Social insurance schemes: foreign experience in the realities of Ukraine

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Abstract
The article is devoted to the justification of the role and importance of compulsory social insurance in developed countries. Special attention is paid to the importance of active orientation to public policy in social sphere. Foreign practices in the implementation of social protection of population and regulation of social development are analyzed. The priority directions for reforming the public social policy in Ukraine in the context of adaptation to the standards of highly developed countries are determined. Key institutional features of national social insurance systems are studied. Conceptual components of forming civilized social security institute, based on the advanced achievements. Substantiated mechanism for financing social protection and social security. Features of financing social services at the local level generally accepted for all developed foreign countries is a division of local budgets into two distinct functional types of local budgets. This local current (administrative) budget and local budgets Development (Investment Funds). Each of these types has its own budget expenditures and revenues. Experience in the development of public relations reveals that social security is an objective and necessary phenomenon. The objectivity of social insurance due to the risky nature of the market economy and the need to establish financial guarantees to ensure that persons who for certain reasons are unable to participate in the process of material production and to get paid for their work. The analysis of foreign experience and its comparison with state realities is allowed the author to make a number of proposals to improve the state practice of social insurance.

Keywords: social insurance, foreign experience, medical insurance, social security.

Introduction

Establishing well-balanced social security system in Ukraine, in general, and social insurance program, in particular, are definitely the most important, urgent and hotly debated issues in modern Ukrainian society. The justification of such approach is predetermined by the very definition of the Ukrainian state in the Constitution as a social state, and it appears to be in the focus of reforms from the standpoint of socially-orientated national economy. Thus, an in-depth analysis of the existing and possible threats to the state regulation of the social sphere, careful consideration of issues regarding the improvement of its financial and institutional support is a guarantee of sustainable social development and economic progress. In terms of the market economy the goals, objectives, methods and technologies of social policy vary considerably. They are intended not only to provide high level of the
social sphere development, but also to ensure social protection of citizens. Social insurance is an important tool for counteraction to social risks and social welfare provision. After a long path of evolution, the social insurance system has been modified in accordance with the needs of the time, and some of its elements and mechanisms are still in the process of adaptation to modern requirements.

Material and methods

Problems of the equipollent inter-influence of economic and social phenomena in society have always been in the focus of attention of both foreign and Ukrainian researchers. Such Ukrainian scientists as O. Amosha, V. Besedin, D. Bogynia, A. Galchynskyi, V. Geits, A. Kuzmin, V. Kutsenko, V. Lahutin, A. Makar, A. Melnyk, V. Oparin, M. Chumachenko and many others highlight the key challenges of economic and social inter-influence.

The issues of improving the state regulation of the formation and development of the social insurance system are highlighted in the scientific works of such scholars as G. Bashnyanin, O. Bilorus, L. Veselska, O. Vovchak, O. Davydiuk, N. Kolenda, O. Kopyliuk, E. Libanova, B. Minin, A. Novikova, V. Palamarchuk, S. Pyrozhkov, A. Povstyn, T. Rusanova, A. Samiyo, V. Serebrianikov, V. Skurativskyi, A. Hlopiev, A. Homra, V. Cherkasova and others.

The scientific findings of the listed researchers contribute to the development of the theoretical and methodological principles of the state policy regarding the formation and development of the social insurance system in market-oriented economies.

Although considerable amount of research has been devoted to the issues of the problem under consideration, few attempts have been made to work out a new systemic scientific approach to improving the state regulations of the social insurance system in Ukraine and to determine incentives and tools to enhance and improve its social, financial and economic efficiency in view of utilizing the foreign experience.

The goal of the study is to identify the peculiarities of the formation and prospects of the development of the social insurance system in Ukraine and to prove that this is a prerequisite for the development of a socially-oriented economy.

Results and discussion

The earliest known social insurance/security systems are those that developed in Germany and France. Those systems included the following main types of social security: pension, medical insurance, social support in case of unemployment, industrial accidents and occupational diseases. They subsequently spread to other countries, which introduced their own specific types of social insurance, for example, in France – family insurance, in Germany and Austria – care insurance and other forms. (Table 1).

