

4

Activity and Trends in the Collection Field

1. General

The NII is responsible for collecting national insurance contributions to fund the benefits paid according to National Insurance Law, as well as for collecting health insurance contributions according to the Health Insurance Law, intended to fund the health system. National insurance and health insurance contributions are collected from working people (employees and self-employed) and non-working residents at varying rates on income subject to insurance contributions. Furthermore, since 1986 the Treasury has compensated the NII for the loss of collection receivables deriving from a reduction in the contributions of employers and the self-employed. This compensation is called Treasury Indemnification, and constitutes part of the Institute's receivables from national insurance contributions¹.

As in previous years, in 2015 collection from the public was affected by fluctuations deriving from economic developments in the country, the average wage, number of employees, as well as from legislative changes.

2. Legislative Changes

- In 2005, a gradual reduction of employer insurance contributions began. Concurrently two insurance contribution rates were introduced for employers, a reduced rate and a regular rate, instead of a uniform rate for all income levels, similar to the rate structure for employees and non-salaried employees. During the period January–August 2009 the reduced rates amounted to 3.45% (up to 60% of the average wage) and 5.43% at the regular rate. Before the Law was changed, an employer paid 5.93% of an employee's income up to the ceiling subject to insurance contributions.

¹ The insurance contributions rate imposed upon the government instead of employers is shown in Table 10 of the Law (Rates of Insurance Contributions) and anchored in Section 32 of the Law, addressing government participation in funding branches of insurance in general.

- At the beginning of 2006, the following changes were also introduced: the reduced national insurance rate for an employee was decreased from 1.4% of income to 0.4%, the regular rate was increased from 5.58% to 7%, and the reduced rate bracket was increased from 50% of the average wage to 60% thereof. These changes were made with a zero budget, namely, without changing the NII's scope of receivables. Increasing the reduced rate bracket also applies to the employer's portion to avoid a collection loss.
- In July 2009, within the framework of the Economic Efficiency Law for 2009-2010, two changes were made affecting collection from September 2009 until March 2011: the reduced rate for **an employer** was increased from 3.45% to 3.85% (thereby reinstating the situation that prevailed in 2008) until the end of 3/2011, and the cap on payment of national and health insurance contributions was doubled by the end of 12/2010: from 5 times the basic amount to 10 times the basic amount.

These two steps should have increased the total collection of national insurance contributions, however in practice the additional collection and allocations under Section 32 were transferred in their entirety to the Treasury, since simultaneously the Treasury's participation in the collection for the Children's branch was reduced from 210% to 207.5% in 2009, to 169% in 2010 and to 208% in 2011.

- Under the Arrangements Law, for 2011-2012 three additional amendments were introduced. **For employees:** (a) the cap for payment of national insurance and health insurance contributions was increased to 9 times the basic amount (from 2011). (b) In 2012 the cap for payment was supposed to increase to 8 times the basic amount, however following the Trachtenberg Law that was enacted in the wake of the social protests, it was decreased and reverted to 5 times the basic amount (from 2012). **For employers:** regular insurance contributions were increased by 0.47% from 5.43% to 5.9% (from 4/2011). These steps increased national insurance collection, however not the State Treasury's portion, and therefore its participation in the Children's branch was 200.5% from 1.4.2011 (204.5% in 2012).
- In 2013 regular insurance contributions **for employers** were gradually increased by 0.6 percentage points, and applied to the insurance branches in which there is no Treasury participation, therefore its participation reverted to 210% in collection for the children branch.
- In 2014, the regular rate for an employer should have increased by 0.5 percentage points, however it rose on 1.1.14 by only 0.25 points. The increase to 7.5% will continue until 2016 and not until 2015 as originally determined.
- In 2015, the regular rate for an employer continued to increase and reached 7.25%. The insurance contributions rate on an income that is more than 60% of the average wage and up to a cap (5 times the basic amount) also includes the employee's portion that was 14.25%.

