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DEPENDENCY INSURANCE IN BELGIUM

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DEPENDENCY INSURANCE IN BELGIUM

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Abstract

In this paper we analyze the system of long-term care insurance currently in place in Belgium or rather in Flanders (the Dutch-speaking part of the country), since the French and German-speaking parts have not yet such insurance. More precisely, we review the scope, benefits, financing and functioning of the Flemish dependency insurance (called the *Vlaamse Zorgverzekering*) and present some statistics regarding the number of persons affiliated to the *Vlaamse Zorgverzekering*, the number and percentage of approved applications, the grants awarded by the Government of Flanders and the revenue and expenditure/costs relating to the Flemish dependency insurance system in order to comprehend the key factors explaining some evolution related to the dependency in Belgium. Analyses show that the adjustments and successive changes that the dependency insurance has undergone are explained by its success in terms of claims for benefits. We also find that the problem of equity and adverse selection favorable to the inhabitants of Brussels at the expense of the Flemish people is reduced owing to the different treatments for the two regions.

Keywords : Long-term care, Old age assistance, Subsidies, Revenue and Expenditures for health

JEL-Codes : I12, I18, H71, H75

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1. INTRODUCTION

This paper describes the system of dependency insurance (called the *Vlaamse Zorgverzekering*) currently in place in the Flemish Community. This social insurance is mandatory for a person living in the Flemish Region, while it is optional for inhabitants of the bilingual Region of Brussels-Capital. The Walloon Region has not yet set up any system that supports dependency. We will also attempt to elucidate the key factors explaining the increase in dependency's expenditures, the adjustments and successive changes of the dependency insurance and the presence or not of adverse selection problem resulting from the optional propriety of the *Vlaamse Zorgverzekering* for the inhabitants of Brussels.

Prior to the establishment of the *Vlaamse Zorgverzekering*, Breda *et al.* (2000)¹ had estimated in 1999 that about 54,000 people were severely dependent at home in the Flemish Region, while according to the latest Flemish figures approximately 115,000 people were recorded as dependent by the *Vlaamse Zorgverzekering* on 31/12/2002, an underestimation of more than 50%. The understatement is obviously synonymous with an underestimation of the potential costs resulting from the introduction of dependency insurance in the Flemish Community. This probably explains the adjustments and successive changes that the dependency insurance scheme has had to undergo. Annual contributions to this social insurance paid by members over 25 years old rose from €10 to €25 on 1 January 2003, except for those who benefited from the increased reimbursement of health care insurance on 1 January 2002 (about 500,000 people). The amount of benefits had to be adjusted (mainly downwards). This underestimation of the cost has been compounded by the extension of assistance under the system to all residents of *MRS* (*Maison de Repos et de Soins* or nursing homes), *MRPA* (*Maison de Repos pour Personnes Agées* or rest/nursing homes for the elderly) or *MSP*

¹ More details are given in Karakaya & Ruz Torres (2006a, b).

(*Maison de Soins Psychiatriques* or psychiatric care institutions). This extension was scheduled before the setting-up of the scheme (1 January 2004).

The paper is organized as follows. As a first step, we review the scope, benefits, financing and functioning of the Flemish dependency insurance (*Vlaamse Zorgverzekering*). In a second step, we present the statistics regarding the number of persons affiliated to the *Vlaamse Zorgverzekering* and the number and percentage of approved applications. We then describe the method of calculation and distribution of grants awarded by the Government of Flanders. Finally, we present the revenue and expenditure/costs relating to the Flemish dependency insurance system and we conclude.

2. OVERVIEW

A singular characteristic of the dependency insurance system in Belgium is that it covers only one part of the Belgian population. Indeed, only residents of the Flemish Region have to register with the dependency insurance scheme called the *Vlaamse Zorgverzekering*, while the access to this scheme is optional for the inhabitants of Brussels. It is a social insurance organized by the Flemish Community. The Flemish *Vlaamse Zorgverzekering*, founded on October 1, 2001, finds its legal basis in the Decree of 30 March 1999 (on the organization of dependency insurance).

The *Vlaams Zorgfonds* (Flemish care fund) was established under the Decree of 30 March 1999 on the organization of the *Zorgverzekering*. It represents a reserve fund established by the Flemish government to cope with the growth in non-medical expenses in the near future, in view of the ageing population. This Decree states that the Government of Flanders will forward an annual report to the Flemish Parliament about the income, expenditure and operation of the Flemish care insurance fund (*Vlaams Zorgfonds*).

The main tasks of the *Vlaams Zorgfonds* are:

- the granting of subsidies to approved care funds (*Zorgkassen*)² in which the *Vlaams Zorgfonds* also participates as a compensation fund to offset the existing structural differences regarding risks between the *Zorgkassen*;
- the establishment and management of reserves to cover future expenditure obligations;
- the control and supervision of the management, operation and financial situation of *Zorgkassen*;
- the collection and processing of data from *Zorgkassen* which are useful for the implementation of the Decree.

Affiliation to this insurance is mandatory only for inhabitants of the Flemish Region aged over 25, who must join an approved care fund - *Zorgkas*. Otherwise, they are automatically affiliated to a care fund established by the *Vlaams Zorgfonds*. In the Brussels Region, however, affiliation is optional for inhabitants. They must also join an approved care fund of their choice.

It should be noted that according to EC Regulation 1408/71³, nationals of another member state working in Flanders or Brussels may also benefit, under certain conditions, from the *Vlaamse Zorgverzekering* since they are covered by social security in the country in which they work, in this case Belgium.

The scope of benefits under the *Vlaamse Zorgverzekering* is broader since it covers all affiliated dependants in both regions, including residents aged 25 and under.

² There are eight approved care insurance agencies (care funds) or "*Zorgkassen*" (mutual companies or "*Mutualités*" and private insurance companies): *mutualités chrétiennes, socialistes, neutres, libérales* and *libres, Vlaamse Zorgkas, Omob-Zorgkas* and *Zorgkas DKV Belgium*. Under the Decree of 30 March 1999, they must fulfill the following tasks:

- examine applications and decide whether or not to approve them;
- ensure the provision of care and support;
- record the data related to applications and social assistance of insured people and then transmit them to the *Vlaams Zorgfonds* (once a year);
- collect contributions from affiliates.