Table 1. The social insurance schemes in certain countries

| Country       | Type of fund                   | Payout types                              | Insurance contributions                                      |
|---------------|--------------------------------|-------------------------------------------|-------------------------------------------------------------|
| Austria       | Pension fund                   | Old-age pension                           | Employees - 9.25% of the earnings (insurance wage)           |
|               |                                | Disability pension                        | Employers - 10.25% of the insurance wage                     |
|               |                                | Survivor benefit/pension                  |                                                             |
|               | Insurance against sickness and | Sickness benefit                          | Employees – 5,5% of the salary                               |
|               | maternity insurance            | Pregnancy and childbirth benefit          | Employers – 5,5% of the salary                               |
|               | Unemployment insurance         | Unemployment benefit                      | The state holds 50% of the funds in your account for the pregnancy risk |
|               |                                |                                           |                                                             |
| Country | Organisation | Benefit Type | Details |
|---------|--------------|--------------|---------|
| Italy   | Child and Family Foundation | Family benefit | Employees – do not pay. Employers – 4.5% of the wage amount. State – the rest of the fund money. |
|         | Pension fund | Old-age pension, Disability pension, Survivor benefit | Employees – 7.15% of their salaries; Employers – 16.36% of the company’s payroll. |
|         | Insurance of sickness and maternity | Sickness benefit, Pregnancy and childbirth benefit | Employees – 0.3% of their salaries. Employers – from 9.13 to 12.46% of the wage. The rest – state dotations. |
|         | Unemployment insurance | Unemployment benefit | Employers – 1.3% от зарплати. State pays for administrative expenses. |
|         | Child and Family Foundation | Family benefit | Employers – 3–6.5% of their wages. State dotations. |
| Netherlands | Pension fund | Old-age pension, Disability pension, Survivor benefit | Employees – 7% of their wages. Employers – 19% of the company’s payroll. |
|         | Insurance of sickness | Sickness benefit | |
|         | Unemployment insurance | Unemployment benefit | |
|         | Family allowance fund | Childcare benefit | |
| USA     | Old age social insurance/security and survivors benefits | Old-age pension, Disability pension and survivor benefit | Employers – 1.45% of the company’s payroll. Employees – 1.45% of their wages. |
|         | Unemployment insurance | Unemployment benefit | Depending on the state vary in accordance with the progressive scale 1–6% and are paid in equal proportions by employers and employees. |
| France  | Pension fund | Old-age pension, Disability pension and survivor benefit | Employees – 4.7% of their wages. Employers – 8.2%. |
|         | Health and maternity insurance | Sickness benefit, Pregnancy and childbirth allowance | Employees – 1% of their wages, 4.470 francs per month plus 4.5% of the total salary; Employers – 8.95% of the salary to 4.470 francs. State dotations. |
|         | Unemployment insurance | Unemployment benefit | Employees – 0.84% of their salary. Employers – 2.75% of the salary. |
|         | Child and Family Foundation | Family benefit | Employers – 9% of the salary. |
| Sweden  | Pension fund | Old-age pension, Disability pension and survivor benefit | Employees – 6% of the salary. Employers – 33% of the company’s payroll. |
|         | Health and maternity insurance | Sickness benefit, Pregnancy and childbirth allowance | |
The average amount paid by the insured persons in European countries is above 11.23%, and the amount paid by employers is about 21.20% (in Ukraine – 41.3%), however, the overall loading on the payroll is lower in Europe, and its average index is 32.18%, while in Ukraine it is 41.3%. Thus, the social insurance systems of the European Union countries and Ukraine differ not only in regard to the general index of the loading on the payroll, but also in the distribution of the responsibilities for social insurance.

Social security system of the Netherlands is the most developed in Europe and includes state or national insurance scheme and employee insurance scheme. (Figure 1). In addition, there are national social insurance systems for the self-employed, protecting them in case of disability. Everyone who lives or works in the Netherlands is covered by the national insurance schemes. Their sources are deductions from citizens' incomes. The collection of insurance premiums is carried out by the tax administration. The premiums are paid by the insured themselves or are remitted by the employer to the Tax and Customs Administration.