Table 1

Collection from the Public and the Estimated Legislative Change on Receivables (Millions of NIS), 2014-2015

	2014			2015			Percentage change 2015 in comparison with 2014			
	Less Change Legislation	Change Legislation	De Facto	Less Change Legislation	Change Legislation*	De Facto	Nominal		Realistic	
							Less Legislative Change	Actual Change	Less Change Legislation	Actual Change
Total	56,146	-	56,146	58,759	790	59,549	4.7	6.1	5.3	6.7
NII contributions	36,356	-	36,356	37,978	790	38,768	4.5	6.6	5.1	7.3
Health insurance contributions	19,790	-	19,790	20,781	-	20,781	5.0	5.0	5.7	5.7

* In 2015 there was an increase of 0.5 percentage points for an employer in respect of the regular rate in comparison with 2014 - when this rate increased by 0.25 percentage points.

3. Collecting National Insurance Contributions

Scope of Collection

In 2015, employers' insurance contributions increased as determined by the Trachtenberg Committee that was established following the 2011 social protests. The Committee decided on a three-stage increase: in the first stage, an increase of 0.6% (from 5.9% to 6.5%), executed in 2013; the next two stages were split into three parts: an increase of 0.25% in 2014, 0.5% in 2015 and 0.25% in 2016.

The NII's receivables from collecting national insurance and health insurance contributions amounted in 2015 to 62.3 billion NIS: 59.6 billion were collected directly from the public and 2.7 billion were transferred by the State Treasury in accordance with Section 32 C1 of the Law, that indemnifies the NII for reducing national insurance contributions for employers and the self-employed (Table 1). Minus the legislative change in 2015, direct collection from the public without the Treasury Indemnification, realistically increased by 5.3%.

National insurance contributions from the public increased in 2015 by 7.4% (in comparison with 4.9% in 2014), and health insurance increased by 5.7% (in comparison

with 4.1% in 2014). The portion of the health insurance contributions of the total collection from the public decreased slightly, and in 2015 reached 34.9% in comparison with 35.2% in 2014. The decrease in the growth of health insurance contributions mainly derives from the increased insurance contribution rate for employers, which relatively reduces the weight of health insurance contributions in total insurance contributions from the public. The collection rate from the public in relation to the GDP in 2015 was 5.2%² - higher than rates in earlier years showing an increasing trend. The collection percentage from the public of the total direct taxes³ decreased from 48.1% in 2013 to 47.3% in 2014 and to 45.6% in 2015, as a result of an increase in the collection of income tax.

Insurance Contributions Rates

In 1995 two rates for national insurance contributions were set - a reduced and a regular rate - for different types of insurees⁴. From January 2006 the lower rate was imposed on that part of income liable for insurance not exceeding 60% of the average wage by law⁵, and the regular - the balance of the income up to a cap: of an employee, employer and

Table 2
National Insurance and Health Insurance Contribution Rates According to Type of Insuree (Percentages), 2014 and 2015

Type of Insuree	National Insurance Contributions				Health Insurance Contributions	
	Regular Rate		Reduced Rate		Rate Regular	Rate Reduced
	2014	2015	2014	2015		
Employee - Total	14.42	14.92	4.52	4.52	5.0	3.1
Of Which: Employee	7.00	7.00	0.40	0.40	5.0	3.1
Employer	6.75	7.25	3.45	3.45	-	-
Government	0.67	0.67	0.67	0.67	-	-
Self-Employed - Total	11.82	11.82	7.31	7.31	5.0	3.1
Of Which: Employee	11.23	11.23	6.72	6.72	5.0	3.1
Government	0.59	0.59	0.59	0.59	-	-
Not An Employee Nor Self Employed	7.00	7.00	4.61	4.61	5.0	5.0

2 Table 9 in Chapter 1.

3 Income tax (from employees, self-employed and company managers), national insurance contributions and health insurance contributions are included in the direct taxes collected from individuals. The total of all the direct taxes also include, in addition to taxes collected from individuals, also company tax (the State income administration, annual statements).