³ EC Regulation 1408/71 on the application of social security schemes for workers and their family moving within the Community.

The optional nature of affiliation for the bilingual Region of Brussels is a source of a series of potential problems⁴.

According to Vansteenkiste (2004), the *Vlaamse Zorgverzekering* enables inhabitants of Brussels (at least those who subscribe to this insurance) to insure against dependency without having to contribute to the primary financing mode of the dependency insurance supported by the Flemish Community. Indeed, the Communities are not allowed to introduce a (para)tax levy in Brussels at the moment.

Furthermore, the freedom of Brussels residents to join or not the *Vlaamse Zorgverzekering* might mean that we end up with a much larger proportion of persons taking advantage of benefits in the Region of Brussels-Capital. This problem of adverse selection could result in a higher ratio income/expenditure for the Region of Brussels than for the Flemish Region. In other words, the solidarity of the Flemish people in terms of dependency could be broader-based than that of inhabitants of Brussels.

A detailed analysis of the Decree of 18 May 2001 (*MB*, 28 July 2001) and successive Decrees⁵ indicates that the promoters of these Decrees were perfectly aware of the problems arising from the optional nature of affiliation to dependency insurance for Brussels. Indeed, the requirements for entitlement to benefits offered by the *Vlaamse Zorgverzekering* are more stringent for the Region of Brussels than the Flemish Region. Considering the compulsory affiliation to the dependency insurance scheme in Flanders and the potential problems that may result from the optional affiliation in Brussels, the Flemish Community seems implicitly to be discouraging the entry of Brussels inhabitants into this system, while granting them this right. For example, to be supported by the *Vlaamse Zorgverzekering* for care at home, a Brussels inhabitant must be able to prove that they call on professional help, while this is not required in the case of Flanders. In other words, due to the problems of equity and adverse

⁴ The description of the Flemish dependency insurance system presented in this section is mainly based on the article by S. Vansteenkiste (2004).

⁵ For a more detailed analysis, see Vansteenkiste (2004).

selection, quoted above, the potential benefit of inhabitants of Brussels is reduced owing to the different treatments for these two regions.

3. BENEFITS GRANTED

The system of care for dependants originates in the Decree of 30 March 1999. This Decree states: "*Subject to the terms of this Decree and up to an annual maximum amount, the care insurance shall provide entitlement to support by a care insurance fund in the form of non-medical services and assistance*". It thus appears that the initiators of the *Vlaamse Zorgverzekering* adopted a system of partial or total reimbursement of expenses actually incurred by dependants with respect to assistance benefits or non-medical services, but with an annual maximum total. In addition, the Decree of 30 March 1999, as amended by the Decree of 18 May 2001 states: "*Support shall be denied or reduced, in accordance with the rules and under the conditions that the Executive sets, if the user is eligible for coverage of the same expenses for non-medical services and assistance under other legal provisions or decrees*". In other words, the mode of initial support for dependency corresponds to a system of supplementary reimbursement to the federal or Community schemes currently in place. The reimbursement is made *via* care vouchers or by other means on behalf of the dependent person.

However, we would note that the Decrees of 30 March 1999 and 18 May 2001 were followed by a series of Decrees of the Flemish Executive. According to the Flemish Executive, home care, family or local care and care in institutions are subject to monthly repayments by the care fund (*Zorgkas*) using cash or bank transfer. In other words, the current system is based on the payment of a fixed monthly allowance (as is the case for family allowances). Furthermore, these allocations are set by the Flemish Executive. Initially, the allowances were € 75 per month for family or local care, € 85 for professional care at home, € 125 if the dependent individual had used both types of care (i.e. family and local care and professional

care at home) and €160 for residential care. Benefits for residential care were then reduced to €125 from 1 July 2002. From 1 January 2003, the allowance for home or local care amounts to €90 per month, while for people in institutions it amounts to €125 per month. Lump-sum benefits have the advantage of allowing the Flemish Government to better control the cost of the dependency insurance, but it does not necessarily match the actual needs.

These allowances are granted to all dependent persons and with no age limit.

The lack of available data on dependency for the entire population and the concern to reduce the cost and the time required for the introduction of this measure meant that the Flemish dependency insurance scheme was based on existing administrative data for purposes of establishing the severity and duration of dependency. The presence of one or more certificates issued under various federal or regional aid programs is the criterion used in the introduction of the measure. The following criteria were used for dependants under the age of 25:

- BEL-profile scale for family aid (minimum score of 10);
- supplementary family allowances (for disabled children who suffer from a physical and/or mental incapacity of at least 66% and who have at least 7 points as autonomy degree).

For dependants aged 25 and above, the following criteria were used:

- BEL-profile scale for family aid (minimum score of 35);
- medico-social scale for integration, aid for the elderly and third-party assistance benefits (minimum score of 15);
- Katz scale revised for the *INAMI (Institut National d'Assurance Maladie-Invalidité)* in the context of home nursing care (minimum score of B);
- from 1 July 2002: rating scale confirming the request for allowances in a care institution (minimum score of C) or certificate of internment in a psychiatric care institution;

- from 1 January 2003: rating scale confirming the request for allowances in a care institution (minimum score of B) or certificate of internment in a psychiatric care institution;
- from 1 January 2004: care/assistance for all residents of MRS (*Maison de Repos et de Soins* or rest & nursing homes), MRPA (*Maison de Repos pour Personnes Agées* or rest/nursing homes for the elderly) or MSP (*Maison de Soins Psychiatriques* or psychiatric care institution).

4. FINANCING

The Decree of 30 March 1999 provides two main financing sources, namely subsidies from the Flemish Region and solidarity contributions (or members' contributions) levied by the care funds (*Zorgkassen*).

The budget of the *Vlaams Zorgfonds*, responsible for allocating subsidies between different *Zorgkassen*, is financed by:

- the endowment provided out of the Flemish Community's general expenditure budget;
- the surplus of the *Vlaams Zorgfonds* on 31 December of the previous financial year;
- revenue from solidarity contributions;
- investment revenue, occasional income and reimbursement revenue;
- other revenue.

The annual mandatory solidarity contribution per member amounted to € 10 until 31 December 2002. It then rose to € 25 except for people who benefited from the enhanced reimbursement of health care insurance on 1 January 2002 for whom payment has remained at € 10 (about 500,000 people). In fact, an adaptation of the system was needed for the long-term viability of the Flemish dependency insurance scheme. For this reason the Flemish

Government decided as part of its discussion of the budget for 2003 to increase the fixed annual fee.