A single pensioner receives 70% of the minimum wage, married pensioners - 100%, regardless of the income amount they received before retirement.

Survivors benefits are paid to the family members who are over 50 years old and at a younger age, if there are dependent minor children or disabled family members.

The integral element of the state insurance scheme is Child Allowance, which is provided in a differentiated amount, depending on the child's age, regardless of the amount of income. The peculiarity of state insurance is that the aid can be provided both in cash and in kind. The latter includes: providing free sanatorium rehabilitation, living in homes for the disabled, providing a dog-guide for working pensioners with disabilities.
Social security of an employee covers the persons who work under an employment contract. Civil servants are insured in terms of another scheme. The source of funding is the insurance contributions of the employers – 19% of the payroll, employees pay 7% of their salaries.

The main objective of the social insurance system in Sweden is defined as social and economic protection of citizens in various situations and at all stages of life. Social insurance covers the entire population of Sweden and is obligatory. It is based on the principle of shared social responsibility for every citizen. The Swedish social insurance scheme is based on the mutual trust between the individual citizen and the state, which makes the whole insurance system transparent, accessible and inexpensive. The essence of such insurance system implies the redistribution of funds among citizens, as well as the redistribution of the person’s incomes at different stages of life. As a matter of fact, about 25% of the costs spent by a private consumer in Sweden are covered through the social insurance system.

Social insurance is funded through social deductions and taxes. Approximately two thirds of the amounts of social insurance is covered by social deductions, and one third is replenished at the expense of general taxes.

The entire population of Sweden is covered by the national health care insurance system. When an employed person becomes sick or has to stay at home to take care of a sick child, the employer is obligated to pay up to 75-80% of the employee’s salary, depending on the duration of the illness.

The patient must pay for a doctor’s visit and the medication prescribed. There is an upper limit of the fee, after which further treatment is free for a patient. The insurance fund compensates most of the fees for a visit to a private doctor.

An important component of social insurance scheme is the so-called parental insurance, which is an example of the state’s influence on family planning, birth rate and the development of family relationships. Parental insurance is aimed, first of all, at providing parents with economic security for the time they stay at home caring for a child.

If the insured person is injured at the workplace and can not therefore work, or those injures have brought about his/her income decrease, then a life-annuity is paid to compensate the loss of incomes. In the case of an employee’s death in consequence of an accident, the widow or widower and children are entitled to a life-annuity of the deceased.

The above mentioned and other types of social insurance in Sweden testify an integrated approach to providing social security for all citizens in this country.

The US social security system is based on the Social Security Act adopted by the Congress in 1935. The social security system in the United States is a social welfare and insurance program for the old aged, disabled, and survivors. The distinguishing feature of the national insurance system in the US is its focus on the social support for pensioners. The source of social insurance programs income replenishment are the contributions of the employees and employers. Insurance rates are set in accordance with the differentiated progressive scale in equal amounts for the employee and employer. Pensioners have the right to work, but the size of their pensions is to be reduced if their earnings, without taking into account pensions, exceed the maximum amount.

The retirement age is 62, for both men and women, who have a complete work experience not less than eight years and who paid contributions to the state social insurance funds. When a person retires not at the age of 62, but at 65, the pension is increased by a quarter (in the US, as in most Western countries, the amount of pension varies from 50% to 80% of pre-retirement income). The non-working pensioner's wife and his underage children are entitled to an additional benefit of up to half of his pension per each. A divorced woman, who has lived with her husband for more than 10 years and has not married again, receives a pension (old age or widow’s) on the rights of the wife.

Social insurance programs cover 90% of the working population in the United States, including individuals who earn their income through the private business. More than 15% of the population receive various social insurance benefits. In addition there are other pension programs (for civil servants, railroad workers and veterans).
The Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund (collectively, the Social Security Trust Fund or Trust Funds) are the agencies that provide payouts of social security benefits (old-age, survivors, and disability insurances) and are administered by the United States Social Security Administration, an independent federal agency. The control is exercised by an independent supervisory board.

