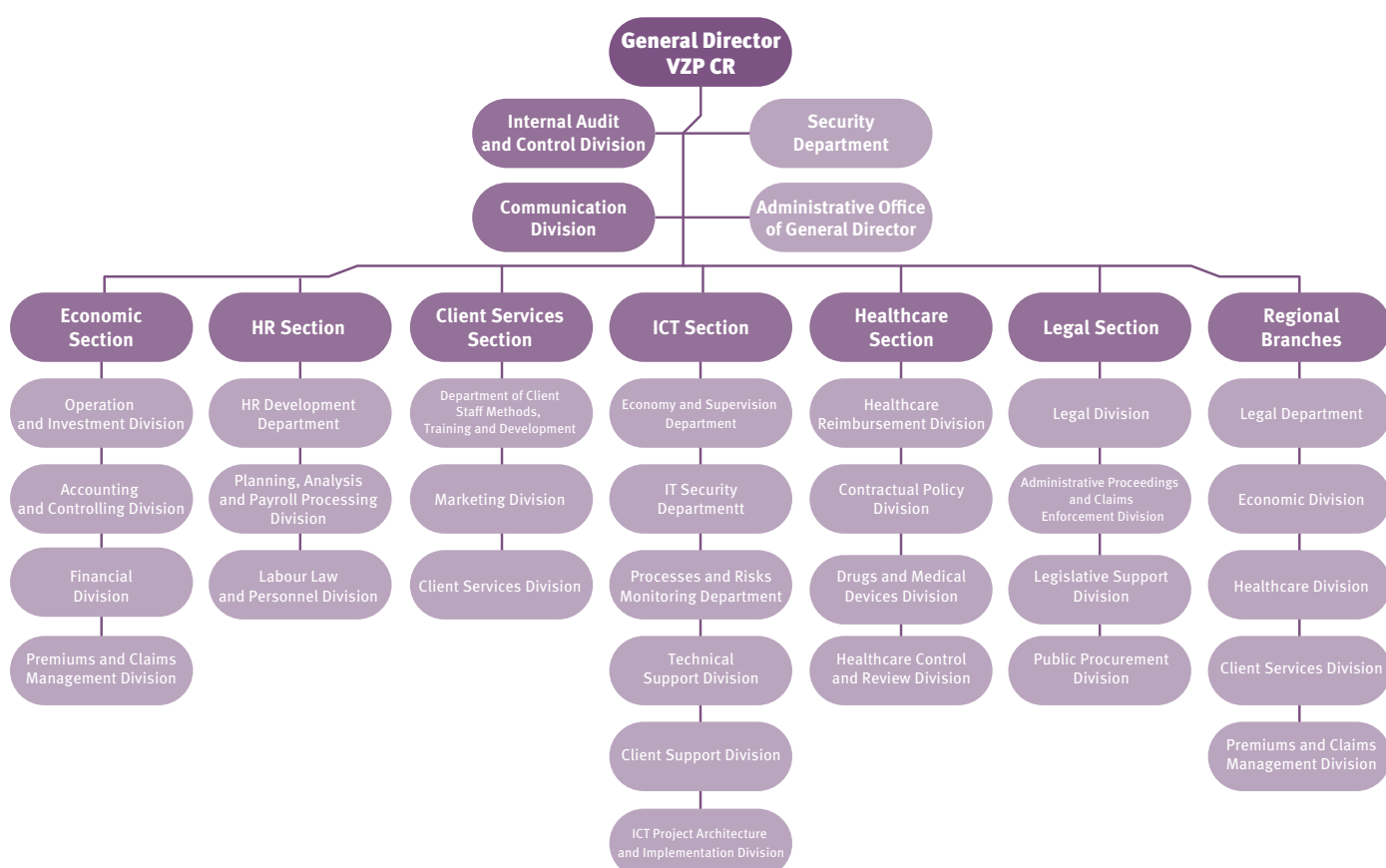
4.1 | Organisational Structure

The organisational structure of the Insurance Company consists of its Head Office, regional branches (RB) and client offices. In 2013, the Insurance Company continued to optimise its organisational structure, with the aim of increasing the work efficiency of all of its units. The key changes include the establishment of the Legal Section of the Head Office, the cancellation of the Premiums and Claims Management Section, whose Premiums and Claims Management Division was integrated into the Economic Section of the Head Office and Administrative Proceedings and Claims Enforcement Division was transferred to the Legal Section. The Office of the Director of the General Health Insurance Company of the Czech Republic was cancelled whereas the Commercial and Legal Division was transferred to the new Legal Section.

The Insurance Company is the sole shareholder of 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 carries out insurance activities in the non-life insurance sector – specifically contractual health insurance. PVZP specialises in insuring those who do not qualify for participation in the public health insurance system, as well as in providing the insurance cover for healthcare costs not covered by public health insurance, notably the costs of treatment incurred by clients when abroad.

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

Organisational chart as of 31 December 2013:



4.2 | Information System

In 2013, the Insurance Company's IS went through the stabilisation and optimisation of its centralised applications and components, built on the principle of component architecture and run on HP Unix, Oracle DB, Oracle Forms and Reports, Oracle SOA Suite. These technologies provide for a robust and highly available environment, which meets the Insurance Company's requirements for services provided to its partners and determined by type of activity.

In accordance with legal modifications to the 2013 public health insurance, all necessary changes were made. Following the ongoing coordination of social security systems and the promotion of national as well as international electronic communication in the context of health insurance within EU countries, the first stage of linking the Insurance Company's centralised IS with the IS Access Point of CIR, which serves as a liaison point responsible for the management of business processes and the provision of data transfers between the Insurance Company and other social security systems within the EU, was completed in 2013.

With Act No. 111/2009 Coll. taking effect, the Insurance Company's IS and the state-operated IS of basic registers were linked in 2013, with the Insurance Company thus having successfully involved in the process of computerisation of public administration. Owing to this, the Insurance Company clients will see a reduction of bureaucracy, notably by minimising their need to provide data to individual institutions repeatedly.

The Insurance Company's client-oriented intentions and efforts to streamline its prevention services led to the establishment of centralised records of applications and contributions paid out to clients of the Insurance Company, integrated with registration and accounting modules of the IS.

To ensure that the IS efficiently develops in the years to come, the "ICT Strategy for the General Health Insurance Company of the Czech Republic until 2017" was prepared in late 2013. It defines guidelines for using the latest ICT trends towards the directed reduction of IS costs. The strategy defines priority development activities until 2017, including their timetable. This primarily includes a generational renewal of the infrastructure of data centres and a design of a new application platform and architecture of the IS.

Electronic communication in the Insurance Company's Portal and B2B channel continued to increase in 2013, with the number of messages in the Portal and B2B having increased by more than 10%. This trend was primarily evident in the communication with healthcare facilities, employers and court distrainers. In addition, full electronic communication with healthcare facilities about contractual policy – the preparation and approval of Annex 2 to the Contract for the Provision and Reimbursement of Healthcare Services – was set up in 2013.

To streamline processes within ICT, competence centres were established, being more capable of taking care of the communication within ICT and, as of 1 January 2014, a new organisational structure of ICT Section was prepared.

4.3 | Control and the Control System

The control system at the Insurance Company includes two fundamental segments. The first of them is the internal control system, which is governed by Act No. 320/2001 Coll. and Decree No. 16/2004 Coll., which implements

this Act. The internal control system consists of checks conducted by managerial staff of the Insurance Company as well as activities conducted by the Internal Audit and Control Division of the Insurance Company, which includes the Internal Audit Department and the Control Department. The Internal Audit and Control Division is directly subordinated to the General 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 of the Insurance Company.

The second fundamental segment of the control system is targeted outside the Insurance Company and is composed of systems to control insurance premium payers pursuant to Act No. 592/1992 Coll., and to carry out inspections and reviews among healthcare facilities with a focus on the use and provision of healthcare services covered by public health insurance and implemented pursuant to Act No. 48/1997 Coll.

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

The Supreme Audit Office is authorised by law to do external control activities.

The Insurance Company's activities 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 | Inspections by external monitoring bodies

An inspection by external monitoring bodies, namely by the District Labour Inspectorates for the Plzeň and Karlovy Vary Regions, was carried out at the Insurance Company in 2013. The inspection carried out at the Plzeň RB concerned compliance with labour law regulations and payroll regulations. No shortcoming was found.

4.3.2 | Inspections by internal monitoring bodies and activities of the arbitration body

The Control Department carries out internal inspections across the Insurance Company as a whole. These inspections are internal rather than public administration inspections, since regional branches of the Insurance Company and their client offices are part of the Insurance Company as a single public administration body, and are not separate public administration bodies.

Inspection activities of the Control Department were subject to an annual plan in 2013. A total of 31 inspections were carried out, 26 of which were planned inspections, 4 were extraordinary inspections and 1 was a control examination. Under Act No. 320/2001 Coll., these were subsequent management inspections.

The inspections carried out primarily focused on operations (selling the unnecessary and unusable immovable property, financial controls, circulation of accounting documents), on collection of insurance premiums and management of receivables (performance of tax distraints, observance of the registry service rules and conditions) and on payment for healthcare (contractual relationships with healthcare facilities, payments for medicinal products at centres, management of receivables due from healthcare facilities, observance of rules in allowing payments pursuant to Section 16 of Act No. 48/1997 Coll.). Based on the findings identified in the inspections performed, a total of 73 remedial actions to eliminate the deficiencies found were prescribed and taken.

The individual inspection reports were submitted to the General Director and the Audit Committee of the Insurance Company. These reports contained the conclusions of the inspections, including the prescription of remedial actions stipulated as a follow-up to the individual findings, which were discussed and accepted by managers of the units subject to inspection. The implementation of the remedial actions taken was monitored on an ongoing basis during the year, and the monitoring was submitted to the Management, the Audit Committee and the Supervisory Board of the Insurance Company.

The Control Department also examines submissions from insured persons, insurance premium payers and healthcare facilities. In 2013, the Control Department dealt with a total of 492 submissions. The submissions predominantly concerned healthcare provision, collection of premiums, enforcement of outstanding premiums and penalties, and the Insurance Company's contractual policy.

A total of 16 submissions (i.e. 3.2%) were found to be justified and 6 submissions (i.e. 1.2 %) were found to be partially justified. These cases included, inter alia, a submission in respect of incorrectly settled premiums, failure to provide information pursuant to Act No. 106/1999 Coll. within the statutory deadline, unprofessional and unethical approach to clients. Appropriate remedial actions were taken where the submissions were justified or partially justified.

Of the above number of submissions, investigations were conducted on the basis of requests by the MH (a total of 3) and the Public Defender of Rights (a total of 21). These requests applied to the provision of healthcare, change of registration with a health insurance company, billing of outstanding premiums and penalties, healthcare reporting and billing, insurance duration in connection with failure to award pensions (orphan's, widow's and invalidity pensions), etc.

An important form of internal control in the assessment of outstanding premiums, penalties, fines, additional premiums, as well as in the decisions to remove the harshness of penalties is provided by the AB as part of its decision-making activities.

The AB held 22 working meetings in 2013 and, as part of appellate administrative proceedings and proceedings to remove harshness, it dealt with a total of 3,882 submissions from premium payers. The institute of removing harshness, as provided in Section 53a of Act No. 48/1997 Coll., was used by the AB in 3,219 cases, with penalties waived totalling CZK 80,558 thousand. RBs of the Insurance Company, which decide on waiving the penalties of up to CZK 20,000, issued a total of 32,166 decisions in 2013, waiving penalties totalling CZK 73,899 thousand.

AB's decisions are reviewable by administrative courts. In 2013, insurance premium payers brought 5 administrative actions and 2 appeals in cassation against AB's decisions. No fundamental court decision that would serve as the basis for a modification of the internal decision-making methods of enforcing outstanding premiums for public health insurance was issued.

4.3.3 | Focus of the internal audit

In 2013, the internal audit activities were subject to the annual internal audit plan, which was based on the Medium-Term Internal Audit Plan of the Insurance Company for 2013-2017, prepared on the basis of a risk analysis for the individual activity areas of the Insurance Company.

The Internal Audit Plan for 2013 was achieved. A total of 10 planned audits were conducted. Under Act No. 320/2001 Coll., these included 7 performance audits, 1 system audit, 1 financial audit and 1 compliance audit. Extraordinary audits were not requested during 2013.

These audits focused on financial controls, public procurement, payments (both cash and non-cash) and on the formation and use of the PrevF. In addition, the internal audit reviewed the conclusion of contracts and amendments with healthcare facilities as well as payments for the provided covered services. Other areas reviewed by the internal audit included the management of receivables due from premium payers and the management of the register of insured persons and premium payers. Attention was also paid to the process of assigning access authorisations to the centralised IS of the Insurance Company.

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

Furthermore, the audits reviewed the appropriateness and efficiency of the internal control system, as well as the economy, effectiveness and purposefulness of the operations and activities carried out. The individual audits reviewed the validity of information on the activities and results of the Insurance Company for managing the Insurance Company, including the information submitted to the Board of Directors, the Supervisory Board and the Audit Committee of the Insurance Company.

Based on the findings identified in the planned audits conducted, a total of 47 remedial actions to eliminate the deficiencies found were prescribed and taken.

The audit reports were submitted to the General Director, the Audit Committee and the Supervisory Board of the Insurance Company. These reports contained the conclusions of the audits, including the prescription of remedial actions stipulated as a follow-up to the individual findings, which were discussed and accepted by managers of the units subject to audit.

Internal audit activities included the quarterly monitoring of the implementation of remedial actions and recommendations ensuing from the conclusions of previous audits, with the monitoring being submitted to the Management, the Audit Committee and the Supervisory Board of the Insurance Company.

The internal audit also provided consultation and advisory services across the Insurance Company in 2013.

4.3.4 | Inspections of premium payers

The Insurance Company's inspection activities were based on regular inspections carried out according to an inspection plan. In addition to regular inspections, extraordinary inspections were also performed as a result of special tasks built in the IS, which searched out those premium payers who failed to observe statutory due dates 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 payer.

Failure to submit overviews of the sum of advance payments, income and expenditure even after being requested to do so was another criterion to make such premium payers subject to a physical inspection. Last but not least, information on a possible dissolution of the payer, strong variations in premium payments or a declaration of bankruptcy etc. were further instigations to carry out an inspection.

Checks on premium payments among individual payers, i.e. self-employed persons, where the monthly premium receivables ensue from the annual overviews of the sum of advance payments, income and expenditure submitted to the Insurance Company after filing their tax returns, and among persons with no taxable income, where the receivables ensue directly from law, were mostly conducted as premium settlements on the basis of data collected from the Insurance Company's IS. Physical inspections of self-employed persons' accounting documents are only carried out in specific cases.

The core inspection activity of the Insurance Company included the checks that premiums were paid, as provided in Section 22 of Act No. 592/1992 Coll., performed as physical inspections of the premium payers' documents. In 2013, as part of their inspection activities, specialised auditors at regional branches of the Insurance Company performed 67,479 inspections of premium payments for public health insurance and of the fulfilment of other premium payers' obligations, of which 67,506 were inspections among group premium payers, the registered number of whom as of 31 December 2013 was 223,442 payers, and 27 inspections were conducted among individual premium payers.

During the inspections in 2013, debts in premiums were found in 19,445 cases and penalties were assessed in 24,369 cases. The most frequent inspection findings included delays in premium payments due to the payer's lack of money to pay them. Inspection findings relating to erroneous premium calculation, breaches of the notification obligation by premium payers and the obligation to send occupational injury records only occur rarely, due to a regular and coherent inspection system.

Results of the inspections led to the subsequent enforcement of outstanding premiums and/or penalties. If the payer failed to pay the outstanding premiums or penalties according to the inspection record or after receiving the statement of premiums, the regional branches of the Insurance Company issued payment assessments (PAs) in their administrative proceedings or, where applicable, arrears statements (ASs) without administrative proceedings. In their administrative proceedings, the regional branches of the Insurance Company also used the PAs to levy fines for breaching the notification obligation, for failing to submit documents for inspection, failing to submit annual overviews of the sum of advance payments, income and expenditure of SEPs, failing to submit monthly employer reports, or for breaching the employer's obligation to send occupational injury records to the Insurance Company.

In 2013, regional branches of the Insurance Company issued 13,882 payment assessments for outstanding premiums, 14,828 payment assessments for penalties and 19 payment assessments for fines. In addition, they issued 88,401 arrears statements for outstanding premiums and 109,075 arrears statements for penalties (these PAs and ASs were issued not only as a result of inspections carried out directly on payers' premises). Overviews of the amounts of outstanding premiums, penalties and fines required and paid in 2013, based on the PAs and ASs issued, are shown in Tables No. 1 and No. 2.

Table No. 1 (internal): Amounts of outstanding premiums, penalties and fines paid in 2013 (in thousands of CZK)

PA	Required	Paid	%
Outstanding premiums	371 161	380 387	102,5
Penalties, fines	290 679	283 048	97,4
Total	661 840	663 436	100,2

Table No. 2 (internal): Amounts of outstanding premiums and penalties paid in 2013 (in thousands of CZK)

AS	Required	Paid	%
Outstanding premiums	2 703 103	1 393 654	51,6
Penalties	1 788 336	372 561	20,8
Total	4 491 439	1 766 216	39,3

Evaluation of the effectiveness of using arrears statements for outstanding premiums as opposed to issuing a payment assessment

Arrears statements, where administrative proceedings need not be initiated, are primarily used in regulating lower and indisputable amounts outstanding. By contrast, payment assessments, which require the initiation of administrative proceedings, are used in regulating higher amounts outstanding. In 2013, the payment effectiveness of payment assessments was 100 % (percentage of settled payment assessments of the amounts

required), while the effectiveness of payments based on arrears statements was 39 %. If the debtor has no money available, there is no way to secure the payment of the debts. Payment assessments and arrears statements are instruments that can only secure the payment when the debtor's solvency is restored. Otherwise, the debt is registered as a receivable until it is written off.

4.3.5 | Write-offs of outstanding premiums

In 2013, unenforceable receivables due from premium payers were written off as provided in Section 26c of Act No. 592/1992 Coll. and in the methodical guideline that generally governs the write-off of all Insurance Company's receivables. Write-offs of premiums, penalties, fines and additional premiums are an important 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 additional premiums in 2013**
(in thousands of CZK)

Write-offs	Premiums		Penalties		Fines and extras		Total
	Write-off	Forfeiture	Write-off	Forfeiture	Write-off	Forfeiture	
Employers	495 695	2 148	1 415 777	196 216	8 800	118	
Self-employed	439 775	55 663					
Write-offs, total	935 470		1 415 777		8 800		2 360 047
Forfeiture, total		57 811		196 216		118	254 145
Write-offs and forfeiture, total		993 281		1 611 993		8 918	2 614 192
Of which: "Public Support"							158 122

The main reasons for writing off outstanding premiums in 2013, according to applicable methods, included in particular: the payer's dissolution without a legal successor, the payer's death, unsuccessful enforcement pursuant to Section 26c of Act No. 592/1992 Coll., statute of limitation, removal of harshness, bankruptcies pursuant to Act No 328/1991 Coll. and Act No. 182/2006 Coll. Write-offs and, in particular, statute of limitation occur more often in respect of receivables due from self-employed persons. It is far more common that the securing and enforcement of the debt involves greater costs than the debt is worth.

In accordance with EU legislation, the Insurance Company monitored decisions to waive penalties in order 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 2013 was CZK 12,900,931 thousand.

The indicator "Write-offs of receivables pursuant to Section 1(5) of the Decree on Funds", amounting to CZK 2,630,744 thousand, shown in Table No. 9 HICF, specifies the write-offs of receivables, including the write-offs of receivables based on damage compensations and unauthorised billing by healthcare institutions.

4.3.6 | Assessing the fulfilment of the notification obligation by employers

The cases where employers failed to submit their overviews in time continued to decrease in 2013. If the employer does not submit its overview even after being requested to do so or if the overview is repeatedly submitted after the deadline, the Insurance Company uses the institute of probable premium amounts or determines the receivable by conducting an inspection of the payer. In view of the penalties associated with such a procedure, the number of those cases declined to a negligible level of less than 1% for 2013.

4.3.7 | Creation of value adjustments pertaining to individual funds

The Insurance Company created value adjustments against the HICF for public health insurance receivables in 2013. Pursuant to Section 21(2) of Decree No. 503/2002 Coll., as amended by Decree No. 445/2009 Coll., the value adjustments are created at the level of 5% for each 90 days after the due date of the receivable. As of 31 December 2013, value adjustments totalled CZK 20,751 million.

From 2014, the Insurance Company will create value adjustments for buildings in respect of which active negotiations to sell them are in progress.

4.4 | Health Policy and Review Activities

4.4.1 | Health policy

Reimbursement mechanisms used in individual healthcare segments in 2013, including the application of regulatory mechanisms

In 2013, the reimbursement of healthcare in all segments was implemented mainly in accordance with Decree of MH No. 475/2012 Coll. (hereinafter the “Reimbursement Decree”), with 2011 as the reference period. In certain healthcare segments, the reimbursement mechanisms were used in 2013 on the basis of agreements reached under the Conciliatory Proceedings in respect of the point value and the amount of reimbursements for healthcare services covered by public health insurance and regulatory restrictions. Below is a brief summary of the reimbursement mechanisms in the individual segments of healthcare services.

Dental care

Reimbursements were carried out as set out in the Reimbursement Decree and in its relevant regulatory restrictions. To maintain the availability of dental surgery, the code of Dental Surgery Treatment of an unregistered insured person by dentist continued to be contracted with selected facilities that met the agreed criteria. Dental products fully covered by public health insurance were reimbursed in the amount of the maximum prices set by the Price Decision of the Czech Ministry of Health, establishing the maximum prices for healthcare provided by dentists and covered by public health insurance, as amended by the Price Regulation of the Ministry of Health No. 1/2013 and in accordance with Annex No. 4 to Act No. 48/1997 Coll.

The quality of the covered services provided in this segment was evaluated during 2013. The project included, in particular, the evaluation of the provision of preventive care; in addition, the investigation focused on fillings, notably on the repeated reporting of fillings in the same location for previous six years. The best evaluated dentists received bonuses while facilities in the worst evaluated group were investigated by reviews.

General practitioners

The covered services provided by general practitioners (GP) for adults and by general practitioners for children and the young (GPCY) were primarily reimbursed through combined capitation and fee-for-service payment. The basic capitation rate was dependent on the distribution and duration of the surgery hours, i.e. the basic capitation rate for GP was CZK 50, CZK 49 or CZK 47 a month per standardised insured person, and CZK 50 or CZK 49 for GPCY. For GP as well as GPCY, the point value was set at CZK 1.08 for medical services not included

in capitation payment, medical services for unregistered insured persons and for insured persons from EU countries. Preventative check-ups, comprehensive examinations and vaccinations were reimbursed at a point value of CZK 1.10 in both specialties. The point value for transport was set at CZK 0.90 in both specialties.

In 2013, the Insurance Company continued to support the general practitioners actively engaged in fostering the generational renewal of physicians through the education of trainees. In 2013, the basic capitation rate was increased by CZK 1 for GP and GPCY who submitted an Accreditation Decision from the Czech Ministry of Health. The basic capitation rate was increased by an additional CZK 3 for the physical presence of the trainee in a surgery of a GP and by CZK 4 in that of a GPCY.

For 2013, regulatory mechanisms were set up in this segment in respect of prescribed medicinal products and medical devices and in respect of requested care. In addition to the enumerated specialties and physiotherapy (specialty 902), the services of the quantitative determination of C-reactive protein (CRP) from whole blood and the quantitative determination of INR from capillary blood were newly added to the requested care. For 2013, regulatory mechanisms were only used for requested care.

Use of quality indicators

In the GP segment, the quality of the covered services provided was primarily monitored under the Akord Quality Care Programme, where the basic capitation rate for the physicians who meet the initial conditions is increased. In addition to evaluating the comprehensive costs of registered clients, the Insurance Company also put emphasis on monitoring the key good practise indicators – the number of preventive check-ups performed, colorectal carcinoma screenings, influenza vaccination, care received from other general practitioners, compliance with regular vaccination practice or an increase in the number of insured persons registered. If these and other previously defined conditions were met, the physician could receive additional financial remuneration.

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

Gynaecological care

Outpatient services in the specialties of gynaecology and obstetrics, and child gynaecology were reimbursed on a fee-for-service basis at a point value of CZK 1.06 and were limited by a maximum reimbursement. Furthermore, HCFs received, in addition to the total reimbursement for 2013, a bonus of CZK 100 for a preventive check-up and CZK 200 for a newly registered insured person who had not been in the care of the relevant HCF for at least two previous years. For 2013, regulatory mechanisms were defined in the segment of outpatient gynaecological care for the prescribed medicinal products and medical devices and for the requested care. For 2013, regulatory mechanisms were only used for requested care.

Rehabilitation care

Services in the rehabilitation care segment were reimbursed on a fee-for-service basis at a point value of CZK 0.80 up to 98 % of the calculated number of points according to the Reimbursement Decree. If the services covered were provided in excess of 98 % of the calculated amount, a descending point value of CZK 0.40 was used. The point value for transport under the visiting service, reimbursed according to the LMS, was set at CZK 0.90.

Diagnostic healthcare

Services provided in the segment of diagnostic healthcare, including diagnostic radiology, were reimbursed in two ways – either on a fee-for-service basis with the application of a descending point value, or on a fee-for-service basis without the application of a descending point value.

For covered services provided in the laboratory specialties (222, 801, 802, 804, 805, 807, 812 to 815, 818, 819 and 822), the point value was set at CZK 0.70 up to 98 % of the calculated number of points according to the Reimbursement Decree. If the HCFs failed to prove that they held the ISO ČSN 15189 or NASKL II certificate in the period under review, the point value was set at CZK 0.55 up to 98 % of the set amount. The point value in excess of 98 % of the calculated amount was set at CZK 0.37.

For covered services provided in laboratory specialties 816 and 817, the point value was set at CZK 0.50 up to 98 % of the calculated amount. If the HCFs failed to prove that they held the ISO ČSN 15189 or NASKL II certificate in the period under review, the point value was set at CZK 0.40 up to 98 % of the set amount. The point value in excess of 98 % of the calculated amount was set at CZK 0.20.

Diagnostic radiology services (specialty 809) were reimbursed at a point value of CZK 1.05 up to 98 % of the calculated amount, except for selected magnetic resonance and CT services, where the point value was CZK 0.67. The covered services that were provided in excess of 98 % of the calculated amount were reimbursed at a point value of CZK 0.37.

Services of mammography screening and cervical carcinoma screening were reimbursed on a fee-for-service basis at a point value of CZK 1.03 without applying the descending point value.

Home nursing

Services provided by the home nursing segment were reimbursed on a fee-for-service basis at a point value of CZK 1.00 up to 105 % of the calculated amount according to the Reimbursement Decree. If the covered services were provided in excess of 105 % of the calculated amount, a descending point value of CZK 0.70 was used. Transport for the visiting service was reimbursed at a point value of CZK 0.90.

Covered services provided at independent offices of midwives, psychiatric nurses and nutritional therapists

The covered services provided in the specialty of the independent office of midwives, independent office of psychiatric nurses and independent office of nutritional therapists were reimbursed on a fee-for-service basis at a point value of CZK 0.90 up to 105 % of the calculated number of points according to the Reimbursement Decree. If the covered services were provided in excess of 105 % of the calculated amount, a descending point value of CZK 0.63 was used. Transport for the visiting service was reimbursed at a point value of CZK 0.90.

Outpatient specialists

Specialised outpatient healthcare provided by outpatient healthcare facilities (OHCs), except for the specialties specified below, was reimbursed on a fee-for-service basis at a point value of CZK 1.02 up to 98 % of the calculated number of points according to the Decree, with healthcare in excess of that amount being reimbursed at a point value of CZK 0.30.

Haemodialysis care provided by OHCs in 2013 was reimbursed on a fee-for-service basis at a point value of CZK 0.90, except for codes 18550 and 18530, where the point value was set at CZK 0.75.

Specialised outpatient healthcare provided in the specialties of clinical psychology, clinical speech therapy, orthoptics and sight therapist was reimbursed on a fee-for-service basis at a point value of CZK 1.08 (clinical psychology), CZK 1.00 (clinical speech therapy), CZK 1.00 (orthoptics) and CZK 1.00 (sight therapist).

OHCs providing services in the psychotherapy specialty along with day of treatment (DT) in a day care centre in the specialties of psychiatry, child and adolescent psychiatry, addiction-related diseases and sexology were reimbursed on a fee-for-service basis at a point value of CZK 1.08.

Specialised outpatient healthcare in the specialties of radiotherapy and radiation oncology was reimbursed on a fee-for-service basis at a point value of CZK 0.68 for selected services and at a point value of CZK 1.02 for the other services. No descending point value was used.