Contributions to dependency insurance had to be increased because of its success in terms of claims for benefits. In fact, during the first insurance year, there were more applications for home care approved than expected. Thereafter, the dependency insurance scheme has gradually expanded to include residential institutions (*MRS*, *MRPA* and *MSP*). This widening of assistance to take in all the residents of *MRS*, *MRPA* and *MSP* was made from 1 January 2004 (an extension already planned before its set-up). This explains the sharp rise in the number of beneficiaries observed between 2003 and 2004 (from 126,237 people at the end of December 2003 to 149,459 people at the end of June 2004)⁶ and the need to increase the individual contributions paid by members.

Choices about financing the dependency insurance are entirely the responsibility of the Executive.

In fact, according to the Decree of 30 March 1999, solidarity contributions and subsidies are determined for each financial year by the *Vlaams Zorgfonds* "*on the basis of parameters related to the number and the amount of supports/assistance allocated, the user profile in terms of severity and duration of reduced autonomy, the formation of financial reserves to cover future expenditure obligations, and other resources coming to the Vlaams Zorgfonds (...) all resources shall be allocated under a mixed system (PAYG and funded systems)*".

Each care insurance fund receives a subsidy set once a year by the *Vlaams Zorgfonds* on the basis of data related to requests and supports/assistance transmitted by the care funds to the *Vlaams Zorgfonds*. The subsidies are distributed according to (Decree of 1999):

" - *the sum of the actual supports/assistance;*

⁶ Het Vlaams Zorgfonds – Statistische analyse, situatie per 30 september 2002 & Vlaams Zorgfonds – Begrotingscontrole 2004.

- *weighted parameters taking into account the number of users affiliated to the care insurance fund and the profile of users (in terms of severity, duration of reduced autonomy, age and income);*
- *a lump-sum per support/assistance to cover administrative costs.*

The Flemish Government shall establish the conditions regarding the determination, payment and recovery of grants, the financial balance and the calculation of weighted parameters".

The care funds are normally responsible for the financial balance between their income and expenditure. During the preparation of the decision to grant, it has been decided not to make care funds financially responsible for supporting dependent people.

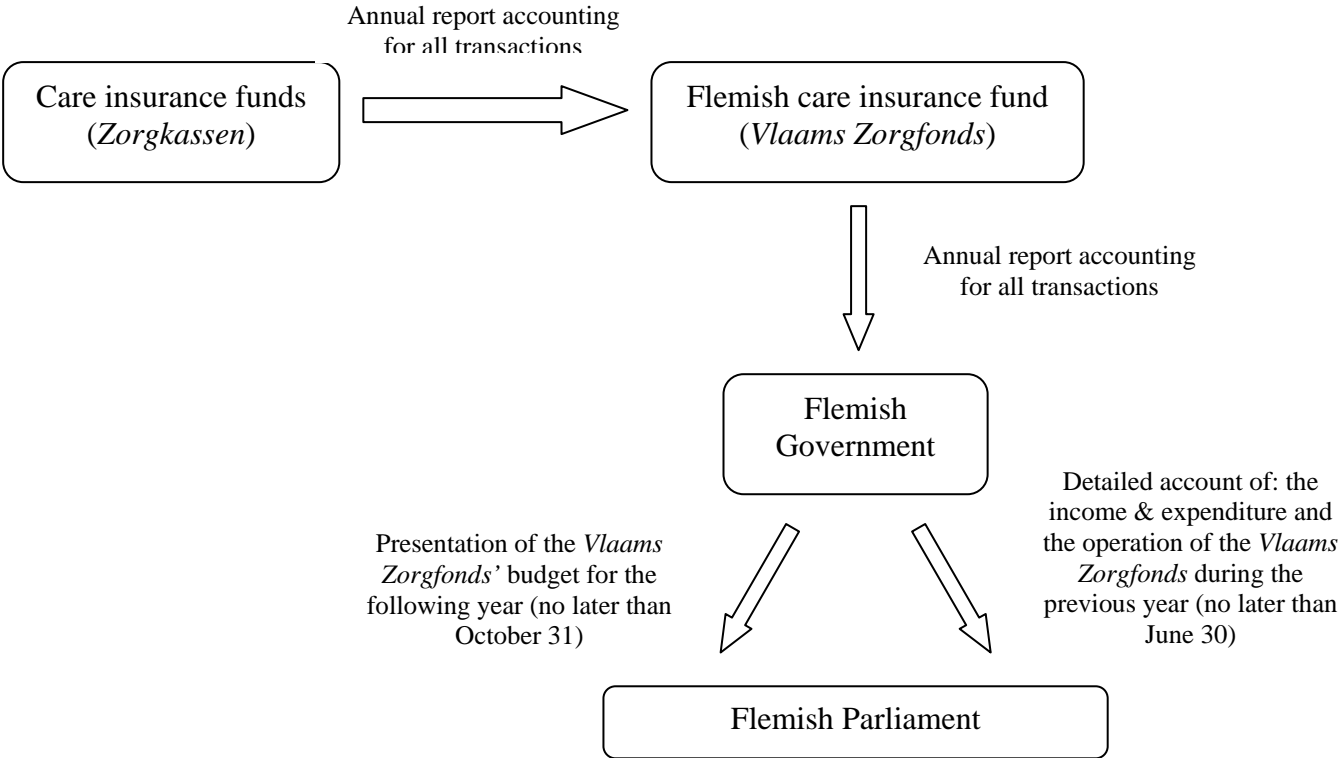
Vansteenkiste (2004) argues that the Decree on the organization of dependency insurance contains a series of still unknown, or at least nebulous, factors, which has the effect of allowing more freedom to the Flemish Executive concerning decisions or choices to be made in connection with the financing of dependency insurance. He also stresses that "*the current delegation of powers to the Executive is undoubtedly much too broad. Without intervention by Parliament, it is feared that dependency insurance will remain unstable for a long time to come*" (Vansteenkiste, 2004, p.66). The successive amendments to the Decrees of the Flemish Government on the conditions for the determination, payment and recovery of care insurance fund subsidies undoubtedly confirm the affirmations of Vansteenkiste.