Unemployment insurance is another type of social insurance. It covers 90% of all working people and provides financial assistance in the period of involuntary unemployment. Each state administers its own program within national guidelines promulgated under Federal law. The federal government exercises general control. Unemployment benefits and funding for administration of the program are generally financed from the taxes paid by employers depending on workers’ earnings but up to a set maximum. The amount of allowance, and length of time the unemployed receive it vary from state to state. The basis for providing the benefit is the consent of the recipient to get a job placement.

Thus, the principal feature of the US social insurance system is the focus on creating equal opportunities for all of its participants, while EU countries lay emphasis on providing social guarantees. In most developed countries pension insurance system consists of three types: state pension insurance, pension insurance of companies that create corporate pension funds, individual accumulation of sums of money in non-state pension funds (NPF) and insurance companies.

In many European states, solidarity-based (generational solidarity) state pension insurance systems prevail, which cover virtually all workers and provide the bulk of their retirement income. However, demographic changes and economic problems have affected the need for reforming solidarity pension insurance systems and the development of non-state pension funds (NPFs). Non-state pension funds have emerged quite recently. First pension fund NPF was established in the US in 1950. Today, more than 40% of the able-bodied population of the United States participates in non-state pension programs. The assets of the pension funds in this country exceed 4.7 trillion dollars, and pensions paid by them make up almost a third of total annual pension payments.

The operational efficiency of non-state pension funds depends on the amount of their assets and on the type of pension contract, which specifies the conditions and procedure for pension provision (Table 2).

### Table 2. Types of pension contracts and the mechanism of their functioning

| Types of pension contracts | Mechanism of functioning |
|----------------------------|--------------------------|
| Fixed Payout Contract      | A pre-arranged amount of the pension is paid out depending on the salaries and length of service. Fulfillment of the obligations is mandatory and does not depend on the effectiveness of the management of the fund. When changing the place of work an employee may lose the right to retirement benefits. |
| Contract with a fixed contribution rate | Companies deduct certain amounts to the NPF on behalf of the employees, and the size of the payments depends on the accumulated amount and the effectiveness of the management of the fund. Additional contributions of employees are accepted |

Source: compiled in accordance with the data (Servatynska, I. M., 2014; Stepanova, O. V., 2016)

At the end of the 20th century, a great many of the traditional fixed-income pension programs were transformed into fixed-contribution rate funded programs. At present, individual savings accounts with fixed contributions dominate in the Australian and Chilean pension system and are introduced in Canada, Japan and Europe.

In the early 90s post-socialist states had to introduce changes into their pension programs, because pensioners appeared to be unprotected due to the difficult economic situation in the countries or owing to the demographic, economic
and political changes. Most countries were forced to change the rules of calculating the pension rate and to change the retirement age (Table 3).  

**Table 3. The retirement age in certain countries**

| Country       | The retirement age, years |
|---------------|---------------------------|
|               | For men | For woman |
| Armenia       | 65      | 63        |
| Georgia       | 65      | 60        |
| Estonia       | 63      | 63        |
| Kazakhstan    | 63      | 58        |
| Latvia        | 60      | 60        |
| Lithuania     | 62      | 60        |
| Moldova       | 65      | 60        |
| Slovenia      | 65      | 60        |
| Hungary       | 62      | 62        |
| Czech Republic| 62      | 61        |

*Source: compiled in accordance with the data (Vnukova N. M., 2009; Yuri, S. I., Shamaryna, M. P., Shamanska, N. V., 2006).*

The most hotly debated issue was the problem of financing early retirement (privileged) pensions. Prior to reforms, such pensions had been paid to the privileged categories of citizens at the expense of the redistribution of pension funds. After the introduction of the multi-level pension system, funding was realized at the expense of the employers through private pension funds of the third level or at the expense of the state. The calculation of pension payments has also undergone some changes. Some countries began to implement voluntary private pension insurance. The final amount of pension involved payments of the "first level" (from the solidarity pension system) and payments of the "second level" (from the accumulated funds in the private pension funds and from the received investment income). The most common pension insurance system is three-tiered one. (Figure 2).