There were 17 OHCs in 2013 that provided 'centre' care reimbursed under Special Contracts.

Regulatory mechanisms for 2013 were set up in the specialised outpatient healthcare segment for separately charged drugs (SCDs) and separately charged medical material (SCMM), prescribed medicinal products and medical devices and for requested care, with regulatory mechanisms only being used if the total costs in the monitored indicators of the HIP 2013 are exceeded. For 2013, regulatory mechanisms were only used for requested care.

Cataract operations

Cataract operations were reimbursed to OHCs as 'package' reimbursement. The maximum price of the 'package' was set at CZK 9,250 for 2013.

One-day inpatient treatment

Selected services intended for one-day inpatient treatment were reimbursed as 'package' reimbursement. The price of the 'package' was set individually on the basis of a HCF's proposal, provided that the proposal did not exceed the maximum possible price for the service concerned. Both outpatient and inpatient HCFs could provide the covered services in one-day inpatient treatment mode in 2013.

Healthcare in healthcare institutions provided to those placed in them for other than health-related reasons

In 2013, acute, aftercare and long-term inpatient HCFs also provided special outpatient care pursuant to Section 22(c) of Act No. 48/1997 Coll., which was reimbursed on a fee-for-service basis according to the LMS at a point value of CZK 0.90 up to 100 % of the calculated amount, based on the reference number of points multiplied by the share of the number of insured persons for the period under review and the reference period; healthcare provided in excess of 100 % of the calculated amount was reimbursed at a point value of CZK 0.40.

Nursing and rehabilitation care in social service facilities

The covered services provided by inpatient social service facilities (ISSFs) reported in specialty 913 (general nurse in social services) were reimbursed on a fee-for-service basis, using the descending point value limitation. The basic point value was set at CZK 0.90 and the descending point value at CZK 0.40.

Hospitals

Healthcare services in hospitals were reimbursed, in accordance with the Reimbursement Decree, in a combined way.

Healthcare services provided to hospitalised patients were reimbursed as follows:

- By a case-based flat rate (DRG_{α}) at the hospital's base rate (BR_{2013}) multiplied by the reduced amount of $CM_{\alpha 2013}$ set according to the Decree;
- On a fee-for-service basis with limited reimbursement (i.e. by reimbursement excluded from DRG_{α})
 - By DRG_{γ} with the reimbursement increased by 5 % against the reference period, with a possible increase by an additional 5 % and the application of 50 % depression;
 - By DRG_{β} with a 7 % increase against the reference period and a possible increase by an additional 15 % with the application of 50 % depression.

The reimbursement amount reflects the coefficient of change in the share of the number of insured persons against the reference period (Kp_p).

Outpatient care was fully reimbursed on a fee-for-service basis up to 101% of the reimbursement in the reference period with the application of the Kp_p coefficient. If the hospital failed to reach 94% of the outpatient care reimbursement for the reference period and reached at least 98% of points and 98% of the number of unique treated insured persons compared to the reference period, the reimbursement was topped up to reach 94% of the outpatient care reimbursement for the reference period multiplied by Kp_p .

Another reimbursement method was what is known as the “individually contracted reimbursement component”, such as contracted medicinal products reimbursed under “Special Contracts”, scheduled endoprosthetic operations of lower limb joints, cataract operations, implantations of permanent cardiac pacemakers and cardioverters, as well as selected medical services in orthopaedics, gynaecology, surgery, etc.

For 2013, the Insurance Company offered the option of specific reimbursement methods for selected types of healthcare, such as one-day care, robotically assisted operations, implantation of aortic valves, and others.

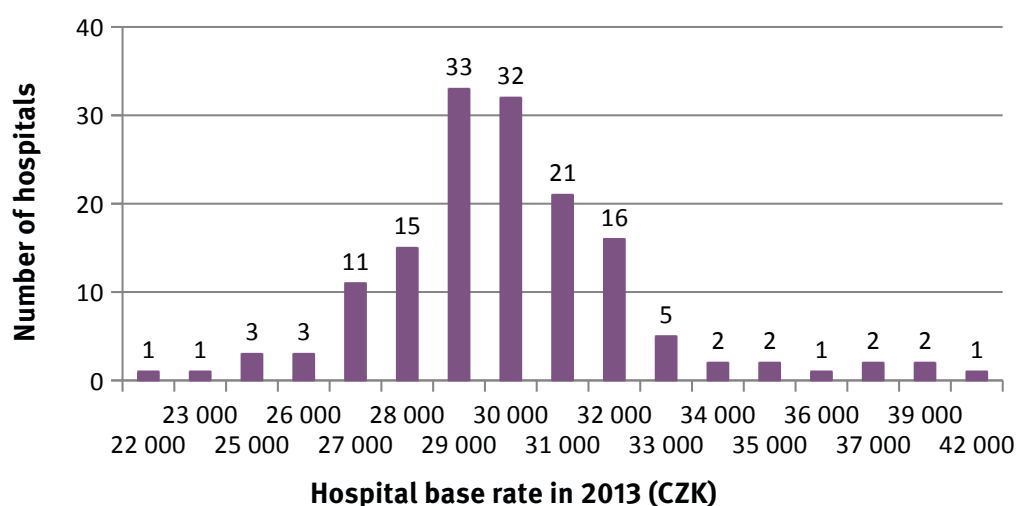
On the basis of the Reimbursement Decree, the following services were reimbursed in excess of the total reimbursement: service 09563 – hospital emergency service, and service 88101 – autopsy at forensic departments of HCFs.

Regulatory mechanisms were used in accordance with the Reimbursement Decree.

Use of the reimbursement mechanism of case-based flat rates (DRG) and the value of average base rate, the volume of healthcare reimbursed through this mechanism and the number of contractual facilities that use this

In 2013, most healthcare services provided during hospitalisation were reimbursed on a case-based flat rate basis. Almost all hospitals used this mechanism for the reimbursement of their healthcare services. In calculating the base rate, the Insurance Company consistently followed the Reimbursement Decree; for 2013, 50% made up the individual base rate of the hospital concerned (this amount is based on historical payment mechanisms and the related individual approach of the hospitals to the provision of healthcare services, e.g. in terms of their structure and volume) and 50% made up the national base rate set in accordance with the Reimbursement Decree, i.e., CZK 29,500.

Graph No. 1: Hospital base rates in 2013



Structure and amount of individually agreed reimbursement (what is known as “packages”)

Endoprosthetic operations on lower limbs were reimbursed under individual agreements with hospitals, with the payment divided into two components:

- maximum average payment for hospital stay;
- maximum average payment for SCMM.

The total financial amount in 2013 made up 97% of the total payments for these implantations carried out in 2012.

Implantation of cardiac pacemakers and cardioverters were reimbursed under individual agreements with hospitals, with the payment divided into two components:

- maximum average payment for hospital stay;
- maximum average payment for SCMM.

The total financial amount in 2013 made up 92% of the total payments for cardiac pacemaker implantations carried out in 2012 and 87% of the total payments for cardioverter implantations carried out in 2012.

Cataract operations were reimbursed as ‘package’ reimbursement. The maximum price of the ‘package’ was CZK 9,250 for 2013. The total financial amount in 2013 made up 92% of total payments for these operations carried out in 2012.

Other healthcare mentioned in Paragraph 2.1(d)-(i), Part A) of Annex No. 1 to Decree No. 475/2012 Coll. was reimbursed as follows:

- Operations carried out in hospital mode were reimbursed according to the DRG method;
- Operations carried out in outpatient mode were reimbursed in the standard way according to the conditions for outpatient specialised care set out by the Reimbursement Decree;
- A ratio was set between the number of operations carried out in outpatient and hospital modes respectively.

Use of quality indicators, quality assessment and adherence to clinical standards for reimbursement mechanisms and for regulating them in outpatient and inpatient care

The Insurance Company cooperated with representatives of professional associations in providing healthcare and securing the healthcare quality. The trend of concentrating specialised healthcare services in selected centres in order to secure quality continued in 2013.

In specialised centres where the treatment of insured persons with rare diseases, metabolic disorders, multiple sclerosis, rheumatic, tumour and other diseases is concentrated, healthcare was reimbursed under Special Contracts. The costs of pharmacotherapy and the effectiveness of the treatment were monitored through what is known as the Records of Cost-intensive Insured Persons. This database of insured persons is used to control the billing of healthcare provided and concurrently gives an overview of the number of currently treated insured persons in the individual diagnostic groups, with the identification of specific medicinal products and the possibility of keeping track of the number of currently treated insured persons, including cost forecasts. In addition, the database is used for inspection and review activities. Great attention was paid to biological treatment, where it was required that such treatment be indicated on the basis of results from laboratories holding a valid certificate. There is no doubt that predictive diagnostics is very important for setting up an appropriate and high quality treatment.

Other specialised care, e.g. the implantation of cardiac pacemakers and cardioverters, and endoprosthetic operations on lower limbs, was contracted in selected hospitals only, where, inter alia, the conditions stipulated by recommendations from professional associations were met and where the Insurance Company also puts emphasis on monitoring the basic indicator of the number of operations per year.

The trend of concentrating specialised healthcare in selected centres in order to secure quality has been promoted by the Insurance Company for several years, and this will also apply to the future.

Structure and volume of reimbursements of medicinal products and foodstuffs for special medical purposes marked by “S” symbol pursuant to Section 39(1) of Decree No. 376/2011 Coll.

Medicinal products and foodstuffs for special medical purposes, what is known as the centre care, were reimbursed in accordance with the Reimbursement Decree. An annual financial amount was agreed with individual centres, with a possibility of transferring the funds between contracted diagnostic groups according to current needs of the centre concerned. There were 35 hospital HCFs in 2013 that provided ‘centre’ care reimbursed under Special Contracts.

The cost forecast for 2013 was based on the costs of the reference period as well as the 2012 costs, with newly included diagnostic groups or medicinal products added to centre care also taken into account.

Evaluation of cost efficiency of the care provided, including preventive care

In 2013, as part of its contractual policy, the Insurance Company focused on the reduction of the prices of material components (SCMM) for certain types of healthcare, e.g. for endoprosthetic operations and, to a great extent, for cardiac pacemakers and cardioverters. The savings resulting from the reduction of the prices of cardiac pacemakers and cardioverters were used for the reimbursement of other costly care by the facility concerned.

Specialised curative institutions and long-term care hospitals

Inpatient healthcare services were reimbursed in accordance with the Reimbursement Decree, i.e. in the flat rate mode per day of treatment. For specialised curative institutions (SCIs) (SCIs of psychiatry, rehabilitation, pneumology and phthiology, including those for children) and long-term care hospitals, the reimbursement per day of treatment was set at 100% of the reimbursement in the reference period.

The Insurance Company offered the same outpatient care reimbursement mechanism to aftercare facilities as that used in contractual outpatient facilities providing specialised outpatient care. All aftercare facilities acceded to this manner of outpatient care reimbursement.

Billing for the healthcare provided and reported was carried out during the year by analogy with the fee-for-service payment, with a final half-year billing made when the half-year was over. Regulatory mechanisms for medicinal products and medical devices were evaluated in respect of the inpatient aftercare segment.

Nursing care beds

The healthcare was reimbursed in the flat rate mode per day of treatment, which was set at 100% of the reimbursement in the reference period. Billing for the healthcare provided and reported was carried out during the year by analogy with the fee-for-service payment, with a final half-year billing made when the half-year was over. Regulatory mechanisms for medicinal products and medical devices were evaluated in respect of the long-term inpatient care segment.

Hospices

The healthcare services were reimbursed on a fee-for-service basis, according to the LMS, at a point value of CZK 0.90.

Balneal curative rehabilitation and convalescent care

The balneal curative rehabilitation care was provided pursuant to Act No. 48/1997 Coll. and Decree No. 267/2012 Coll. The balneal curative rehabilitation and convalescent care was reimbursed by payments for one day of stay in accordance with the Reimbursement Decree.

Transport service

The transport of patients was reimbursed pursuant to the Reimbursement Decree, i.e. at the point value of CZK 0.95 for HCFs providing around-the-clock ambulance service up to 98 % of the amount calculated pursuant to the Decree, and at the point value of CZK 0.55 in excess of that amount.

For HCFs that did not provide around-the-clock ambulance service, the point value was CZK 0.85 up to 98 % of the amount calculated pursuant to the Decree, with a descending point value of CZK 0.45 in excess of the calculated amount.

Emergency medical service

Services provided by emergency medical service (EMS) were reimbursed on a fee-for-service basis according to the LMS. The point value was CZK 1.10 for both medical and transport services.

First aid medical service

HCFs providing first aid medical service were reimbursed on a fee-for-service basis. The point value was CZK 0.95.

Medicinal products

In 2013, the Insurance Company was engaged in the efforts to influence the prices and reimbursement levels of pharmaceuticals by actively participating in administrative proceedings before the State Institute for Drug Control (SIDC). By its proactive approach, it sped up the process of revisions of pharmaceuticals (reference groups as well as groups of non-listed active substances), with a view to unify the reimbursements made from public health insurance in accordance with law.

Based on the monitoring of current price levels on the pharmaceutical market across the whole of the European Union, the Insurance Company used more options of cutting the overall costs of medications – by launching shortened revisions in groups with sufficient generic competition.

The Insurance Company has been involved in long-time price negotiations with Czech representations of the companies placing their medications on the Czech market. In accordance with this contractual policy (based on concluded contracts on the Agreed Maximum Production Price), the Insurance Company continued to initiate revisions of the reimbursement amounts in order to stabilise costs as well as to ensure that a fully reimbursed variant of a medication is available in its group.

In 2013, shortened revisions of reimbursement amounts were thus launched in 15 medication groups, based on the Insurance Company's initiative and in accordance with the provision of Section 39p (1) and (3), as applicable, of Act No. 48/1997 Coll.

Owing to this active approach, the Insurance Company significantly helped to cap the public costs, in particular with respect to numerous medication groups where law stipulates the obligation to cover at least one medication fully.

In view of the above activities, the Insurance Company started to fully update the AMBULEKY database in 2013 with a view of using the medications with the **lowest reimbursement equivalent in each group and positively listing the medications with significantly lower reimbursement equivalents**. The Insurance Company positively listed 13 products, a total of 45 variants (codes), in 10 medication groups in 2013.

The above-described changes to the system, along with the practical implementation of positive listing, led to a reduction of expenditure on prescription drugs in the approximate amount of CZK 420 million, with the impact of the Insurance Company's active pharmaceutical policy to become fully evident in 2014.

The Insurance Company continued to coherently develop the model of risk and cost sharing in innovative or expensive medicinal products administered in specialised centres. A total of 7 contracts of this sort were concluded with pharmaceutical manufacturers in 2013.

Medical devices

The Insurance Company continued to create reimbursement catalogues of medical devices and dental products:

- Code list of medical devices – VZP Reimbursement Catalogue of Medical Devices;
- Code list of dental products (STOMAG).

Price negotiations with medical device suppliers, in order to maintain financial stability, are an integral part of the process of adding new medical devices to the VZP Reimbursement Catalogue of Medical Devices.

The Insurance Company's active approach to setting the reimbursements in selected groups of medical devices, in accordance with Act No. 48/1997 Coll., led to the stabilisation, i.e. moderate decline of expenditure on medical devices with coupon prescriptions.

In order to maintain financial stability, the least expensive reimbursement variant was set in certain groups of medical devices. This saved much money of public health insurance in the medical device groups concerned.

In accordance with the oncoming Amendment to Act No. 48/1997 Coll., medical devices with coupon prescription and dental products were divided into individual groups with commensurate therapeutic effects.

Regulation fees and additional payments for medications

The total number of insured persons who exceeded the legal limit (i.e. CZK 2,500 or CZK 5,000, as applicable) was 26.3 % lower than in 2012.

HCFs claimed a total of CZK 4,565 million in regulation fees and includable additional payments for medications from persons insured with the Insurance Company in 2013, CZK 3,328 million of which, i.e. 72.9 %, for regulation fees and CZK 1,237 million, i.e. 27.1 %, for includable additional payments for medications.

The total amount of regulation fees includable in the legal limit and of includable additional payments for medications was CZK 3,218 million, i.e. 10.7 % lower than in 2012.

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

Row	Indicator	Unit of measurement	2013				
			I. Q	II. Q	III. Q	IV. Q	Total
1	Number of insured persons who exceeded the legal limit in the given period ¹⁾	Persons	1 443	15 885	44 134	66 328	127 790
2	Amount by which the legal limit was exceeded (=refund) ²⁾	TCZK	1 882	14 168	47 497	92 722	156 269
3	Total amount of regulation fees of CZK 30 (reported medical service 09543)	TCZK	221 372	231 404	206 061	234 158	892 995
4	Total amount of regulation fees of CZK 60 or CZK 100, as applicable (reported medical service 09544)	TCZK	267 842	336 040	313 894	328 249	1 246 025
5	Total amount of regulation fees of CZK 90 (reported medical service 09545)	TCZK	22 707	26 998	26 262	25 772	101 739
6	Total amount of regulation fees paid in pharmaceutical care facilities (reported medical service 09540)	TCZK	276 454	283 095	254 410	272 778	1 086 737
7	Total amount of includable additional payments for medications and foodstuffs for special medical purposes	TCZK	308 651	322 149	294 849	311 392	1 237 041
8	Total amount for regulation fees and includable additional payments (sum of rows 3-7) ³⁾	TCZK	1 097 026	1 199 686	1 095 476	1 172 349	4 564 537

Notes:

Data reported in the individual quarters applies to the indicated period only.

¹⁾ CZK 5 000 or CZK 2 500. This is the number of "refunds" made in the period concerned. An insured person who receives more refunds is maintained in records in every period for which the person was refunded.

²⁾ Link to Table No. 12, row 10. - the difference is due to the accounting of estimated items.

³⁾ Pursuant to Section 16a of Act No. 48/1997 Coll., they are income of HCFs; insurance companies register their amounts pursuant to Section 16b in order to calculate refunds.

4.4.2 | Review activities

As of the end of 2013, review activities as the specialised medical verification of billing or of the justifiability of requested healthcare, regulation (approving or allowing the reimbursements) and expert assessments were carried out (converted to full-time equivalent) by a total of 387.9 permanent inspection officers (a decrease by 69 full-time positions, or 15 %) at all offices of the Insurance Company while 250 inspection officers worked with the Insurance Company externally (a decrease by 9 persons, or 3.5 %).

The Healthcare Control and Review Division of the Insurance Company Head Office, with its 92 centralised inspection officers, performed specific tasks in 2013. It carried out the most challenging inspections in terms of scope and economic impact, or initial inspections, what is known as the pilot inspections, and reviews of the correctness and justifiability of the reported healthcare. High expertise was required in more complex approval and authorisation activities (reimbursement of costly medications or selected medical devices), as well as in other specialised activities, namely the approval of the proton therapy.

Inspection and review officers in the management competence of regional branches of the Insurance Company were responsible for the usual scope of existing activities done by review units.

All review activities of the Insurance Company performed in 2013 are summarised in Table No. 5, and the economic quantification of the review and inspection efficiency, including the number of rejected points for the Insurance Company as a whole, is specified in Table No. 6.

Table No. 5 (internal): **Summary of inspection and review activities performed**

Item	Total
Total number of concluded reviews and inspections	29 429
Approvals to cover medications, medical devices and medical services	153 203
Authorisations to cover medications, medical devices and medical services*	5 931
Confirmations of balneal care	44 877
Confirmations of convalescent care	713
Confirmations of children's sanatorium care	16 146
Number of assessments	128 250
Total	378 549

* pursuant to Section 16 of Act No. 48/1997 Coll.

Table No. 6 (internal): **Economic quantification of inspections and reviews**

Item	Points *	TCZK**
Number of concluded reviews	508 183	159 262
Number of concluded inspections	1 173 192	351 888
Total	1 681 375	511 150

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

** CZK items deducted by reviews and inspections (SCMM, SCD, drug prescriptions)

The economic quantification of deficiencies found during inspections carried out in 2013 totals approximately CZK 2.2 billion (this includes the quantification in points recalculated to the point value of CZK 1 + specific CZK items of SCMM, SCD and drug prescriptions).

Centralised review groups continued to be responsible for two primary tasks in 2013. Reviews at hospitals (DRG) and at HCFs that provide care at specialised centres under Special Contracts. From January 2013 to the end of February 2014, a total of 23 reviews were conducted at hospitals providing acute inpatient care, focusing on the correctness of the codes used for acute inpatient care in the DRG system, and approximately 9,000 inpatient cases were reviewed. Given the method of using deductions and sanctions set out in the Reimbursement Decree, the results of the inspections and reviews can only be provided as qualified estimates, based on preliminary and model recalculations. Some of the reviews for 2012 were already quantified after the first round of the 2012 settlement among IHCs at CZK 221 million, and the economic impact of the reviews carried out in 2013 after 31 March 2013 until 30 May 2013 was quantified at CZK 26.6 million. Some reviews were evaluated under what is known as objective novation.

The economic impact on 2011 of reviews conducted after 30 May 2013 is CZK 5 million. Reviews for 2013 conducted after 30 September 2013 cannot be quantified without a settlement that has not taken place yet. This is also why we can rightly expect the annual economic impact of the reviews on DRG to exceed CZK 253 million in 2013.

63 targeted reviews at 31 HCFs providing care at specialised centres under Special Contracts were conducted during 2013. 16 diagnostic groups and 1,610 related health documentations were checked. The deficiencies found were quantified at approximately CZK 105.5 million.

4.5 | Overdue Receivables due from Healthcare Facilities

As of 31 December 2013, the Insurance Company had no overdue receivables due from HCFs.

4.6 | Contractual Policy, Network of Contractual Healthcare Facilities

The Insurance Company continued to perform its statutory obligation to secure accessible, quality and safe healthcare services for the insured through a network of contractual HCFs.

Outpatient and inpatient healthcare services were adequately provided to those insured with the Insurance Company in all regions through the existing network of contractual HCFs.

Just as last year, the Insurance Company supported the generational renewal of physicians as well as the opening of new medical practices in the primary care by GPs and GPsCY. What is known as small medical practices in geographically worse accessible regions continued to receive support through an additional capitation payment. The Insurance Company contributed to supporting the education of new general practitioners by paying bonuses for a MH accreditation for carrying out an educational programme in the sector and for the practical education of a specific physician. The Akord Quality Care Programme was further developed in respect of GPs and GPsCY. The Insurance Company also supported the generational renewal at dental practices in regions. The efforts to refine the network by checking its material and technical equipment as well as staffing continued. Emphasis was also put on inspections and quality of complementary centres, including laboratories for cervical carcinoma screenings and centres certified to carry out mammography screenings. In 2013, the computerisation of Annexes No. 2 to the Contracts for the Provision and Reimbursement of Healthcare Services with OHCF was also promoted.

In the segments of institutional care, balneal curative and rehabilitation care, and convalescent care, Contracts for the Provision and Reimbursement of Healthcare Services were concluded with an overwhelming majority of facilities in early 2013. The Insurance Company continued to focus on transferring selected appropriate scheduled operations to one-day inpatient care while support was provided to the contracting of joint inpatient capacities for surgical or internal medicine specialties. In 2013, the total number of acute care beds was reduced by 2,571 beds, of which 2,527 were standard beds and 44 intensive care beds. The number of aftercare beds increased by 189 beds. 25 IA and LTINC beds were newly contracted. Moreover, the centralisation of specialised and super-specialised care continued in 2013.

In 2013, the Insurance Company focused on monitoring the quality and efficiency of healthcare provided, notably in acute inpatient care, long-term inpatient care and aftercare, intensive aftercare, long-term intensive nursing care, dental care and outpatient care.

4.6.1 | Availability of reimbursed services in terms of location and time pursuant to Section 40 of Act No. 48/1997 Coll. – network availability method

Act No. 48/1997 Coll., as applicable from 1 April 2012, defines the right of the insured to access, in terms of time and location, to reimbursed services provided by contractual facilities of the relevant health insurance company and, in this context, the health insurance companies are obliged to secure the defined availability for their insured persons. Government Resolution No. 307/2012 Coll., with effect from 1 January 2013, defines arrival times, which express the availability in terms of location, and deadlines for scheduled reimbursed services, which express the availability in terms of time.

In 2013, the Insurance Company continued to prepare a coherent solution to the availability in terms of location and time to address individual requirements of the insured.

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

Row	Category of contractual healthcare facilities ¹⁾	Number of HCFs HIP 2013	Number of HCFs Actual as of 31. 12. 2013	Number of HCFs Actual as of 31. 12. 2012	Actual 2013/ Actual 2012 (%)
1	Outpatient healthcare facilities	36 025	36 094	36 067	100,1
	of which:				
1.1	General practitioner for adults (specialty 001)	5 423	5 406	5 415	99,8
1.2	General practitioner for children and the young (specialty 002)	2 275	2 234	2 264	98,7
1.3	Dentist (specialties 014-015, 019)	7 453	7 593	7 513	101,1
1.4	Outpatient specialists - total	15 924	15 894	15 926	99,8
1.5	Home healthcare (specialties 925, 911, 914, 916 and 921)	460	453	454	99,8
1.5.1	of which: home healthcare, specialty 925	426	427	426	100,2
1.6	Rehabilitation healthcare facilities (specialty 902)	1 387	1 380	1 383	99,8
1.7	Complementary healthcare facilities (specialties 222, 801-805, 806, 807, 809, 812-823)	1 756	1 718	1 752	98,1
	of which:				
1.7.1	Radiology and imaging technology HCFs (specialties 809 and 806)	707	705	709	99,4
1.7.2	Forensic medicine (specialty 808)	13	13	13	100,0
1.7.3	Pathology (specialty 807 + 823)	117	112	119	94,1
1.8	Other outpatient centres	1 347	1 416	1 360	104,1
2	Inpatient facilities - total	271	270	272	99,3
	of which:				
2.1	Hospitals	133	129	133	97,0
2.2	Specialist curative institutions (except for long-term care hospitals and healthcare facilities exclusively reporting code OD 00005)	56	61	57	107,0
2.2.1	of which: psychiatry (OD 00021, OD 00026)	18	18	18	100,0
2.2.2	rehabilitation (OD 00022, OD 00025, OD 00027)	11	13	12	108,3
2.2.3	pneumology and phthisiology (TRN) (reporting code OD 00023, OD 00028)	2	1	2	50,0
2.2.4	other	25	29	25	116,0
2.3	Long-term care facilities - total (reporting code 00024)	131	128	130	98,5
2.3.1	of which: independent healthcare facilities	41	40	41	97,6
2.3.2	included in other healthcare facilities	90	88	89	98,9
2.4	Treatment beds (reporting code 00005)	65	67	65	103,1
2.4.1	of which: independent healthcare facilities	15	17	15	113,3
2.4.2	included in other healthcare facilities	50	50	50	100,0

Row	Category of contractual healthcare facilities ¹⁾	Number of HCFs HIP 2013	Number of HCFs Actual as of 31. 12. 2013	Number of HCFs Actual as of 31. 12. 2012	Actual 2013/ Actual 2012 (%)
2.5	Beds in special hospice-type inpatient facilities (reporting code OD 00030)	14	16	16	100,0
3	Spas	41	40	44	90,9
4	Sanatoria	2	1	2	50,0
5	Ambulance service	531	520	542	95,9
6	Emergency medical service (specialty 709)	168	193	162	119,1
7	Pharmacies and facilities dispensing medical devices	2 440	2 511	2 456	102,2
8	OTHER contractual healthcare facilities	568	587	575	102,1

Notes to the table:

System of contractual HCFs – 15

- ¹⁾ The Ministry of Health of the Czech Republic prefers differentiation of contractual healthcare facilities (i.e. individual categories) by INF. As the insurance company can also use differentiation by other criteria (ID, ID of the insured), the criteria used need to be detailed on the row below. Used criterion to distinguish contractual HCFs (ID, ID of the insured, INF):
- Outpatient healthcare facilities (1), Ambulance service (5), Emergency medical service (6) = ID of the insured
 - Inpatient healthcare facilities (2), Spas (3), Sanatoria (4), Pharmacies and facilities dispensing medical devices (7), Others (8) = ID

Comment on Table No. 7:

In 2013, the number of OHCFs rose very slightly (0.1%) while the number of IHCFs fell by 0.7%. As concerns EMS, the HCF network expanded by 31 centres, up by 19.1% against 2012. By contrast, the number of contractual ambulance service providers was down by 4.1% in 2013 against 2012. Regarding spas and sanatoria, the number of spas declined by 9.1% (4 spas) while the number of convalescent facilities fell by 1 facility in 2013.

OHCFs saw a year-on-year increase in the number of contractual dentists by 1.1% and of home care facilities by 0.2%. A moderate decline in the number of contractual GPs and GPsCY (by 0.2% and 1.3% respectively) is the continuation of last year's trend, following the example of complementary laboratory centres (down by 1.9% against 2012).