5. SUPERVISION AND CONTROL

Figure A.1 shows that the care insurance funds transmit an annual report accounting for all transactions to the *Vlaams Zorgfonds*. Upon receipt, the latter in turn submits an annual report accounting for all transactions to the Flemish Government. Finally, once the report is received from the *Vlaams Zorgfonds*, the Government once a year (no later than 31 October) presents the budget of the *Vlaams Zorgfonds* for the following year to the Flemish Parliament. It also

supplies (on 30 June at the latest) a detailed account of income and expenditure and the operation of the *Vlaams Zorgfonds* during the previous financial year.

Figure A.1: Supervision and control of the Flemish insurance



6. NUMBER OF AFFILIATES AND APPROVED APPLICATIONS

We can see from Table A.1 that Brussels-based affiliates account for about 1% of all members of the *Vlaamse Zorgverzekering*. A total of 3,988,946 people were affiliated to the *Zorgverzekering* on 31 December 2002. According to the INS, there were about 4.2 million people aged 26 or older in the Flemish Region on 31 December 2002. Approximately 260,000 Flemings had not, therefore, joined the dependency insurance scheme, although they are obliged to do so. From 1 January 2003, these people were automatically affiliated to the *Vlaamse Zorgkas*. On the basis of estimates, the number of affiliates would have been

3,625,189 people on 31 December 2001; from actual data there were 4,168,485 on 31 December 2003⁷. In other words, the annual growth in the number of affiliates was 10% in 2002 and 4.5% in 2003.

Table A.1: Number and distribution of the *Vlaamse Zorgverzekering's* affiliates by Region and care insurance fund

Care insurance fund	Flanders		Brussels		Total		% Total	
	30/06/2002	31/12/2002	30/06/2002	31/12/2002	30/06/2002	31/12/2002	30/06/2002	31/12/2002
- CM-zorgkas	2,178,164	2,202,945	17,484	17,593	2,195,648	2,220,538	56.3%	55.7%
- Neutrale Zorgkas Vlaanderen	93,978	98,239	1,682	2,207	95,660	100,446	2.5%	2.5%
- Zorgkas van de Socialistische Mutualiteiten	801,391	822,257	6,546	7,431	807,937	829,688	20.7%	20.8%
- Zorgkas van de Liberale Ziekenfondsen	259,997	273,815	1,595	1,869	261,592	275,684	6.7%	6.9%
- Zorgkas van de Onafhankelijke Ziekenfondsen	369,011	376,192	6,275	7,168	375,286	383,360	9.6%	9.6%
- Vlaamse Zorgkas	52,809	63,394	1,031	1,465	53,840	64,859	1.4%	1.6%
- Omob-Zorgkas (*)	44,133	42,031	3,408	3,237	47,541	45,268	1.2%	1.1%
- Zorgkas DKV Belgium	63,255	68,253	423	850	63,678	69,103	1.6%	1.7%
Total	3,862,738	3,947,126	38,444	41,820	3,901,182	3,988,946	100.0%	100.0%

(*) Now, called Ethias Zorgkas.

Source: Het Vlaams Zorgfonds (situation at 30 June 2002 and 31 December 2002).

These data are transmitted by the care insurance funds (*Zorgkassen*) to the *Vlaams Zorgfonds*.

The *CM-zorgkas* (*mutualités chrétiennes*) and the *Zorgkas van de Socialistische Mutualiteiten* (*mutualités socialistes*) alone comprise more than 75% of all *Vlaamse Zorgverzekering's* affiliates.

⁷ Ministerie van de Vlaamse Gemeenschap (Vlaams Zorgfonds): Statistisch overzicht van de Vlaamse Zorgverzekering per 31 december 2003.

Table A.2: Applications submitted by the Vlaamse Zorgverzekering's affiliates and approval by Region and care insurance fund (31/12/2002)

Care insurance fund	Flanders			Brussels			Total		
	Approved applications	Affiliates	%	Approved applications	Affiliates	%	Approved applications	Affiliates	%
- CM-zorgkas	62,476	2,202,945	2.8%	246	17,593	1.4%	62,722	2,220,538	2.8%
- Neutrale Zorgkas Vlaanderen	3,056	98,239	3.1%	28	2,207	1.3%	3,084	100,446	3.1%
- Zorgkas van de Socialistische Mutualiteiten	28,400	822,257	3.5%	118	7,431	1.6%	28,518	829,688	3.4%
- Zorgkas van de Liberale Ziekenfondsen	10,621	273,815	3.9%	50	1,869	2.7%	10,671	275,684	3.9%
- Zorgkas van de Onafhankelijke Ziekenfondsen	7,306	376,192	1.9%	168	7,168	2.3%	7,474	383,360	1.9%
- Vlaamse Zorgkas	2,050	63,394	3.2%	40	1,465	2.7%	2,090	64,859	3.2%
- Omob-Zorgkas (*)	366	42,031	0.9%	23	3,237	0.7%	389	45,268	0.9%
- Zorgkas DKV Belgium	436	68,253	0.6%	8	850	0.9%	444	69,103	0.6%
Total	114,711	3,947,126	2.9%	681	41,820	1.6%	115,392	3,988,946	2.9%

Source: Het Vlaams Zorgfonds – Statistische analyse, situation at 30 December 2002.

These data are transmitted by the care insurance funds (*Zorgkassen*) to the *Vlaams Zorgfonds*.

Table A.2 shows that the ratio between the total number of applications approved (or files) and the total number of people affiliated to the care funds is 2.9%. This rate is very low for the *Omob-zorgkas* and the *Zorgkas DKV Belgium* (less than 1%). In other words, for every 100 members of these two care funds, less than one request to them is approved. However, the percentage of applications approved by the *Zorgkas van de liberale ziekenfondsen* (3.9%) and the *Zorgkas van de Socialistische Mutualiteiten* (3.4%) is higher than the total acceptance rate (2.9%). In the case of mutual companies ("*mutualités*"), it is interesting to note the low rate of the *Zorgkas van de Onafhankelijke Ziekenfondsen* (*mutualités libres*), which is at a relative advantage given its young affiliates in a better socio-professional situation. The higher number of files accepted per affiliated person for public funds (mutual insurance companies) than for private funds is only due to the different membership structures of these funds, because the refusal rates of application files are very similar for the various funds (Tables 14 and 24 of the report "*Statistisch overzicht van de Vlaamse Zorgverzekering per 31*

december 2003"). Overall, the number of people receiving benefits paid by the Flemish dependency insurance scheme amounts to 115,392 at 31 December 2002 (applications approved from 1 October 2001 until 31 December 2002). Breda *et al.* (2000) had estimated at 54,000 the number of people severely dependent at home in the Flemish Region for 1999, i.e. an underestimation of more than 50% compared to the reality (end of December 2002).