![Figure 2. Levels of the pension insurance system](Image)

*Source: compiled in accordance with the data (Servatynska, I. M., 2014; Stepanova, O. V., 2016).*

But at any rate, all levels of pension insurance are under the state supervision and control. Contributions to the state pension funds may be made both by employees and by their employers, or by both of them. Particular attention is paid to private (non-state) pension funds in Hungary, the Czech Republic and Poland.

In the world practice, two models of accumulative pension system are the most widely utilized (Table 4). In both models, the state carries out control and supervision in the form of issuing relevant licenses, carrying out the necessary inspections, collecting reports, etc.

**Table 4. Models of accumulative pension systems**

| № з/п | Model                                      | Mechanism of functioning                                                                                                                                 |
|-------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1     | Model of fully privatized pension insurance| Contributions are directed to non-state pension funds chosen by the insured persons individually. Personal pension accounts are managed by private companies that have special permits (licenses) and are hired by the pension funds. |
| II    | Model of semi-privatized pension insurance | Funds are collected by public authorities and sent to a special state fund, managed by a state institution. Investing money to the fund is the prerogative of private licensed companies selected in open competitions (tenders). |

*Source: compiled in accordance with the data (Servatynska, I. M., 2014; Stepanova, O. V., 2016).*

In Sweden, contributions to the pension insurance fund are made at the unified rate as a percentage of earnings and are credited annually to the personal accumulative account.
of the insured. The total contribution rate for the old-age pension system is 18.5% of earnings – half of the contribution is paid by the employer and half – by the employee. Sixteen percent of the total contributions rate go to the semi-accumulative system, and 2.5% - to overall accumulative system. The accounts at the end of the year comprise the amount of new revenue contributions in a given year plus interests on deposits in the previous period. The payment of pensions under this system is based on the amount of the semi-accumulative account at the time of retirement and the average life expectancy for men and women after retirement. The pension also includes an allowance, which depends on the estimates of economic growth in the country.

An employee in Sweden is also covered by a supplementary occupational pension insurance on the basis of a collective agreement, often with the predetermined contributions. There is also a guaranteed minimum pension for the elderly persons (over 65). This guarantee is provided by the state budget at the expense of general taxes. The state budget also covers the expenditures related to the periods of individual insurance experience such as unemployment, illness, disability, child care, post-graduation studies, military service.

Payments that replace earnings during illness and unemployment are classified as salaries in the new system, and 18.5% of these payments guarantee the right to a pension on the same terms as wages. The specified 18.5% are conventionally credited to individual accounts.

As a result of the introduction of pension reform in Sweden, the following objectives have been achieved:

- the old-age pension is provided according to the amount of insurance premiums and the length of their payment;
- transparency in the redistribution of funds within the pension system has been achieved;
- long-term financial stability of the pension system has been created;
- the opportunity to retire at any age longer than the statutory minimum, taking into account changes in the health of a person;
- conditions, which allow the employees to combine work with pension have been specified.

Solidarity and accumulative components can be fully or partially realized after reaching the minimum retirement age. They are supplemented by an occupational pension. Those, who want to work, pay additional contributions to increase the amount of accumulation on individual accounts and, therefore, after conversion, their pensions will be increased.

The comprehensive study of the insurance systems in certain listed above countries, has revealed that reforming the pension system yields positive results for employees in terms of higher pensions and the economy in the form of investing the production. In the conditions of the financial and economic crisis, the problem of unemployment is particularly acute, and this actualizes the need for the formation of special social insurance funds in the event of unemployment.

In the US, virtually all private sector employees are covered by the unemployment insurance system, but the system is not unified, and each state has its own scheme (Table 5).

### Table 5. Basic characteristics of the US unemployment insurance system

| Characteristics            | Brief Content                                                                 |
|---------------------------|-------------------------------------------------------------------------------|
| Insurer                   | Employer (except 4 states)                                                   |
| Funding Source            | Wage taxes                                                                    |
| Eligibility for benefit   | Depending on the insurance period, it is determined in accordance with the established minimum wage or the number of weeks at work during the base period |
|                           | Depending on the reasons for dismissal (the released on their                 |
own, in case of re-employment with a break in labour experience or dismissed without justification are not entitled to allowances)

Date of unemployment benefit calculation
A week since registration as an unemployed

The amount of benefit
Calculated in terms of previous earnings

Duration of benefit payment
Depends on work experience or may be fixed (varies by state)

Source: compiled in accordance with data (Vnukova N. M., 2009; Yuri, S. I., Shavaryna, M. P., Shamanska, N. V., 2006; Servatynska, I. M., 2014).