4 The lower rate was imposed upon that part of taxable income that does not exceed 50% of the average wage by law.

5 The average wage as defined in the National Insurance Law – 9,260 NIS per month in 2015, and the basis for the lower rates was 50% of the average wage until the end of 2005.

self-employed person (without distinguishing between his/her portion as an employee or employer). The lower rate applies to all the insurees, employees and non-employed, and since August 2015, applies to employers (Table 2).

Types of Insuree

Employees

In 2015, there were approximately 3.25 million positions upon which national insurance contributions were paid - an increase of 1.6% according to the estimate (Table 3). This group does not include employees from the Palestinian Authority, foreign workers and Israeli insurees with special characteristics, such as members of kibbutzim, early retirees, domestic workers, those attending professional training and Ministry of Defense employees (see below Section 6).

The number of employers paying insurance contributions for their employees increased in 2015 by approximately 3.6% (Table 3). Most of the employers (72%) have up to 5 employees and approximately 20% of them employ between 6 and 20 employees.

Table 3

Employers and Insurees Required to Pay National Insurance Contributions According to Type of Insuree, 2014 and 2015

Type of Insuree	2014	2015	Change Percentage
Employers** - Total	248,931	257,882	3.6
Employers 1-5 Employees	179,769	185,965	3.4
Employers 6-20 Employees	50,079	50,458	0.8
Employers 21-99 Employees	14,959	17,190	14.9
Employers 100-499 Employees	3,453	3,534	2.3
Employers 500+ Employees	671	730	8.8
Employees Insurees* - Total	3,195,000	3,264,000	1.6
Non-Salaried Employees Insurees** - Total	740,248	810,153	9.4
Debtors from their income- Total	444,081	465,481	4.8
From work (self-employed)	402,889	418,702	3.9
Not from work	41,192	46,779	13.6
Those paying insurance contributions at the minimum level - Total ***	296,167	344,672	16.4
Not an employee nor self-employed (Minimum 15%)	183,463	226,628	23.5
Pupil and Student (minimum 5%)	51,075	48,868	-4.3
Yeshiva Student (Minimum 5%)	61,629	69,176	12.2

* Number of employed insurees reported by employers (on Form 102) - average per month.

** The data refers to the end of year.

*** The income base is a percentage of the average wage.

Non-employee

Two groups are included in this definition:

- Whoever pays insurance contributions on the basis of their income (57% of all non-employed insurees). This group is mainly self-employed (90.9%), however following the 2008 change in law, those insurees with passive income (dividends and income from capital) are also charged insurance contributions that are higher than 25% of the average wage, whether they have income as an employee or self-employed or not (9% of the insurees in this group).
- Those who pay insurance contributions at the minimum level (43% of all non-employed insurees): (a) do not work and have no income that is charged with insurance contributions - approximately 65.8%. (b) Pupils and students - 34.2%. In 2015 the number of insurees paying the minimum amount increased by approximately 16% and the number of those who did not work increased by 23.5%. In mid-2015, two computerization processes were added that changed the definition of part of the population: gradual development of the cessation calculation for insurance contributions and employees, who were charged for missing periods in the network expansion operation⁶. This operation led to a considerable increase in the number of insurees who were not employed and not self-employed. The number of students decreased in 2015 by 4.3% and the number of yeshiva students increased by 12.2%.

Scope of Collection

In 2015, receivables from national insurance contributions amounted to 41.5 billion NIS: 38.8 billion NIS were collected from the public and 2.7 billion NIS was transferred by the Treasury as indemnification for reducing national insurance contributions for employers and the self-employed (Table 4). In this year the NII's receivables realistically increased from the insurance contributions by 7.3% and collection from the public increased by 7.4%. The amounts transferred by the Treasury as indemnification for reducing national insurance contributions for employers and for self-employed increased realistically by 5.9%. The portion of direct collection from the public in 2015 increased slightly in comparison with earlier years and constituted 93.5% of all insurance contributions, due to the rise in regular insurance contribution rates for employers.

