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Impact of health care funding on financial position of Slovak medical spas

Abstract

Slovak medical spas are part of the public health care system. The financial stability of these spas is based on the balance between medical products covered by public health insurance and medical and wellness products reimbursed by patients. The aim of this research note is the analysis of prices and the ensuing current financial situation of health spas in Slovakia. By way of a case study, an analysis has been made of the amounts paid by Všeobecná zdravotná poisťovňa, j.s.c., for institutional spa care between 2013 and 2016. Besides this, the research note states their financial rankings using the standardised variable method based on three ratios – the Return on Assets, the Revenue Growth Rate and the Net Profit Ratio. The stagnant amount of payments is one of the factors causing some of the spa facilities to go into the red within the monitored ratios.

Key words: health tourism; price; ranking; spas; Slovakia

Introduction

In the Slovak Republic, spa therapy is an integral part of the public health system, but medical facilities providing these services also act as tourist establishments. Spa facilities primarily provide health care benefits based on the therapeutic effects of climate and the natural resources of the environment (mineral water and peloids). These benefits are guaranteed equally to all health-insured persons via the basic package of health services. Regulation of prices by health insurance companies does not take into account the needs of spa businesses, but only the needs of insurance companies. The uncertainty of legislation regarding the provision of spa services and financing products with a strong medical background have forced businesses to look for new products to be offered in this sector, e.g. short stays marketed as wellness, relaxation or beauty (Derco, 2014; Dryglas & Rózycki, 2016; Dryglas & Salamaga, 2017). They are not specific for the treatment of concrete diseases and their prices reflect actual costs. The financial stability of these medical spas is based on the balance between medical products covered by public health insurance and medical and wellness products reimbursed by patients (Derco & Pavlisinova, 2016). In 2015, those facilities accommodated 304,975 guests and recorded 2,612,785 overnight stays. The percentage of spa tourism compared to the total number of overnights in accommodation facilities in Slovakia reached 21.2% in 2015 (Slovak Tourist Board, 2016). Spa care is subject to Act No. 577/2004 on the Scope of Health Care Covered by Public Health Insurance and on Payments for Services related to the Provision of Health Care. Diseases where spa care is fully (category A) or partially (category B) covered by public health insurance, the indication conditions, and the length of a medical stay (21 to 28 days) are set forth in the Spa Care Indication List forming an annex to the aforesaid Act. In the case of medical spa stays of Category A, the insurance companies reimburse the costs of accommodation, catering services and spa care. The clients only pay a statutorily prescribed charge and a local accommodation tax. In the case of indications of Category

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B, the insurance companies only reimburse the costs of health care (medical examination including diagnostic services, three treatment procedures per day on average, the administration of medicines in the case of acute diseases or deterioration of the state of health). Accommodation and catering services are chosen and paid by the clients themselves. The aim of this article is, therefore, to analyse the prices for the provision of health care covered by public funds in relation to medical spas operating in the Slovak Republic. Besides, it also analyses their current financial situation.

Methodology

There are three health insurers operating in Slovakia's public health insurance market. As of January 1, 2017, Všeobecná zdravotná poisťovňa, j.s.c., had 3,248,172 policyholders, Dôvera zdravotná poisťovňa, j.s.c., had 1,418,541 policyholders, and Union zdravotná poisťovňa, j.s.c., had 482,533 policyholders (as estimated by the Health Care Surveillance Authority). The contractual terms analysis is only aimed at the contracts made between Všeobecná zdravotná poisťovňa, j.s.c., and the spa facilities in the period 2013 to 2016. The analysis focuses on the amount of payments per treatment day according to individual spa care indications and for individual spa facilities. In terms of the comparability of the analysed spa facilities (Garrow, 2008; Šnircová, 1998), only those spa facilities were considered which have the legal form of a joint-stock company or that of a limited liability company (Table 1-2). Given the financing particularities and the legal framework, the analysis does not include medical spas having the legal form of a non-profit organisation, a government-subsidised organisation or a state-owned company.

The financial situation of the analysed spa facilities is assessed based on a multi-criteria assessment using the standardised variable method (Šnircová, 1998). Table 1 shows the arithmetic means (Mean X_j) and the standard deviations (Standard deviation X_j) for the individual ratios (j) – i.e. the Return on Assets, the Revenue Growth Rate, the Net Profit Ratio (Chen, Hsu & Tzeng, 2011). Afterwards, the original values of the ratios (X_{ij}) for each spa (i) are transformed into the standardised value $u_{ij} = (X_{ij} - \text{Mean } X_j) / \text{Standard deviation } X_j$. The final rankings of the spa facilities are determined based on the arithmetic mean of the standardised values (Table 2). The values used to calculate the ratios have been derived from the financial statements of the spa facilities for 2015 as published at www.zisk.sk. The mentioned website provides its users with a summary of information on firms operating in the Slovak Republic which is available via public databases (e.g. the Business Register of the Slovak Republic; the Business Bulletin of the Slovak Republic; the Register of Financial Statements; public data from the registers kept by the tax office, the Social Insurance Agency, the health insurance companies and other public sources).