Usually, the minimum amount of the allowance is fixed, but if the previous earnings reach or exceed the limited level of benefit established in the state, then the amount of the benefit increases proportionally to the earnings, but only to a certain limit. The insurance coefficient rate, which is the ratio of the amount of assistance to the amount of earnings, shows the level of compensation as compared to previous earnings of the unemployed. In the range between minimum and maximum wages, this coefficient is 0.5, that is, most states in the US try to compensate about 50% of the previous earnings. If the unemployed had high earnings, the coefficient is set significantly less than 0.5, and in case of comparatively low earnings - more than 0.5. In 13 states, unemployment benefits are also paid to all dependents in the family, but in some of these states, aggregate amount of family allowances are limited to their tax rates.

In some states the maximum duration of receiving benefits is fixed, and in some of them it is put into dependence on the insurance enrollment. In addition, the Congress regularly adopts interim laws to extend the terms for allowance in the states with high unemployment rate. The source of unemployment benefit is wage tax. The tax rate for employers is determined by three factors (Figure 3).

The first two factors are common for all employers operating in a particular industry and in a particular state, but the impact of the third factor varies from employer to employer, the rate is higher for those employers who are more likely to dismiss employees.

The British system of state social insurance is similar to the American one. A plan for the redundancies of workers was introduced in the country to encourage older people to retire earlier, provided that the employer could employ young workers for the vacancies. There are certain peculiarities in the formation of the social insurance system fund, namely: the percentage of tax deductions from employee’s wage increases to the extent, after which the tax is proportionally reduced. The higher the salary exceeds the upper limit, the smaller is the amount of tax paid by entrepreneurs.

Parental insurance is one of the most important types of social insurance in Sweden (Figure 4). Pregnancy benefits are paid to

**Factors influencing the rate of wage taxes for employers**

- General economic situation in the state
- Working area
- Staff turnover in the company

**Fig.3. Factors influencing the rate of wage taxes for employers in the US**

Source: designed by the author in accordance with the data (Servatynska, I. M., 2014; Stepanova, O. V., 2016).
pregnant women who work at workplaces or in harmful conditions up to 50 days in the last two months of pregnancy and the payment amount equals to 65% of the lost earnings in the first three days and 80% in the following days.

In the event of the birth or adoption of a child allowance is paid to parents for 450 days for each child, the first 360 days the rate of the benefit is 75% of earnings, the rest of the period – specified amount per day. The twelve-month vacation can be shared between parents and used by them at any time until the child reaches the age of 8. One month is intended specifically for the father of a child, and if the father does not use it, a month is lost.

The total amount of childcare benefit is fixed, not taxed and paid until the child reaches the age of 16. If, after the age of sixteen, the child is still studying at school or gymnasium, this assistance is paid as a scholarship. For large families there is an additional payment, the size of which increases with every next child in the family.

Allowance for the adoption of a foreign child is one-time payment to cover travel expenses, additional training, etc. The maximum amount of this assistance is limited by law

Aid-advance is paid to a child who lives with one parent and does not receive maintenance from another until he reaches the age of 18 and continues to be paid if he/she still studies at school.

Short-term parental benefit is paid to the parent who cares for a sick child (under the age of 12). The benefit is paid no longer than 60 days a year per each child. At birth or adoption of a child, this benefit may be paid to the parent for 10 days. The amount of assistance is 80% of the lost earnings during the first 14 days, and starting from 15th day –90%.

Allowance for caring for a disabled or seriously ill child.