6 The prescription period law on insurance contributions debt after seven years applies to debtors from the beginning of 2015 and therefore the NII decided to expand the debtors network (**network expansion**) into two debtor groups: (a) those paying the minimum amount - for those who since 1999 were not sent charge notices and were in the **cessation calculation** (debt did not manifest for many of them as they were overseas with a foreign passport and were missing authenticated charge periods). (b) Employees owing insurance contributions for missing periods, to maintain continuity of their insurance.

Table 4

**National Insurance Contributions (Collection and Treasury Indemnification),
According to Type of Insuree (Current Prices Millions Of NIS), 2013-2015**

Type of Insuree	Absolute Numbers			Realistic change		
	2013	2014	2015	2013	2014	2015
The insurance contributions - Total	36,969	38,930	41,491	5.3	4.8	7.3
Employees and Employers	33,540	35,310	37,636	5.5	4.8	7.3
Non-employees	3,429	3,620	3,855	4.2	5.1	7.2
Collection from the public – Total	34,498	36,356	38,783	5.7	4.9	7.4
Employees and Employers	31,252	32,920	35,129	5.9	4.8	7.4
Non-employees	3,246	3,436	3,654	3.9	5.4	7.0
Treasury Indemnification – Total	2,471	2,574	2,708	0.4	3.7	5.9
For Employers	2,288	2,390	2,507	-0.3	4.0	5.6
For Non-employees	183	184	201	9.2	0.1	9.9

Employees

Direct collection from employees increased realistically in 2015 by 7.4% in comparison with 4.8% in 2014. Collection from employees and their employers was affected by the change in legislation discussed above, and labor market changes: the average wage for a salaried employee's position nominally increased by 2.3% (in comparison with 2.0% in 2014) and the number of jobs increased by 2.4% (in comparison with 2.2% in 2014). Insurance contributions for employees (including the employee's portion, the employer and the Treasury's portions), constituted, in the last three years, 90.7% of all receivables.

Non-employee

Direct collection from non-employee insurees increased realistically in 2015 in comparison with 2014 by 7.0% (in comparison with 5.4% in 2014) and is mainly (92.8%) collected from the self-employed. In 2015, collection from the self-employed increased - based on the assessments from 2014 that were revised by an increase in prices only - by 5.8% in realistic terms. The collection from non-employees paying national insurance contributions on the basis of minimum income, constituting approximately 4.3% of all collection from non-employees person, increased realistically by 9.1%.

A review of the payment ethic highlights the difference between the two groups of non-working: the collection percentage from self-employed in 2015 was 99.2% in comparison with only 4% of insurees paying the minimum amount. Following the network expansion, insurees were added to this group who had not been charged for their insurance contributions for seven years.

4. Collection for Health Care System

National Health Insurance Law

In January 1995, the National Health Insurance Law came into force, which establishes the right of every Israeli resident to health insurance and determines a defined and uniform basket of health services for all, where the State assumes responsibility for funding. The Law specifies sources for funding the basket, the method by means of which the cost of the basket will be updated and the formula for allocating resources between funds. Israeli residents may choose one of the health funds recognized by the Ministry of Health, and the health fund must accept every resident without restrictions, stipulations or payment.

Health insurance contributions, serving as one of the primary sources for funding the health services basket, are collected by the NII and divided between the health funds. To this end the NII keeps a file of all insurees, which is regularly updated and provides information regarding membership in the various health funds.

In accordance with the Law, every Israeli resident even if unemployed, must pay health insurance contributions, excluding several groups who are exempted from payment. Health insurance contributions from employees and non-employees are collected in the same manner as national insurance contributions, whereas the insurance contributions from those receiving NII benefits (who have no additional income) are deducted from the benefit itself.