As concerns IHCFs, we can monitor and comment on the particular changes that occurred in 2013:

IDs that no longer provided inpatient care in 2013:

- 512117 LTRN Humpolec, ID expired
- 25999249 Oblastní nemocnice Rychnov nad Kněžnou, ID expired
- 47539771 P-P Klinika Kladno, spol. s.r.o., currently outpatient ID only

Changes to the existing/valid IDs:

- 46359443 MEDI HELP s.r.o., Masarykovo Sanatorium, only providing hospice care now
- 209813 Úrazová nemocnice v Brně, newly providing SCI care
- 25257005 Vysočinské nemocnice s.r.o., newly providing SCI care
- 60726636 Nemocnice ATLAS a.s., LTCH discontinued, continuing to operate as a hospital
- 24007 Státní léčebné lázně Janské Lázně, s.p., newly providing SCI care
- 61974935 Lázně Darkov a.s., newly providing SCI care
- 849081 Odborný léčebný ústav Paseka, p.o., newly providing inpatient treatment care
- 45789924 INTERNA Co, spol. s.r.o., newly providing SCI care and inpatient treatment care
- 26376709 Nemocnice Mariánské Lázně s.r.o., newly providing LTCH care and inpatient treatment care
- 27488748 Panochova nemocnice Turnov s.r.o., individual IDsF adopted by the ID of
- 27283933 Krajská nemocnice Liberec
- 27685934 ADP – SANCO s.r.o., providing outpatient care, specialty 004, and inpatient treatment care
- 27550176 REHAMEDICA Žacléř a.s., newly providing inpatient treatment care
- 28971906 Vršovická zdravotní a.s., newly providing IA

4.7 | Healthcare Services Reimbursed in Excess of Public Health Insurance

Healthcare services reimbursed from the prevention fund

In accordance with the provision of Section 7(2) of Act No. 551/1991, the Insurance Company contributed to the Prevention Fund (PrevF) in 2013 in order to finance client programmes, which included contributory programmes, curative and convalescent stays, educational programmes and pilot programmes. The programmes had a demonstrable preventative or curative effect.

With the approval of the Board of Directors, new client programmes were carried out in 2013 (including an updated offer of the existing programmes, a new oncological prevention programme, and a programme to help those affected by floods in 2013); the programmes used money raised in the Fund as well as money from the 2012 surplus of the Fund. In addition, limits on the individual programmes set in the HIP 2013 were adjusted with the unused money of the 2012 limit. The limit on the costs of healthcare programmes was increased from the original level of CZK 180 million in the HIP 2013 to CZK 508.2 million; CZK 455.2 million of that limit was used. The use of CZK 455.2 million meant 252.9 % of the amount earmarked in the HIP 2013; however, the actually used amount made up 89.5 % of the newly set limit. The limit of CZK 100 million on curative and convalescent stays according to the HIP 2013 was kept and used at the level of 90.2 % of the HIP 2013. The limit of CZK 130 million on the other activities was adjusted to the limit of CZK 84.4 million, with CZK 72.5 million, i.e. 55.8 % of the HIP 2013, used.

Table No. 8: Preventive healthcare costs financed from the Prevention Fund (thousands of CZK)

Row	Purpose	Number of participants ¹⁾	2013 HIP	2013 Actual	Actual 2013 / HIP 2013 (%)	2012 Actual	Actual 2013 / Actual 2012 (%)
1	Costs of healthcare programmes		180 000	455 265	252,9	257 326	176,9
	Healthy Lifestyle + current offer			270 310		160 861	168,0
	Healthy Family + current offer			129 472		82 720	156,5
	Contribution for gluten-free diet			13 735		4 060	338,3
	Voucher system			32 551		9 685	336,1
	Other prevention programmes (oncological prevention, assistance in 2013 floods)			9 197			
2	Contribution for convalescent stays ²⁾	3 312	100 000	90 223	90,2	89 013	101,4
	Sea Horse	3 312	100 000	90 223	90,2	89 013	101,4
3	Other activities ²⁾		130 000	72 559	55,8	80 518	90,1
	Addiction prevention among children and the young			21 785		19 680	110,7
	Overweight and obesity prevention			18 840		15 501	121,5
	Child injury prevention			1 101		3 636	30,3
	Civilisation disease prevention			1 771		2 233	79,3
	Healthy Firm			22 107		23 308	94,8
	Pilot programmes			6 955		750	927,3
	Health Days in regions					2 285	
	Blood donor projects					2 220	
	Marketing support to Prevention Fund programmes					10 905	
4	Reserve		15 000				
5	Total costs of preventative healthcare ³⁾		425 000	618 047	145,4	426 857	144,8

Notes to the table:

Preventative healthcare costs – 16

¹⁾ The health insurance company only reports data in row 2 as of 31 December of the calendar year.

²⁾ The health insurance company shall specify the individual types of programmes or activities by name.

³⁾ Link to the data in row 1 of Section A III of Table No. 7 minus row 4 of Section A II plus row 5 of Section A III.

5 |

Formation and Use of Insurance Company Funds

The financial management of the Insurance Company is presented by the individual activities that the Insurance Company carries out. The Insurance Company's primary business is the provision of public health insurance while its secondary business includes other taxable activities. In 2013, the financial management of the Insurance Company was monitored via its funds, with separated accounts, and activities, which (in accordance with Act No. 551/1991 Coll.) include:

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

plus funds and activities allowed by law, which include:

- 5.6 Prevention Fund
- 5.7 Other taxable activities

5.1 | Health Insurance Capital Fund

The HICF reflects the Insurance Company's management of money in the public health insurance system to ensure that healthcare services are reimbursed according to legislation in force.

The Insurance Company's primary objective for 2013 was the stabilisation of its financial management, notably with regard to meeting its obligations to HCFs.

The HIP 2013 was, in accordance with Act No. 551/1991 Coll., prepared as balanced. The cost plan for healthcare services was based on a forecast of the amount of disposable income.

In accordance with an amendment to Act No. 592/1992 Coll., the HICF was boosted in 2013 with money stemming from the abolition of the maximum basis of assessment; in addition, the minimum wage was increased in August, and the premium payments for the insured whose premiums are paid by the state were increased in November. Another positive contributor to the HICF budget management was an amendment to the Decree of the MF No. 418/2003 Coll., which reduced the coefficient for the calculation of the Operation Fund (OF) limit.

During the year, the HICF cash-flow was boosted by a change in the frequency of premium payments from the state budget for persons whose premiums are paid by the state (through what is known as an early payment of CZK 2,500 million, received in January and due in November and December 2013), as well as by a repayable financial assistance of CZK 1,700 million from the state budget, and by saving almost CZK 1,500 million in operating costs and investments (money from the HICF was only transferred to the OF to the extent necessary to cover OF's payables that had come due).

Formation and use of HICF

The initial HICF balance, as of 1 January 2013, was CZK -4,276.4 million.

The total HICF formation reached CZK 147,770.9 million in 2013, down by 0.1% against the HIP 2013. On the year-on-year basis, after the deduction of an extraordinary redistribution of CZK 3,901.8 million in 2012, the formation was up by 0.9%.

Public health insurance premiums after redistribution reached CZK 144,104.8 million, down by 0.2 % against the HIP 2013. This means a fall by 2 % y/y (however, with the extraordinary redistribution of 2012 excluded, it rose by 0.7 %). The decline in the formation of premiums after redistribution against the HIP 2013 is primarily related to lower revenue from redistribution as a result of accounting for advance payments to cover exceptionally expensive healthcare services for 2012.

Prescribed penalties, fines and additional premiums were slightly lower than planned, yet the prescribed amount was higher than the actual amount in 2012. Compensation for damages and receivables due from a foreign insurance company were increased against the plan as well as on the year-on-year basis. Given negligible interim balances in the current account of the HICF, the interest on the HICF decreased.

A total of CZK 148,784.3 million was used from the HICF in 2013, i.e. 0.4 % more than planned. The main item responsible for exceeding the plan was the payables in respect of healthcare services, where a year-on-year decrease by 4 % had been planned. In view of the restrictive Reimbursement Decree for 2013 and the Insurance Company's health policy, the payables in respect of healthcare services eventually fell by 3.4 % against 2012, the greatest decrease ever.

Prescribed allocations to other funds of the Insurance Company amounted to CZK 5,090.5 million, i.e. the value planned. The Surplus Fund (SpF) was topped up to the statutory limit in accounting terms only. Given the lack of money, the sum to be allocated to the SpF was not actually remitted to the SpF current account. Under the influence of an amendment to the Decree of the MF No. 418/2003 Coll., the OF limit was reduced by 0.13 %, i.e. CZK 186 million. The total prescription of the OF limit was CZK 4,640.3 million. Austerity reasons also led to a temporary reduction of the financial allocation to the OF current account, with this also resulting in the reduced financial allocation from the current account of the OF to that of the Capital Reproduction Fund (CRF).

Write-offs of receivables, penalties, fines and additional premiums reached the values planned. Payables arising from the provision of healthcare services to foreigners went up by 13.9 % against the HIP 2013. This rise was virtually covered by savings of CZK 56.5 million in banking and other fees.

The Insurance Company formed and used reserves for litigations where it was the defendant and where it was exposed to a risk of loss and possible future obligations arising from those disputes. The subject matter of those litigations included reimbursement of healthcare services provided, increase in flat-rate reimbursement, entitlement to flat-rate reimbursement without an annex to the contract, contractual penalty, interest on late payment or late reimbursement of healthcare services, regulatory deductions and price regulation, retrospective enforcement of regulatory deductions, notification obligations and other disputes. The reserve for pending litigations was raised by CZK 97.6 million to a total of CZK 219.2 million.

Two major disputes were initiated before the Arbitration Court attached to the Czech Chamber of Commerce and the Agricultural Chamber of the Czech Republic during 2013. Both disputes have been conducted against Proton Therapy Center Czech s.r.o. as the claimant, and apply to an alleged binding preliminary contract for healthcare provision and reimbursement, which a receiver reputedly concluded on behalf of the Insurance Company in 2006. The Insurance Company considers this contract to be invalid. Given these disputes, the amount earmarked for the litigation reserve rose significantly.

The closing balance of the HICF in 2013 was CZK -5,289.8 million.

HICF income and expenditure

The total income of the HICF in 2013 reached CZK 145,421.8 million, up by 0.8 % against the plan mainly due to the provided repayable financial assistance of CZK 1,700 million from the state budget.

Income from public health insurance premiums was CZK 95,340.9 million, i.e. 0.1%, or CZK 121 million, higher than planned. By contrast, redistribution income was lower because of accounting for exceptionally expensive healthcare for 2012.

Income collected from penalties, fines and additional premiums was lower than planned as well as lower than in 2012 while damage compensation income went up; however, this income as a whole declined. Income from a foreign insurance company rose by 74 % against the plan and by CZK 115.1 million on the year-on-year basis.

Total HICF expenditure was CZK 145,149.0 million in 2013, exceeding the plan by 0.6 %.

The plan was exceeded mainly because of the settlement of registered overdue payables to HCFs, which increased the expenditure on healthcare services by 1.5 % against the plan. The Insurance Company already started to register overdue payables during the individual months of 2012 but, due to the lack of disposable funds in the HICF current account, the payables were gradually accumulated and brought forward to subsequent periods.

The difference between 2013 income and expenditure was negative and reached CZK -1.4 billion. It was covered by a state loan of CZK 1.7 billion, thus allowing for the settlement of overdue payables to HCFs.

The closing balance of the HICF current account as of 31 December 2013 was CZK 396.3 million.

Balance of HICF income and costs

In 2013, the balance of HICF income and costs was CZK -958 million while the HIP 2013 had stipulated a balanced budget.

The income side of the balance was CZK 209 million lower than planned whereas the cost side of the balance was CZK 749 million higher than planned.

Table No. 9: Health Insurance Capital Fund (thousands of CZK)

PART I

A.	Health Insurance Capital Fund (HICF) Formation and use in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	-3 989 239	-4 276 422	107,2
II.	Total formation = resources	147 859 190	147 770 867	99,9
1	Premiums from public health insurance pursuant to Section 1(1)(a) of the Decree on Funds, incl. estimates	97 160 000	97 320 169	100,2
1.1	of which: estimated items on premiums pursuant to Section 1(1)(c) of the Decree on Funds ⁵⁾	0	478 268	–
2	Cash from monthly settlement of redistribution results +/- pursuant to Section 1(1)(b) of the Decree on Funds	47 300 000	46 784 662	98,9
2.1	of which: HIC's extra share in the redistribution of funds pursuant to the amendment to Act No. 280/1992 Coll., Article VIII(2), and Act No. 551/1991 Coll., Article VI(1) ⁶⁾	0	0	–
2.2	Premiums from public health insurance after redistribution (rows 1 + 2) pursuant to Sections 20 and 21a of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, and pursuant to Section 1(1)(a) - (c) of the Decree on Funds	144 460 000	144 104 831	99,8
3	Penalties, fines and additional premiums pursuant to Section 1(2) or (3) of the Decree on Funds, incl. estimates	2 665 000	2 516 755	94,4
3.1	of which: estimated items ⁵⁾	0	-44 626	–
4	Damage compensation pursuant to Section 1(1)(d) of the Decree on Funds	265 000	334 889	126,4
5	Interest accrued from the HICF management pursuant to Section 1(2) or (3) of the Decree on Funds	4 000	1 894	47,4
6	Other receivables pursuant to Section 1(1)(g) of the Decree on Funds	15 000	17 289	115,3
7	Transfers from other funds pursuant to Section 1(1)(i) of the Decree on Funds	190	190	100,0
8	Transfer of the HICF balance in the case of a merger or amalgamation of the health insurance company pursuant to Section 1(1)(j) of the Decree on Funds		0	

A.	Health Insurance Capital Fund (HICF) Formation and use in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
9	Receivables due from foreign insurance companies for healthcare services provided in the Czech Republic to foreign clients pursuant to Section 1(1)(f) of the Decree on Funds	415 000	481 027	115,9
10	Receivables due from foreign insurance companies for flat-rate payments for foreign clients pursuant to Section 1(1)(f) of the Decree on Funds	15 000	-391	-2,6
11	Exchange rate gains pursuant to Section 1(1)(h) of the Decree on Funds	0	0	–
12	Donation intended by the donor as a donation for the HICF or, unless the donor specifies the purpose of the donation, pursuant to Section 1(1)(e) of the Decree on Funds	0	0	–
13	Reduced or cancelled value adjustments to premiums, penalties, fines and additional premiums pursuant to Section 1(1)(k) of the Decree on Funds	0	272 611	–
14	Reduced or cancelled other value adjustments pursuant to Section 1(1)(l) of the Decree on Funds	0	41 772	–
15	Applied, reduced or cancelled reserves for pending litigations pursuant to Section 1(1)(m) of the Decree on Funds	20 000	0	0,0
16	Applied, reduced or cancelled other reserves not specified in Section 1(4)(m), linked to Section 1(1)(n) of the Decree on Funds	0	0	–
17	Other estimated asset items relating to the Capital Fund not specified in Section 1(1)(c), linked to Section 1(1)(o) of the Decree on Funds	0	0	–
18	Extraordinary external events	0	0	–
19	Extraordinary transfers between funds	0	0	–
III.	Total drawing = resource reduction	148 224 931	148 784 285	100,4
1	Payables for healthcare services, including corrections and revisions and payments to other health insurance companies pursuant to Section 1(4)(a), (4)(b), (4)(d) and (4)(e) of the Decree on Funds, incl. estimates	138 269 000	138 922 425	100,5
	of which:			
1.1	payables for the treatment of the given health insurance company's clients abroad pursuant to Section 1(4)(b) of the Decree on Funds	500 000	553 027	110,6
1.2	estimated items on payables pursuant to Section 1(4)(e) of the Decree on Funds, relating to Section 1(4)(a) of the Decree on Funds ⁵⁾	-385 000	41 854	-10,9
2	Loan interest pursuant to Section 1(4)(f) of the Decree on Funds	0	0	–
3	Prescribed allocations to other funds (3.1 + 3.2 + 3.3 + 3.4)	5 099 931	5 090 488	99,8
	of which:			
3.1	– Surplus Fund pursuant to Section 1(4)(k) of the Decree on Funds ⁴⁾	18 176	23 796	130,9
3.2	– Operation Fund pursuant to Section 1(4)(j) of the Decree on Funds ¹⁾	4 654 195	4 640 315	99,7
3.3	– Prevention Fund pursuant to Section 1(4)(l) of the Decree on Funds ²⁾	427 560	426 377	99,7
3.4	Extraordinary transfer to the Operation Fund – Military Health Insurance Company of the CR only, pursuant to Section 1(4)(m) of the Decree on Funds	0	0	–
4	Write-offs of receivables pursuant to Section 1(5) of the Decree on Funds	2 600 000	2 630 744	101,2
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 Section 1(6) of the Decree on Funds ³⁾	160 000	158 122	98,8
6	Payables arising from the provision of healthcare services billed by healthcare facilities to HIC for foreign clients, including revision results, pursuant to Section 1(4)(c) of the Decree on Funds	420 000	478 389	113,9
7	Payables to foreign insurance companies for flat-rate payments for clients pursuant to Section 1(4)(c) of the Decree on Funds	10 000	21 273	212,7
8.	Banking fees for managing the HICF account and other fees pursuant to Section 1(4)(g) of the Decree on Funds	150 000	93 549	62,4
9	Costs related to the management of personal accounts of the insured in accordance with Section 1(4)(h) of the Decree on Funds	0	0	–
10	Exchange rate losses pursuant to Section 1(4)(i) of the Decree on Funds	0	0	–
11	Creation of reserve for pending litigations pursuant to Section 1(4)(n) of the Decree on Funds	20 000	97 582	487,9
12	Creation of other reserves pursuant to Section 1(4)(o) of the Decree on Funds	0	0	–
13	Creation of value adjustments for premiums, penalties, fines and additional premiums pursuant to Section 1(4)(p) of the Decree on Funds	1 496 000	1 118 728	74,8
14	Creation of other value adjustments pursuant to Section 1(4)(q) not specified in Section 1(4)(p) of the Decree on Funds	0	172 985	–

15	Extraordinary levy based on amendment to Act 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 the balance maintained as of 31 December 2010 in the HICF current account to a dedicated health insurance account ⁶⁾	0	0	–
16	Extraordinary external events	0	0	–
17	Extraordinary transfers between funds	0	0	–
IV.	Closing balance on the last day of the reported period = I + II - III	-4 354 980	-5 289 840	121,5
B.	Health Insurance Capital Fund (HICF)	2013	2013	Actual
	Income and expenditure in the reported period pursuant to Section 1(7) of the Decree on Funds	HIP	Actual	HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	100 000	123 471	123,5
II.	Total income	144 230 755	145 421 776	100,8
1	Public health insurance premiums pursuant to Section 1(1)(a) of the Decree on Funds	95 220 000	95 340 934	100,1
2	Cash from monthly settlement of redistribution results +/- pursuant to Section 1(1)(b) of the Decree on Funds	47 300 000	46 784 662	98,9
2.1	of which: HIC's extra share in the redistribution of funds pursuant to the amendment to Act No. 280/1992 Coll., Article VIII(2), and Act No. 551/1991 Coll., Article VI(1) ⁶⁾	0	0	–
2.2	Public health insurance premiums after redistribution (rows 1 + 2) pursuant to Sections 20 and 21a of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, and pursuant to Section 1(1)(a) and (b) of the Decree on Funds	142 520 000	142 125 596	99,7
3	Penalties, fines and additional premiums pursuant to Section 1(2) or (3) of the Decree on Funds	881 000	774 583	87,9
4	Damage compensation pursuant to Section 1(1)(d) of the Decree on Funds	247 000	319 408	129,3
5	Interest accrued from cash management pursuant to Section 1(2) or (3) of the Decree on Funds	4 000	1 894	47,4
6	Other income pursuant to Section 1(1)(g) of the Decree on Funds	3 565	21 731	609,6
7	Transfers from other funds in accordance with Section 1(1)(i) of the Decree on Funds	190	190	100,0
8	Balance income in the case of a merger or amalgamation of the health insurance company pursuant to Section 1(1)(j) of the Decree on Funds	0	0	–
9	Income from foreign insurance companies pursuant to Section 1(1)(f) of the Decree on Funds for healthcare services paid to healthcare facilities for foreign clients	265 000	442 276	166,9
10	Income from flat-rate payments by foreign insurance companies for clients pursuant to Section 1(1)(f) of the Decree on Funds	10 000	36 098	361,0
11	Exchange rate gains pursuant to Section 1(1)(h) of the Decree on Funds	0	0	–
12	Donation intended by the donor as a donation for the HICF or, unless the donor specifies the purpose of the donation, pursuant to Section 1(1)(e) of the Decree on Funds	0	0	–
13	Receipt of loan to boost the HICF	0	0	–
14	Receipt of repayable financial assistance to boost the HICF	0	1 700 000	–
15	Extraordinary external events	0	0	–
16	Extraordinary transfers between funds	300 000	0	0,0
III.	Total expenditure	144 230 755	145 148 984	100,6
1	Expenditure on healthcare services, including corrections and revisions and payments to other health insurance companies pursuant to Section 1(4)(a), (4)(b) and (4)(d) of the Decree on Funds	138 574 000	140 599 689	101,5
	of which:			
1.1	Expenditure on the treatment of the given health insurance company's clients abroad pursuant to Section 1(4)(b) of the Decree on Funds	500 000	454 876	91,0
2	Loan interest pursuant to Section 1(4)(f) of the Decree on Funds	0	0	–
3	Allocations to other funds (3.1 + 3.2 + 3.3 + 3.4)	5 081 755	3 761 773	74,0
	of which:			
3.1	– Surplus Fund pursuant to Section 1(4)(k) of the Decree on Funds ⁴⁾	0	0	–
3.2	– Operation Fund pursuant to Section 1(4)(j) of the Decree on Funds ¹⁾	4 654 195	3 157 219	67,8
3.3	– Prevention Fund pursuant to Section 1(4)(l) of the Decree on Funds ²⁾	427 560	604 554	141,4
3.4	Extraordinary transfer to the Operation Fund - Military Health Insurance Company of the CR only, pursuant to Section 1(4)(m) of the Decree on Funds	0	0	–
4	Expenditure on the provision of healthcare services billed to HIC by domestic healthcare facilities for foreign clients, including revision results, pursuant to Section 1(4)(c) of the Decree on Funds	410 000	456 845	111,4
5	Expenditure on flat-rate payments to foreign insurance companies for clients pursuant to Section 1(4)(c) of the Decree on Funds	15 000	22 988	153,3
6	Banking fees for managing the Capital Fund account and other fees pursuant to Section 1(4)(g) of the Decree on Funds	150 000	141 509	94,3

B.	Health Insurance Capital Fund (HICF)	2013	2013	Actual
	Income and expenditure in the reported period pursuant to Section 1(7) of the Decree on Funds	HIP	Actual	HIP 2013 (%)
7	Expenditure related to the management of personal accounts of the insured pursuant to Section 1(4)(h) of the Decree on Funds	0	0	–
8	Exchange rate losses pursuant to Section 1(4)(i) of the Decree on Funds	0	0	–
9	Repayment of loans to boost the HICF	0	0	–
10	Repayments of repayable financial assistance to boost the HICF	0	0	–
11	Extraordinary levy based on amendment to Act 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 the balance maintained as of 31 December 2010 in the HICF current account to a dedicated health insurance account ⁶⁾	0	0	–
12	Extraordinary external events	0	0	–
13	Extraordinary transfers between funds	0	166 180	–
IV.	Closing balance on the last day of the reported period = I + II - III	100 000	396 263	396,3
	Value of reserves attributed to B IV on the last day of the reported period	87 397	209 207	239,4
C.	Specification of indicator B II ¹⁾			
1	Premiums received from employers	84 123 372	84 562 749	100,5
2	Premiums received from the self-employed	9 155 690	8 888 325	97,1
3	Premiums received from other payers (people with no taxable income + other potential payments of public health insurance)	1 940 938	1 885 402	97,1
4	Non-identifiable payments from different types of payers	0	4 458	–
5	Sum of rows C r. 1 to C r. 4 = B II r. 1	95 220 000	95 340 934	100,1

Notes to PART I of the table:

HICF – 2

- ¹⁾ The calculation of the allocation limit pursuant to Section 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 HICF and subsequently makes transfers from the HICF to the Prevention Fund, it shall use both row 3.3 of Section A III and row 3.3 of Section B III for that purpose.
- ³⁾ If HICs do not report the harshness elimination value in row 6 of Section A III of Appendix No. 7, the harshness elimination value must be reported in this row.
Even if an EHIC accounts for the given item as “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 difference compared to accounting statements shall be commented on below this table.
- ⁴⁾ The calculation of the transfer to the SpF in row 3.1 of Section A III is performed even if the transfer is not reported in row 3.1 of Section B III due to lack of funds.
- 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 posting of estimated items (-), brought forward to the given period as part of the opening balances. The item appearing in the financial statements will reflect the value of the newly-set estimated items (+), (-).
- ⁶⁾ The row is kept for technical reasons – the health insurance company shall enter value “0”.

PART II.

Calculation of the balance of income and expenditure of the HICF (thousands of CZK) from selected items of Sections A III and B II of HICF

B.	Income in the reported period	2013	2013	Actual 2013/	Link to row
		HIP	Actual	HIP 2013 (%)	of section B II
I.	Total income	143 930 755	143 721 776	99,9	HICF
1	Public health insurance premiums pursuant to Section 1(1)(a) of the Decree on Funds	95 220 000	95 340 934	100,1	1
2	Cash from monthly settlement of redistribution results +/- pursuant to Section 1(1)(b) of the Decree on Funds	47 300 000	46 784 662	98,9	2
2.1	of which: HIC's extra share in the redistribution of funds pursuant to the amendment to Act No. 280/1992 Coll., Article VIII(2), and Act No. 551/1991 Coll., Article VI(1) ³⁾	0	0	–	2.1
2.2	Public health insurance premiums after redistribution (rows 1 + 2) pursuant to Sections 20 and 21a of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, and pursuant to Section 1(1)(a) and (b) of the Decree on Funds	142 520 000	142 125 596	99,7	2.2
3	Penalties, fines and additional premiums pursuant to Section 1(2) or (3) of the Decree on Funds	881 000	774 583	87,9	3
4	Damage compensation pursuant to Section 1(1)(d) of the Decree on Funds	247 000	319 408	129,3	4

B.	Income in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	Link to row of section B II HICF
5	Interest accrued from cash management pursuant to Section 1(2) or (3) of the Decree on Funds	4 000	1 894	47,4	5
6	Other income pursuant to Section 1(1)(g) of the Decree on Funds	3 565	21 731	609,6	6
7	Transfers from other funds in accordance with Section 1(1)(i) of the Decree on Funds	190	190	100,0	7
8	Income from foreign insurance companies pursuant to Section 1(1)(f) of the Decree on Funds for healthcare services paid to healthcare facilities for foreign clients	265 000	442 276	166,9	9
9	Income from flat-rate payments by foreign insurance companies for clients pursuant to Section 1(1)(f) of the Decree on Funds	10 000	36 098	361,0	10
10	Exchange rate gains pursuant to Section 1(1)(h) of the Decree on Funds	0	0	–	11
11	Donation intended by the donor as a donation for the HICF or, unless the donor specifies the purpose of the donation, pursuant to Section 1(1)(e) of the Decree on Funds	0	0	–	12
12	Extraordinary external events	0	0	–	15
13	Extraordinary transfers between funds	0	0	–	16
A.	Drawing in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	Link to row of section A III HICF and section A II HICF
II.	Drawing total	143 930 755	144 679 910	100,5	
1	Payables for healthcare services, including corrections and revisions and payments to other health insurance companies pursuant to Section 1(4)(a), (4)(b), (4)(d) and (4)(e) of the Decree on Funds, incl. estimates of which:	138 269 000	138 922 425	100,5	1
1.1	payables for the treatment of the given health insurance company's clients abroad pursuant to Section 1(4)(b) of the Decree on Funds	500 000	553 027	110,6	1.1
1.2	estimated items on payables pursuant to Section 1(4)(e) of the Decree on Funds, relating to Section 1(4)(a) of the Decree on Funds	-385 000	41 854	-10,9	1.2
2	Loan interest pursuant to Section 1(4)(f) of the Decree on Funds	0	0	–	2
3	Prescribed allocations to other funds (3.1 + 3.2 + 3.3 + 3.4) of which:	5 081 755	5 066 692	99,7	3
3.1	– Surplus Fund pursuant to Section 1(4)(k) of the Decree on Funds ¹⁾	0	0	–	3.1
3.2	– Operation Fund pursuant to Section 1(4)(j) of the Decree on Funds	4 654 195	4 640 315	99,7	3.2
3.3	– Prevention Fund pursuant to Section 1(4)(l) of the Decree on Funds	427 560	426 377	99,7	3.3
3.4	Extraordinary transfer to the Operation Fund – Military Health Insurance Company of the CR only, pursuant to Section 1(4)(l) of the Decree on Funds	0	0	–	3.4
4	Payables arising from the provision of healthcare services billed by healthcare facilities to HIC for foreign clients, including revision results, pursuant to Section 1(4)(c) of the Decree on Funds	420 000	478 389	113,9	6
5	Payables to foreign insurance companies for flat-rate payments for clients pursuant to Section 1(4)(c) of the Decree on Funds	10 000	21 273	212,7	7
6	Banking fees for managing the HICF account and other fees pursuant to Section 1(4)(g) of the Decree on Funds	150 000	93 549	62,4	8
7	Costs related to managing the personal accounts of the insured in accordance with Section 1(4)(h) of the Decree on Funds	0	0	–	9
8	Exchange rate losses pursuant to Section 1(4)(i) of the Decree on Funds	0	0	–	10
9	Creation of reserve for pending litigations pursuant to Section 1(4)(n) of the Decree on Funds	0	97 582	–	A III 11–A II 15
10	Creation of other reserves pursuant to Section 1(4)(o) of the Decree on Funds	0	0	–	A III 12–A II 16
11	Extraordinary levy based on amendment to Act 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 the balance maintained as of 31 December 2010 in the HICF current account to a dedicated health insurance account ³⁾	0	0	–	A III 15

A.	Drawing in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	Link to row of section A III HICF and section A II HICF
12	Extraordinary external events	0	0	–	A III 16
13	Extraordinary transfers between funds	0	0	–	A III 17
	Total balance of income and expenditure = B I total - A II total ²⁾	0	-958 134		

Notes to PART II of the table:

HICF - 2

¹⁾ Reported by health insurance companies in the event that the Surplus Fund is also generated financially.