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**Fig. 4. Types of maternity protection under parental insurance in Sweden**

*Source:* designed in accordance with the data (Yurii, S. I., Shavaryna, M. P., Shamanska, N. V., 2006; Servatynska, I. M., 2014).
In the developed countries of Western Europe, America, Australia, Japan, the procedural and economic mechanism of health insurance has been clearly elaborated and operates for decades, convincingly proving the effectiveness of this form of organization of medical care. In many countries, health insurance is compulsory, especially it concerns the countries with a high degree of the economy centralization (Germany, France, Austria, Belgium, Sweden, the Netherlands, Japan).

The health insurance system in Germany is based on creating conditions for the formation of appropriate funds and involves supervision of the health insurance system functioning, but financing aspect is not within the competence of the government.

The state provides compulsory health insurance and determines its principal regulations: basic rates of insurance premiums, funding schemes and health care organization. The state participates in the formation of prices for medical services, delegates significant functions for system management to non-state bodies (insurance companies and doctors associations).

Germany has a decentralized system of compulsory health insurance (CHI), which includes independent organizations that have the right to determine premium rates above the baseline, expand health services above the basic program, choose a form of mutual pay agreements with therapeutically prophylactic medical institutions. (Fig. 5).

According to Germany's legislation, most of the population is subject to the Compulsory Health Insurance (CHI), except for workers whose income exceeds the fixed amount, private entrepreneurs, officials, civil servants, private doctors. Private health insurance is very expensive, so it covers only 10% of the population. The CHI fully or partially covers medical insurance and is open-ended. Hospital sickness funds in the CHI system provide their members with the necessary medical services, resulting in contracts with doctors and hospitals. Insured persons pay insurance premiums to sickness funds in the fixed percentage of their wages.

In France, the health insurance system covers 80% of the population of the country, and its main advantage is the CHI. The country has a vertical health insurance system and a unified hierarchy of the insurance funds. A powerful insurance organization (National Treasury Insurance Office), which is under the control of the Ministry of Social Security and Labor and covers 78% of the population, amalgamates the local offices that are responsible for insurance in a particular region and, being endowed with a certain autonomy, are subjects to administrative control of the center. Enterprises and organizations transfer monthly 36% of the money to the CHI, 6.5% of which is deducted from the wages of employees.

This type of social protection/security of the population is compulsory for all categories of workers and employees, including students and schoolchildren. Certain categories of citizens purchase a health insurance policy themselves. There are collective and individual insurance contracts aimed at preventing three main risks:

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**Fig. 5. Subjects of state health insurance in Germany**

*Source: designed in accordance with the data (Vnukova N. M., 2009; Yurii, S. I., Shavaryna, M. P., Shamanska, N. V., 2006; Servatynska, I. M., 2014).*
death, temporary disability, invalidity or illness.

In Sweden, the health insurance as an obligatory act was introduced in 1955. It has united all citizens over the age of 16 years. Medical and dental insurance has become an integral part of the national social insurance system. The management of this system is carried out by the regional social insurance offices subordinate to the National Council for Social Insurance. The financing and distribution of social insurance funds are actualized in certain proportions (Table 6).

Table 6. Funding for social services and health care in Sweden

| Social expenditures          | Health care and medical aid expenditures |
|------------------------------|-----------------------------------------|
| 26% central government budget | 18% deductions from the central government |
| 26% the budgets of the municipal and district councils | 51% deductions from the budgets of the municipal and district councils |
| 48% funds of employers       | 31% Employer’s contributions             |

Source: compiled in accordance with the data (Vnukova N. M., 2009; Yuriy, S. I., Shavaryna, M. P., Shamanska, N. V., 2006; Servatynska, I. M., 2014).

One of the distinguishing features of the Swedish system of insurance is transfer of the legal rights of the insured to the insurer regarding medical insurance.

Most economically developed countries have implemented and successfully exercise voluntary health insurance scheme. This type of insurance is widely spread in the United States of America. Voluntary medical insurance (VMI) was initiated in this country in the 1930s, when two largest insurance organizations were established to provide medical services for the people, living in a certain area. These organizations are voluntary and non-profit organizations. The profits they receive are totally used for medical insurance.

In the United States, more than a thousand and a half insurance companies deal with health insurance, and private insurance covers 80% of the population.