Regarding the evolution in the number of files accepted (applications approved and receiving benefits, including dossiers accepted but pending because of the lead time), about 120,338 files were approved at 31 December 2002, while that figure has risen to 126,237 by 31 December 2003 and 149,459 by 30 June 2004⁸. This considerable increase between 2003 and 2004 (+18%) is due to the extension, from 1 January 2004, of support/assistance to all residents of *MRS*, *MRPA* and *MSP*.

Another important point is the very low percentage of applications approved in Brussels (1.6%) compared to the Flemish Region (2.9%). This finding is significant because it appears to confirm that, because of the optional nature of affiliation in the Brussels Region (which could create a series of problems such as adverse selection), fewer files or applications for affiliation were approved in Brussels. The very low percentage for Brussels, compared to the Flanders rate, seems to confirm that the problem of adverse selection does not arise. This finding is also present for the period from 1 January 2003 to 31 December 2003, as we find a refusal rate of nearly 34% for the Brussels Region in this period, while in the Flemish Region this rate is only 15%⁹.

At 30 June 2002, the ratio between the total number of applications approved and the total number of people affiliated to care insurance funds was only 1.8% (much lower than the percentage at 31 December 2002, i.e. 2.9%). It is 1.8% and 1.1% respectively for the Flemish

⁸ Het Vlaams Zorgfonds – Statistische analyse, situatie per 30 december 2002, 2003 & Vlaams Zorgfonds – Begrotingscontrole 2004.

⁹ Ministerie van de Vlaamse Gemeenschap (Vlaams Zorgfonds): Statistisch overzicht van de Vlaamse Zorgverzekering per 31 december 2003.

Region and the Brussels Region, i.e. approval rates considerably lower than those observed on 31/12/2002 (these rates have not been presented in the table).

7. CALCULATION AND DISTRIBUTION OF GRANTS

The Flemish Government's Decree of 19 October 2001 lays down the conditions for the determination, payment and recovery of subsidies to care insurance funds under the care insurance for 2001 and 2002.

The grants from the *Vlaams Zorgfonds* to different care insurance funds are of two types:

- (1) grant for support/assistance (support for the costs incurred for non-medical assistance and services only);
- (2) grant to cover administrative costs (start-up costs in 2001 and operating expenses for 2002).

(1) Grant for support/assistance in 2002

The total subsidy paid for support/assistance in 2002 represents all grants actually paid out by care funds after deduction of the solidarity contributions paid by affiliates and effectively received by these funds in 2002 (see Table A.3). This subsidy is determined not later than 1 July 2003 by the *Vlaams Zorgfonds* on the basis of a final statement of all grants and contributions submitted by the care insurance funds¹⁰. As the compilation of this statement takes some time (often running into the following year, i.e. 2003), the subsidies are paid each quarter in 2002 using partial advances granted to the care funds and estimated quarterly through the number of past support/assistance cases or the projected number of support/assistance cases for the quarter in question (an estimation based on the number of approved applications for dependency care and the number of files submitted in the past).

¹⁰ The statement must be transmitted in good time to the *Vlaams Zorgfonds* (before 31 March 2003). For more details, see the Flemish Government's Decree of 19 October 2001.

Table A.3: Grant by care insurance fund for support/assistance in 2002 (in euros)

Care insurance fund	Total support/assistance	Contributions paid in 2002	Grant advances for support/assistance in 2002
- CM-zorgkas	42,292,551	22,587,621	27,332,370
- Neutrale Zorgkas Vlaanderen	1,657,444	1,024,770	1,231,815
- Zorgkas van de Socialistische Mutualiteiten	17,163,998	8,462,410	11,231,595
- Zorgkas van de Liberale Ziekenfondsen	6,208,878	2,835,130	4,869,960
- Zorgkas van de Onafhankelijke Ziekenfondsen	3,897,551	3,892,240	890,350
- Vlaamse Zorgkas	1,165,993	658,000	817,700
- Omob-Zorgkas (*)	184,370	472,140	0
- Zorgkas DKV Belgium	273,591	700,200	0
Total	72,844,380	40,632,511	46,373,790

Source: Het Vlaams Zorgfonds (jaarverslag 2001-2002).

Once the final grant has been calculated for the year 2002 (at the latest by 1 July 2003), if it is determined that more subsidies have actually been paid to a care fund, then the excess grant must be reimbursed by the care fund in question. This is done by means of deductions from the excess payment due on the next grant advance. The opposite happens in the case of a lack of subsidies observed after calculating the final subsidy.

(2) Grant for administrative costs in 2001 and 2002

a) Grant for start-up costs in 2001

The Flemish Government's Decree of 19 October 2001 provides for an amount of €2,478,935 for the start-up and operation of all care insurance funds in 2001. As can be seen from Table A.4, this amount is divided among the different funds by allocating a lump-sum of €123,947 to each one with at least 20,000 affiliates on 31 March 2002. The balance (€1,611,306) is divided between the funds according to their actual number of affiliates on 31 March 2002. As in the case of the subsidy for support/assistance, the payment of the grant for administrative costs is made by using advances distributed before 15 November 2001 (representing 80% of the total grant for administrative costs). The balance would be paid not

later than 1 July 2002. If a fund receives too much in care subsidies, the excess grant is to be repaid to the *Vlaams Zorgfonds* by means of deductions from the payment of the next grant advance.