²⁾ The table will be supplemented by a comment on the balance of income and costs of the HICF attained in relation to the financial balance in the HICF bank account and the payables to HCFs or other reasons for such developments, where applicable.

³⁾ The row is kept for technical reasons – the health insurance company shall enter value “0”.

With regard to information provided by the manager of the dedicated account, we have added a special row for financial transfers to a dedicated redistribution account.

5.1.1 | Cost structure of healthcare services classified by individual segments

The costs of healthcare services amounted to CZK 138,922 million for 2013. The costs were CZK 4,823 million, or 3.4 %, lower than in 2012; however, they exceeded the HIP 2013 by CZK 653 million, or 0.5 %.

In 2013, estimated items of CZK 3,508.5 million for 2012 were derecognised (of which CZK 405.4 million in assets and CZK 3,914.0 million in liabilities) and, as of 31 December 2013, estimated items of CZK 3,550.4 million for 2013 were recognised (of which CZK 768.3 million in assets and CZK 4,318.7 million in liabilities).

Outpatient care

The costs of outpatient care amounted to CZK 35,086 million for 2013, i.e. 1.3 % above the 2012 level and 5.6 % above the HIP 2013.

Outpatient care costs by individual segments:

- Dental care – the costs of CZK 5,699 million were commensurate with both the 2012 level and the HIP 2013.
- General practitioners – the costs of CZK 7,812 million were 2.1 % above the HIP 2013 and 1.5 % above the 2012 level. The increased costs were due to the accounting for the Akord Care Quality Programme for 2013 and the one-off recognition of the 2012 and 2013 costs to the Santé company – an ordering system for inviting insured persons for a preselected date.
- Gynaecological care – the costs of CZK 1,823 million were 8.5 % above the HIP 2013 and 5.2 % below the 2012 level. The costs exceeded the HIP 2013 because of the established preliminary monthly reimbursement and the healthcare billing, which will be carried out in 2014 and also be influenced by the number of treated insured persons and, in particular, by a larger number of reported points, SCMM and SCD against the reference period.
- Rehabilitation care – the costs of CZK 1,387 million were 6.5 % above the HIP 2013 and 3.8 % above the 2012 level. The costs exceeded the 2012 level in this segment because of the established preliminary monthly reimbursement and the healthcare billing to be carried out in 2014. The healthcare billing will be primarily influenced by an increase in the number of reported points and the number of treated insured persons against the reference period, notably for spine and peripheral joint mobilisation and for therapeutic physical education on a neurophysiological basis.
- Diagnostic healthcare – the costs of CZK 4,898 million were 9.1 % above the HIP 2013 and 1.2 % below the 2012 level. When the HIP 2013 was under preparation, reduced reimbursement of covered services reported by medical genetics laboratories and indicated by a gynaecologist was expected in this segment.

In addition, the costs exceeded the HIP 2013 mainly because of higher than expected costs of mammography screening. Laboratory services reported a higher number of points than in 2012, notably in the specialties of genetics, clinical biochemistry and, in particular, in allergy and immunology laboratories.

- Home healthcare – the costs of CZK 1,096 million were 16.8 % above the HIP 2013 and 15.2 % above the 2012 level. The Decree for 2013 stipulates fee-for-service payment as the monthly preliminary reimbursement in this segment, with 85 % of healthcare facilities having chosen this. The healthcare billing will be carried out in 2014. Higher costs than in the same period of 2012 were due to an increased number of points for medical services against the same period of 2012, notably for treatment visits – home healthcare – types I, II and III. The costs used for this specialty are also influenced by the number of treated insured persons against 2012.
- Specialised outpatient care – the costs of CZK 11,522 million were 6.8 % above the HIP 2013 and 2.0 % above the 2012 level. The 2013 costs were influenced by the set amount of monthly preliminary reimbursement and, for fee-for-service payment, by a higher production of points, notably in the specialties of psychiatry, clinical psychology and in one-day surgical treatment. The costs used for these specialties are also influenced by an increase in the number of treated insured persons against 2012. The healthcare billing will be carried out in 2014.
- Nursing and rehabilitation care – the costs of CZK 799 million were 32.5 % above the HIP 2013 and 10.3 % above the 2012 level. The costs in this segment were higher than in 2012 because of the set preliminary monthly reimbursement for 2013 and the healthcare billing that will be carried out in 2014.

Inpatient care

The costs of inpatient care were CZK 73,531 million in 2013, i.e. 4.0 % below the 2012 level and commensurate with the HIP 2013.

- Hospitals – the costs of CZK 67,647 million in the hospital segment were 0.6 % above the HIP 2013 and 3.8 % below the 2012 level. A small divergence of healthcare costs against the HIP 2013 was due to the amount of preliminary monthly reimbursements for 2013, which were set in accordance with the Reimbursement Decree for 2013 and according to the hospital production modelling as available in early 2013. During 2013, the preliminary monthly reimbursement was gradually increased. The reason for this adjustment was additionally reported production for 2012 and an increase in the number of treated insured persons against 2012, notably by HCFs providing care at specialised centres (centre care). The healthcare billing will be carried out in 2014.
- Inpatient aftercare – the costs of aftercare beds (SCI, LTCH, NCB and hospice) of CZK 5,884 million were 6.4 % below the 2012 level and 1.4 % below the HIP 2013. The difference between the 2013 and 2012 levels was primarily due to a lower number of the days of treatment on aftercare beds against 2012, notably among LTCHs and SCIs.

Balneal curative and rehabilitation care

The costs of CZK 826 million for balneal curative and rehabilitation care were below the 2012 level as well as below the HIP 2013.

In 2013, the number of treated patients decreased against 2012, notably in the comprehensive balneal curative and rehabilitation care. A reduction in the number of treated patients is partly attributable to the fact that a new Indication List came into force on 1 October 2012 and changed certain conditions for the provision of balneal care, including the definition of the possibilities and frequency of repeating a balneal stay for each indication.

Table No. 10: **Costs of balneal curative and rehabilitation care**

Indicator	Unit of measurement	2012 Actual	2013 HIP	2013 Actual	% 2013/2012	% 2013/HIP 2013
Balneal care - total	TCZK	1 406 819	1 090 000	825 769	58,7	75,8
of which:						
comprehensive care	TCZK	1 304 669	1 010 000	757 230	58,0	75,0
contributory care	TCZK	102 150	80 000	68 539	67,1	85,7
Number of insured persons treated	persons	54 556	x	38 695	70,9	x
of which:						
comprehensive care	persons	44 913	x	31 491	70,1	x
contributory care	persons	9 643	x	7 204	74,7	x
Average cost per insured person treated	CZK	25 787	x	21 340	82,8	x
of which:						
comprehensive care	CZK	29 049	x	24 046	82,8	x
contributory care	CZK	10 593	x	9 514	89,8	x

x - number of treated insured persons is not included in HIP

Convalescent care

The costs of CZK 7.7 million for convalescent care were below the 2012 level as well as below the HIP 2013.

The average costs of one treated patient in 2013 were CZK 11,558 and were commensurate with 2012.

The decreased costs were due to a lower number of treated patients. One of the reasons for poor demand for this type of healthcare may be the financial position of the parents, where equipping the child for the entire duration of the treatment, paying the transport and regulation fees were expensive for many of them.

Table No. 11 (internal): **Overview of treated patients and the number of days of treatment at children's sanatoria**

Number	2012	2013	% 2013/2012
Treated patients	811	668	82,4
Days of treatment	16 694	13 717	82,2

Transport

The costs of transport of CZK 1,072 million were above the 2012 level and below the HIP 2013.

The increased 2013 costs against 2012 were primarily due to an increased number of points per kilometre of transport service by approximately 7 %. The number of kilometres travelled in 2013 was 2.4 % above the 2012 level.

Emergency medical service

The EMS costs reached CZK 1,455 million, i.e. 4.6 % above the 2012 level and 3.9 % above the HIP 2013. The year-on-year cost increase was attributable to an increase in the number of points for medical services (notably for emergency pre-hospital care provided by a medical rescue worker or by a general nurse with a specialisation), an increase in the number of kilometres travelled, in SCMM and a higher number of treated insured persons.

Prescription drugs

The costs of prescription drugs of CZK 21,787 million were 5.5 % below the 2012 level and 3.4 % below the HIP 2013. The main reason for lower costs of prescription drugs was the implementation of efficient measures:

- Changes to prescription restrictions for individual medicinal products – transfer of the costs of medicinal products from prescriptions to SCDs;

- Reduction of reimbursements in anatomic group C10 – products reducing the level of lipids in serum (treatment of the increased cholesterol level in blood);
- Effect of the positive listing of medicinal products;
- Year-on-year decrease of reimbursement in anatomic group N – nervous system.

Medical devices issued for coupons

The costs of CZK 4,011 million for medical devices issued for coupons were 4.2 % below the 2012 level and 5.8 % below the HIP 2013.

Comparing the medical device cost developments for 2013, the cost decrease against 2012 is due to changes in the Insurance Company's reimbursements, notably in group 03 – stoma devices, group 11 – devices for diabetics (glucometer strips) and group 02 – incontinence devices (absorption pads).

Costs of treatment abroad

The costs of treatment abroad amounted to CZK 553 million, i.e. 8.3 % above the 2012 level and 10.6 % above the HIP 2013. The increased costs of treatment abroad resulted from the improved awareness among clients and the use of all of the possibilities available in the healthcare system within the EU. In 2013, the cooperation with the Proton Centre in Munich was established.

Costs of vaccines

The costs of CZK 457 million for vaccines were below the 2012 level as well as below the HIP 2013. The reason for the lower costs of medicinal products containing vaccines for regular vaccination was the fact that the planned number of insured persons that received the vaccination was not reached.

The costs of vaccines against pneumococcal infections (Synflorix, Prevenar and Prevenar 13) were in the same amount as in 2012.

Table No. 12: Structure of the costs of healthcare services by individual segments

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
I.	Total healthcare costs used from Section A (Table No. 2, Section A III., row 1) of the Health Insurance Capital Fund, including estimated items posted in the given period (sum of rows 1-12)	TCZK	138 269 000	138 922 425	100,5	143 745 533	96,6
	of which:						
1	total outpatient care (healthcare facilities not reporting any day of treatment code, included: costs of separately charged drugs and separately charged material, except costs of prescription drugs and medical devices issued for coupons)	TCZK	33 220 000	35 086 294	105,6	34 638 669	101,3
	of which:						
1.1	dental care (specialties 014-015, 019)	TCZK	5 733 000	5 699 042	99,4	5 726 380	99,5
1.2	general practitioners, general practitioners for children and the young (specialties 001, 002)	TCZK	7 650 000	7 811 536	102,1	7 693 369	101,5
	of which:						
1.2.1	general practitioners (specialty 001)	TCZK	5 585 000	5 763 462	103,2	5 583 506	103,2
1.2.2	general practitioners for children and the young (specialty 002)	TCZK	2 065 000	2 048 074	99,2	2 109 863	97,1
1.3	gynaecology and obstetrics (specialties 603, 604)	TCZK	1 680 000	1 822 694	108,5	1 922 363	94,8
1.4	rehabilitation (specialty 902)	TCZK	1 303 000	1 387 088	106,5	1 335 677	103,8

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
1.5	diagnostic healthcare (specialties 222, 801-805, 806, 807, 808, 809, 812-823)	TCZK	4 490 000	4 898 355	109,1	4 956 832	98,8
	of which:						
1.5.1	laboratories (specialties 801-805, 222, 812-822)	TCZK	3 264 000	3 598 062	110,2	3 722 090	96,7
1.5.2	radiology and imaging methods (specialties 809 and 806)	TCZK	964 000	999 496	103,7	969 495	103,1
1.5.3	forensic medicine (specialty 808)	TCZK	0	0	–	0	–
1.5.4	pathology (specialty 807 + 823)	TCZK	262 000	300 797	114,8	265 247	113,4
1.6	home healthcare (specialties 925, 911, 914, 916 and 921)	TCZK	938 000	1 095 647	116,8	950 950	115,2
1.6.1	of which: home healthcare (specialty 925)	TCZK	933 000	1 092 379	117,1	948 096	115,2
1.7	specialised outpatient care (specialties not included in rows 1.1-1.6 and 2)	TCZK	10 786 000	11 521 670	106,8	11 292 399	102,0
1.7.1	of which: medicinal products only reimbursed to healthcare facilities providing care in specialised centres (see Section 15 of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	TCZK	486 000	407 474	83,8	336 057	121,3
1.8	healthcare in healthcare facilities provided to those placed there for reasons other than health-related (Section 22(c) of Act No. 48/1997 Coll., on Public Health Insurance and on Amendments and Additions to Certain Related Acts) (hereinafter referred to as Act No. 48/1997 Coll.) (specialty 913)	TCZK	37 000	51 226	138,4	36 027	142,2
1.9	healthcare provided in social service facilities (Section 22(d) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (all contracted specialties except 913)	TCZK	0	0	–	0	–
1.10	nursing and rehabilitation care provided in social service facilities (Section 22(e) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (specialty 913)	TCZK	603 000	799 036	132,5	724 672	110,3
2	total inpatient healthcare (healthcare facilities reporting the day of treatment code, included: costs of separately charged drugs, separately charged material, flat-rate for drugs and contracted outpatient services where applicable, dental care and transport operated as part of inpatient HCF except costs of prescription drugs and medical devices issued for coupons)	TCZK	73 184 000	73 531 274	100,5	76 595 619	96,0
	of which:						
2.1	independent inpatient, outpatient and one-day care facilities (hospitals)	TCZK	67 217 000	67 646 883	100,6	70 310 987	96,2
	of which:						
2.1.1	outpatient care (documents 01, 01s, 03, 03s, 06 without link to hospitalisation document 02 “Methods of Obtaining and Transmitting Documents”)	TCZK	16 458 000	16 947 614	103,0	18 500 966	91,6
2.1.2	acute inpatient care (documents 02, 02s, 03, 03s and 06 with link to document 02 “Methods of Obtaining and Transmitting Documents”)	TCZK	42 615 000	41 492 435	97,4	43 589 154	95,2
2.1.3	inpatient aftercare (OD 00005 or 00024, as applicable)	TCZK	2 721 000	2 996 583	110,1	2 967 081	101,0
2.1.4	others (first aid medical service, transport, etc., i.e. the remaining services not specified in rows 2.1.1, 2.1.2 and 2.1.3)	TCZK	37 000	62 972	170,2	72 604	86,7
2.1.5	medicinal products only reimbursed to healthcare facilities providing care in specialised centres (see Section 15 of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	TCZK	5 386 000	6 147 279	114,1	5 181 182	118,6
2.2	independent aftercare inpatient facilities OD 00021, OD 00022, OD 00023, OD 00025, OD 00026, OD 00027, OD 00028 (specialised curative institutions except HCFs specified in rows 2.3 and 2.4), OD 00029	TCZK	3 907 500	3 998 822	102,3	4 156 579	96,2

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
	of which:						
2.2.1	psychiatric (OD 00021, OD 00026)	TCZK	3 017 000	3 030 932	100,5	3 121 602	97,1
2.2.2	rehabilitation (OD 00022, OD 00025, OD 00027)	TCZK	638 000	720 572	112,9	646 532	111,5
2.2.3	pneumology and phthisiology (TRN) (OD 00023, OD 00028)	TCZK	178 000	188 848	106,1	196 133	96,3
2.2.4	others	TCZK	74 500	58 470	78,5	192 312	30,4
2.3	independent healthcare facilities reporting the day of treatment code 00024 (long-term care hospitals)	TCZK	1 560 000	1 387 112	88,9	1 617 249	85,8
2.4	independent healthcare facilities reporting the day of treatment code 00005 (nursing beds)	TCZK	390 000	396 866	101,8	404 329	98,2
2.5	beds in special hospice-type inpatient facilities (OD 00030)	TCZK	109 500	101 591	92,8	106 475	95,4
3	balneal curative and rehabilitation care	TCZK	1 090 000	825 769	75,8	1 406 819	58,7
	of which:						
3.1	comprehensive balneal curative and rehabilitation care	TCZK	1 010 000	757 230	75,0	1 304 669	58,0
3.2	contributory balneal curative and rehabilitation care	TCZK	80 000	68 539	85,7	102 150	67,1
4	sanatorium care services	TCZK	10 000	7 721	77,2	9 334	82,7
5	transport (including ambulance service, including individual transport, not including transport in row ²⁾)	TCZK	1 100 000	1 071 795	97,4	941 098	113,9
6	emergency medical service (specialty 709, healthcare facility not reporting any day of treatment code)	TCZK	1 400 000	1 454 878	103,9	1 390 487	104,6
7	prescription drugs in total:	TCZK	22 550 000	21 787 381	96,6	23 062 461	94,5
	of which:						
7.1	those prescribed in outpatient healthcare facilities (independent outpatient HCFs)	TCZK	12 400 000	14 824 728	119,6	15 687 209	94,5
	of which:						
7.1.1	general practitioners, general practitioners for children and the young	TCZK	5 460 000	6 257 062	114,6	6 790 458	92,1
7.1.2	specialised outpatient healthcare facilities	TCZK	6 940 000	8 567 666	123,5	8 896 751	96,3
7.2	those prescribed by inpatient healthcare facilities	TCZK	10 150 000	6 962 653	68,6	7 375 252	94,4
8	medical devices issued for coupons in total	TCZK	4 260 000	4 011 207	94,2	4 185 668	95,8
	of which:						
8.1	those prescribed by outpatient healthcare facilities (independent outpatient HCFs)	TCZK	2 790 000	2 568 577	92,1	2 690 808	95,5
	of which:						
8.1.1	general practitioners, general practitioners for children and the young	TCZK	1 455 000	1 572 642	108,1	1 551 073	101,4
8.1.2	specialised outpatient healthcare facilities	TCZK	1 335 000	995 935	74,6	1 139 735	87,4
8.2	those prescribed by inpatient healthcare facilities	TCZK	1 470 000	1 442 630	98,1	1 494 860	96,5
9	treatment abroad pursuant to Section 1(4)(b) of the Decree on Funds ¹⁾	TCZK	500 000	553 027	110,6	510 586	108,3
10	funds (refunds) pursuant to Section 16b of Act No. 48/1997 Coll.	TCZK	300 000	81 750	27,3	313 044	26,1
11	costs of vaccines pursuant to Act No. 48/1997 Coll., as amended	TCZK	620 000	457 420	73,8	661 024	69,2
12	other healthcare costs (which cannot be included in the items above – provide explanatory notes to specify what they include)	TCZK	35 000	53 909	154,0	30 724	175,5
II.	Costs of improving healthcare services from other funds²⁾	TCZK	425 000	618 047	145,4	426 857	144,8
III.	Total costs of healthcare services (sum of rows I + II)	TCZK	138 694 000	139 540 472	100,6	144 172 390	96,8

Notes to the table:

Costs of healthcare services – structure – 12

¹⁾ Data based on row 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 A III, Tables No. 9 and No. 10.³⁾ If the HIC specifies zero in row 1.9 although it reimburses this type of healthcare service, the item under which the service is included must be specified below the table, as must be the reason why it is not reported separately.

5.1.2 | Average costs of healthcare services per insured person, classified by individual segments

The costs of healthcare services converted to one insured person reached CZK 22,831 in 2013, i.e. 2 % below the 2012 level and 0.5 % above the HIP 2013. The comment on the costs of healthcare services per insured person corresponds to the justification in chapter 5.1.1.

Table No. 13: Structure of the costs of healthcare services, classified by individual segments and converted to one insured person

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
I.	Total healthcare costs used from Section A (Table No. 2, Section A III., row 1) of the Health Insurance Capital Fund, including estimated items posted in the given period (sum of rows 1-12)	CZK	22 719	22 831	100,5	23 293	98,0
	of which:						
1	total outpatient care (healthcare facilities not reporting any day of treatment code, included: costs of separately charged drugs and separately charged material, except costs of prescription drugs and medical devices issued for coupons)	CZK	5 458	5 766	105,6	5 613	102,7
	of which:						
1.1	dental care (specialties 014-015, 019)	CZK	942	937	99,4	928	100,9
1.2	general practitioners, general practitioners for children and the young (specialties 001, 002)	CZK	1 257	1 284	102,1	1 247	103,0
	of which:						
1.2.1	general practitioners (specialty 001)	CZK	918	947	103,2	905	104,7
1.2.2	general practitioners for children and the young (specialty 002)	CZK	339	337	99,2	342	98,4
1.3	gynaecology and obstetrics (specialties 603, 604)	CZK	276	300	108,5	312	96,2
1.4	rehabilitation (specialty 902)	CZK	214	228	106,5	216	105,3
1.5	diagnostic healthcare (specialties 222, 801-805, 806, 807, 808, 809, 812-823)	CZK	738	805	109,1	803	100,2
	of which:						
1.5.1	laboratories (specialties 801-805, 222, 812-822)	CZK	536	591	110,3	603	98,0
1.5.2	radiology and imaging methods (specialties 809 and 806)	CZK	158	164	103,7	157	104,6
1.5.3	forensic medicine (specialty 808)	CZK	0	0	–	0	–
1.5.4	pathology (specialty 807 + 823)	CZK	43	49	114,8	43	115,0
1.6	home healthcare (specialties 925, 911, 914, 916 and 921)	CZK	154	180	116,8	154	116,8
1.6.1	of which: home healthcare (specialty 925)	CZK	153	180	117,1	154	116,9
1.7	specialised outpatient care (specialties not included in rows 1.1-1.6 and 2)	CZK	1 772	1 893	106,8	1 830	103,5
1.7.1	of which: medicinal products only reimbursed to healthcare facilities providing care in specialised centres (see Section 15 of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	CZK	80	67	83,9	54	123,0
1.8	healthcare in healthcare facilities provided to those placed there for reasons other than health-related (Section (22) (c) of Act No. 48/1997 Coll., on Public Health Insurance and on Amendments and Additions to Certain Related Acts) (hereinafter referred to as Act No. 48/1997 Coll.) (specialty 913)	CZK	6	8	138,5	6	144,2
1.9	healthcare provided in social service facilities (Section 22(d) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (all contracted specialties except 913)	CZK	0	0	–	0	–

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
1.10	nursing and rehabilitation care provided in social service facilities (Section 22(e) of Act No. 48/1997 Coll., as amended by Act No. 109/2006 Coll.) (specialty 913)	CZK	99	131	132,5	117	111,8
2	total inpatient healthcare (healthcare facilities reporting the day of treatment code, included: costs of separately charged drugs, separately charged material, flat-rate for drugs and contracted outpatient services where applicable, dental care and transport operated as part of inpatient HCF except costs of prescription drugs and medical devices issued for coupons)	CZK	12 025	12 084	100,5	12 412	97,4
	of which:						
2.1	independent inpatient, outpatient and one-day care facilities (hospitals)	CZK	11 045	11 117	100,7	11 393	97,6
	of which:						
2.1.1	outpatient care (documents 01, 01s, 03, 03s, 06 without link to hospitalisation document 02 "Methods of Obtaining and Transmitting Documents")	CZK	2 704	2 785	103,0	2 998	92,9
2.1.2	acute inpatient care (documents 02, 02s, 03, 03s and 06 with link to document 02 "Methods of Obtaining and Transmitting Documents")	CZK	7 002	6 819	97,4	7 063	96,5
2.1.3	inpatient aftercare (OD 00005 or 00024, as applicable)	CZK	447	492	110,1	481	102,4
2.1.4	others (first aid medical service, transport, etc., i.e. the remaining services not specified in rows 2.1.1, 2.1.2 and 2.1.3)	CZK	6	10	170,2	12	88,0
2.1.5	medicinal products only reimbursed to healthcare facilities providing care in specialised centres (see Section 15 of Act No. 48/1997 Coll. and Decree No. 376/2011 Coll.)	CZK	885	1 010	114,2	840	120,3
2.2	independent aftercare inpatient facilities OD 00021, OD 00022, OD 00023, OD 00025, OD 00026, OD 00027, OD 00028 (specialised curative institutions except HCFs specified in rows 2.3 and 2.4), OD 00029	CZK	642	657	102,4	674	97,6
	of which:						
2.2.1	psychiatric (OD 00021, OD 00026)	CZK	496	498	100,5	506	98,5
2.2.2	rehabilitation (OD 00022, OD 00025, OD 00027)	CZK	105	118	113,0	105	113,0
2.2.3	pneumology and phthisiology (TRN) (OD 00023, OD 00028)	CZK	29	31	106,1	32	97,7
2.2.4	others	CZK	12	10	78,5	31	30,8
2.3	independent healthcare facilities reporting the day of treatment code 00024 (long-term care hospitals)	CZK	256	228	88,9	262	87,0
2.4	independent healthcare facilities reporting the day of treatment code 00005 (nursing beds)	CZK	64	65	101,8	66	99,5
2.5	beds in special hospice-type inpatient facilities (OD 00030)	CZK	18	17	92,8	17	96,8
3	balneal curative and rehabilitation care	CZK	179	136	75,8	228	59,5
	of which:						
3.1	comprehensive balneal curative and rehabilitation care	CZK	166	124	75,0	211	58,9
3.2	contributory balneal curative and rehabilitation care	CZK	13	11	85,7	17	68,0
4	sanatorium care services	CZK	2	1	77,2	2	83,9
5	transport (including ambulance service, including individual transport, not including transport in row ²⁾)	CZK	181	176	97,5	152	115,5
6	emergency medical service (specialty 709, healthcare facility not reporting any day of treatment code)	CZK	230	239	103,9	225	106,1
7	prescription drugs in total:	CZK	3 705	3 581	96,6	3 737	95,8
	of which:						
7.1	those prescribed in outpatient healthcare facilities (independent outpatient HCFs)	CZK	2 037	2 436	119,6	2 542	95,8
	of which:						
7.1.1	general practitioners, general practitioners for children and the young	CZK	897	1 028	114,6	1 100	93,5
7.1.2	specialised outpatient healthcare facilities	CZK	1 140	1 408	123,5	1 442	97,7

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
7.2	those prescribed by inpatient healthcare facilities	CZK	1 668	1 144	68,6	1 195	95,7
8	medical devices issued for coupons in total	CZK	700	659	94,2	678	97,2
	of which:						
8.1	those prescribed by outpatient healthcare facilities (independent outpatient HCFs)	CZK	458	422	92,1	436	96,8
	of which:						
8.1.1	general practitioners, general practitioners for children and the young	CZK	239	258	108,1	251	102,8
8.1.2	specialised outpatient healthcare facilities	CZK	219	164	74,6	185	88,6
8.2	those prescribed by inpatient healthcare facilities	CZK	242	237	98,2	242	97,9
9	treatment abroad pursuant to Section 1(4)(b) of the Decree on Funds) ¹⁾	CZK	82	91	110,6	83	109,8
10	funds (refunds) pursuant to Section 16b of Act No. 48/1997 Coll.	CZK	49	13	27,3	51	26,5
11	costs of vaccines pursuant to Act No. 48/1997 Coll., as amended	CZK	102	75	73,8	107	70,2
12	other healthcare costs (which cannot be included in the items above - provide explanatory notes to specify what they include)	CZK	6	9	154,1	5	177,9
II.	Costs of improving healthcare services from other funds	CZK	70	102	145,4	69	146,8
III.	Total costs of healthcare services (sum of rows I + II)	CZK	22 789	22 932	100,6	23 362	98,2

Notes to the table:

Costs of healthcare services – structure per insured person – 13

¹⁾ Link to Table No. 12, using the average number of insured persons, Table No. 1 – Overview of basic indicators, row 2.

