Introduction of the general health care insurance

Recently it was announced that the health care insurance system on Curaçao has been changed substantially from 1 February 2013 onwards. The different ways in which most people were insured for medical expenses are now united under the Basic health care insurance. (BVZ). In general, those who have private health care insurance are exempted from BVZ.

Increased age for AOV and increase of premium

The age for retirement pension (the AOV), has been increased on 1 March 2013 from 60 to 65 years. A limited transitional arrangement applies to those that are 57 years or The changes in the BVZ and the AOV have consequences for nearly everyone on Curaçao and result in a substantial financial burden for employers and employees. We mention below the main aspects and will briefly discuss some details and concerns.
Basic health care insurance

Aiming to reduce spending on healthcare, on 1 February 2013 the government introduced a new Basic Health Care Insurance (Basisverzekering ziektekosten or BVZ). Government wants to reduce expenditure by limiting the basic health care package, reducing the price paid for medication and shift part of the burden to the insured and employers by raising premiums.

Who are insured

Under the new ordinance basically everyone who lives in Curaçao will be covered by the new BVZ. Even those who do not live in Curaçao but are under a contract with a company located in Curaçao are covered by the compulsory insurance.

Who are not insured

There are also some very limited exceptions to the general rule of compulsory insurance.

1. Privately insured: Who on 1 February 2013 was insured under a health care insurance by a local insurance company is not covered by the BVZ for as long as the private insurance continues uninterrupted;
2. Own risk: Some employers have been allowed to cover all health care expenses of their employees for their own account;
3. Exemption based on international law;
4. Employees who are employed by an employer who is a resident elsewhere in the Kingdom and who are insured against health care expenses in that jurisdiction.

An important advantage of the new insurance is that basically no one will be uninsured. Everybody has health care insurance, whether it is privately insured or compulsory by the BVZ.

Premium and premium income

The basic health care insurance is paid for by an income-related premium and a nominal premium.

Income-related premium

The premium for the basic insurance is 12%. In the case of income from employment the employer pays 9% and the employee pays 3%.

Those who are entitled to retirement pension pay a premium of 10% of their income.

The income-related premium for the basic insurance is levied on a maximum ANG 100,000 per year. If the income is not higher than ANG 12,000 per year, no income-related premium is due.

Nominal premium

The nominal premium is ANG 82. This premium must be paid by the insured. Again, if the income does not exceed ANG 12,000, no premium is due. No premium is due for children if at the start of the year they have not yet reached the age of 18.

The nominal premium is due solely by the insured. This means that if a person is not insured for the BVZ, for example because one is privately insured, the nominal BVZ premium is not due.

Fee per prescription

The insured must pay a personal contribution of ANG 1.00 per medication prescription. This contribution is due for each prescribed medication and in case of repetition for each repeat order.

Base package

The new health care insurance policy is that anyone who lives in Curaçao will be covered by a medical insurance. Anyone who is not exempt will be covered by BVZ. Additionally the new regulation aims to cut down the cost of health care on Curaçao. For this reason, certain forms of health care will be reimbursed no longer or not completely. Some salient features that will no longer be reimbursed are the cost of regular dental care to persons over 18 years old and the cost of glasses or contact lenses.

Desirable, not primarily necessary care will be accommodated in an additional package that people may voluntarily insure. For example, one may opt to additionally insure the first or second class care in a hospital.
Health insurance

Until 1 February 2013 employees were covered by health insurance (ZV). This insurance covered both the risk of loss of income due to illness as well as the cost of health care. The cost of health care is now taken over by the BVZ, but the risk of loss of income is still covered by the ZV. The premium for this risk is 1.9% and is paid by the employer.

The income limit has not changed and is ANG 61,620 per year. Someone who earns an income above this limit was not insured for the ZV under the old regulation and this has not changed.

Consequences for the insured and employers

Under the old ZV the employers paid a premium of 8.3% and employees a premium of 2.1% up to a maximum income of ANG 61,620.

As of 1 February 2013 employers pay 9% BVZ premium on an income up to ANG 100,000 per employee covered by the BVZ and additionally 1.9% on the income of employees who earn no more than ANG 61,620.

For employees, the premium percentage increased from 2.1% to 3% up to a maximum income of ANG 100,000.

The payment of ANG 1.00 per prescription and the nominal premium will be a considerable burden for those with incomes just above the ANG 12,000 per year.

Changes in AOV

Increased retirement age

The commencement age for entitlement to the AOV pension increased with effect from 1 March 2013, from 60 to 65 years. This is a drastic increase in particular for those who had almost reached the retirement age of 60. The time remaining until one could expect to retire suddenly more than doubled for anyone above the age of 55.

Transitional arrangement

To compensate for the sudden increase in retirement age, a transitional arrangement applies. Who on 1 March 2013 was already 59, will still be entitled to the AOV pension at the age of 60.

Additionally, those who had reached the age of 57 or 58 on 1 March 2013 may opt for retirement at the age of 60 or one or more years later, but not later than the age of 65. However, for each year of retirement before the age of 65, the AOV pension will be reduced by 6%. This means that anyone who opts to retire at the age of 60 will receive only 70% of the AOV pension they would have received if they had waited until the age of 65. In case of opting to retire at the age of 62, the discount is 18% and the AOV pension will only be 82% of what they would have received at the age of 65.

Note that this only applies to the AOV pension. In case someone is entitled to an employer’s pension at e.g. the age of 62, then the discount does not apply to that employer’s pension.

Premium rate increase

As of 1 March 2013, the premium income cap increased to ANG 100,000. This also applies to the widow and orphan pension (AWW).

In addition, the premium rate for AOV / AWW increased from 14% to 16%. In case of income from employment, the employer must pay the increase. As a result, the employer’s share as of March 1, 2013 increased from 7.5% to 9.5%. The employee’s portion of the premium remained unchanged at 6.5%.

Additionally, anyone who enjoys an income of more than ANG 100,000 must pay a premium of 1% on the excess income. In case of wage income this is borne by the employee.
Points to note

The AOV was originally an insurance to secure an income for old age. There was, comparable to e.g. the Netherlands, a degree of solidarity between people with different incomes. Where ZV income coverage is contingent upon the income on which premium is paid, that was not the case with regard to the retirement pension. Those with higher incomes thus contributed more than what they were entitled to receive as retirement pension.

Over the years, the income premium cap for the retirement pension significantly increased. The premium income cap in 2007 was ANG 49,745. In 2008 this was increased to ANG 72,000. In 2012 the limit was further increased to ANG 93,000, and as of 1 March 2013, the income premium cap was increased to ANG 100,000 and an additional 1% is levied on the excess income.

It will be clear that with this substantial increase of the premium income cap the idea of insurance with some solidarity has been abandoned and the AOV has become a regular tax that is only in name still called insurance. It is perhaps now time to merge the AOV-premiums with the income tax into a combined levy, a portion of which may be allocated by Government to the social security fund and what is left to be allocated to the general budget.

How can PwC be of service?

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