Table A.4: Grant by care insurance fund for start-up costs in 2001 (in euros)

Care insurance fund	Lump-sum	Allocation of balance according to number of affiliates	Allocation of supplementary grant according to number of affiliates	Total
- CM-zorgkas	123,947	924,350	1,066,558	2,114,855
- Neutrale Zorgkas Vlaanderen	123,947	39,455	45,525	208,927
- Zorgkas van de Socialistische Mutualiteiten	123,947	341,457	393,990	859,394
- Zorgkas van de Liberale Ziekenfondsen	123,947	109,725	126,606	360,278
- Zorgkas van de Onafhankelijke Ziekenfondsen	123,947	149,491	172,490	445,928
- Omob-Zorgkas (*)	123,947	19,782	22,825	166,554
- Zorgkas DKV Belgium	123,947	27,046	31,207	182,200
Total	867,629	1,611,306	1,859,201	4,338,136

Source: Het Vlaams Zorgfonds (jaarverslag 2001-2002).

b) Operational grant in 2002

The Flemish Government's Decree of 19 October 2001 provides for a total grant of €6,817,072 for the operation of all care insurance funds in 2002. Of this amount, a sum of €1,859,201 is divided between the care funds according to their actual number of affiliates on 31 March 2002¹¹. The balance of €4,957,871 is distributed as follows:

- a lump-sum of €61,973 is distributed to each fund with at least 20,000 affiliates and 400 files on 31 March 2002;
- a lump-sum of €75 per file declined as a result of an inspection or after additional indication;
- the remainder (€ 3,966,296) is calculated according to the number of affiliates (50%) and applications underway (50%) for each quarter.

¹¹ According to the annual report of the *Vlaams Zorgfonds*, this amount of €1,859,201 represents a supplementary subsidy for start-up costs in 2001.

Advances are also granted at the time of the payment of such grants. In 2002, they represent 80% of the grant provided for this year (80% of €4,957,871, i.e. €3,966,296). The plan is to allocate an advance of €991,574 among funds each quarter: up to €495,787 on the basis of the number of affiliates a few months before payment, and up to €495,787 on the basis of the number of files submitted, also a few months before payment. The balance of 20% (€991,574) is to be paid the following year, before 1 July 2003.

Table A.5 presents the subsidies that should be paid during 2002 (final grant) to the care insurance funds for their operation. As we can see, the advances distributed by the *Vlaams Zorgfonds* in 2002 correspond to 80% of the total subsidies planned for this year and the balance (the difference between the final subsidy and the advances paid) is positive for each care insurance fund. In other words, no care fund owes money to the *Vlaams Zorgfonds*. The positive balances are subject to a deferred payment until the next year (before 1 July 2003) by the *Vlaams Zorgfonds* and are transferred as a subsidy for the operation of care insurance funds in 2003.

Table A.5: Final/definitive grants, advances on grants and balance by care insurance fund for operation in 2002 (in euros)

Care insurance fund	Final or definitive grant	Advances (80% of the definitive grant)	Balance
- CM-zorgkas	2,641,717	2,254,770	386,946
- Neutrale Zorgkas Vlaanderen	170,777	86,620	84,157
- Zorgkas van de Socialistische Mutualiteiten	1,109,835	945,602	164,233
- Zorgkas van de Liberale Ziekenfondsen	410,733	304,345	106,388
- Zorgkas van de Onafhankelijke Ziekenfondsen	419,420	266,064	153,356
- Vlaamse Zorgkas	127,717	42,734	84,983
- Omob-Zorgkas (*)	32,699	26,625	6,074
- Zorgkas DKV Belgium	44,972	39,535	5,437
Total	4,957,870	3,966,296	991,574

Source: Het Vlaams Zorgfonds (jaarverslag 2003).

In 2003, 2004 and 2005, the subsidy principle is roughly the same as that of 2001 and 2002. The start-up costs obviously do not exist for those years. These are the Flemish Government's Decrees of 14 February 2003, 14 November 2003 and 17 December 2004, which set out the terms of the determination, payment and recovery of subsidies to the care insurance funds for 2003, 2004 and 2005 respectively. The setting of the grant for support/assistance corresponds to the support/assistance costs that the care fund has paid during the year, after deductions of all affiliation fees collected during the year and of recoveries of support/assistance unduly paid during the year. Advances on subsidies are also awarded in these years. From 2003, the subsidy for the operating costs of all care insurance funds has risen from € 4,957,870 to €7,400,000 (see Flemish Government's Decree of July 2003). The fixed operating allowance of €61,973 paid by the *Zorgfonds* to every care fund which had over 20,000 affiliates and 400 files in progress on 31 December 2002 rises to €60,000 in 2003, 2004 and 2005. As for 2002, each fund receives €75 per application declined as a result of an inspection or after additional indication. In addition to these two types of lump-sum grants, the *Zorgfonds* pays, for 2004 and 2005, an allowance of €3 per request for local and home care registered during the year. The rest of the operational subsidy granted (€7,400,000) is distributed quarterly on the basis of the number of affiliates (50%) and applications underway (50%) after deductions of lump-sum subsidies. As for 2002, advances are also provided at the time of the payment of such subsidies.

8. VLAAMS ZORGFONDS' BUDGET AND COST OF FLEMISH DEPENDENCY

INSURANCE

Since the founding of the *Vlaams Zorgfonds* (1 January 1999), there has been an annual endowment for the operation of the fund, which amounts to €99,157 million (see Tables A.6, A.7 and A.8). In addition, the *Vlaams Zorgfonds* has also received two further endowments since its establishment (in 2001 and 2002).

Table A.6: 2001 Budget (in thousands of euros)

	Adjusted revenue [*]	Actual revenue ^{**}	Adjusted expenditure [*]	Actual expenditure ^{**}
- Investment revenue	11,899	7,833		
- Endowment to the Vlaams Zorgfonds (2001)	99,157	99,157		
- Additional endowment to the Vlaams Zorgfonds	6,626	6,626		
- Operating costs of the Vlaams Zorgfonds			1,640	912
- Rental costs for the Plaza Nord			219	0
- Investment portfolio costs			173	38
- Operating costs of the Vlaamse Zorgkas			904	566
- Operating grants to the care insurance funds for support/assistance costs			0	0
- Operating grants to the care insurance funds for administrative costs			2,479	1,983
- Purchases of office furniture				55
- Endowment to the reserve fund			89,242	89,242
- Endowment of capitalized interest to the reserve fund			4,164	4,164
- Zorgfonds funds carried forward to the following year (2002)			18,861	16,656
Total	117,682	113,616	117,682	113,616

Source: Het Vlaams Zorgfonds (jaarverslag 2001-2002).