5.1.3 | Costs of treating foreigners in the Czech Republic

The trends in the costs of treating foreigners in the Czech Republic indicate that the Insurance Company has remained a preferred assisting health insurer, which temporarily bears the cost of healthcare provided in the territory of the Czech Republic to foreigners from the EU, EEA and Switzerland.

In 2013, the Insurance Company paid CZK 500 million for the treatment of foreigners, with the number of treated clients temporarily registered with the Insurance Company growing by 21% to 95,200 cases, as expressed by the number of forms we send through the CIR to competent institutions for reimbursement. The average cost per foreigner treated concurrently fell by 20.9 % compared to the actual 2012 data. These figures indicate an increase in the number of treatments during temporary stays of foreigners in the Czech Republic.

Table No. 14: Cost developments in treating foreigners in the Czech Republic

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)	2012 Actual	Actual 2013/ Actual 2012 (%)
1	Costs of treatment of foreigners in the Czech Republic in total, including flat-rate payments ¹⁾	TCZK	430 000	499 662	116,2	522 120	95,7
2	Number of foreigners treated ²⁾	persons	72 000	95 200	132,2	78 652	121,0
3	Average cost per foreigner treated	CZK	5 972	5 249	87,9	6 638	79,1

Notes to the table:

Treatment of foreigners – 14

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

²⁾ Expressed as the number of statements.

5.2 | Operation Fund

The aim of the OF management in 2013 was to ensure that the Insurance Company could pursue its ordinary operations while intensely curbing costs by taking austerity measures for a maximum of money to be available for healthcare reimbursements from the HICF.

The Insurance Company's OF opened 2013 with a balance of CZK 387.1 million. The total formation of the OF resources reached CZK 4,783.4 million, i.e. CZK 330.9 million below the HIP 2013. The OF's primary resource was the allocation from the HICF, totalling CZK 4,640.3 million. The allocation from the HICF was prescribed in 2013, based on the maximum limit set by Decree No. 418/2003 Coll., which defines a formula to calculate the cost limit on health insurance company's operations. Although, pursuant to the amendment to this Decree, the coefficient of the maximum limit was reduced as from 2013 and the Insurance Company's basis for the calculation also decreased on the year-on-year basis, the prescribed allocation from the HICF rose by 5.6 % y/y because in 2012 the Insurance Company reduced the limit on costs by 0.35 % against the maximum limit in favour of reimbursements of healthcare services. According to the HIP 2013, the OF's resources had to be significantly boosted by the sales of tangible and intangible fixed assets. However, CZK 96.9 million out of the planned amount of CZK 420.0 million was obtained for the real estate sold.

The total amount used from the OF in 2013 was CZK 4,048.3 million, i.e. CZK 1,103.8 million below the HIP 2013. Wage costs and other related costs totalled CZK 2,120.7 million, down by 1.6 % y/y. Other payables, which represent the cost of current operations, amounted to CZK 1,148.3 million, i.e. CZK 542.2 million below the Insurance Company's plan, owing to the Insurance Company's austerity measures and the postponement of selected projects to the next year. Depreciation of tangible and intangible assets reached CZK 732.4 million. The difference from the planned value of CZK 1,060.0 million according to the HIP 2013 is due to lower sales of the Insurance Company's real estate, as the residual value of assets sold is part of the depreciation of tangible and intangible assets. Payables to cover fines and penalties were planned in the HIP 2013 in the amount according to expected cash-flow developments at the level of maximum penalisation by HCFs. The actual value of those payables was CZK 2.2 million, i.e. just 1.5 % of the amount planned.

The result of the OF management is the closing balance of CZK 1,122.2 million in part A of the Fund as of 31 December 2013. The final balance of the Fund planned in the HIP 2013 was zero. The difference between the planned and actual values occurred, in particular, in the Fund's opening balance, which was CZK 349.3 million higher than planned, in payables to cover fines and penalties, which were CZK 147.8 million lower, and in the other payables, where CZK 542.2 million was saved. Failure to meet the plan of selling the real estate had no significant impact on the OF balance. As a result of lower sales of assets, the formation of the Fund was CZK 323.1 million lower in the item "Receivable from the sale of tangible and intangible fixed assets" and the amount used from the Fund was also aliquotly lower. The adverse impact of failure to meet the asset sales plan affected the formation of CRF as a lower prescribed allocation from the OF in the amount of the depreciation and in the amount of the positive difference between the selling price and the residual value of the sold assets against the HIP 2013.

The closing balance in part B of the Fund was CZK 24.5 million as of 31 December 2013. The different balances in parts A and B are primarily due to internal money transfers between individual funds of the Insurance Company. Uncommitted funds are kept in the HICF to be used for the reimbursement of healthcare services, and are only transferred to the OF up to the amount of performances that come due.

Table No. 15: Operation Fund (thousands of CZK)

A.	Operation Fund (OF) Formation and drawing during the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period ²⁾	37 794	387 097	1 024,2
II.	Total formation = resources	5 114 265	4 783 408	93,5
1	Prescribed allocation pursuant to Section 1(4)(j) of the Decree on Funds from the Health Insurance Capital Fund, set out pursuant to Section 7(1) and (2) of the Decree on Funds	4 654 195	4 640 315	99,7
2	Prescribed allocation from the Capital Reproduction Fund in the amount approved by the Board of Directors pursuant to Section 3(2)(c) of the Decree on Funds	0	0	–
3	Transfer of OF money in the case of a merger or amalgamation of the insurance company pursuant to Section 3(2)(g) of the Decree on Funds	0	0	–
4	Receivable from the sale of tangible and intangible fixed assets pursuant to Section 3(2)(h) of the Decree on Funds	419 950	96 858	23,1
5	Extraordinary prescribed allocation from the Military Health Insurance Company of the Czech Republic by transfer from the Health Insurance Capital Fund	0	0	–
6	OF-related interest pursuant to Section 3(2)(d) of the Decree on Funds	620	233	37,6
7	Contractual fines for violating contractual relationships to healthcare facilities pursuant to Section 3(2)(i) of the Decree on Funds	0	1 020	–
8	Positive difference from the valuation of securities acquired from the OF to fair value pursuant to Section 3(2)(f) of the Decree on Funds	0	0	–
9	Exchange rate gains related to OF pursuant to Section 3(2)(e) of the Decree on Funds	0	10	–
10	Other receivables related to the OF pursuant to Section 3(2)(j) of the Decree on Funds	18 000	19 357	107,5
11	Receivables of the General Health Insurance Company pursuant to Section 3(3) of the Decree on Funds	21 500	25 615	119,1
12	Donation solely intended for the OF pursuant to Section 3(2)(b) of the Decree on Funds	0	0	–
13	Gains from the sale of OF securities pursuant to Section 3(7) of the Decree on Funds	0	0	–
14	Gains from holding OF securities pursuant to Section 3(7) of the Decree on Funds	0	0	–
15	Other reserves applied, reduced or cancelled pursuant to Section 3(2)(k) of the Decree on Funds	0	0	–
16	Reduced or cancelled other value adjustments pursuant to Section 3(2)(l) of the Decree on Funds	0	0	–
17	Other estimated assets pursuant to Section 3(2)(m) of the Decree on Funds	0	0	–
18	Extraordinary external events	0	0	–
19	Extraordinary transfers between funds	0	0	–
III.	Total drawing = resource reduction	5 152 059	4 048 303	78,6
1	Classification of operating payables of the health insurance company – pursuant to Section 3 of the Decree on Funds	5 083 890	4 015 764	79,0
1.1	of which: wages, excluding other personnel costs (including wage compensations)	1 585 089	1 556 625	98,2
1.2	other personnel costs	27 900	19 796	71,0
1.3	employee health insurance ⁴⁾	144 626	142 896	98,8
1.4	employee social security premiums and state employment policy contributions	398 026	388 909	97,7
1.5	remuneration to members of the Board of Directors, Supervisory Board and Arbitration Body	14 958	12 505	83,6
1.6	interest	0	0	–
1.7	share of payments for International Reimbursement Centre services	12 000	11 780	98,2
1.8	share of payments by an employee health insurance company for Information Centre services	0	0	–
1.9	share of payments by an employee health insurance company in Central Register management	0	0	–
1.10	exchange rate losses related to OF	500	250	50,0
1.11	fee payments	300	143	47,7
1.12	liabilities to pay fines and penalties pursuant to Section 3(4)(i) of the Decree on Funds	150 000	2 215	1,5
1.13	payments for healthcare services on the basis of a decision by a receiver of an employee health insurance company pursuant to Section 3(4)(j) of the Decree on Funds	0	0	–
1.14	money expended by an employee health insurance company to buy methodical guidelines from VZP CR pursuant to Section 3(3) of the Decree on Funds	0	0	–
1.15	share of depreciation of tangible and intangible assets related to OF	1 060 000	732 354	69,1
1.16	other payables ⁵⁾	1 690 491	1 148 291	67,9
1.16.1	of which: services related to the development of the information infrastructure of the system ³⁾	4 000	5 180	129,5
2	Prescribed statutory allocation to the Social Fund pursuant to Section 3(4)(b) and Section 4(2)(a) of the Decree on Funds	31 702	31 133	98,2
3	Prescribed allocation to the Health Insurance Surplus Fund pursuant to Section 3(4)(c) and Section 2(5) of the Decree on Funds	0	0	–

A. Operation Fund (OF)		2013	2013	Actual 2013/
Formation and drawing during the reported period		HIP	Actual	HIP 2013 (%)
4	Prescribed allocation to the Capital Reproduction Fund pursuant to Section 3(4)(d) of the Decree on Funds	0	0	–
5	Prescribed allocation to the Health Insurance Capital Fund according to a decision of the Board of Directors pursuant to Section 3(4)(e) of the Decree on Funds	0	0	–
6	Prescribed allocation to the Capital Reproduction Fund in the amount of the positive difference between the selling and residual values pursuant to Section 3(4)(k) of the Decree on Funds	36 467	1 406	3,9
7	Negative differences from the valuation of securities acquired from the OF to the fair value pursuant to Section 3(4)(g) of the Decree on Funds	0	0	–
8	Losses from the sale of securities acquired from OF pursuant to Section 3(7) of the Decree on Funds	0	0	–
9	Creation of other reserves pursuant to Section 3(4)(l) of the Decree on Funds	0	0	–
10	Creation of other value adjustments pursuant to Section 3(4)(m) of the Decree on Funds	0	0	–
11	Other estimated liabilities pursuant to Section 3(4)(n) of the Decree on Funds	0	0	–
12	Extraordinary external events	0	0	–
13	Extraordinary transfers between funds	0	0	–
IV.	Closing balance on the last day of the reported period = I + II - III	0	1 122 202	
B. Operation Fund (OF)		2013	2013	Actual 2013/
Income and expenditure in the reported period pursuant to Section 3 of the Decree on Funds		HIP	Actual	HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	289 354	45 709	15,8
II.	Total income	5 142 265	3 520 590	68,5
1	Allocation pursuant to Section 1(4)(j) of the Decree on Funds from the HICF, set out pursuant to Section 7(1) and (2) of the Decree on Funds	4 654 195	3 157 219	67,8
2	Allocation from the Capital Reproduction Fund of the amount approved by the Board of Directors pursuant to Section 3(2)(c) of the Decree on Funds	0	0	–
3	Transfer of OF money in the case of a merger or amalgamation of the insurance company pursuant to Section 3(2)(g) of the Decree on Funds	0	0	–
4	Income from the sale of tangible and intangible fixed assets pursuant to Section 3(2)(h) of the Decree on Funds	419 950	191 357	45,6
5	Extraordinary allocation from the Military Health Insurance Company of the Czech Republic by transfer from the HICF			
6	OF-related interest received pursuant to Section 3(2)(d) of the Decree on Funds	620	233	37,6
7	Contractual fines received for violating contractual relationships to healthcare facilities pursuant to Section 3(2)(i) of the Decree on Funds	0	1	–
8	Exchange rate gains related to OF pursuant to Section 3(2)(e) of the Decree on Funds	0	10	–
9	Other income related to OF pursuant to Section 3(2)(j) of the Decree on Funds	18 000	8 845	49,1
10	Income of the General Health Insurance Company of the Czech Republic pursuant to Section 3(3) of the Decree on Funds	21 500	20 331	94,6
11	Donation received solely for the OF pursuant to Section 3(2)(b) of the Decree on Funds	0	0	–
12	Advance payments received, including the final settlement, to pay a portion of overheads and other taxable activities pursuant to Section 3(11) of the Decree on Funds ¹⁾	28 000	23 466	83,8
13	Gains from the sale of securities pursuant to Section 3(7) of the Decree on Funds	0	0	–
14	Gains from holding securities pursuant to Section 3(7) of the Decree on Funds	0	0	–
15	Sale of securities valued at the book value of the securities sold	0	0	–
16	Extraordinary external events	0	0	–
17	Extraordinary transfers between funds	0	119 128	–
III.	Total expenditure	5 171 535	3 541 768	68,5
1	Classification of operating expenditure pursuant to Section 3 of the Decree on Funds	4 039 147	3 268 368	80,9
1.1	of which: wages, excluding other personnel costs (including wage compensations)	1 577 036	1 569 375	99,5
1.2	other personnel costs	27 263	19 840	72,8
1.3	employee health insurance ⁴⁾	143 906	142 646	99,1
1.4	employee social security premiums and state employment policy contributions	395 877	389 146	98,3
1.5	remuneration to members of the Board of Directors, Supervisory Board and Arbitration Body	15 027	8 698	57,9
1.6	interest	0	0	–
1.7	share of payments for International Reimbursement Centre services	12 000	9 322	77,7
1.8	share of payments by an employee health insurance company for Information Centre services	0	0	–
1.9	share of payments by an employee health insurance company in Central Register management	0	0	–
1.10	exchange rate losses related to OF	500	220	44,0
1.11	fee payments	300	143	47,7

B.	Operation Fund (OF)	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
	Income and expenditure in the reported period pursuant to Section 3 of the Decree on Funds			
1.12	payments of fines and penalties pursuant to Section 3(4)(i) of the Decree on Funds	150 000	2 204	1,5
1.13	payments for healthcare services on the basis of a decision by a receiver of an employee health insurance company pursuant to Section 3(4)(j) of the Decree on Funds	0	0	–
1.14	money expended by an employee health insurance company to buy methodical guidelines from VZP CR pursuant to Section 3(3) of the Decree on Funds	0	0	–
1.15	other expenditure ⁵⁾	1 717 238	1 126 774	65,6
1.15.1	of which: services related to the development of the information infrastructure of the system ³⁾	4 000	5 180	129,5
2	Allocation to the Social Fund pursuant to Section 4(2)(a) of the Decree on Funds	31 541	31 177	98,8
3	Allocation to the Health Insurance Surplus Fund pursuant to Section 2(5) of the Decree on Funds	0	0	–
4	Allocation to the Capital Reproduction Fund pursuant to Section 3(4)(d) of the Decree on Funds	0	0	–
5	Allocation to the Health Insurance Capital Fund according to the decision of the Board of Directors pursuant to Section 3(4)(e) of the Decree on Funds	0	0	–
6	Allocation to the Capital Reproduction Fund in the amount of the positive difference between the selling and residual values pursuant to Section 3(4)(l) of the Decree on Funds	36 467	11 757	32,2
7	Allocation to the Capital Reproduction Fund in the amount of total depreciation, including the residual value, pursuant to Section 6(2)(a) of the Decree on Funds	1 064 380	207 000	19,4
8	Settlement of the advance payment by the Military Health Insurance Company of the CR for the management of specific funds pursuant to Section 3(11) of the Decree on Funds ¹⁾	0	0	–
9	Settlement of the advance payment to share the overheads related to other taxable activities pursuant to Section 3(11) of the Decree on Funds ¹⁾	0	23 466	–
10	Losses from the sale of securities acquired from the OF pursuant to Section 3(7) of the Decree on Funds	0	0	–
11	Purchase of securities paid by the OF pursuant to Section 3(7) of the Decree on Funds	0	0	–
12	Repayments of loans from applicants in relation to this Fund	0	0	–
13	Extraordinary external events	0	0	–
14	Extraordinary transfers between funds	0	0	–
IV.	Closing balance on the last day of the reported period = I + II - III	260 084	24 531	9,4
	Value of reserves attributed to B IV on the last day of the reported period	0	0	–
C.	Supplementary information to Section B – pursuant to Section 3(7) of the Decree on Funds			
1	Balance of securities as of 1 January of the reported period	0	0	–
2	Balance of securities as of the last day of the reported period	0	0	–

Notes to the table:

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- ¹⁾ Financial advances (transferred between separate bank accounts) to share common expenditure pertaining to other taxable activities (for the Military Health Insurance Company of the CR, if applicable, also in respect of specific funds) are only shown in Section B, i.e. in a bank account pursuant to the Czech accounting standards for health insurance companies.
- ²⁾ The sum of the opening balance of Section B and the opening 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. Any differences shall be reported by HICs in an appendix.
- ³⁾ The lines designated as “of which”, appearing in row 1.16.1 of Section A III. and row 1.15.1 of Section B III, are intended for the single reporting of costs and expenses relating to the information infrastructure development.
- ⁴⁾ In row 1.3 (1.4) of Section A III and Section B III, health insurance companies shall also include the costs relating to the payment of health insurance (social insurance) premiums on behalf of members of their Boards of Directors, Supervisory Boards and Arbitration Bodies.
- ⁵⁾ Other payables in row 1.16 of Section A and expenditure in row 1.15 of Section B include a share of the costs of health records, with this not being related to the personal account of the insured person.

Appendix to the OF Statement – Section B III, row 1.15 (structure of charged costs)

Reimbursements for administering the CRI, ICHI and CC

Cost Item	Thousands of CZK
Wages	6 613
Health insurance premiums	1 653
Social security premiums	595
Write-offs	2 249
Other costs	9 127
Total	20 237

Note: This is a share of the costs of administering the common agendas for the public health insurance system, invoiced in 2013. The employee health insurance company's share of the costs expended in Q4 2013 was re-invoiced in January 2014, in accordance with the Contract for Data Transmission and Reimbursement of Data Administration.

Reimbursements for code lists and blank forms

Cost Item	Thousands of CZK
Wages	1 603
Health insurance premiums	401
Social security premiums	144
Write-offs	545
Other costs	2 212
Total	4 905

Note: This is the employee health insurance company's share of the costs of preparation of code lists for 2013. The costs and expenses are included in the total costs and expenses of the Insurance Company, according to the specified types.

5.3 | Capital Reproduction Fund

The CRF was used to accumulate money for the acquisition of tangible and intangible fixed assets.

The opening balance of the CRF was CZK 1,113.1 million. The total resources of the CRF were generated in the amount of CZK 750.0 million. The largest item was the prescribed allocation from the OF in the amount of the write-offs of CZK 748.5 million, which was CZK 315.8 million below the HIP 2013, mainly as a result of lower sales of the Insurance Company's assets. Other resources, amounting to CZK 1.4 million, include the revenue from the sales of fixed assets and interest income.

The total amount used was CZK 253.3 million, as opposed to CZK 771.0 million in the HIP 2013. In 2013, the Insurance Company used that money for the acquisition of tangible and intangible assets. The amount is CZK 517.7 million below the HIP 2013, due to austerity measures and a postponement of the implementation of certain contracts.

IS investments of CZK 233.0 million were predominant, CZK 13.7 million was spent on the other investments and CZK 6.6 million on construction investments. The main reasons for investing in the IS included application modifications in view of legislative changes, modernisation of data centres and licence purchases. The construction investments were primarily used for the reconstruction of the client hall in Rychnov nad Kněžnou, the reconstruction of the premises in Opava and the reconstruction of the boiler room in Břeclav. The other investments were used for security systems.

In accordance with the ongoing process of agenda transformation and centralisation, the Insurance Company continued to sell assets in order to streamline the use of buildings.

The 2013 result was the final balance of CZK 1,609.8 million in part A of the Fund and the final balance of CZK 10.7 million in part B of the Fund as of 31 December 2013. The difference between parts A and B is a receivable due from the OF because money is only transferred to the CRF up to the amount of performances that come due.

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

A.	Capital Reproduction Fund (CRF) Formation and drawing in the reported period	2013	2013	Actual 2013/ HIP 2013 (%)
		HIP	Actual	
I.	Opening balance as of 1 January of the reported period	812 728	1 113 144	137,0
II.	Total formation = resources	1 100 897	749 954	68,1
1	Prescribed CRF allocation from the Operation Fund in the amount of depreciation pursuant to Section 6(2)(a) of the Decree on Funds	1 064 380	748 539	70,3
2	Prescribed allocation from the Operation Fund in the amount approved by the Board of Directors pursuant to Section 6(2)(b) of the Decree on Funds	0	0	–
3	Interest on the CRF current account pursuant to Section 6(2)(f) of the Decree on Funds	50	9	18,0
4	Donation specifically intended by the donor to boost the CRF pursuant to Section 6(2)(d) of the Decree on Funds	0	0	–
5	Allocation from earnings after tax pursuant to Section 6(2)(e) of the Decree on Funds	0	0	–
6	Balance of the CRF in the event of a merger or amalgamation of the insurance company pursuant to Section 6(2)(g) of the Decree on Funds	0	0	–
7	Targeted subsidy from the state budget pursuant to Section 6(2)(h) of the Decree on Funds	0	0	–
8	Transfer from the Operation Fund - positive difference between the selling and residual values of the sold tangible and intangible fixed assets pursuant to Section 6(2)(c) of the Decree on Funds	36 467	1 406	3,9
9	Exchange rate gains related to CRF pursuant to Section 6(2)(i) of the Decree on Funds	0	0	–
10	Extraordinary external events	0	0	–
11	Extraordinary transfers between funds	0	0	–
III.	Total drawing = resource reduction	771 000	253 323	32,9
1	Acquisition of tangible and intangible fixed assets, including advances, pursuant to Section 6(3)(a) of the Decree on Funds	771 000	253 323	32,9
2	Repayment of loan interest pursuant to Section 6(3)(b) of the Decree on Funds	0	0	–
3	Banking and postal fees pursuant to Section 6(3)(d) of the Decree on Funds	0	0	–
4	Allocation to the Operation Fund with the approval of the Board of Directors pursuant to Section 6(3)(c) of the Decree on Funds	0	0	–
5	Exchange rate losses pursuant to Section 6(3)(e) of the Decree on Funds	0	0	–
6	Payables for healthcare based on the decision of a receiver pursuant to Section 6(3)(f) of the Decree on Funds	0	0	–
7	Extraordinary external events	0	0	–
8	Extraordinary transfers between funds	0	0	–
IV.	Closing balance on the last day of the reported period = I + II - III	1 142 625	1 609 775	140,9
B.	Capital Reproduction Fund (CRF) Formation and drawing in the reported period pursuant to Section 6(4) of the Decree on Funds	2013	2013	Actual 2013/ HIP 2013 (%)
		HIP	Actual	
I.	Opening balance as of 1 January of the reported period	12 946	5 216	40,3
II.	Total income	1 100 897	258 766	23,5
1	Allocation from the current account of the Operation Fund in the amount of depreciation pursuant to Section 6(2)(a) of the Decree on Funds	1 064 380	207 000	19,4
2	Allocation from the current account of the Operation Fund in the amount approved by the Board of Directors pursuant to Section 6(2)(b) of the Decree on Funds	0	0	–
3	Interest on the CRF current account pursuant to Section 6(2)(f) of the Decree on Funds	50	9	18,0
4	Donation specifically intended by the donor to boost the CRF pursuant to Section 6(2)(d) of the Decree on Funds	0	0	–
5	Allocation from earnings after tax pursuant to Section 6(2)(e) of the Decree on Funds	0	0	–
6	Transfer of the current account balance of the CRF in the event of a merger or amalgamation of the insurance company pursuant to Section 6(2)(g) of the Decree on Funds	0	0	–
7	Targeted subsidy from the state budget pursuant to Section 6(2)(h) of the Decree on Funds	0	0	–
8	Transfer from the current account of the Operation Fund - positive difference between the selling and residual values of the sold tangible and intangible fixed assets pursuant to Section 6(2)(c) (Section 3(4)(k)) of the Decree on Funds	36 467	11 757	32,2
9	Exchange rate gains related to CRF pursuant to Section 6(2)(i) of the Decree on Funds	0	0	–
10	Loans received to boost the CRF	0	0	–
11	Extraordinary external events	0	0	–
12	Extraordinary transfers between funds	0	40 000	–

B.	Capital Reproduction Fund (CRF) Formation and drawing in the reported period pursuant to Section 6(4) of the Decree on Funds	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
III.	Total expenditure:	1 071 000	253 323	23,7
1	Acquisition of tangible and intangible fixed assets, including advances, pursuant to Section 6(3)(a) of the Decree on Funds	771 000	253 323	32,9
2	Repayment of loan interest pursuant to Section 6(3)(b) of the Decree on Funds	0	0	–
3	Payments of banking and postal fees pursuant to Section 6(3)(d) of the Decree on Funds	0	0	–
4	Allocation to the current account of the OF with the approval of the Board of Directors pursuant to Section 6(3)(c) of the Decree on Funds	0	0	–
5	Exchange rate losses pursuant to Section 6(3)(e) of the Decree on Funds	0	0	–
6	Payment for healthcare based on the decision of a receiver pursuant to Section 6(3)(f) of the Decree on Funds	0	0	–
7	Repayment of loans related to this Fund (linked to Section 6(3)(b) of the Decree on Funds) ¹⁾	0	0	–
8	Repayments of loans from applicants pertaining to this Fund	0	0	–
9	Extraordinary external events	0	0	–
10	Extraordinary transfers between funds	300 000	0	0,0
IV.	Closing balance on the last day of the reported period = I + II - III	42 843	10 659	24,9

Notes to the table:

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- 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 applies to drawing on a loan granted.

5.4 | Social Fund

In 2013, the SF was financially managed in accordance with Decree No. 418/2003 Coll. and the Collective Agreement. Its resources were primarily generated by an allocation from the OF at the level of 2 % of the annual amount of costs posted for wages and wage compensations and an allocation at the level of 1 % of the annual amount of costs posted for wages and wage compensations from earnings after tax. The allocation from earnings after tax was carried out with consent from the Board of Directors. In addition, the SF was composed of interest from the current account and loan repayments by employees.

In 2013, the money from the SF was used in accordance with the HIP 2013, notably for the supplementary pension insurance and life insurance, catering contributions, contributions to career and life jubilees, social assistance and loans to employees who found themselves in particularly difficult life circumstances without being to blame, etc.

The development of the SF management, i.e. more money used from it than added to it, complies with its management strategy adopted in 2012 and with the SF disposable balance created prior to the centralisation of the Fund. The system was set up with the aim of stabilising the Insurance Company employees after the transformation performed and after the related collective redundancies.

The system will be revised in 2014, based on the financial development of the SF; in addition, the effectiveness of the benefits provided will be assessed during the collective bargaining for 2015.