Health insurance contributions are imposed on employees at two levels: a reduced rate of 3.1% on part of the income that does not exceed 60% of the average wage, and a regular rate of 5.0% on the balance of income exceeding 60% of the average wage and up to a capped sum, subject to insurance contributions, which is 5 times the basic amount. The update is at the rate of price increases.

Those who do not work and those receiving national insurance benefits are entitled in most cases to special rates depending on their income level. Table 5 specifies insurance contribution amounts **deducted from benefits** according to the type of benefit.

Since January 2006, benefits amounts have been revised according to the increase in the price index of the previous year (the index for last November in comparison with November the year before) and therefore the minimum amounts are also revised this way. Those who are not employees or self-employed and do not receive a pension, pay minimum insurance contributions (NIS 103 per month since January 2014). Certain groups are exempt from payment of health insurance contributions: housewives; new immigrants during the first six months of emigrating to Israel; employees under the age

of 18; pupils younger than 21 who do not work and later enlist in the army (exempt from payment for 12 months); prisoners and detainees sentenced to more than 12 months imprisonment and receiving health services from the Prisons Service.

Table 5
Health Insurance Contribution Amount, According to Type of Benefit, 2015

Type of Benefit	Monthly Health Insurance Contributions
Wage Substitute Benefits	
Maternity Allowance	
Injury Allowance	
Unemployment Benefit	Of rates similar to employees:
Reserve Service Benefits	3.1% of the benefit up to 60% of the average wage
Accident Benefit	5% of the balance of the benefit exceeding 60% of the average wage and up to cap
Bankruptcy and Winding Up a Corporation	
Old-Age And Survivors	
With Income Support	NIS 103
Without Income Support:	
For a Single Person	NIS 196
For a Couple	NIS 283
Other Benefits	
Income Support	
Maintenance	
General Disability	NIS 103
Work Related Disability and Dependents	
Survivors of Working Age	

Health Insurance Contribution Receivables and Distribution Between Health Funds

Until the beginning of 1997, the NII collected parallel tax and health insurance contributions for the health system. With the approval of the Arrangements Law of 1997, parallel tax collection was abolished and funding of the health services basket from the State budget increased accordingly. In 2015, the NII collected approximately NIS 20.8 billion in health insurance contributions - a realistic increase of 5.7% in comparison with 4.1% in 2014 (Table 6). Eighty one percent of the money collected came from employees, from non-employees - approximately 10% was collected, and from recipients of NII benefits - approximately 9%. From the non-employed, health insurance contributions were collected as follows: 79% from the self-employed and 21% from insurees who did not work and were not self-employed, who paid contributions at the minimum level.

Table 6
Health Insurance Contributions Collected, According
to Type of Insured (Millions of NIS), 2011-2015

Year	Total	Employees	Non-employees	Recipients of Benefits	Rate of Change (%)	
					Nominal	Realistic
2011	17,414	14,105	1,692	1,617	6.9	3.3
2012	18,132	14,665	1,750	1,717	4.0	2.3
2013	18,922	15,324	1,831	1,767	4.4	2.8
2014	19,791	16,036	1,926	1,829	4.6	4.1
2015	20,781	16,812	2,068	1,901	5.0	5.7

In 2015, an amount of 1,901 million NIS was deducted from insurance contributions benefits - a realistic increase of 4.6% in comparison with 2014 (Table 7). Approximately 73% of health insurance contributions deducted from benefits, was paid by recipients of old-age and survivors' pensions (including pension recipients with income support) and approximately 8% was paid by recipients of disability pensions. It is noted that health insurance contributions are deducted from the benefits only if the recipient of the benefit has no income from work or has other income that is exempted from payment of insurance contributions. Married women who only work in their homes (housewives) are exempt from payment of health insurance contributions even if they receive a benefit in their own right from the NII, provided that the benefit is not a wage substitute.

