

Targeting Maximum Tax Benefits

A growing share on a stagnating market – primarily a sign of successful proactive communication. Vigilant brokers can reach out to a very broad group of customers with voluntary health fund products. We talked to Dr. Marianna Lukács, director of the Patika Health Fund.

Dávid Sólyomi

In keeping with our tradition, let's begin with the aggregate figures of the voluntary health fund sector and the results of the Patika Health Fund! How did the key indicators fare?

Unfortunately, no progress has been made in terms of revenue. The revenues of the voluntary health fund sector remain stagnant at around 50 billion forints. At the same time, however, Patika and Új Pillér managed to increase its consolidated market share with an annual growth of 0.6 percentage points based on year-end data for the year 2013.

What is the cause of stagnating revenue in the sector?

I think the main cause is the economic slowdown because employer performance plays a key role in the health fund segment. Unfortunately, companies top up their employees' cards at a declining rate. In the past, with approaching annual pay raises, the amount of the cafeteria and health fund contributions was also surely to be increased, but this is no longer the case. Many companies face falling revenues, lost customers and forced downsizing. Many businesses introduce the cafeteria with the specific aim of avoiding layoffs and to survive difficult economic times through the rationalisation of wage related expenditures. This offers a market opportunity for brokers, on the one hand, but it is also clear that the voluntary health fund sector is unable to grow in parallel to the slowdown of the Hungarian economy.

Earlier the need was raised for increasing individual payments. Did you manage to pass the targeted 10 per cent ratio?

We have yet to reach 10 per cent, but we're on the right track after taking several important steps. The government reduced the PIT tax benefit on payments to 20%, but left the reclaimable amount at 150,000 forints, increasing to 750,000 forints the upper limit of individually paid amounts to voluntary funds. In such an environment, with very few schemes supported with tax benefits, voluntary pension and health funds offer an outstanding opportunity, so this is why the more affluent, the winners of the PIT reform, turned to these solutions.

At the end of last year we introduced the PIT check service, where fund members can view the amount of payments they are allowed to make in the given year for maximising the use of tax benefits, when querying their personal balances. The success of this innovation remained moderate in the final tax finish at the end of the year, but this year we are seeing that this tool has a boosting effect on increasing individual payments and to even out seasonal trends that were common in the past.

In addition, Ritmus, the health and lifestyle magazine provides up-to-date information to active fund members, encouraging them to top up their health fund accounts. Overall I clearly

attribute the increase of our market share in this stagnant environment to the above tools and communication.

To what extent are Patika and Új Pillér different in terms of individual payments?

Significantly because Új Pillér is a premium fund where roughly 30% of members also make individual payments, while this share is 7-8% in relation to Patika.

What is the proportion of fund members coming to you directly, not through the employer? Are there any changes to this proportion that amount to a trend?

Unfortunately, individual members commonly don't directly join the fund, so this is an opportunity for brokers. As a positive trend, however, if someone joins us through an employer, he or she will likely hold on to membership after the termination of employment. This had not been the case in the past, but thanks to more active communication, members have a better understanding of the scheme's advantages, which they do not want to give up.

How did the SZÉP Card and Erzsébet Voucher transform the cafeteria market? How is the EU investigation coming along?

Beyond the economic slowdown, these new factors also clearly contribute to the stagnation of the voluntary health fund sector. I think that this is a serious problem not only because it involves the restriction of our market, but because three market participants enjoyed substantial state-sponsored campaigns, which is incompatible with the principles of the EU. According to my information, the procedure is already in the judicial phase.

Was there any major progress made in the area of brokered sales?

A breakthrough is yet to come, but we are not giving up because I am convinced that this is the direction we need to take. The Patika card provides high-quality services to members. We focus on fund members and not on employers, which can be effectively integrated in the communication of brokers.

The competitiveness of commissions, however, is a different matter. The voluntary health fund scheme is at a disadvantage in the sense that the typically 4-6 thousand forint fund entry fees in the sector could provide cover for commission, so its rate cannot be higher than this amount. Health funds typically do not pay ongoing commission, but this scheme is fully appropriate for door-to-door sales. As a first step, the broker can explain to the customer the savings that can be realised through a voluntary health fund, which the customer can appropriately spend in the future. I hope that the intermediary channel will eventually realise how logical and easy it is to integrate our product in its demand assessment and sales processes. Practically everybody spends on health care, so customers are easy to solicit.

Based on the Patika card usage figures, by 2013 the proportion of expenditures of preventive care fell below 2%. What can this entail and how can it be changed?

As a result of legislative changes, people now hardly spend on preventive services. This reflects the shortsightedness of legislators because cuts in preventive costs will clearly increase the burdens of the state scheme. We should consider using tax benefits instead of direct financing to support the sector, the volume of which is not comparable to amounts managed by the OEP (National Health Insurance Fund).

The decrease to under 2% is a clear indication of the need for legislative changes.

What are the requests and expectations addressed by the voluntary health fund sector to the health administration during the next term?

Considering that voters gave another four years of confidence to the present administration, and its first term had been a period of crisis, the next term should be about recovery, so we would like to see generous tax benefits that express the government's belief in the priority of people's health.

This is particularly important in light of the fact that according to the opposition's estimates, a half a million Hungarians are working abroad. We can assume that the healthier members of the population go abroad and the less healthy stay back home, so preventive health care plays a crucial role and any other means by which employers can retain their employees. I hope that the experts of the new health administration share this view.