Table No. 17: Social Fund (thousands of CZK)

A.	Social Fund (SF) Creation and drawing in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	21 378	26 348	123,2
II.	Total formation = resources	47 775	47 256	98,9
1	Prescribed allocation from the Operation Fund pursuant to Section 4(2)(a) of the Decree on Funds	31 702	31 133	98,2
2	Interest on the SF current account pursuant to Section 4(2)(e) of the Decree on Funds	138	204	147,8
3	Other prescribed income pursuant to Section 4(2)(d) of the Decree on Funds	0	0	–
4	Prescribed allocation from earnings after tax from taxable activities pursuant to Section 4(2)(b) of the Decree on Funds	15 851	15 851	100,0
5	Transfer of SF balance in the case of a merger or amalgamation of the health insurance company pursuant to Section 4(2)(h) of the Decree on Funds	0	0	–
6	Repayments of employee loans pursuant to Section 4(2)(c) of the Decree on Funds	84	68	81,0
7	Exchange rate gains related to SF pursuant to Section 4(2)(f) of the Decree on Funds	0	0	–
8	Donations intended for the SF by the donor pursuant to Section 4(2)(g) of the Decree on Funds	0	0	–
9	Other reserves applied, reduced or cancelled pursuant to Section 4(2)(j) of the Decree on Funds	0	0	–
10	Other value adjustments reduced or cancelled pursuant to Section 4(2)(k) of the Decree on Funds	0	0	–
11	Estimated assets pursuant to Section 4(2)(l) of the Decree on Funds	0	0	–
12	Extraordinary external events	0	0	–
13	Extraordinary transfers between funds	0	0	–
III.	Total drawing = resource reduction pursuant to Section 4(3)(a)	59 046	51 276	86,8
1	Prescribed resource reduction pursuant to Section 4(3) of the Decree on Funds (1.1 + 1.2)	58 956	51 202	86,8
1.1	of which: loans	100	40	40,0
1.2	other drawing	58 856	51 162	86,9
2	Banking (postal) fees	90	74	82,2
3	Exchange rate losses	0	0	–
4	Creation of other reserves pursuant to Section 4(4)(f) of the Decree on Funds	0	0	–
5	Creation of other value adjustments pursuant to Section 4(4)(g) of the Decree on Funds	0	0	–
6	Estimated liabilities pursuant to Section 4(4)(h) of the Decree on Funds	0	0	–
7	Extraordinary external events	0	0	–
8	Extraordinary transfers between funds	0	0	–
IV.	Closing balance on the last day of the reported period = I + II - III	10 107	22 328	220,9
B.	Social Fund (SF) Income and expenditure in the reported period in accordance with Section 4(4) of the Decree on Funds	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	18 422	30 627	166,3
II.	Total income	47 533	46 863	98,6
1	Interest on the SF current account pursuant to Section 4(2)(a) of the Decree on Funds	31 541	31 177	98,8
2	Interest on the SF current account pursuant to Section 4(2)(e) of the Decree on Funds	138	204	147,8
3	Other income pursuant to Section 4(2)(d) of the Decree on Funds	0	0	–
4	Allocation from earnings after tax from taxable activities pursuant to Section 4(2)(b) of the Decree on Funds	15 770	15 414	97,7
5	Transfer of SF current account balance in the case of a merger or amalgamation of the insurance company pursuant to Section 4(2)(h) of the Decree on Funds	0	0	–
6	Repayment of employee loans pursuant to Section 4(2)(c) of the Decree on Funds	84	68	81,0
7	Exchange rate gains related to SF pursuant to Section 4(2)(f) of the Decree on Funds	0	0	–
8	Donations intended for the SF by the donor pursuant to Section 4(2)(g) of the Decree on Funds	0	0	–
9	Extraordinary external events	0	0	–
10	Extraordinary transfers between funds	0	0	–
III.	Total expenditure: pursuant to Section 4(3)(a) of the Decree on Funds	59 046	52 195	88,4
1	Expenditure pursuant to Section 4(3) of the Decree on Funds (1.1 + 1.2)	58 956	52 121	88,4
1.1	of which: loans	100	40	40,0
1.2	other expenditure	58 856	52 081	88,5
2	Banking (postal) fees	90	74	82,2
3	Exchange rate losses related to the SF	0	0	–
4	Extraordinary external events	0	0	–
5	Extraordinary transfers between funds	0	0	–

IV.	Closing balance on the last day of the reported period = I + II - III	6 909	25 295	366,1
	Value of reserves attributed to B IV on the last day of the reported period	0	0	–
C.	Supplementary information to Section B			
1	Balance of employee loans as of 1 January of the reported period	110	109	99,1
2	Balance of employee loans as of the last day of the reported period	126	83	65,9

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5.5 | Surplus Fund

Pursuant to Section 7(1)(b) of Act No. 551/1991 Coll., the amount of the SpF is composed of 1.5 % of the HICF average annual expenditure for the previous and most recent three calendar years.

The opening balance of the SpF as of 1 January 2013 was CZK 2,168.9 million. During the year, the SpF was topped up in accounting terms to reach the statutory limit of CZK 2,192.7 million, i.e. CZK 23.8 million in total.

The SpF was not financially covered in the stipulated amount in 2013. The HICF money was primarily used for the payment of payables in respect of HCFs during the year.

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

A.	Surplus Fund (SpF)	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Formation and drawing in the reported period			
I.	Opening balance as of 1 January of the reported period	2 168 938	2 168 938	100,0
II.	Total formation = resources	18 176	23 797	130,9
1	Transfer from Health Insurance Capital Fund pursuant to Section 2(1)(b) of the Decree on Funds	18 176	23 797	130,9
2	Interest on the SpF current account pursuant to Section 2(1)(e) of the Decree on Funds	0	0	–
3	Donations intended for the SpF by the donor pursuant to Section 2(1)(f) of the Decree on Funds	0	0	–
4	Gains from the sale of securities pursuant to Section 2(1)(c) of the Decree on Funds	0	0	–
5	Gains from holding securities pursuant to Section 2(1)(c) of the Decree on Funds	0	0	–
6	Transfer of the balance of the Surplus Fund in the case of a merger or amalgamation of the health insurance company pursuant to Section 2(1)(g) of the Decree on Funds	0	0	–
7	Applicant's security deposit pursuant to Section 2(1)(a) of the Decree on Funds	0	0	–
8	Positive differences resulting from the valuation of securities acquired from the Surplus Fund to fair value pursuant to Section 2(1)(d) of the Decree on Funds	0	0	–
9	Extraordinary external events	0	0	–
10	Extraordinary transfers between funds	0	0	–
III.	Total drawing = resource reduction	0	0	–
1	Allocation from the SpF to the Health Insurance Capital Fund pursuant to Section 2(2)(a) of the Decree on Funds	0	0	–
2	Fees for the management of the SpF current account and fees for postal services related to the SpF pursuant to Section 2(2)(b) of the Decree on Funds	0	0	–
3	Losses from the sale of securities acquired from SpF money pursuant to Section 2(2)(c) of the Decree on Funds	0	0	–
4	Payables for healthcare services based on the decision of a receiver pursuant to Section 2(2)(e) of the Decree on Funds	0	0	–
5	Negative valuation of securities acquired from SpF money pursuant to Section 2(2)(d) of the Decree on Funds	0	0	–
6	Extraordinary external events	0	0	–
7	Extraordinary transfers between funds	0	0	–
IV.	Closing balance on the last day of the reported period = I + II - III	2 187 114	2 192 735	100,3

B.	Surplus Fund (SpF)	2013	2013	Actual 2013/
	Income and expenditure in the reported period pursuant to Section 2(3) of the Decree on Funds	HIP	Actual	HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period ¹⁾	257	12	4,7
II.	Total income	0	0	–
1	Transfer from the current account of the Health Insurance Capital Fund pursuant to Section 2(1)(b) of the Decree on Funds	0	0	–
2	Interest on the SpF current account pursuant to Section 2(1)(e) of the Decree on Funds	0	0	–
3	Donations intended for the SpF by the donor pursuant to Section 2(1)(f) of the Decree on Funds	0	0	–
4	Gains from the sale of securities pursuant to Section 2(1)(c) of the Decree on Funds	0	0	–
5	Gains from holding securities pursuant to Section 2(1)(c) of the Decree on Funds	0	0	–
6	Transfer of the balance of the SF current account in the case of a merger or amalgamation of the health insurance company pursuant to Section 2(1)(g) of the Decree on Funds	0	0	–
7	Applicant's security deposit pursuant to Section 2(1)(a) of the Decree on Funds	0	0	–
8	Sale of securities valued at the book value of the securities sold ²⁾	0	0	–
9	Extraordinary external events	0	0	–
10	Extraordinary transfers between funds	0	0	–
III.	Total expenditure	0	0	–
1	Allocation from the SpF current account to the current account of the Health Insurance Capital Fund pursuant to Section 2(2)(a) of the Decree on Funds	0	0	–
2	Fees for the management of the SpF current account and fees for postal services related to the SpF pursuant to Section 2(2)(b) of the Decree on Funds	0	0	–
3	Losses from the sale of securities acquired from SpF money pursuant to Section 2(2)(c) of the Decree on Funds	0	0	–
4	Payables for healthcare services based on the decision of a receiver pursuant to Section 2(2)(e) of the Decree on Funds	0	0	–
5	Purchase of securities for the SpF money	0	0	–
6	Extraordinary external events	0	0	–
7	Extraordinary transfers between funds	0	0	–
IV.	Closing balance as of the last day of the reported period = I + II - III ¹⁾	257	12	4,7
C.	Supplementary information to Section B			
1	Balance of securities as of 1 January of the reported period	0	0	–
2	Balance of securities as of the last day of the reported period	0	0	–
D.	Supplementary table: Calculation of the SpF limit ³⁾			
Year	Basis for calculating the limit for the allocation to the SpF			
2010		144 181 008	144 181 008	100,0
2011		145 854 106	145 854 106	100,0
2012		147 387 706	148 511 791	100,8
	Average annual HICF expenditure for the three immediately preceding calendar years	145 807 607	146 182 302	100,3
	Limit calculation = 1.5% of the calculated average expenditure of HICF	2 187 114	2 192 735	100,3

Notes to the table:

SpF – 6

¹⁾ The information in Sections B.I and B IV. only indicates the balance of funds without financial investments, which are part of the Surplus Fund, in accordance with Section 7(1)(b) of Act No. 551/1991 Coll., as amended, and Section 18 of Act No. 280/1992 Coll., as amended. More detailed conditions of management are specified in Section 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 with "profit", the total selling price will be the sum of rows B.II.8 and B.II.4. If securities are sold with loss, the selling price will be the difference between rows B.II.8 and B.II.4.

³⁾ The table for the calculation of the SpF is completed by VZP CR pursuant to Section 7(1)(b) of Act No. 551/1991 Coll., as amended, and other health insurance companies pursuant to Section 18(1) of Act No. 280/1992 Coll., as amended.

Compliance with the limit will be assessed as of 31 December of the reported period.

When calculating the SpF limit, a merged HIC shall take into account Section 2(6) of Decree No. 418/2003 Coll., as amended.

The formation in Section A always corresponds to the calculation of the compulsory allocation in the supplementary table, even if the money transfer in Section B cannot be carried out in the compulsory amount, or if money was taken from the current account of the SpF.

A positive difference between the balances of Section A and Section B (including the value of the securities) indicates what is known as an internal debt of the SpF's current account.

The HIC shall justify such a difference in a comment on a quarterly basis.

5.6 | Prevention Fund

As provided in Section 7(2) of Act No. 551/1991 Coll., the Insurance Company generated the Prevention Fund (PrevF) to reimburse healthcare services not covered by public health insurance and having a demonstrable preventative or curative effect. In 2013, the amount collected in fines and penalties was transferred to the PrevF in the maximum level corresponding to 0.3 % of financial income from premiums after redistribution pursuant to Act No. 592/1992 Coll.

A total of CZK 460.4 million was generated in the PrevF in 2013, i.e. 0.5 % below the HIP 2013. The greatest portion included the prescribed allocation of CZK 426.4 million from the HICF, which is 0.3 % below the HIP 2013, and of the settlement of prevention programmes for the insured, amounting to CZK 33.9 million.

CZK 651.9 million from the PrevF was used for prevention programmes, i.e. 41.4 % above the HIP 2013. The increased use was driven by demand from the insured for the individual healthcare programmes. The prevention programmes used money generated in the Fund for the relevant calendar year and money from the balance of the Fund for the past period.

The PrevF income totalled CZK 639.0 million in 2013, i.e. 38.1% above the HIP 2013. Most of the total income included the financial income of CZK 604.6 million from the HICF, i.e. 41.4 % above the HIP 2013. This increase was a result of a partial settlement of a PrevF receivable of CZK 178.2 million due from the HICF.

The PrevF expenditure totalled CZK 635.2 million, exceeding the HIP 2013 by 37.8 %.

Table No. 19: Prevention Fund (thousands of CZK)

A.	Prevention Fund (PrevF) Formation and drawing in the reported period	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	363 750	334 971	92,1
II.	Total formation = resources	462 590	460 447	99,5
1	Resources pursuant to Act No. 551/1991 Coll. and No. 280/1992 Coll., as amended.	427 560	426 377	99,7
1.1	of which: contribution from earnings after tax	0	0	–
1.2	contribution pursuant to Section 19(1) of Act No. 280/1992 Coll., as amended ¹⁾	0	0	–
1.3	contribution pursuant to Section 6(7) of Act No. 551/1991 Coll., as amended	427 560	426 377	99,7
2	Interest accrued in PrevF bank account	30	25	83,3
3	Others (such as donations)	0	168	–
4	Settlement with insured persons with links to the settlement of prevention programmes	35 000	33 877	96,8
5	Cancellation of value adjustments	0	0	–
6	Extraordinary external events	0	0	–
7	Extraordinary transfers between funds	0	0	–
III.	Total drawing = resource reduction	461 000	653 537	141,8
1	Prevention programmes	460 000	651 924	141,7
2	Interest on loans to boost PrevF	0	0	–
3	Others (banking fees)	1 000	1 613	161,3
4	Write-offs of penalties, fines and additional premiums, which filled the PrevF	0	0	–
5	Settlement with insured persons with links to the settlement of prevention programmes	0	0	–
6	Reduction of the Fund by penalties, fines and extras based on decisions to eliminate harshness pursuant to Section 53a of the Act	0	0	–
7	Creation of value adjustments	0	0	–
8	Extraordinary external events	0	0	–
9	Extraordinary transfers between funds	0	0	–
IV.	Closing balance as of the last day of the reported period = I + II - III	365 340	141 881	38,8

B.	Prevention Fund (PrevF)	2013	2013	Actual 2013/
	Income and expenditure in the reported period	HIP	Actual	HIP 2013 (%)
I.	Opening balance as of 1 January of the reported period	53 876	3 984	7,4
II.	Total income	462 590	639 009	138,1
1	Financial income based on Acts No. 551/1991 Coll. and No. 280/1992 Coll., as amended	427 560	604 554	141,4
1.1	of which: contribution from earnings after tax	0	0	–
1.2	contribution pursuant to Section 19(1) of Act No. 280/1992 Coll., as amended ¹⁾	0	0	–
1.3	contribution pursuant to Section 6(7) of Act No. 551/1991 Coll., as amended	427 560	604 554	141,4
2	Interest accrued in PrevF bank account	30	25	83,3
3	Others (donations)	0	113	–
4	Loans received to boost the PrevF	0	0	–
5	Settlement with insured persons with links to the settlement of prevention programmes	35 000	34 317	98,0
6	Extraordinary external events	0	0	–
7	Extraordinary transfers between funds	0	0	–
III.	Total expenditure	461 000	635 208	137,8
1	Expenditure on prevention programmes	460 000	633 150	137,6
2	Loan interest	0	0	–
3	Others (banking fees)	1 000	1 574	157,4
4	Loan repayments	0	0	–
5	Settlement with insured persons with links to the settlement of prevention programmes	0	416	–
6	Extraordinary external events	0	0	–
7	Extraordinary transfers between funds	0	68	–
IV.	Closing balance as of the last day of the reported period = I + II - III	55 466	7 785	14,0
	Value of reserves attributed to B IV on the last day of the reported period	0	0	–
		Link to	Informative	Compos. of r.
		PrevF		A II 1 ²⁾
C.	Supplementary information to Sections A and B (Actual 2013)	col. 1	col. 2	col. 3 = 1 + 2
		TCZK	transfer ¹⁾	Total
	Structure of contributions to PrevF for the contributions not transferred from the HICF		from HICF	
I.	Section A/ II = sum of items 1 to 4	0	426 377	426 377
1	Prescribed payments of penalties and fines, including estimated items ²⁾	0		
2	Prescribed payments of additional premiums	0		
3	Prescribed fines imposed on healthcare facilities	0		
4	Prescribed interest on HICF (if the HIC posts it directly to the PrevF)	0		
		col. 1	col. 2	Compos. of r.
				B II 1 ²⁾
		TCZK	transfer ¹⁾	col. 3 = 1 + 2
II.	Section B/ II = sum of items 1 to 4	0	604 554	604 554
1	Income from penalties and fines	0		
2	Income from additional premiums	0		
3	Income from fines imposed on healthcare facilities	0		
4	Income from interest on HICF (if the HIC posts it directly to the PrevF)	0		
		Link to	Informative	Compos. of r.
		PrevF		A II 1 ²⁾
D.	Supplementary information to Sections A and B (HIP 2013)	col. 1	col. 2	col. 3 = 1 + 2
		TCZK	transfer ¹⁾	Total
	Structure of contributions to PrevF for the contributions not transferred from the HICF		from HICF	
I.	Section A/ II = sum of items 1 to 4	0	427 560	427 560
1	Prescribed payments of penalties and fines, including estimated items ²⁾	0		
2	Prescribed payments of additional premiums	0		
3	Prescribed fines imposed on healthcare facilities	0		
4	Prescribed interest on HICF (if the HIC posts it directly to the PrevF)	0		
		col. 1	col. 2	Compos. of r.
				B II 1 ²⁾
		TCZK	transfer ¹⁾	col. 3 = 1 + 2
II.	Section B/ II = sum of items 1 to 4	0	427 560	427 560
1	Income from penalties and fines	0		
2	Income from additional premiums	0		

3	Income from fines imposed on healthcare facilities	0
4	Income from interest on HICF (if the HIC posts it directly to the PrevF)	0

Notes to the table:

PrevF – 7

- ¹⁾ If an employee health insurance company makes 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 transfer from the HICF and concurrently straight to the PrevF), it shall complete column 1 as well as column 2 in Section C. The value in column 3 of Section C 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 an employee health insurance company generates the PrevF solely by way of transfer from the Health Insurance Capital Fund, it shall indicate this in column 2 of Section C - a transfer from the HICF in the value stated in the HICF in row 3.3 of Section A III and in row 3.3 of Section B III. In that event, row A III 6 shall not be completed either. This is also how VZP CR proceeds in completing this table.

- ²⁾ The amount of estimated items included in the items of Section C I shall be specified in a comment.

5.7 | Other Taxable Activities

Being a corporate income tax payer, the Insurance Company continued to pursue taxable activities in 2013. These were primarily connected with the Insurance Company's main business, the economic exploitation of its assets (leasing commercial premises, financial assets) as well as brokering for PVZP, its wholly owned subsidiary.

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

Positive earnings of CZK 19,059 thousand after tax, i.e. 116 % of the planned value, were reached for 2013. Revenues also include the revenue of CZK 11,900 thousand from the ownership interest in PVZP.

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

A.	Other taxable activities in the reported period (OTA)	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Total income	41 754	41 886	100,3
1	Income from taxable activities	41 188	41 586	101,0
2	Interest	566	300	53,0
3	Income from the sale of financial investments	0	0	–
4	Increase in the value of securities resulting from valuation at fair value	0	0	–
5	Extraordinary external events	0	0	–
6	Extraordinary transfers between funds	0	0	–
II.	Total expenditure ¹⁾	24 327	21 563	88,6
1	Operating costs relating to the health insurance company's OTA	24 327	21 563	88,6
1.1	of which: wages, excluding other personnel costs	9 633	8 259	85,7
1.2	other personnel costs	0	0	–
1.3	health insurance premiums	888	729	82,1
1.4	social security premiums	2 467	2 059	83,5
1.5	contribution to the depreciation of tangible and intangible assets	4 380	4 482	102,3
1.6	interest	0	0	–
1.7	fines and penalties	0	0	–
1.8	financial costs of selling financial investments ²⁾	0	0	–
1.9	other operating costs	6 959	6 034	86,7
2	Reduction in the value of securities resulting from valuation at fair value	0	0	–
3	Extraordinary external events	0	0	–
4	Extraordinary transfers between funds	0	0	–
III.	Profit/loss = I - II	17 427	20 323	116,6
IV.	Income tax	1 031	1 264	122,6
V.	Profit from OTA after tax = III - IV.	16 396	19 059	116,2

B.	Supplementary information about securities acquired from OTA funds	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
1	Balance of securities as of 1 January of the reported period	106 024	106 024	100,0
2	Balance of securities as of the last day of the reported period	106 024	106 024	100,0
	of which, securities relating 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 the last day 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 the last day of the reported period	1 224	1 224	100,0
C.	Supplementary information on the status and changes of cash flows in the current account for other taxable activities³⁾	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I.	Opening balance as of 1 January in the reported period		67 779	
II.	Total income		260 797	
III.	Total expenditure		259 881	
IV.	Balance of income and expenditure for the reported period		916	
V.	Closing balance as of the last day of the reported period		68 695	

Notes to the table:

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- ¹⁾ The costs of other taxable activities express, as of no later than 31 December of the given year, the total costs of these activities, including the share of costs paid from the OF during the year initially (as advance payments).
- ²⁾ In row 1.8 of Part A II, only the book value of the financial investments sold needs to be specified in order to make it possible, after deducting this value from the item in row 3 of Section A I, to calculate the profit or loss from the sale.
- ³⁾ The table builds on the content of Appendix No. 4 “Cash Flow Summary” to Decree No. 503/2002 Coll., as amended by Decree No. 445/2009 Coll. The figure in row C IV of supplementary information corresponds to the figure in row II F of the Cash Flow Summary for the given period.
- ⁴⁾ In Section B, VZP ČR specifies, in separate rows, its shares held in IZIP. This is also how the other employee health insurance companies proceed if their data in row 5.1 of Table 1 also includes shareholdings other than those held in their subsidiaries.

5.8 | Supplementary Data

Redistribution Fund

The premiums collected are redistributed (hereinafter referred to as the “redistribution”) pursuant to Act No. 592/1992 Coll., through a dedicated general health insurance account (hereinafter referred to as the “dedicated account”). The dedicated account is intended to finance healthcare. In compliance with law, the dedicated account is set up and managed by the Insurance Company.

The Redistribution Fund is implemented by monthly recurring transactions in a dedicated bank account. Under Act No. 592/1992 Coll., the manager of the dedicated account processes, on a monthly basis, reports from all health insurance companies on premiums collected, and concurrently claims that the MF transfer the state’s payments for the insured persons whose premiums are paid by the state. Within the deadline set by law, the manager redistributes all premiums, including the payment from the state as well as interest and other statutory funds, according to criteria set out by law for the 100 % redistribution. The management of the dedicated account is supervised by a supervisory body, which approves the redistribution results on a monthly basis.

Summary of Selected Indicators of the Insurance Company's Activities

6.1 | Insurance Company's Receivables and Payables

The total payables of the Insurance Company as of 31 December 2013 were CZK 21,291.2 million, i.e. lower than planned as well as on the year-on-year basis. The greatest portion of those payables included payables to HCFs which had not come due, and which fell by 10.1% against 2012. The Insurance Company had no overdue payables as of the last day of the reported period.

The Insurance Company's receivables as of 31 December 2013, including value adjustments, amounted to CZK 43,291.0 million. After deducting the value adjustments, the net amount was CZK 22,539.6 million. Thus total receivables (including value adjustments) declined by CZK 1,325.9 million against the plan and by CZK 544.0 million against 2012.

Receivables that had not come due amounted to CZK 10,522.1 million (CZK 7,837.9 million of which were due from premium payers, CZK 1,508.0 million due from HCFs and CZK 1,176.2 million were others) while overdue receivables amounted to CZK 12,017.5 million (CZK 10,784.6 million of which were due from premium payers, CZK 1,040.7 million due from HCFs and CZK 192.2 million were others). The largest amount of receivables included those due from premium payers, which reached CZK 18,622.5 million (i.e. 82.6% of the net amount of receivables).

Receivables due from HCFs amounted to CZK 2,548.6 million. This amount also includes estimated asset items of CZK 896.6 million. These receivables fell by 35.1% against the previous year.

6.2 | Compliance with Terms of Loan Repayment Schedules

In 2013, based on Government Resolutions No. 823 and No. 882, the Insurance Company was provided, in accordance with the provisions of Section 7(1)(u) and Section 14(4) of Act No. 218/2000 Coll., with repayable financial assistances totalling CZK 1,700 million, which were intended for the settlement of its overdue payables to HCFs.

The repayment schedule of the repayable financial assistances has been set up as follows:

- 30 November 2014 – a repayment of CZK 700 million,
- 31 March 2015 – a repayment of CZK 250 million,
- 30 September 2015 – a repayment of CZK 250 million,
- 31 March 2016 – a repayment of CZK 250 million,
- 30 September 2016 – a repayment of CZK 250 million.

Table No. 21: Summary of key indicators of the insurance company's activities in 2013

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
I. The Insured					
1	Total number of the insured on the last day of reported period	persons	6 080 000	6 076 727	100,0
1.1	of whom: covered by the state	persons	3 673 000	3 590 491	97,8
2	Average number of the insured for the reported period	persons	6 086 000	6 084 931	100,0
2.1	of whom: covered by the state	persons	3 681 000	3 616 273	98,2
II. Other indicators					
3	Balance of fixed assets, including advances, acquired as of the last day of the reported period	TCZK	4 552 943	3 979 362	87,4
4	Balance of fixed assets, including advances, acquired in the reported period	TCZK	771 000	253 323	32,9
4.1	of which: assets for in-house operations	TCZK	771 000	253 323	32,9
4.2	other assets	TCZK	0	0	–
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	TCZK	106 024	106 024	100,0
6	Financial investments acquired in the reported period (purchase/sale balance)	TCZK	0	0	–
6.1	of which: bound in a subsidiary	TCZK	0	0	–
7	Total bank loans received (i.e. excluding data in rows 10 and 13) for the reported period	TCZK	0	0	–
7.1	of which: long-term	TCZK	0	0	–
7.2	short-term	TCZK	0	0	–
8	Repayments of short-term and long-term bank loans for the reported period	TCZK	0	0	–
9	Total outstanding balance of bank loans on the last day of the reported period	TCZK	0	0	–
10	Repayable short-term financial assistance received from the state budget in the reported period	TCZK	0	1 700 000	–
11	Repayments of repayable short-term financial assistance received from the state budget in the reported period	TCZK	0	0	–
12	Total outstanding balance of short-term financial assistance from the state budget on the last day of the reported period	TCZK	0	1 700 000	–
13	Loans received in the reported period (e.g. from an applicant for a permit pursuant to Section 3 of Act No. 280/1992 Coll.)	TCZK	0	0	–
14	Loan repayments in the reported period	TCZK	0	0	–
15	Total outstanding loan balance on the last day of the reported period	TCZK	0	0	–
16	Financial donations and non-repayable subsidies received in the reported period	TCZK	0	0	–
17	Converted number of employees on the last day of the reported period (rounded to whole numbers)	persons	3 594	3 548	98,7
18	Average converted number of employees (rounded to whole numbers)	persons	3 594	3 542	98,6
19	Calculation of the cost limit on activities pursuant to Decree No. 418/2003 Coll., laying down more details of the scope and amounts of income and expenditure of public health insurance funds of health insurance companies, conditions of creating and using them, permissibility of mutual transfers and management of money, limit on costs of insurance companies' activities covered from the Capital Fund, including the procedure to calculate this limit, as amended (hereinafter the "Decree on Funds") (to be rounded to two decimal places).	%	3,24	3,24	100,0
20	Allocation base to calculate the allocation to the Operation Fund pursuant to Section 7 of the Decree on Funds	TCZK	143 648 000	143 219 587	99,7
21	Maximum limit of the costs of activities calculated from the achieved allocation base pursuant to Section 7 of the Decree on Funds	TCZK	4 654 195	4 640 315	99,7
22	Actual allocation from the HICF to the Operation Fund in the reported period	TCZK	4 654 195	4 640 315	99,7
III. Payables and receivables					
23	Total payables on the last day of the reported period (do not include the outstanding balances of bank loans, repayable financial assistance from the state budget and loans specified in rows 9, 12 and 15)	TCZK	23 220 000	21 291 218	91,7
23.1	of which: payables to healthcare facilities within due date	TCZK	19 200 000	20 873 495	108,7

Row	Indicator	Unit of measurement	2013 HIP	2013 Actual	Actual 2013/ HIP 2013 (%)
23.2	payables to healthcare facilities past due date	TCZK	2 800 000	0	0,0
23.3	other payables within due date	TCZK	1 220 000	417 723	34,2
23.4	other payables past due date	TCZK	0	0	–
24	Total receivables on the last day of the reported period	TCZK	23 213 000	22 539 591	97,1
24.1	of which: receivables due from premium payers within due date	TCZK	8 030 000	7 837 895	97,6
24.2	receivables due from premium payers past due date	TCZK	12 113 000	10 784 604	89,0
24.3	receivables due from healthcare facilities within due date	TCZK	1 000 000	1 507 992	150,8
24.4	receivables due from healthcare facilities past due date	TCZK	770 000	1 040 660	135,2
24.5	other receivables within due date	TCZK	1 180 000	1 176 228	99,7
24.6	other receivables past due date	TCZK	120 000	192 212	160,2
25	Total estimated liabilities - balance on the last day of the reported period	TCZK	1 860 200	4 318 724	232,2
26	Total estimated assets - balance on the last day of the reported period	TCZK	245 877	1 481 644	550,4
27	Total reserves - balance on the last day of the reported period	TCZK	87 397	219 207	250,8
28	Total value adjustments - balance on the last day of the reported period	TCZK	21 403 935	20 751 412	97,0
Supplementary data in respect of rows 1, 2, 5 and 6.					
to 1.1	of whom: insured persons from EU countries	persons	22 000	20 280	92,2
to 2.1	of whom: insured persons from EU countries	persons	21 500	21 854	101,6
to 5	of which: in the Asset Fund	TCZK	0	0	–
to 6	of which: in the Asset Fund	TCZK	0	0	–

Notes to the Table:

K.ind. – 1

Contents of row 23 shall be based on the Balance Sheet, column 4 - Liabilities, Section C I. The HIC shall add any comments on differences to the text part of the Annual Report.