Table 7
Health Insurance Contributions from Benefits According to Type of Benefit
(Millions of NIS, 2015 Prices), 2014 And 2015

Type Of Benefit	2014	2015	Realistic Annual Increase (%)
Total	1,817.5	1,901.0	4.6
Old-Age and Survivors	1,324.1	1,381.0	4.3
Work-related Disability	9.6*	38.3	39.7*
Disability	173.2	164.3	-5.2
Income support	79.8	75.6	-5.3
Reserve service	0.8	0.3	-57.6
Maternity allowance	126.3	133.6	5.8
Unemployment	69.2	67.4	-2.6
Injury allowance	13.7	15.1	10.4
Maintenance	7.3	7.0	-3.2
Bankruptcy	5.3	5.7	8.7
Other	8.2	12.7	54.0

* The insurance contributions from work-related disability decreased following a one-time action.

The National Health Insurance Law determined that monies designed to fund the health basket are transferred to the health funds directly by the NII. The distribution of monies is based on the **capitation formula**, which takes into account primarily the number of insured persons in each of the funds and weights the age of each insured. From November 1, 2010, two new variables were added to the capitation formula: the insuree's gender and the distance of his place of residence from population centers.

The capitation method operates in favor of the Clalit Health Fund since it is characterized by the high percentage of older members and members residing in communities remote from the center of the country (Table 8). Thus for example, approximately 71% of very elderly insurees (85 years or older) and 69% of the outlying areas are insured by this health fund. In January 2015, the portion of insurees in Clalit was approximately 52.4% of the total, however the fund's portion in the health insurance monies was approximately 55.6%. On the other hand, this method reduces the amounts transferred to Maccabi and Meuhedet, whose members are younger. In the years 2005-2015, the Clalit Health Fund's portion of the distribution of health insurance monies decreased from approximately 59% to approximately 56%.

It is noted that since August 2006 capitation rates are calculated each month instead of once every three months as was customary until then. The monthly calculation makes

Table 8

Number of Insurees and Key to Distribution of Health Insurance Monies by Health Fund (Percentages), January 2010 - January 2015

Year	Total	Health Fund			
		Clalit	Leumit	Meuhedet	Maccabi
Total Number of Insureds					
1/2005	100.0	54.4	9.8	11.7	24.0
1/2010	100.0	52.4	9.2	13.5	24.8
1/2011	100.0	52.3	9.2	13.6	24.9
1/2012	100.0	52.3	9.1	13.6	25.0
1/2013	100.0	52.3	9.1	13.6	25.0
1/2014	100.0	52.4	8.9	13.7	25.0
1/2015	100.0	52.4	8.9	13.7	25.0
Key to Distribution					
1/2005	100.0	58.970	9.105	10.085	21.839
1/2010	100.0	56.822	8.607	11.647	22.924
1/2011	100.0	56.691	8.560	11.590	23.159
1/2012	100.0	56.451	8.517	11.627	23.405
1/2013	100.0	56.167	8.497	11.745	23.591
1/2014	100.0	55.969	8.402	11.839	23.790
1/2015	100.0	55.666	8.398	11.926	24.010

it possible to reduce the disparity between the number of insurees at the beginning of each quarter and the actual number in each of the three months in the quarter.

According to the National Health Insurance Law, health services are funded from several sources:

- Health Insurance contributions, collected by the NII.
- Funds from the Road Accident Victims Compensation Fund (Karnit) that transfers amounts to the NII (since 2010).
- Health funds direct receivables for health services rendered for payment (such as medication and visiting a doctor).
- Additional amounts from the State's budget designed to supplement various expenses to cover the cost of the health services basket.

According to the estimate for 2015, the cost of the health basket for which the health funds are responsible increased nominally by approximately 2.767 billion NIS and reached approximately 41.35 billion shekels - a realistic increase of approximately 7.8% as opposed to 2014 (Table 9). In 2015, the State's relative portion in funding the basket increased to approximately 42.1% in comparison with the portion of health insurance contributions receivables which decreased to 51.5%. It is noted that the Arrangements Law of 2008 stipulated that the health funds receivables from their insurees deductibles would be 6.45% of the basket cost (instead of 5.4% until 2007). This amendment explains the reduction in the State's participation by approximately 1% since 2008.