Results and discussion

The number of spa stays reimbursed by the Slovak health insurance companies shows a stagnating trend. In the previous years it was 60,783 (in 2015), 61,609 (in 2014), and 60,584 (in 2013) (Health Statistics Yearbook of the Slovak Republic 2015; Health Statistics Yearbook of the Slovak Republic 2014; Health Statistics Yearbook of the Slovak Republic 2013). In their budgets the health insurance companies in Slovakia earmark funds ranging from 0.5% to 1.5% for spa care (Eliašová, 2009). The cross-border provision of spa services (Glinos, Baeten & Maarse, 2010) covered by public health insurance was used in the year 2015 by 166 foreign clients, who are subject to the Regulation of the European Parliament and of the Council 2011/24/EU. This is a decline compared to 2014 (249 clients) and 2013 (245 clients) (Health Statistics Yearbook of the Slovak Republic 2015; Health Statistics Yearbook of the Slovak Republic 2014; Health Statistics Yearbook of the Slovak Republic 2013).

The general terms and conditions of Všeobecná zdravotná poisťovňa, j.s.c., are equal and binding for all health care providers. For example, they stipulate the obligations in the provision of health care, reporting, payment terms, inspection, and the consequences of a breach of obligations. The scope of services which the spas are obliged to provide to clients during their stays and the reimbursement conditions are specified in the annexes to the contracts with the spa facilities. They are equal for all spa facilities. The difference is in the price per treatment day which the insurance company pays the individual spas for the provided health care, accommodation and catering services. Between 2013 and 2016 the amount of payments per treatment day made by Všeobecná zdravotná poisťovňa, j.s.c., stagnated. A slight increase in the amount of payments was seen in Category A in 2016. For indications of Category A the price per treatment day in 2013 ranged from USD 44.75 to USD 55.78. In the following years it ranged as follows: USD 46.10 – 55.82 (2014), USD 38.51 – 46.62 (2015), and USD 40.96 - 48.71 (2016). In case of indications of Category B the variability between individual spa facilities is smaller. In this category the price per treatment day ranged as follows: USD 27.22 – 29.32 USD (2013), USD 27.24 – 29.34 (2014), USD 22.76 – 24.51 (2015), and USD 22.69 – 24.35 (2016). The value declines are imputable to the development of the EUR/USD exchange rate. The above payments do not reflect the real costs and the investments needed. It is apparent that the amount of payments is one of the factors causing some of the spa facilities to go into the red (Table 1). The other factors which affected the mentioned ratios of the spa facilities in 2015 include a year-over-year decline of 0.2% in the number of overnights, a decrease of 8.4 % in the average accommodation price, and a decrease of 7% in the accommodation revenues. The increase in the number of domestic clients and their overnights did not offset against the decline in the foreign clientele segment (Germany, Russia, Austria, and Ukraine) (Slovak Tourist Board, 2016). The mentioned increase in the number of domestic clients includes not only wellness stays, but also medical stays reimbursed by policyholders. These segments compensate for the stagnation in the prices and number of stays covered by public health insurance. The rankings of the spa facilities (as shown in Table 2) are an instrument that partially makes it possible to compare the current financial situation of those facilities.

Table 1
Chosen financial ratios of the spa facilities in 2015

Spa facilities	Return on assets	Revenue growth rate	Net profit ratio
Bardejov Spa, j.s.c.	0.052	-0.101	0.087
Bojnice Spa, j.s.c.	0.079	-0.009	0.236
Brusno Spa, j.s.c.	0.000	-0.523	-0.003
Pieniny Resort, l.l.c.	-0.015	0.157	-0.092
Natural Iodine Spa Číž, j.s.c.	-0.026	-0.027	-0.044
Dudince Spa, j.s.c.	0.023	0.013	0.093
Kováčová Spa, l.l.c.	-0.038	0.051	-0.067
Lúčky Spa, j.s.c.	0.061	0.040	0.114
Nimnica spa, j.s.c.	-0.005	0.125	-0.007
Slovak Medical Spa Piešťany, j.s.c.	0.028	0.028	0.056
Horezza, j.s.c.	0.011	-0.065	0.034
Slovak Medical Spa Rajecké Teplice, j.s.c.	0.035	0.126	0.073
Sliač Spa, j.s.c.	-0.090	0.000	-0.151
Medical Thermal Spa, j.s.c.	0.000	0.020	0.000
Trenčianske Teplice Spa, j.s.c.	0.005	-0.099	0.014
Slovak Medical Spa Turčianske Teplice, j.s.c.	0.020	-0.002	0.028
Vyšné Ružbachy Spa, j.s.c.	-0.010	-0.014	-0.049