Contents of row 24 shall be based on the Balance Sheet, column 4 - Assets, Section E I. The HIC shall add any comments on differences to the text part of the Annual Report.

6.3 | Individuals Insured with the Insurance Company

6.3.1 | Insured persons

In accordance with the definition set out in Act No. 48/1997 Coll., as amended, participants in public health insurance in 2013 included:

- Those permanently residing in the Czech Republic (regardless of their nationality);
- Those not permanently residing in the Czech Republic but employed by an employer established in the Czech Republic if they receive income or emoluments from the employment pursuant to Section 6 of the Income Tax Act;
- Family members of insured persons from EU countries who pursue professional activity in the CR;
- Foreigners who have been granted asylum and children born in the CR to mothers who have been granted asylum;
- Foreigners with a residence permit for the purpose of temporary protection;
- Foreigners holding a visa for the purpose of their acquiesced residence and their children born in the CR;
- Foreigners enjoying supplementary protection and their children born in the CR;
- Applicants for international protection and their children born in the CR.

As of 31 December 2013, a total of 6,076,727 persons were insured with the Insurance Company (i.e. 58.3 % of all participants in public health insurance). Of those insured with the Insurance Company, 320,283 persons were

foreign nationals, up by 5 % against the previous year (just as in 2012).

Of the above number of those insured with the Insurance Company as of 31 December 2013, 3,033,542 were men and 3,043,185 were women.

6.3.2 | Movement of insured persons

Between 31 December 2012, when 6,162,465 insured persons were maintained as registered, and 31 December 2013, when 6,076,727 insured persons were maintained as registered, the registered number of the Insurance Company's insured persons decreased by 85,738 persons (much the same as in 2012, when the number was down by 85,077 persons against 2011).

The groups of persons that the Insurance Company acquired for reasons other than transfers from other HICs in 2013 included new-borns and foreigners who met the conditions for participation in public health insurance in the Czech Republic.

Those whose insurance with the Insurance Company expired for reasons other than transfers to another HIC included, for example, those who died, left the Czech Republic for a continuous period of at least six months or dependent family members of Czech citizens pursuing professional activity (employment, self-employment) in an EU country.

As of 31 December 2013, the Insurance Company maintained the registration of a total of 61,840 persons residing abroad for a long term (as provided in Section 8(4) of Act No. 48/1997 Coll.), of which 8,769 persons commenced their long-term stay during 2013. Based on Section 2(5) of the above-cited Act, as long as these persons are staying abroad, they do not pay premiums and are entitled neither to the reimbursement of healthcare provided nor to the reimbursement of medications.

Table No. 22 (internal): Age structure of persons insured with the Insurance Company in 2013 compared to the number of all insured persons covered by public health insurance in the CR – status as of 31 December 2013

Age group	Men			Women			All insured people in the CR		
	Total	of which VZP		Total	of which VZP		Total	of which VZP	
		Quantity	%		Quantity	%		Quantity	%
0-5	289 839	149 610	51,6	276 434	142 047	51,4	566 273	291 657	51,5
5-10	281 374	137 397	48,8	267 166	130 453	48,8	548 540	267 850	48,8
10-15	238 278	117 663	49,4	225 299	110 622	49,1	463 577	228 285	49,2
15-20	246 330	131 825	53,5	233 426	122 976	52,7	479 756	254 801	53,1
20-25	327 139	187 037	57,2	308 932	169 881	55,0	636 071	356 918	56,1
25-30	350 267	209 642	59,9	330 019	184 613	55,9	680 286	394 255	58,0
30-35	387 014	231 295	59,8	362 058	194 709	53,8	749 072	426 004	56,9
35-40	470 274	264 472	56,2	442 994	226 016	51,0	913 268	490 488	53,7
40-45	400 533	226 599	56,6	377 334	195 688	51,9	777 867	422 287	54,3
45-50	356 605	211 805	59,4	339 164	185 102	54,6	695 769	396 907	57,0
50-55	324 626	200 361	61,7	315 603	179 953	57,0	640 229	380 314	59,4
55-60	350 029	222 685	63,6	358 559	211 918	59,1	708 588	434 603	61,3
60-65	349 069	224 453	64,3	380 202	230 043	60,5	729 271	454 496	62,3
65-70	301 502	197 266	65,4	355 451	224 871	63,3	656 953	422 137	64,3
70-75	196 266	132 553	67,5	256 564	173 772	67,7	452 830	306 325	67,6
75-80	120 573	85 640	71,0	183 406	136 969	74,7	303 979	222 609	73,2
80-85	84 625	64 501	76,2	153 229	120 263	78,5	237 854	184 764	77,7
over 85	49 694	38 738	78,0	125 606	103 289	82,2	175 300	142 027	81,0
Total	5 124 037	3 033 542	59,2	5 291 446	3 043 185	57,5	10 415 483	6 076 727	58,3

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Compliance with the Conditions
as Provided in Section 18 of Act
No. 106/1999 Coll., as Amended

Applicants submitted a total 6 complaints in 2013. In three of them, the applicants disagreed with the replies to their applications; in the first case the information was updated and complemented, in the second case a decision partly rejecting the application was issued, in the third case the procedure followed by the obliged entity was sustained.

In two complaints the applicants complained of failure to receive information within the deadline. In one case the information was provided, in the other case the complaint and a decision on a partial rejection of the application failed to coincide.

The last complaint was submitted against the amount of costs billed. The decision on the complaint sustained the procedure followed by the obliged entity.

Table No. 23 (internal): Number of submissions in 2013 by individual reasons

Reason	Quantity
Number of submitted requests for information	38
Number of issued decisions rejecting the request	6
Number of appeals against the decisions	3
Number of complaints filed pursuant to Section 16a of the Act	6

8 |

Conclusion

The Insurance Company's primary economic objective for 2013 was its financial stabilisation, when, affected by the economic crisis, its income has declined or stagnated in recent years, costs of healthcare services have increased and financial reserves have been gradually used up. This objective was essentially met, by enforcing a set of internal as well as external measures. Regarding external measures, the Insurance Company primarily cooperated with government institutions to boost the income side and stabilise the expenditure side of its balance, as well as to consolidate its cash-flow. As far as internal measures are concerned, the Insurance Company primarily continued to curb the costs of its own activities and investments. It also took measures in healthcare services.


As concerns the impact of the performance of the Czech economy on the Insurance Company's income, we can state that 2013 has been one of the worst years since the onset of the crisis. The number of the registered unemployed went up by 60,000 persons against 2012 while average wages stagnated (a moderate increase by 0.1%) and real wages even fell by 1.3%. These adverse effects were counterbalanced, in particular, by the abolition of the maximum basis of assessment for high-income premium payers. A positive impact on income, albeit to a lesser extent, was generated by the increase of CZK 500 in minimum wage from 1 August. The payment on behalf of the insured whose premiums are paid by the state was increased by CZK 64 from November, and thus its positive impact on income will not become evident to a greater extent before 2014. Regarding the collection of premiums, the Insurance Company has maintained its high efficiency of 98%. As a result, the HICF income went up by 0.6% y/y in 2013 (after the deduction of income from the extraordinary redistribution of 2012) in spite of a decline in the number of the insured and the overall adverse economic situation in the Czech Republic.

The largest ever year-on-year decline in the costs of healthcare services by CZK 4.8 billion, i.e. 3.4%, was achieved through the restrictive Reimbursement Decree with an impact on institutional care in particular, through saved costs of prescription drugs as well as reduced costs of balneal care. The Insurance Company took measures such as the positive listing of selected medicinal products, active efforts conducive to revisions of drug prices with the SIDC, etc. Savings were also achieved through the reduced operating cost limit, where the OF limit was cut by 0.13%, i.e. CZK 186 million, in the wake of the amended Decree of the MF No. 418/2003 Coll.

With financial reserves used up and volatility being strong, cash-flow measures also needed to be adopted and enforced. Above all, the MF complied with the Insurance Company's request and provided two repayable financial assistances, totalling CZK 1.7 billion, in late 2013. The MF also provided what is known as the early payment on behalf of the insured whose premiums are paid by the state, thus boosting the Insurance Company's cash-flow by CZK 2.5 billion during 2013. Owing to internal savings in operating and investment costs, CZK 1.5 billion, earmarked for a transfer to the OF, could be temporarily kept in the HICF.

Comparing the premium income of CZK 142.1 billion (after redistribution) to the healthcare service expenditure of CZK 140.6 billion and the prescribed OF allocation of CZK 4.6 billion, a negative balance of CZK 3.1 billion was shown. This deficit was covered partly by the repayable financial assistance of CZK 1.7 billion and partly by operating cost and investment savings (the CZK 1.5 billion mentioned in the foregoing paragraph); hence healthcare expenditure could be CZK 1.7 billion higher than 2013 costs (row A. III. 1 of the HICF table). Thus the Insurance Company settled its overdue payables of late 2012 of CZK 740 million to HCFs as well as other payables arising in 2013, and such payables were no longer posted as of 31 December 2013. The payables to HCFs as of 31 December 2013 that had not come due were CZK 2.4 billion, i.e. 10.1%, lower than on 31 December 2012.

The Insurance Company's average daily outlay for healthcare was CZK 385 million in 2013. Payables to HCFs as of 31 December 2013 that had not come due, compared to the average daily outlay (number of days representing the payables that had not come due), lasted nearly 54 calendar days, i.e. 6 days less than in 2012.



Other funds were topped up in 2013, in accordance with Act No. 551/1991 Coll. and Decree No 418/2003 Coll., by allocations consisting of prescribed payments of mutual receivables in respect of the individual funds. The Insurance Company did not carry out a financial transfer to the OF in the maximum amount allowed by Decree No. 418/2003 Coll., and thus saved CZK 1,483 million in favour of the HICF. By contrast, the financial transfer to the PrevF was CZK 178 million higher because of the partial settlement of the PrevF's receivable due from the HICF and the necessity to settle PrevF's payables that had come due. Money was not remitted to the SpF in 2013 either.

The closing balance of the HICF current account as of 31 December 2013 was CZK 396 million, up by CZK 273 million against the opening balance.

Overdue receivables due from premium payers reached CZK 10,785 million as of 31 December 2013, down by 2.8 % against 31 December 2012. Overdue receivables due from HCFs reached CZK 1,041 million, down by 28.6 % against 2012.



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

RESOLUTION OF THE VZP CR BOARD OF DIRECTORS ON THE ANNUAL REPORT OF VZP CR FOR 2013

At its session held on 28 April 2014, the VZP CR Board of Directors discussed the draft Annual Report of VZP CR for 2013 and adopted the following resolution:

The VZP CR Board of Directors approves the submitted Annual Report of VZP CR for 2013.

Prague, 28 April 2014

MUDr. Jiří BĚHOUNEK
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 2013

At its session held on 15 April 2014, the VZP CR Supervisory Board discussed the submitted draft Annual Report of VZP CR for 2013, including the comments raised by 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 2013.

Prague, 15 April 2014

MUDr. Rudolf STUPKA
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, ID No. 41197518, registered office at Orlická 4/2020, Prague 3 (hereinafter referred to as the "Insurance Company") for 2013, presented in Chapter 9 of the draft Annual Report, to which we issued the opinion presented in Chapter 9, on 17 March 2014.

We have audited the other information stated in the Insurance Company's draft Annual Report for 2013 for consistency with the financial statements contained in Chapter 9 of this Annual Report. 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 with 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 other 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, the other information presented in the draft Annual Report of the Insurance Company for 2013 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.

14 April 2014


Represented by Partner


Ing. Petr Kříž FCCA
Partner


Mgr. Martin Hrdý
Statutory Auditor, Certificate No. 2197

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, Insert 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, ID No. 41197518, registered office at Orlická 4/2020, Prague 3 (hereinafter referred to as the "Insurance Company"), i.e. the balance sheet as at 31 December 2013, the profit and loss statement, the statement of changes in equity and the cash flow statement for 2013 and the notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "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 the preparation 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 2013 in accordance with Czech accounting regulations applicable to health insurance companies.

17 March 2014


Represented by Partner


Ing. Petr Kríž FCCA
Partner


Mgr. Martin Hrdý
Statutory Auditor, Certificate No. 2197

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, ID No. 40765521, entered in the Commercial Register of the Municipal Court in Prague, Section C, Insert 3637 and on the list of auditing companies of the Chamber of Auditors of the Czech Republic under Certificate No. 021.

General Health Insurance Company of the Czech Republic

Registered office: Orlická 4/2020, 130 00 Prague 3

Identification number: 411 97 518

Business activity: public health insurance

Balance sheet day: 31 December 2013

Date of preparation of financial statements: 17 March 2014

Balance Sheet

as of 31 December 2013

		31.12.2013			31.12.2012
(TCZK)	Point	Gross amount	Adjustment	Net amount	Previous period
ASSETS					
A. Intangible fixed assets	E.1.1.	2 365 360	1 691 008	674 352	858 196
I. Intangible fixed assets		2 259 924	1 691 008	568 916	557 643
II. Intangible fixed assets in progress		105 436	0	105 436	300 553
III. Advances for acquisition of intangible assets		0	0	0	0
B. Financial placements (investment)		0	0	0	0
C. Tangible fixed assets	E.1.2.	5 585 373	2 280 463	3 304 910	3 668 012
I. Land and buildings		4 163 516	1 138 029	3 025 487	3 190 678
1. Land		289 641	0	289 641	301 313
2. Buildings		3 873 875	1 138 029	2 735 846	2 889 365
II. Movable property		1 405 274	1 142 434	262 840	380 130
1. Movable property – depreciated		1 404 478	1 142 434	262 044	379 334
2. Movable property – non-depreciated		796	0	796	796
III. Tangible fixed assets in progress		16 583	0	16 583	96 207
IV. Advances for acquisition of tangible assets		0	0	0	997
D. Long-term investments		106 024	0	106 024	106 024
I. Interests in subsidiaries and associates	E.1.3.	106 024	0	106 024	106 024
1. Interests in controlled entities		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. Other long-term financial assets		0	0	0	0
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
E. Debtors	E.1.4.	43 291 003	20 751 412	22 539 591	24 060 958
I. Receivables from public health insurance		43 254 876	20 751 412	22 503 464	23 925 370
1. Receivables from premium payers		39 040 390	20 417 891	18 622 499	18 943 759
2. Receivables from healthcare providers		1 743 443	91 424	1 652 019	3 518 940
3. Receivables from redistribution of premiums		0	0	0	0
4. Receivables from public health insurance indemnifications		343 683	224 197	119 486	134 874
5. Receivables from overpayments to the Security Fund		0	0	0	0
6. Receivables from international healthcare contracts		637 273	17 398	619 875	763 958
7. Estimated assets		1 481 644	0	1 481 644	557 019
8. Other receivables		8 443	502	7 941	6 820
II. Other receivables		36 127	0	36 127	135 588
1. Short-term		30 627	0	30 627	130 217
of which: from a subsidiary		1 484	0	1 484	95 889
2. Long-term		5 500	0	5 500	5 371
F. Other assets		537 420	0	537 420	281 601
I. Inventories		0	0	0	0
II. Cash in bank accounts and cash in hand		533 335	0	533 335	276 949
1. Special bank accounts		528 182	0	528 182	274 831
1.1. of the Capital Fund		392 672	0	392 672	121 634
1.2. of the Surplus Fund		12	0	12	12
1.3. of the Operation Fund		24 148	0	24 148	45 635
1.4. of the Social Fund		25 295	0	25 295	30 627
1.5. of the Capital Reproduction Fund		10 659	0	10 659	5 216
1.6. of the Prevention Fund		6 972	0	6 972	3 893
1.7. of the Preventive Care Fund		0	0	0	0
1.8. of the Reimbursement 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		68 423	0	68 424	67 814
2. Cash and cash equivalents		5 153	0	5 153	2 118
III. Other assets		4 085	0	4 085	4 652
G. Accruals and deferrals		0	0	0	0
I. Prepaid expenses		0	0	0	0
II. Deferred income		0	0	0	0
TOTAL ASSETS		51 885 180	24 722 883	27 162 297	28 974 791

General Health Insurance Company of the Czech Republic

Notes to Financial Statements
Year ended 31 December 2013

Balance Sheet (continued)

as of 31 December 2013

(TCZK)		Point	31.12.2013	31.12.2012
			Net amount	Previous period
LIABILITIES				
A.	Equity	E.4.1.	3 951 848	4 426 603
I.	Registered capital		0	0
II.	Valuation difference		-27 505	0
III.	Other capital funds		6 891 668	6 352 315
1.	Operation Fund		1 122 202	387 097
2.	Social Fund		22 328	26 348
3.	Asset Fund		3 995 411	4 490 607
4.	Capital Reproduction Fund		1 609 755	1 113 144
5.	Prevention Fund		141 881	334 971
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		91	148
IV.	Other funds from profit		106 024	106 024
1.	Source of interest in controlled entities		106 024	106 024
2.	Other funds from profit		0	0
V.	Public health insurance funds		-3 097 105	-2 107 485
1.	Capital Fund		-5 289 840	-4 276 423
2.	Surplus Fund		2 192 735	2 168 938
VI.	Profit (loss) for the previous years		59 707	59 998
VII.	Profit (loss) for the current accounting period		19 059	15 751
B.	Reserves	E.4.3.	219 207	121 625
C.	Creditors	E.4.2.	22 991 218	24 426 236
I.	Payables to public health insurance		22 586 745	23 989 007
1.	Payables to premium payers		43	40
2.	Payables to healthcare providers		16 208 028	19 883 870
3.	Payables to redistribution of premiums		0	0
4.	Payables to Security Fund		0	0
5.	Payables to beneficiaries of international healthcare contracts		346 771	166 340
6.	Estimated liabilities		4 318 724	3 914 098
7.	Other payables		1 713 179	24 659
	of which: special redistribution account payables		0	0
II.	Loans secured by bonds		0	0
III.	Payables to financial institutions		0	0
IV.	Other payables		404 473	437 229
1.	Tax due		17 328	17 024
2.	Social security and health insurance payables		55 436	55 523
3.	Other payables		331 709	364 682
	of which: payables to a subsidiary		14 334	13 768
D.	Other liabilities		0	0
E.	Accruals and deferrals		24	327
I.	Accrued expenses		0	0
II.	Deferred income		24	327
TOTAL LIABILITIES			27 162 297	28 974 791

General Health Insurance Company of the Czech Republic

Notes to Financial Statements

Year ended 31 December 2013

Profit and Loss Statement

for the year ended 31 December 2013

(TCZK)		2013			2012		
	Point	Base	Subtotal	Result	Base	Subtotal	Result
NON-TECHNICAL ACCOUNT							
1.	Income from financial placements (investments)			11 900			11 050
	a) Income from interests – controlled entity			11 900			11 050
2.	Other income			29 985			33 398
3.	Other expenses			-21 562			-27 803
4.	Income tax	E.2.		-1 264			-894
5.	Profit (loss) after tax			19 059			15 751
6.	Profit (loss) for the accounting period			19 059			15 751

Cash Flow Statement

for the year ended 31 December 2013

(TCZK)		2013	2012
Item No.	Item		
P.	Cash balance at the start of the accounting period	276 949	4 976 554
I.	Cash in funds		
I.P.	Opening cash balance	209 170	4 906 442
I.A.	Income	206 671 430	211 619 035
I.B.	Expenditure	206 415 960	216 316 307
I.F.	Change in the cash balance	255 470	-4 697 272
I.R.	Cash balance as of the balance sheet date	464 640	209 170
II.	Cash for taxable activity		
II.P.	Cash balance at the start of the accounting period	67 779	70 112
II.A.	Income	260 797	301 208
II.B.	Expenditure	259 881	303 541
II.F.	Change in the cash balance	916	-2 333
II.R.	Cash balance as of the balance sheet date	68 695	67 779
F.	Total change in the cash balance	256 386	-4 699 605
R.	Cash balance as of the balance sheet date	533 335	276 949

Statement of Changes in Equity

for the year ended 31 December 2013

(TCZK)		2012		2013	
Item No.	Item	Previous period	Increase	Decrease	Current period
A.	Equity	4 426 603	210 892 515	211 367 270	3 951 848
A.I.	Registered capital	0	0	0	0
A.II.	Valuation difference	0	0	27 505	-27 505
A.III.	Other capital funds	6 352 315	63 078 793	62 539 440	6 891 668
A.IV.	Other profit funds	106 024	0	0	106 024
A.V.	Public health insurance funds	-2 107 485	147 794 664	148 784 285	-3 097 105
A.VI. and A.VII.	Profit (loss)	75 749	19 059	16 042	78 766

(TCZK)		2011		2012	
Item No.	Item	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 profit funds	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

General Health Insurance Company of the Czech Republic

Notes to Financial Statements
Year ended 31 December 2013

A. Information pursuant to Act No. 563/1991 Coll., on Accounting, as amended (hereinafter referred to as the “Act“)**A.1. Information pursuant to Section 7(3) of the Act**

As of the balance sheet date, the General Insurance Company of the Czech Republic (hereinafter referred to as the “Insurance Company”) is not aware 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 Section 7(4) of the Act

In the accounting period ended on 31 December 2013 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 Section 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 referred to as the “Act on VZP CR”), with effect from 1 January 1992.

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

The Board of Directors is composed 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 proportionate representation of political parties in the Chamber of Deputies.

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

In 2009, based on 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, which 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 on 1 July 2012. Six regional branches constitute the organisational structure.

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 commercial premises, including the provision of services other than basic
- Purchasing goods for the purpose of resale
- Brokering and settlement of insurance claims
- Preventative activities in public health insurance

General Health Insurance Company of the Czech Republic

Notes to Financial Statements
Year ended 31 December 2013

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 the Act, 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 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 stated otherwise. The Insurance Company is not a trading company and therefore, in accordance with the Act, it does not prepare consolidated financial statements.

Economic Environment

Due to the persisting economic crisis, premium payers are affected by lower liquidity, which has an impact on their ability to repay their outstanding premium amounts. Premium collection will also be affected by the increasing unemployment. Curbed economic demand and lower labour productivity have decelerated average wage growth.

These factors inevitably influence the management in the preparation of cash flow outlooks in relation to the collection of statutory health insurance premiums. In modelling the impacts on the Insurance Company, the management duly took account of revised forecasts of anticipated cash flows.

The Insurance Company only invests its available funds in deposits at domestic financial institutions.

As an institution established by the state under the Act on VZP CR, the Insurance Company guarantees the functioning of public health insurance in the territory of the Czech Republic, including the nationwide availability of healthcare services. Its organisational structure is adapted accordingly.

Under an amendment to the Act on VZP CR and an amendment to Act No. 280/1992 Coll., on Branch, Industry, Company and Other Health Insurance Companies, both of which took effect on 1 December 2011, insurance companies transferred an amount equal to one third of the balance of their capital accounts as of 31 December 2010 from those Health Insurance Capital Funds to a dedicated general health insurance account in early 2012. Moreover, branch, industry, company and other health insurance companies transferred 95 % of amount shown in their Security Funds as of 31 December 2010 from those Security Funds. This reallocation provided the Insurance Company with an additional CZK 3.14 billion.

The Insurance Company, unlike employee health insurance companies, is also guaranteed by the Act on VZP CR that it can apply for repayable financial assistance, which is subject to a decision by the Government under the terms set out by Section 8(3) of the Act on VZP CR. Given the developments in its Capital Fund and the related decline in the Insurance Company's cash flows, the Insurance Company applied for this assistance and obtained the repayable financial assistance of CZK 1.7 billion from the state to the bank account of its Capital Fund in late 2013. The assistance is reported in the balance sheet as Other Payables. The overall balance is composed of payables of CZK 0.7 billion due in 2014 and CZK 1 bn due in 2015.

In January 2014, the Insurance Company obtained an early payment of CZK 2.8 billion from the state. This should help the Insurance Company manage its cash flow.

The Act on VZP CR imposes stricter limits on the amount of money that the Insurance Company can transfer to its Prevention Fund than on employee health insurance companies.

General Health Insurance Company of the Czech Republic

Notes to Financial Statements
Year ended 31 December 2013

A.3.2.2. Intangible fixed assets

Purchased intangible fixed assets are reported at purchase prices.

Intangible fixed assets are amortised over their estimated lifespan 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 reported in acquisition cost, which includes the acquisition price and expenses related to the acquisition. Tangible fixed assets generated by the Insurance Company's own activities are priced at in-house cost. Assets acquired by donation are reported on a current replacement cost basis as of the date of receipt of the donation concerned.

Tangible fixed assets are amortised over their estimated lifespan 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 costs of tangible fixed assets are charged directly to the Operation Fund. Technical improvements of tangible fixed assets are activated.

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

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

Subsidiaries Pojišťovna VZP, a.s. and IZIP, a.s. are enterprises controlled or managed by the Insurance Company.

Ownership interests in subsidiaries are priced at acquisition cost. Any value impairment would be recognised by the creation of a value adjustment.

A.3.2.5. Inventory

Purchased inventory items are priced at acquisition cost. The acquisition cost includes any expenses related to the acquisition of those inventory items. The Insurance Company applies the “first in – first out” (FIFO) method to reflect decreases in purchased inventory.

A.3.2.6. Receivables

Receivables are recognised at nominal values less value adjustments. Value adjustments are created for receivables from public health insurance, namely receivables due from premium payers and receivables in respect of damage compensation from public health insurance, receivables due from healthcare providers, receivables in respect of the performance of international agreements and the other receivables at the level of 5% for each elapsed 90 days after the due date of the respective receivable.

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

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A.3.2.7. Premiums and reimbursements of healthcare

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

A.3.2.8. Reserves

In accordance with accounting regulations applicable to health insurance companies, the Insurance Company creates reserves for pending litigations involving public health insurance. The estimated amount of the reserve is based on the amount claimed in the litigation, but does not cover those disputes which the Insurance Company is very likely to win. No reserve is created for the other purposes regarding public health insurance. Reserve is posted as a deduction from the Capital Fund.

A.3.2.9. Accruals and deferrals

In accordance with accounting regulations applicable to health insurance companies, the Insurance Company only creates asset and liability estimates in public health insurance, with these being posted as deductions from the Capital Fund. Estimated assets (including penalty claims arising from overdue receivables) are posted in such a way that they reflect the expected amount to be recovered in the dispute. Under the accounting regulations applicable to health insurance companies, accruals and deferrals are not used except for public health insurance.

A.3.2.10. Supplementary pension schemes

In accordance with its collective agreement, the Insurance Company provides its employees with contributions to supplementary pension scheme through contributions to independent pension funds and uses the Social Fund to this end.

A.3.2.11. Equity

The Insurance Company has no registered capital. The Insurance Company creates the following funds under the Act on 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 accounts that had not been settled as of the balance sheet date are posted as internal receivables or payables of the individual funds, with their sum total equalling zero.

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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 to the extent set out by the implementing legislation. In line with its health insurance plan for 2012, the Insurance Company reduced the limit for contributions to the Operation Fund by 0.35% and left the savings in the Capital Fund to finance healthcare. In 2013, the Insurance Company's contribution to the Operation Fund reached the maximum limit allowed by Decree No. 418/2003 Coll., as amended.

Surplus Fund

The Surplus Fund is generated by allocations from premiums through transfers of a portion of the Capital Fund. According to Section 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 for the three immediately preceding calendar years. The Surplus Fund is used by the Insurance Company to cover deficits of the Capital Fund, healthcare in the event of mass epidemics or natural disasters or a significant decline in premium collected where the Insurance Company is not to blame for it. In accordance with Section 2(5) of Decree No. 418/2003 Coll., as amended, money was temporarily released from the Capital Fund's bank account as long ago as 2011. In 2012 and 2013, given the amount of payables to healthcare providers, the Surplus Fund could not be financially topped up. The internal debt of the Capital Fund to the Surplus Fund is CZK 2.2 billion.

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 keep track of the net 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 the limits of the healthcare covered by public health insurance with a demonstrable preventative, diagnostic or therapeutic effect, if provided to the insured in relation to their existing or imminent illness. Money from the Prevention Fund may also be used to implement preventative healthcare programmes for detecting serious diseases, to promote rehabilitation and reconditioning activities demonstrably resulting in the improved health of participants and also to support projects for improving the quality of healthcare, promoting healthy lifestyles or the overall health of the insured.