* *Vlaams Zorgfonds*' budget adjusted by the Flemish Government.

** Implementation of the *Vlaams Zorgfonds*' budget on 31 December of that year.

Table A.6 shows that an additional endowment of €6.626 million was paid in 2001 on the basis of the Ministerial Decree of 5 October 2001 and represents the revenue (i.e. interest) forfeited due to the investment of the *Vlaams Zorgfonds*' financial resources in the central financing agency (*CFO*). A part of the endowment (€4.16 million) has been transferred to the reserve fund. In 2002, the additional endowment of €44.689 million (Table A.7) is partly used to cover the expected budget deficit of the *Vlaams Zorgfonds* in 2002 and partly transferred to the reserve fund.

The annual expenditure of the *Vlaams Zorgfonds* consists of operating grants for the care funds' administrative costs, monies required for the operation of the Flemish dependency

insurance scheme and investment portfolio costs. No grant for support/assistance has been transferred to care insurance funds in 2001. It is worth noting, however, that the *Vlaams Zorgfonds*' expenditure in 2001 is mainly composed of a *Zorgfonds* endowment to the reserve fund (€89.242 million, or 82% of the *Zorgfonds*' budget). At 31 December 2001, the *Vlaams Zorgfonds*' budget is in surplus. Indeed, total expenditure amounts to €96.96 million, while receipts total € 113.616 million. This surplus of € 16.656 million is transferred to the *Zorgfonds*' income for the following financial year (i.e. 2002). Finally, if we look at the adjusted budget (€117.682 million) and the actual budget on 31 December 2001 (€113.616 million), we note an overestimation of 3.5% of the *Vlaams Zorgfonds*' budget in 2001.

If one looks at the budget for 2002, the first major finding is the significant rise in the *Vlaams Zorgfonds*' budget (Table A.7). It rose from €113.616 to 213.497 million on 31 December 2001 and 31 December 2002 respectively, representing an annual growth of 88% in the *Zorgfonds*' budget.

All expenditure and income has increased, except the *Vlaams Zorgfonds*' operating costs, the investment portfolio costs and the purchases of office furniture. New headings also appear, such as the 2001 surplus (€ 16.656 million), the affiliation contributions to the Flemish dependency insurance scheme (€ 40.632 million), the start-up costs of the *Zorgfonds* (€623,000), the operating grants to care insurance funds for additional indication (€2.518 million) and, finally, the operating grants for the care funds' support/assistance (€ 72.884 million).

Table A.7: 2002 Budget (in thousands of euros)

	Adjusted revenue [*]	Actual revenue ^{**}	Adjusted expenditure [*]	Actual expenditure ^{**}
- Surplus carried forward from previous budget (2001)	16,750	16,656		
- Investment revenue	12,090	12,363		
- Contributions of affiliates	39,000	40,632		
- Endowment to the Vlaams Zorgfonds (2002)	99,157	99,157		
- Additional endowment of the 2002 Flemish budget	44,689	44,689		
- Operating costs of the Vlaams Zorgfonds			695	141
- Start-up costs of the Vlaams Zorgfonds			844	623
- Rental costs for the Plaza Nord			372	190
- Investment portfolio costs			620	23
- Operating grants to the care insurance funds for administrative costs			6,321	6,321
- Operating grants to the care insurance funds: compensation for indication			2,250	2,518
- Specific operating grants for the Vlaamse Zorgkas			1,508	1,315
- Operating grants to the care insurance funds for support/assistance costs			101,997	72,884
- Internal transfer			140	0
- Internal transfer			593	0
- Purchases of office furniture				7
- Endowment to the reserve fund			89,242	89,242
- Endowment of capitalized interest to the reserve fund			7,104	7,104
- Zorgfonds funds carried forward to the following year			0	33,129
Total	211,686	213,497	211,686	213,497

Source: Het Vlaams Zorgfonds (jaarsverslag 2001-2002).

* Vlaams Zorgfonds' budget adjusted by the Flemish Government.

** Implementation of the Vlaams Zorgfonds' budget on 31 December of that year.

The 2002 budget of the *Zorgfonds* has been slightly undervalued by the Government of Flanders (undervaluation of less than 1%). The Flemish Government had also overestimated the costs of support/assistance for 2002 (overestimation of about 40%). The budget on 31

December 2002 is in surplus by € 33.129 million, which is transferred to the *Zorgfonds*' revenue for 2003.

Table A.8 shows that the *Zorgfonds*' budget increased from € 213.497 to 235.821 million from 31 December 2002 to 31 December 2003, representing an annual growth rate of over 10% (growth lower than that of 2001-2002).

Table A.8: 2003 Budget (in thousands of euros)

	Adjusted revenue [*]	Actual revenue ^{**}	Adjusted expenditure [*]	Actual expenditure ^{**}
- Surplus carried forward from previous budget (2002)	33,129	33,129		
- Investment revenue	12,150	10,079		
- Contributions of affiliates	92,500	93,456		
- Endowment to the Vlaams Zorgfonds (2003)	99,157	99,157		
- Operating costs of the Vlaams Zorgfonds			698	86
- Rental costs for the Plaza Nord			205	205
- Investment portfolio costs			750	141
- Interest paid on bond				5,640
- Operating grants to the care insurance funds for administrative costs			6,912	6,912
- Operating grants to the care insurance funds: compensation for indication			3,500	2,348
- Specific operating grants for the Vlaamse Zorgkas			1,642	1,642
- Operating grants to the care insurance funds for support/assistance costs			147,027	133,197
- Internal transfer			61	0
- Internal transfer			234	0
- Endowment to the reserve fund			27,268	27,268
- Endowment of capitalized interest to the reserve fund			12,150	10,079
- Zorgfonds funds carried forward to the following year			36,459	48,303
Total	236,936	235,821	236,936	235,821

Source: Het Vlaams Zorgfonds (jaarverslag 2003).

* *Vlaams Zorgfonds*' budget adjusted by the Flemish Government.