Table 1 Continued

Spa facilities	Return on assets	Revenue growth rate	Net profit ratio
Lučivná Spa, j.s.c.	0.004	0.060	0.008
Štós Spa, j.s.c.	0.008	-0.017	0.012
Horný Smokovec Spa, l.l.c.	0.013	-0.003	0.013
Nový Smokovec Spa, j.s.c.	-	-	-
Mean Xj	0.008	-0.012	0.018
Standard deviation Xj	0.036	0.135	0.080

Source: Prepared by the author based on the information published at www.zisk.sk.

Table 2:

Rankings of the spa facilities determined based on the standardised variable method

Spa facilities	Standardised values			Sum of standardised values	Mean of standardised values	Final ranking
	Return on assets	Revenue growth rate	Net profit ratio			
Bardejov Spa, j.s.c.	1.239	-0.665	0.860	1.433	0.478	5
Bojnice Spa, j.s.c.	1.994	0.024	2.707	4.726	1.575	1
Brusno Spa, j.s.c.	-0.219	-3.799	-0.253	-4.271	-1.424	19
Pieniny Resort, l.l.c.	-0.629	1.257	-1.363	-0.735	-0.245	14
Natural Iodine Spa Číž, j.s.c.	-0.946	-0.112	-0.765	-1.823	-0.608	17
Dudince Spa, j.s.c.	0.438	0.185	0.933	1.557	0.519	4
Kováčová Spa, l.l.c.	-1.289	0.467	-1.057	-1.879	-0.626	18
Lúčky Spa, j.s.c.	1.494	0.389	1.198	3.080	1.027	2
Nimnica Spa, j.s.c.	-0.342	1.020	-0.311	0.366	0.122	8
Slovak Medical Spa Piešťany, j.s.c.	0.565	0.300	0.472	1.337	0.446	6
Horezza, j.s.c.	0.090	-0.393	0.203	-0.100	-0.033	11
Slovak Medical Spa Rajecké Teplice, j.s.c.	0.767	1.028	0.682	2.477	0.826	3
Sliač Spa, j.s.c.	-2.752	0.088	-2.098	-4.762	-1.587	20
Medical Thermal Spa, j.s.c.	-0.210	0.237	-0.216	-0.189	-0.063	13
Trenčianske Teplice Spa, j.s.c.	-0.084	-0.646	-0.052	-0.783	-0.261	15
Slovak Medical Spa Turčianske Teplice, j.s.c.	0.349	0.073	0.130	0.552	0.184	7
Vyšné Ružbachy Spa, j.s.c.	-0.505	-0.016	-0.826	-1.348	-0.449	16
Lučivná Spa, j.s.c.	-0.104	0.537	-0.118	0.315	0.105	9
Štós Spa, j.s.c.	0.003	-0.039	-0.070	-0.106	-0.035	12
Horný Smokovec Spa, l.l.c.	0.143	0.065	-0.055	0.154	0.051	10
Nový Smokovec Spa, j.s.c.	-	-	-	-	-	-

Source: Prepared by the author based on the information published at www.zisk.sk.

Conclusion

A range of factors might have a substantial impact on the future financial situation of the spa facilities. In 2016, Všeobecná zdravotná poisťovňa, j.s.c., is expected to record in its books a financial loss of nearly USD 294,986,298. The question is what impact the future restrictive policy of this insurance company will have on spa care providers. On the other hand, the demographic development will, due to the ageing population, entail an increase in the health care service costs (Marceková, Simocková & Sebova, 2016). One of the support tools could be the special incentives for the development of the Slovak spa sector as mentioned in the Manifesto of the Slovak Government for 2016 - 2020.

The first limitation of this study is the fact that it focuses on the reality of one single country. It is important to stress that Slovakia is located in central Europe, a region where the spa sector and its social status are more prevalent than in other parts of the world. The second limitation is the fact that health care price data only include one health insurance company which has disclosed its contracts with health care providers. On the other hand, this insurance company has a 63.08-percent share in Slovakia's health insurance market. The third limitation ensues from the very system of payments for health care services. The analysis only addresses institutional health care, which is expressed by a price per treatment day. It, however, does not analyse in detail specialised outpatient health care services.

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