In Germany, along with the dominant system of compulsory health insurance, there has evolved a system of voluntary insurance. Entrepreneurs, working under the voluntary insurance scheme, have united into the Union of Voluntary Medical Insurance in Cologne, which includes 46 companies. The largest of them is the German Joint Stock Company of Health Insurance. VMI provides large amounts of medical care. An insured person can independently choose the following types of medical services: outpatient, inpatient and dental care, sickness insurance with daily cash compensation, in-patient insurance, spa treatment costs, medical treatment abroad and other types.

The insured enter into a contract on voluntary medical insurance with the health insurance company. The contract is open-ended (dateless) and provides insurance coverage throughout life. The clients can freely choose an insurance company, so they often apply to the independent insurance brokers.

The amount of insurance premiums is mainly influenced by: the type of the insured service, age of the insured, health condition, sex and insurance rates. In contrast to the OMI (obligatory medical insurance), with the VMI the family members of the insured are not covered by it. Regardless of the level of income they must enter into their own contracts. Consequently, the VMI in Germany complements the guarantees provided by OMI, but offers a wider range of medical services.

The experience of the foreign states convincingly proves the necessity of medical insurance schemes, since there is no other effective alternative to the health care financing system, except for insurance (Shymkiv, S. A., 2017). When reforming the national health care system, Ukraine should utilize the positive issues of the world health insurance programs, nevertheless, there are likely significant risks associated with the reforming of the national system of medical social insurance (Table 7).
Table 7. Probable positive and negative state policy consequences of reforming the system of medical social insurance in Ukraine

| Positive Consequences (Advantages)                                                                 | Negative consequences (Disadvantages)                                                                 |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Forming a unified organizational structure and management system for all types of social insurance | Creating an additional administrative unit (thus increasing the level of insurance system bureaucracy) |
| Increasing the efficiency of financing by saving costs per an insured person                      | Increase in budget financing due to extra costs for creation of a new fund                           |
| Accumulation of positive experience in the implementation of the compulsory type of social insurance in comparison with market companies | Strengthening of shadowing processes and corruption, abuses in the fund system, which may affect the quality of medical services |

The introduction of this type of social insurance in Ukraine is constrained by a number of organizational and methodological issues. State policy in the field of health insurance reform might be effective, if only the following problems were solved: clearly identify the list of services to be included into the health insurance policy; identify the contingent of the payers of insurance contributions to the Health Insurance Fund; determine the amount of contributions for medical social insurance fund.

Conclusions

The experience of highly-developed countries testifies the need for beneficial cooperation between employees and employers through the improvement of hired labor system with reliable social insurance programs, health care and employment guarantees. The latter requires the improvement of property relations and the convergence of the interests of the employer and the employees.

The main guidelines for the social security system modernization in Ukraine are as follows:

1. To ensure the targeted nature of the social benefits and thus to prevent the access to such privileges for persons who do not have any urgent need to receive them, and radically simplify the mechanisms for obtaining such allowances by the people, who definitely need them.

2. To increase the utilization efficiency of the budget expenditures in the social sphere, ensuring their targeted use, which includes:
   - modernization of social services institutions management (primarily in the health care sphere) through strengthening powers and initiatives of the local authorities;
   - consistent implementation of insurance principles in the social services, providing a high level of basic social security at the expense of the state budget;
   - systematization of funding the social services institutions, bringing the amounts of funds in conformity with the institution’s loading, location, developmental needs; increasing the significance of the investment component in social programs to stimulate social infrastructure.

3. To strengthen the state’s influence on the distribution of incomes through fiscal mechanisms. The state should ensure the withdrawal and redistribution of the high incomes, taking into account, that a significant part of such incomes was not due to the productivity of their recipients, but due to the structural imperfection and weakness of the national markets.

4. To accelerate the implementation of the pension reform, developing the mechanisms for investment use of the contributions to the pension funds, guaranteeing the reliability of these investments, which include:
   - elaborating the system of pension insurance contributions;
- expanding the range of financial instruments available for investment;
- working out the legal and regulatory framework for pension insurance, including the specification of the liability ratio of the state and non-state pension insurance institutions.

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