** Implementation of the *Vlaams Zorgfonds*' budget on 31 December of that year.

The 2003 budget is mainly notable for the scale of the contributions made by affiliates of the dependency insurance scheme (€ 40.632 million in 2002 and € 93.456 million in 2003,

representing an annual growth rate of 130%) due to the rising number of affiliates (see section 6) and the fixed annual fee, which rose from €10 to 25, except those who enjoyed the enhanced reimbursement of health care insurance on 1 January 2002. The costs of support/assistance also increased sharply, from €72.884 million in 2002 to €133.197 million in 2003, i.e. an increase of 83% (less than that of the contributions paid by affiliates). On the other hand, the fixed endowment paid annually to the reserve fund, which amounted to €89.242 million in 2001 and 2002, increases to €27.268 million in 2003. Finally, the *Vlaams Zorgfonds*' budget has been slightly overestimated by the Government of Flanders (overvaluation of less than 0.5%). Despite the relentless growth of the budget, the Government of Flanders succeeds overall in correctly estimating the total expenditure of Flemish long-term care insurance. As with the previous budget forecast (2002), the Flemish Government had even overestimated the costs of support/assistance in 2003. This overestimation is approximately 10%, i.e. a percentage lower than that of the previous financial year which amounted to 40%. The budget on 31 December 2003 is also in surplus (€48.303 million). As in the previous year, this amount is carried forward to the *Zorgfonds*' revenue for the following year (i.e. 2004).

Table A.9 includes the *Vlaams Zorgfonds*' adjusted budget for 2004, approved and published in the "*Moniteur Belge*" through two Decrees: the Decree of 7 May 2004 (published in the "*Moniteur Belge*" on 23 November 2004) relating to the adjustment of the Flemish general budget expenditure for the financial year 2004 and the Decree of 24 December 2004 (published in the "*Moniteur Belge*" on 22 April 2005) for the second adjustment of the Flemish general budget expenditure for the financial year 2004). We see from Table A.9 that there is a decrease in the *Vlaams Zorgfonds*' endowment (€99.157 million in 2003 and €90.657 million in 2004). On the other hand, expenditure on support/assistance (operating grants paid to the care insurance funds for support/assistance) has increased in comparison

with 2003, while the total amount of affiliation dues has remained constant. This stability is due to the unchanged individual affiliation fee and the low variation in the number of affiliates, while the rise in support/assistance costs results primarily from the extension, from 1 January 2004, of support/assistance to all residents of *MRS*, *MRPA* and *MSP* (see section 4). This explains, among other things, the drop in endowments to the reserve fund and in transfers to the following financial year's budget.

Table A.9: Adjusted budget for 2004 (in thousands of euros)

	Adjusted revenue [*]	Adjusted expenditure [*]	Adjusted revenue ^{**}	Adjusted expenditure ^{**}
- Surplus carried forward from previous budget (2003)	36,459		48,303	
- Investment revenue	16,500		16,858	
- Contributions of affiliates	92,500		93,133	
- Endowment to the Vlaams Zorgfonds (2004)	90,657		90,657	
- Operating costs of the Vlaams Zorgfonds		820		820
- Rental costs for the Plaza Nord		225		225
- Investment portfolio costs		700		700
- Interest paid on bond				
- Operating grants to the care insurance funds for administrative costs		7,640		7,640
- Operating grants to the care insurance funds: compensation for indication		3,500		3,500
- Specific operating grants for the Vlaamse Zorgkas		1,765		1,765
- Operating grants to the care insurance funds for support/assistance costs		174,693		161,660
- Vlaams Zorgfonds' investments (informatics)		20		20
- Endowment to the reserve fund		12,000		12,000
- Endowment of capitalized interest to the reserve fund		16,500		16,858
- Zorgfonds funds carried forward to the following year		18,253		43,763
Total	236,116	236,116	248,951	248,951

Source: Vlaams Zorgfonds – Begrotingscontrole 2004.

^{*} *Vlaams Zorgfonds'* budget adjusted by the Flemish Government (Decree of 7 May 2004).

^{**} *Vlaams Zorgfonds'* budget adjusted by the Flemish Government (Decree of 24 December 2004).

9. CONCLUDING REMARKS

A singular characteristic of the dependency insurance system in Belgium is that it covers only one part of the Belgian population, unlike most other European countries. Indeed, only residents of the Flemish Region have to register with the dependency insurance scheme, while the access to this scheme is optional for the inhabitants of Brussels. It is therefore not a matter within the jurisdiction of the federal State.

Its implementation has generated debates, especially on the French and German-speaking parts of the country that deem this long-term care insurance as falling within the competence of Social Security (a federal jurisdiction) contrary to the Flanders that considers this insurance as a part of the assistance policy to the elderly (a regionalized jurisdiction). The debates surrounding the dependency insurance are far from resolved in Belgium.

The problem of equity and adverse selection expected because of the optional nature of affiliation in the Brussels Region seems to be reduced in consequence of different treatments by Region. Indeed, the very low percentages of applications approved by affiliation in Brussels compared to the Flemish Region confirm that these problems do not arise.

The investigation of Vansteenkiste (2004) about the organization of the dependency insurance and the adjustments and successive changes undergone reveal that the long-term care insurance system is very unstable and will remain unstable for a long time to come in Belgium. However, let us note that flat-rate benefits have the advantage of allowing the Flemish Government to better control the cost of the dependency insurance, but it does not necessarily match the actual needs.

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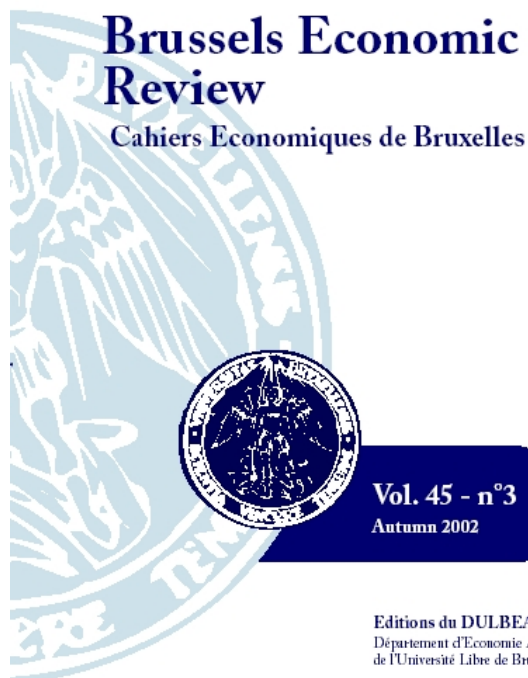
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