

COMMISSION RECOMMENDATION

of 8 December 2005

on the treatment in the Harmonised Indices of Consumer Prices of certain issues concerning health care reforms within the framework of Council Regulation (EC) No 2494/95 and specific implementing measures relating hereto

(Text with EEA relevance)

(2005/881/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular Article 211 thereof,

Whereas:

(1) Health care insurance in the Netherlands will be reformed from January 2006. A new compulsory basic social insurance scheme will cover a large part of health care for the total population, and it is expected that about 37,5 % of the total population will be moved from private insurance schemes to the new social insurance scheme (hereafter referred to as 'the reform').

(2) The reform introduces a fundamental change in the organisation and institutional structure of the health care system. Its treatment in the Harmonised Indices of Consumer Prices (HICPs) must be appropriate, consistent with the HICP legal framework and in particular the following Regulations:

— Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices ⁽¹⁾ and in particular Articles 4, 5(3), 8(3), 9 and 12 thereof,

— Commission Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonized indices of consumer prices ⁽²⁾, Articles 2, 4 and Annex Ia, in particular footnotes 16 and 17 thereof,

— Commission Regulation (EC) No 2454/97 of 10 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the quality of HICP weightings ⁽³⁾,

— Commission Regulation (EC) No 1617/1999 of 23 July 1999 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of insurance in the Harmonised Index of Consumer Prices and modifying Commission Regulation (EC) No 2214/96 ⁽⁴⁾, Articles 2 and 3 thereof,

— Council Regulation (EC) No 2166/1999 of 8 October 1999 laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards minimum standards for the treatment of products in the health, education and social protection sectors in the Harmonised Index of Consumer Prices ⁽⁵⁾, Article 4 thereof,

and result in HICPs that are comparable, reliable and relevant.

(3) The HICP legal framework does not handle explicitly and specifically the case of this reform, which involves fundamental changes in the eligibility and access rules for social insurance. Taking into account the potential impact on the HICP, and the consequent uncertainty for users, the Commission considers it necessary to issue a recommendation, regarding the treatment of the reform in the HICP to clarify the existing HICP Regulations.

(4) For measuring changes in consumer prices, the HICP legal framework requires that the HICP should take account of changes from zero prices to positive prices and vice versa. A reading of this requirement in isolation might indicate that the HICP should record a very substantial fall in inflation as a result of this reform. However, in the context of this reform, the Commission (Eurostat) considers that such a treatment would show an unwarranted price change as a consequence of pricing transactions using different valuation concepts.

(5) The valuation of health care expenditure in the HICP (COICOP/HICP 06) ⁽⁶⁾ is conditioned on the treatment of health insurance (COICOP/HICP 12.5.3).

⁽¹⁾ OJ L 257, 27.10.1995, p. 1. Regulation as amended by Regulation (EC) No 1882/2003 of the European Parliament and of the Council (OJ L 284, 31.10.2003, p. 1).

⁽²⁾ OJ L 229, 10.9.1996, p. 3. Regulation as last amended by Regulations (EC) No 1708/2005 (OJ L 274, 20.10.2005, p. 9).

⁽³⁾ OJ L 340, 11.12.1997, p. 24.

⁽⁴⁾ OJ L 192, 24.7.1999, p. 9.

⁽⁵⁾ OJ L 266, 14.10.1999, p. 1.

⁽⁶⁾ Classification of individual consumption by purpose adapted to the needs of the HICPs (COICOP/HICP).

- (6) Social insurance does not fall within Household Final Monetary Consumption Expenditure (HFMCE) either before or after the reform. The reform results in a significant reduction in the population covered by private insurance schemes.
- (7) The per capita consumption volumes for health care remain in principle unchanged from those in the base or reference period, but the composition of the consumer population and the valuation concept both change in the periods being compared as a result of new eligibility and access rules for the health insurance schemes.
- (8) The impact on the HICP, as from the January in which such a reform takes effect, of consumers moving to the new social health insurance scheme, should thereby be approximately neutral for the HICP.
- (9) The Commission considers that such treatment does not call into question the treatment of earlier examples of changes from zero prices to positive prices and vice versa (e.g. TV licence abolition of 2000 and health insurance reform of 2004 in the Netherlands, or the health care reform of 2004 in Germany).
- (10) The Commission (Eurostat) has taken into consideration the views of key HICP users and national HICP experts with regard to the above,
- the rules determining prices within one and the same scheme.
2. Both prices and weights for health insurance and health care expenditure should be mutually coherent, and that must be the case across time.
3. In order that the HICP be accurate and relevant, reforms presenting the characteristics described above, should be accounted for by means of adjusting the weights and chaining the price indices for
- (a) health insurance, or within health insurance between the preceding December and the January in which a reform takes effect;
- (b) health care expenditure, or within health care expenditure between the preceding December and the January in which a reform takes effect. This treatment is thereby consistent with the treatment of health insurance.
4. This Recommendation should be taken into account by the Authorities compiling HICPs taking into consideration the specific circumstances of the individual reforms.
5. This Recommendation is addressed to the Member States.

HEREBY RECOMMENDS:

1. Changes in consumer prices should not be measured for the HICP simply as a result of changes in the eligibility and access rules for social health insurance. Rather the HICP should capture changes in the prices within one and the same scheme and price changes resulting from changes in

Done at Brussels, 8 December 2005.

For the Commission
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Member of the Commission