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Other funds

Redistribution Fund

In accordance with Sections 20 and 21 of Act No. 592/1992 Coll., on General Health Insurance Premiums, as amended, the Insurance Company manages a dedicated general health insurance fund used for the redistribution of premiums.

The Insurance Company, as the manager of the dedicated account, posts in its balance sheet not only its own receivables related to this fund but also all receivables, cash and payables relating to this account in respect of other health insurance companies (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 interests in the subsidiaries Pojišťovna VZP, a.s. and IZIP, a.s. for the purpose of their capital coverage.

A.3.2.12. Income tax

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

A.3.2.13. Non-technical account

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

A.3.2.14. Subsequent events

The impact of events occurring between the balance sheet date and the date of the financial statements is recorded in the financial reports if such events provide supplementary information about the facts existing as of the balance sheet date.

If major events occurred between the balance sheet date and the date of the financial statements in relation to facts that occurred after the balance sheet date, the consequences of those events are described in the notes to the financial statements but are not recognised in the accounting reports.

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A.4. Information pursuant to Section 7(5) of the Act on the Balances of Off-balance Sheet Ledger Accounts

(TCZK)			
Item no.	Item	Current period	Previous period
P.I.	Assets of the accounting entity	365 677	379 602
1.	Low-value intangible assets	4 217	4 226
2.	Low-value tangible assets	361 378	375 294
3.	Other assets	82	82
P.II.	Receivables and payables written off	12 963 054	12 383 485
1.	Total receivables written off	12 963 054	12 383 485
	1.1. Receivables written off – overdue premium	4 565 614	4 267 353
	1.2. Receivables written off – sanction payments in public health insurance (fines, penalties and additional premiums)	8 333 303	8 056 756
	1.3. Receivables written off - other	64 137	59 376
2.	Payables written off	0	0
P.III.	Contingent receivables for reason of the use of assets by another party	0	0
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 under a borrowing contract	0	0
4.	Long-term contingent receivables for reason of the use of assets by another party under 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
P.IV.	Other contingent receivables and other contingent assets	10 840	16 302
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	10 840	16 302
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

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(TCZK)			
Item no.	Item	Current period	Previous period
P.V.	Contingent payables for reason of the use of third-party assets	45 819	40 692
1.	Short-term contingent payables under leasing contracts	0	0
2.	Long-term contingent payables under leasing contracts	45 819	40 692
3.	Short-term contingent payables for reason of the use for consideration of third-party assets on other grounds	0	0
4.	Long-term contingent payables for reason of the use for consideration of third-party assets on other grounds	0	0
5.	Short-term contingent payables for reason of the use of third-party assets under a borrowing contract	0	0
6.	Long-term contingent payables for reason of the use of third-party assets under a borrowing contract	0	0
7.	Short-term contingent payables for reason of the use of third-party assets or their assumption on other grounds	0	0
8.	Long-term contingent payables for reason of the use of third-party assets or their assumption on other grounds	0	0
P.VI.	Other contingent payables and other contingent liabilities	2 310 966	1 276 568
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	2 310 966	1 276 568
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 arising from legal regulations and other activities of legislative, executive or judicial powers	0	0
8.	Long-term contingent payables arising 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
P.VII.	Balancing accounts	15 696 356	14 096 649
1.	Balancing account to off-balance sheet accounts	15 696 356	14 096 649

A.5. Information pursuant to Section 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 2013	31 December 2012
Outstanding social security premiums and state employment policy contributions		38 163	38 549
Outstanding public health insurance payables		17 273	16 974
Recognised tax payables to local tax authorities		17 328	17 024

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A.6. Information pursuant to Section 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 2013 and require a modification of the posted facts.

A.7. Information pursuant to Section 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 2013 and require disclosure in the financial statements.

Based on the facts available to date, the possible future payables to the Proton Centre cannot be quantified now.

A.8. Information on contingency of legal effects of an entry into the Real Estate Register – Section 56(8) of Decree No. 500/2002 Coll.

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

General Health Insurance Company of the Czech Republic

Notes to Financial Statements

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E. Other Supplementary Information on Other Parts of the Financial Statements

E.1. Supplementary information on balance sheet items

E.1.1. Intangible fixed assets

(TCZK)	1 January 2013	Additions / transfers	Disposals	31 December 2013
Acquisition cost				
Software	1 792 916	367 823	-6 558	2 154 181
Other fixed assets	102 177	3 566	0	105 743
Work in progress	300 553	103 866	-298 983	105 436
Total	2 195 646	475 255	-305 541	2 365 360
Accumulated amortisation				
Software	-1 267 120	-343 978	6 416	-1 604 682
Other fixed assets	-70 330	-15 996	0	-86 326
Total	-1 337 450	-359 974	6 416	-1 691 008
Net book value	858 196			674 352

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

E.1.2. Tangible fixed assets

(TCZK)	1 January 2013	Additions / transfers	Disposals	31 December 2013
Acquisition cost				
Land	301 313	27	-11 699	289 641
Buildings and structures	4 027 954	89 531	-243 610	3 873 875
Separate movables and sets of movables	1 550 389	52 373	-198 284	1 404 478
Other fixed assets	796	0	0	796
Work in progress	96 207	81 405	-161 029	16 583
Advances paid	997	0	-997	0
Total	5 977 656	223 336	-615 619	5 585 373
Accumulated depreciation				
Buildings and structures	-1 138 589	-85 496	86 056	-1 138 029
Separate movables and sets of movables	-1 171 055	-166 622	195 243	-1 142 434
Total	-2 309 644	-252 118	281 299	-2 280 463
Net book value	3 668 012			3 304 910

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(TCZK)	1 January 2012	Additions transfers	Disposals	31 December 2012
Acquisition cost				
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
Total	6 568 352	483 807	-1 074 503	5 977 656
Accumulated depreciation				
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
Total	-2 482 542	-510 418	683 316	-2 309 644
Net book value	4 085 810			3 668 012

The value of fixed assets was reduced by CZK 27,505,000. The reason is a planned sale of a few buildings, the real value of which is lower than their net book value.

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., with its registered office at Hvězdova 33, 140 21 Prague 4, specialised in what is known as e-healthcare.

In 2010, the Insurance Company bought 120 shares of IZIP, a.s. at the total acquisition cost of CZK 120,000, posted as other long-term financial assets. In 2011, the Insurance Company bought additional 1,104 shares of IZIP, a.s. at the total acquisition cost of CZK 1,104,000, thus having acquired a majority interest in that company. Therefore the investment was re-classified into an ownership interest with controlling influence. Based on the aforementioned purchase contracts concluded in 2011, the Insurance Company is bound by pre-emptive rights to these shares in favour of the seller, under the terms and conditions set out in the relevant contract.

In 2012, the Insurance Company, as the sole shareholder, decided to change the number and the nominal value of the shares of Pojišťovna VZP, a.s. The registered capital of Pojišťovna VZP, a.s. was increased without subscribing shares, by profit brought forward from previous years and the current profit of Pojišťovna VZP, a.s. for 2011, totalling CZK 45,200,000. Therefore, the registered capital of Pojišťovna VZP, a.s. (since 25 April 2012) has been composed of 1,000 shares of the nominal value of 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)	Dividend yield (TCZK)
31 December 2013								
Pojišťovna VZP, a.s.	1 000	230 000	104 800	104 800	100	34 460*	285 822*	0
IZIP, a.s.	1 224	1 000	1 224	1 224	51	4 915*	8 957*	0
Total			106 024	106 024				0
31 December 2012								
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	-2 537	4 042	0
Total			106 024	106 024				0

* unaudited

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E.1.4. Debtors

As of 31 December 2013:

(TCZK)	Receivables from premium payers	Receivables from healthcare providers	Receivables from public health insurance	Other receivables	Total
Within due date	7 837 895	611 659	555 090	36 127	9 040 471
Past due date	31 202 495	1 132 084	434 309	0	32 768 888
Total	39 040 390	1 743 443	989 399	36 127	41 809 359
Estimated receivables	0	896 633	585 000	11	1 481 644
Total, including estimated receivables	39 040 390	2 640 076	1 574 399	36 138	43 291 003
Value adjustments	-20 417 891	-91 424	-242 097	0	-20 751 412
Net receivables	18 622 499	2 548 652	1 332 302	36 138	22 539 591

As of 31 December 2012:

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

Other receivables as of 31 December 2013 were short-term ones, notably in respect of the Operation Fund, and also receivables due from Pojišťovna VZP a.s. of CZK 1,256,000 (2012: CZK 95,889,000), primarily based on brokering commission and receivables due from IZIP, a.s. of CZK 228,000 (2012: CZK 0).

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

(TCZK)	Within 1 year	1 – 5 years	More than 5 years	Total
As of 31 December 2013	4 952 723	17 150 157	9 099 615	31 202 495
As of 31 December 2012	4 835 072	15 223 877	10 607 019	30 665 968

The amount of receivables due from premium payers is influenced by write-offs of receivables, primarily carried out for the following reasons: the payer ceases to exist without a legal successor; the payer's death; unsuccessful recovery pursuant to Section 26c of Act No. 592/1992 Coll.; statute of limitations; bankruptcy proceedings pursuant to Act No. 328/1991 Coll., on Bankruptcy and Composition, and Act No. 182/2006 Coll., on Insolvency and its Resolution Methods (the Insolvency Act) and decisions to remove harshness pursuant to Section 53a of Act No. 48/1997 Coll., on Public Health Insurance, as amended.

Estimated receivables

(TCZK)	31 December 2013	31 December 2012
Estimated receivables from premium	570 000	91 732
Estimated receivables from penalties	15 000	59 626
Estimated receivables from billing of healthcare	896 633	405 398
Estimated receivables from – other taxable activity	11	263
Total estimated receivables	1 481 644	557 019

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E.2. Supplementary information on items of the profit and loss statement

The tax due was calculated as follows:

(TCZK)	2013	2012
Profit before tax	20 323	16 645
Non-taxable income	-13 193	-12 641
Non-tax deductible expenses	525	1 704
Adjustment to net tax base	-1 000	-1 000
Tax base	6 655	4 708
Income tax due, 19 %	1 264	894

E.3. Supplementary information on items of the cash flow statement

The Insurance Company does not have any supplementary information on the cash flow statement items.

E.4. Supplementary information on items of the changes in equity statement**E.4.1. Equity**

Developments in the funds in 2013 and 2012 can be analysed as follows:

(TCZK)	31 December 2012	Formation	Drawing	31 December 2013
Funds				
Public Health Insurance Capital Fund	-4 276 423	147 770 868	148 784 285	-5 289 840
Public Health Insurance Surplus Fund	2 168 938	23 797	0	2 192 735
Prevention Fund	334 971	460 447	653 537	141 881
Operation Fund	387 097	4 783 408	4 048 303	1 122 202
Social Fund	26 348	47 256	51 276	22 328
Capital Reproduction Fund	1 113 144	749 934	253 323	1 609 755
Asset Fund	4 490 607	253 323	748 519	3 995 411
Other – Redistribution Fund	148	56 784 425	56 784 482	91

(TCZK)	31 December 2011	Formation	Drawing	31 December 2012
Funds				
Public Health Insurance Capital Fund	130	150 419 322	154 695 875	-4 276 423
Public Health Insurance Surplus 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

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E.4.1.1. Public Health Insurance Capital Fund

(TCZK)	31 December 2013	31 December 2012
Balance of current account	392 672	121 634
Cash in hand	3 591	1 837
Receivables	21 049 752	23 396 399
Payables	-23 679 585	-24 317 484
Estimated assets	1 481 633	556 755
Estimated liabilities	-4 318 696	-3 913 939
Reserves for pending litigation	-219 207	-121 625
Public Health Insurance Capital Fund	-5 289 840	-4 276 423
Receivables		
- from premium payers	30 040 390	38 515 533
- from contracted healthcare facilities	1 743 443	3 518 940
- from indemnities and damages	343 683	337 183
- other	645 716	770 778
- adjustments to receivables	-20 751 412	-19 774 083
- internal	27 932	28 048
Total	21 049 752	23 396 399
Payables		
- to contracted healthcare facilities	16 554 799	20 050 211
- repayable financial assistance from the state	1 700 000	0
- other	13 222	24 699
- internal settlement	1 035	761
- internal	5 410 529	4 241 813
Total	23 679 585	24 317 484
(TCZK)	2013	2012
Formation		
Public health insurance premium	97 320 169	95 669 550
of which: estimated items	478 268	11 739
Cash from monthly settlement of redistribution results	46 784 662	51 331 308
Public health insurance premium after redistribution	144 104 831	147 000 858
Penalties, fines and additional premiums	2 516 755	2 208 441
of which: estimated items	-44 626	7 632
Indemnities and damages	334 889	316 500
Interest on Capital Fund management	1 894	8 501
Other receivables	17 291	16 812
Transfers from other funds	190	190
Assumption of balances from HIC Média	481 026	453 509
Receivables from foreign insurance companies	-391	23 723
Receivables from foreign insurance companies – flat rate		
Reduced or cancelled value adjustments to premiums, penalties, fines and additional premiums	272 611	389 822
Other reduced or cancelled value adjustments	41 772	382
Reserves used in the case of ended litigation with legally binding decision	0	584
Total formation	147 770 868	150 419 322

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(TCZK)	2013	2012
Drawing		
Payables for healthcare, including corrections and revisions and payments to other health insurance companies, of which:	138 922 425	143 745 533
- payables for the treatment of the given health insurance company's clients abroad	553 027	510 586
- estimated items	41 854	2 871 015
Prescribed allocations to other funds, of which:	5 090 488	4 872 601
- into the Surplus Fund	23 796	43 771
- into the Operation Fund	4 640 315	4 395 533
- into the Prevention Fund	426 377	433 297
Receivables written off	2 630 744	3 103 757
Reduction by penalties, fines and extras on the basis of decisions to eliminate harshness of the Act	158 122	189 761
Payables arising from the provision of healthcare billed by domestic healthcare facilities for foreigners, including revision results	478 389	452 732
Payables to foreign insurance companies for flat-rate payments	21 273	69 388
Banking fees for managing the Capital Fund's current account and other fees	93 549	131 165
Exchange rate losses	0	3
Creation of reserve for pending litigation	97 582	34 812
Creation of value adjustments for premiums, penalties, fines and additional premiums	1 118 728	1 317 515
Creation of other value adjustments	172 985	12 288
Extraordinary levy based on amendment to Act No. 298/2011 Coll.	0	766 320
Total drawing	148 784 285	154 695 875

E.4.1.2. Public Health Insurance Surplus Fund

(TCZK)	31 December 2013	31 December 2012
Cash balance	12	12
Receivables – internal receivable due from the Public Health Insurance Capital Fund (basic allocation)	86 511	62 714
Receivables – internal receivable due from the Public Health Insurance Capital Fund	2 106 212	2 106 212
Public Health Insurance Surplus Fund	2 192 735	2 168 938

(TCZK)	2013	2012
Formation		
Transfer from the Health Insurance Capital Fund	23 797	43 771
Total formation	23 797	43 771
Drawing		
Total drawing	0	0

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E.4.1.3. Prevention Fund

(TCZK)	31 December 2013	31 December 2012
Balance of current account	6 972	3 893
Cash in hand	813	92
Receivables - internal	202 085	380 262
Receivables – external	83	139
Payables – internal	-5	0
Payables – external	-68 067	-49 415
Prevention Fund	141 881	334 971

(TCZK)	2013	2012
Formation		
Share of income from fines, additional premiums and penalties (allocation from the Capital Fund)	426 377	433 297
Interest accrued on Prevention Fund's bank account	25	22
Other	168	91
Settlement with insured persons with links to preventative programme settlement	33 877	34 904
Total formation	460 477	468 314
Drawing		
Prevention programmes	651 924	461 761
Other (banking fees)	1 613	1 076
Total drawing	653 537	462 837

E.4.1.4. Operation Fund

(TCZK)	31 December 2013	31 December 2012
Balance of current account	24 148	45 635
Cash in hand, valuables	385	77
Receivables	3 052 797	1 830 822
Payables	-1 955 128	-1 489 437
Operation Fund	1 122 202	387 097

Receivables		
- receivables from clients	89	3 409
- operating advances paid	5 649	5 641
- from employees	53	80
- other	28 307	123 404
- internal settlement	1 406	1 127
- internal	3 017 293	1 697 161
Total	3 052 797	1 830 822

Payables		
- payables to suppliers	147 121	172 310
- to employees	97 784	99 061
- to health insurance and social security institutions	55 436	55 523
- other	18 151	18 862
- internal	1 636 636	1 143 681
Total	1 955 128	1 489 437

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(TCZK)	2013	2012
Formation		
Prescribed allocation	4 640 315	4 395 533
Prescribed allocation from the Capital Reproduction Fund in the amount approved by BD	0	100 000
Receivables from the sale of tangible and intangible fixed assets	96 858	191 777
Prescribed allocation of interest related to the Operation Fund	233	482
Prescribed contractual fines for violating contractual relationships to healthcare facilities	1 020	20
Exchange rate gains	10	1
Other receivables related to the Operation Fund	19 357	19 292
Receivables of VZP CR (participation in cost sharing)	25 615	27 352
Total formation	4 783 408	4 734 457
Drawing		
Classification of insurance company's operating payables, of which:	4 015 764	4 308 229
- wages, excluding other personnel costs	1 556 625	1 586 577
- other personnel costs	19 796	18 242
- employee health insurance premiums	142 896	144 037
- employee social security premiums	388 909	394 272
- remuneration to members of the Board of Directors, Supervisory Board and Arbitration Body	12 505	12 086
- share of payments for International Reimbursement Centre services	11 780	13 712
- exchange rate losses	350	496
- fees paid	143	172
- liabilities to pay fines and penalties	2 215	1 716
- share of depreciation of tangible and intangible assets related to the Operation Fund	732 354	825 535
- other payables, of which:	1 148 191	1 311 384
services to develop the information infrastructure of the system	5 180	2 965
Prescribed statutory amount of allocation to the Social Fund	31 133	31 731
Prescribed allocation to the Capital Reproduction Fund in the amount of positive difference between the selling price and net book value	1 406	10 351
Total drawing	4 048 303	4 350 311

E.4.1.5. Staff Analysis

In 2013, the average converted number of employees of the Insurance Company was 3,542 persons (2012: 3,710 persons). A centralisation and reorganisation of processes took place in the Insurance Company in the last few years, involving headcount reductions, with 348 jobs cancelled in 2012. The situation stabilised in 2013, when the headcount was not significantly reduced.

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

(TCZK)	2013	2012
Wages and salaries	1 576 421	1 604 819
Social security and health insurance costs	531 805	538 309
Other personnel and social costs	37 149	36 994
Total	2 145 375	2 180 122

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E.4.1.6. Social Fund

(TCZK)	31 December 2013	31 December 2012
Cash balance	25 295	30 627
Receivables – internal	2 483	2 531
Payables – external	-4 254	-5 074
Payables – internal	-1 196	-1 736
Social Fund	22 328	26 348

(TCZK)	2013	2012
Formation		
Prescribed allocation from the Operation Fund	31 133	31 731
Interest on Social Fund's current account	204	353
Prescribed allocation from profit after tax from taxable activities	15 851	15 866
Repayments of employee loans	68	47
Total formation	47 256	47 997
Drawing		
Compulsory source reduction, of which:	51 202	56 289
- loans provided	40	50
- other (non-repayable) drawdown	51 162	56 239
Banking (postal) fees and charges	74	76
Total drawing	51 276	56 365

E.4.1.7. Capital Reproduction Fund

(TCZK)	31 December 2013	31 December 2012
Cash balance	10 659	5 216
Receivables – internal	1 599 096	1 107 928
Capital Reproduction Fund	1 609 755	1 113 144

(TCZK)	2013	2012
Formation		
Prescribed allocation to the Capital Reproduction Fund from the Operation Fund in the amounts of depreciation and net book value of assets sold	748 519	854 491
Interest on Capital Reproduction Fund's current account	9	74
Transfer from the Operation Fund – positive difference between the selling price and the net book value of the tangible and intangible fixed assets sold	1 406	10 351
Total formation	749 934	864 916
Drawing		
Acquisition of tangible and intangible fixed assets, including advances	253 323	462 960
Allocation to the Operation Fund approved by BD	0	100 000
Total drawing	253 323	562 960

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E.4.1.8. Internal receivables and payables

As of 31 December 2013:

(TCZK) Debtor	Creditor								Total internal payables
	Capital Fund	Operation Fund	Social Fund	Reproduction Fund	Asset Fund	Prevention Fund	Surplus Fund	Taxable activity	
Capital Fund	x	3 015 721	0	0	0	202 085	2 192 723	0	5 410 529
Operation Fund	27 932	x	2 483	1 599 096	0	0	0	7 125	1 636 636
Social Fund	0	1 196	x	0	0	0	0	0	1 196
Capital Reproduction Fund	0	0	0	x	0	0	0	0	0
Asset Fund	0	0	0	0	x	0	0	0	0
Prevention Fund	0	5	0	0	0	x	0	0	5
Surplus Fund	0	0	0	0	0	0	x	0	0
Taxable activity	0	371	0	0	0	0	0	x	371
Total internal receivables	27 932	3 017 293	2 483	1 599 096	0	202 085	2 192 723	7 125	7 048 737

As of 31 December 2012:

(TCZK) Debtor	Creditor								Total internal payables
	Capital Fund	Operation Fund	Social Fund	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	1 299	x	0	0	0	0	437	1 736
Capital Reproduction Fund	0	717	0	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
Total internal receivables	28 048	1 697 161	2 531	1 107 930	0	380 262	2 168 926	5 609	5 390 467

E.4.1.9. Other funds from profit

(TCZK)	31 December 2013	31 December 2012
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
Total	106 024	106 024

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Year ended 31 December 2013

E.4.2. Payables

As of 31 December 2013:

(TCZK)	Payables to healthcare providers	Other payables from public health insurance	Payables to financial institutions	Other Payables	Total
Within due date	16 208 028	2 059 993	0	404 473	18 672 494
Past due date	0	0	0	0	0
Total	16 208 028	2 059 993	0	404 473	18 672 494
Estimated payables	4 318 696	0	0	28	4 318 724
Total payables	20 526 724	2 059 993	0	404 501	22 921 218

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 date	19 143 508	191 039	0	437 229	19 771 776
Past due date	740 362	0	0	0	740 362
Total	19 883 870	191 039	0	437 229	20 512 138
Estimated payables	3 913 939	0	0	159	3 914 098
Total payables	23 797 809	191 039	0	437 388	24 426 236

Other payables are short-term. As of 31 December 2013, the Insurance Company has no overdue payables to healthcare facilities (2012: CZK 740,362,000).

Payables were not secured by any property of the Insurance Company. Other payables as of 31 December 2013 include payables to Pojišťovna VZP a.s., of CZK 2,236,000 (2012: CZK 1,770,000), mainly for collected and untransferred premiums for effected insurance policies, and payables to IZIP, a.s. of CZK 12,098,000 (2012: CZK 11,998,000).

As of 31 December 2013 and 2012, the Insurance Company had no payables to financial institutions.

Estimated liabilities

(TCZK)	31 December 2013	31 December 2012
Estimated liability items to billing of healthcare	4 229 554	3 713 939
Estimated liability items on the billing of additional payments and includable additional payments	89 142	200 000
Estimated liability items – other taxable activities	28	159
Total estimated liability items	4 318 724	3 914 098

E.4.3. Reserve for litigation

(TCZK)	2013	2012
As of 1 January	121 625	87 397
Formation	97 582	34 812
Drawdown	0	-584
As of 31 December	219 207	121 625

Signature of the accounting unit's
statutory body:

Ing. Zdeněk Kabátek
General Director

Person responsible
for accounting and the Financial Statements:

Ing. Markéta Slavíková, MBA
Responsible for managing the Economic Section

MANNER AND FORM OF PUBLISHING THE 2013 ANNUAL REPORT

The 2013 Annual Report can be viewed at the Head Office, all regional branches and client offices of the Insurance Company. The 2013 Annual Report has been published on the website of the Insurance Company at www.vzp.cz.

ABBREVIATIONS IN THE TEXT AND TABULAR APPENDICES TO THE 2013 ANNUAL REPORT

Abbreviations

AB	Arbitration body
AC	Audit Committee
AR2012	2012 Annual Report
AR2013	2013 Annual Report
AS	Arrears statement
BoD	Board of Directors
B2B	Business to Business
CA	Current account
CC	Capitation Centre
CCFP	Combined capitation and fee-for-service payment
CD	Chamber of Deputies of the Parliament of the Czech Republic
CIR	Centre for International Reimbursements
CM	Casemix (a summary of relative weights of cases for a defined unit and period)
CNC	Czech National Council
Coll.	Collection of Acts
CR	Czech Republic
CRF	Capital Reproduction Fund
CRI	Central Register of the Insured
ČSN	Czech Technical Standard
CT	Computed tomography
DRG	Payment for diagnostic groups (Diagnosis Related Group)
DT	Day of treatment
EEA	European Economic Area
EHIC	Employee health insurance company
EMS	Emergency medical service
EU	European Union
GP	General practitioner for adults
GPCY	General practitioner for children and the young
HCF	Healthcare facility
HIC	Health insurance company
HICF	Health Insurance Capital Fund
HIP 2013	Health insurance plan for 2013
IA	Intensive aftercare
ICHI	Information Centre of Health Insurance
ICT	Information and Communication Technology

ICTS	Information and Communication Technology Section
ID	Identification number
IHCF	Inpatient healthcare facility
INF	Identification number of healthcare facility
INR	Prothrombin test (International Normalised Ratio)
Insurance Company	General Health Insurance Company of the Czech Republic
IS	Information system
ISO	International Organization for Standardization
ISSF	Inpatient social service facility
LMS	List of medical services with their point values
LTCH	Long-term care hospital
LTINC	Long-term intensive nursing care
MF	Ministry of Finance
MH	Ministry of Health
MLSA	Ministry of Labour and Social Affairs
NACCL	National Authorisation Centre for Clinical Laboratories
NCB	Nursing care bed
OF	Operation Fund
OHCF	Outpatient healthcare facility
OTA	Other taxable activity
PA	Payment assessment
PHI	Public health insurance
PrevF	Prevention Fund
PVZP	Pojišťovna VZP, a. s. – a subsidiary of VZP CR
PWTI	Person without taxable income
RB	Regional branch of the General Health Insurance Company
SCD	Separately charged drug
SCMM	Separately charged medical material
SB	Supervisory Board
SCI	Specialised curative institution
SEP	Self-employed person
SF	Social Fund
SIDC	State Institute for Drug Control
SpF	Surplus Fund
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 General Health Insurance Company of the Czech Republic, as amended
Act No. 93/2009 Coll.	Act No. 93/2009 Coll., on Auditors and on Amendments to Certain 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 Amendments and Additions to Certain Related Acts, as amended
Act No. 182/2006 Coll.	Act No. 182/2006 Coll., on Bankruptcy and Methods for its Resolution (Bankruptcy Act), as amended
Act No. 320/2001 Coll.	Act No. 320/2001 Coll., on Financial Control in Public Administration and on Amendments to Certain Acts (Financial Control Act), 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 Sectoral, Professional, Enterprise and Other Health Insurance Companies, as amended
Act No. 111/2009 Coll.	Act No. 111/2009 Coll., on Basic Registers, as amended
Act No. 298/2011 Coll.	Act No. 298/2011 Coll., amending Act No. 48/1997 Coll., on Public Health Insurance and on Amendments and Additions to Certain Related Acts, as amended, and other related Acts
Act No. 218/2000 Coll.	Act No. 218/2000 Coll., on Budgetary Rules and on Amendments to Certain Related Acts (Budgetary Rules)
Decree No. 418/2003 Coll.	Decree No. 418/2003 Coll., laying down more details of the scope and amounts of income and expenditure of public health insurance funds of health insurance companies, conditions of creating and using them, permissibility of mutual transfers and management of money, limit on costs of insurance companies' activities covered from the Capital Fund, including the procedure to calculate 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 entities that are entrepreneurs keeping their books in 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. 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, as amended
Decree No. 376/2011 Coll.	Decree No. 376/2011 Coll., implementing certain provisions of the Act on Public Health Insurance
Decree No. 475/2012 Coll.	Decree No. 475/2012 Coll., on laying down the point value, amount of reimbursements of services covered and regulatory restrictions for 2013
Decree No. 267/2012 Coll.	Decree No. 267/2012 Coll., on establishing an indicative list for balneal treatment and rehabilitation care for adults, children and youth
Government Resolution No. 307/2012 Coll.	Government Resolution No. 307/2012 Coll., on availability of healthcare services in terms of location and time