Table 9
Cost of the Health Services Basket Under the Responsibility
of Health Funds by Source, 2011 -2015

Source	2011	2012	2013	2014	2015*
Total - Millions of NIS	32,668	34,678	36,555	38,582	41,349
Percentages					
Total	100.0	100.0	100.0	100.0	100.0
Health Insurance Contributions**	54.3	53.3	52.9	52.4	51.5
State Budget	39.3	40.3	40.7	41.2	42.1
Independent Income	6.4	6.4	6.4	6.4	6.4

* Ministry of Health Estimate (February 2016).

** Including amounts transferred by the Road Accident Victims Compensation Fund to the NII (since 2010). In 2015, an amount of 439 million NIS was transferred.

The amended per capita cost of the health basket enables the effect of insurees' age on the health funds expenses to be examined (Table 10). The basket cost per capita is calculated by the basket sources divided between the health funds according to the capitation formula taking into account age, gender and outlying areas, but does not

include amounts that are not divided in this way, such as costs for severe illnesses, administration costs, allocation to the health council and the Magen David Adom. In 2015, the cost of the weighted health baskets per capita was NIS 4,287 in comparison with NIS 4,075 in 2014 - a realistic increase of approximately 5.2%. The cost of the basket reflects relative expenses between the age groups: except for children up to the age of 4, the cost of younger age groups is usually lower than that of older ones. Thus for example, in 2015 the cost of the basket for the elderly population (85 years or older) was 3.8 times higher than the average cost for all health fund insurees and 9.4 times the cost of the basket for 15-24 year olds.

Table 10

Cost of the Health Basket per Capita, by Age Group (NIS per Year, 2015 Prices), 2014 and 2015

Age Group	2014	2015*
Total amended per capita	4,075	4,287
Up to 1 year	6,735	7,085
1- 4	3,483	3,663
5-14	1,637	1,722
15-24	1,640	1,725
25-34	2,355	2,476
35-44	2,785	2,929
45-54	4,372	4,599
55-64	7,128	7,498
65-74	11,702	12,313
75-84	15,141	15,933
85 and older	15,426	16,225

* Estimate

Twenty Years Of National Health Insurance In Israel – What Has Changed In The Distribution Of Insurees Between The Health Funds?

The National Health Insurance Law (5754 - 1994), which was enacted by the Knesset in June 1994 and came into force on January 1, 1995, introduced far-reaching changes into the Israeli health system. The Law determined health insurance for every resident, defined a uniform basket of services for all residents, granted freedom to move between the health funds and determined an allocation method for health basket moneys to the health funds.

The NII's primary activity within the framework of the Law focuses on three fields: collecting health insurance contributions, distributing money to the health funds and managing insuree files relating to health insurance.

The insuree file was designed for two primary purposes: the only and authorized record of all residents according to health fund, and the only source for distribution of money to health funds according to the capitation method. The file is for the most part based on the old parallel tax file, which the NII developed in 1990 for the purpose of calculating a distribution key of the parallel tax monies to the health funds, and since then it has regularly updated the data of health fund members.

Distribution of Insurees by Health Fund

When the Law came into effect in 1995, there were approximately 5.2 million residents insured by the health funds. In the last twenty years the number of insurees has increased by 58% and in 2015 reached approximately 8.2 million (Table 1). The number of insurees in the Clalit Health Fund dropped from 61.2% to 52.4% during this period, Leumit maintained its percentage of members - approximately 9%, and the Maccabi and Meuhedet number of insurees increased, from 19.6% to 25% (Maccabi) and from 9.1% to 13.7% (Meuhedet).

In the first five years of the Law's operation, there were considerable changes in the number of insurees primarily resulting from people transferring from one fund to another (Chart 1). In the following decade, the changes were not as sharp and in the last five years, the distribution of insurees between the funds was stable.

Table 1
Insurees by Health Fund, 1995-2015

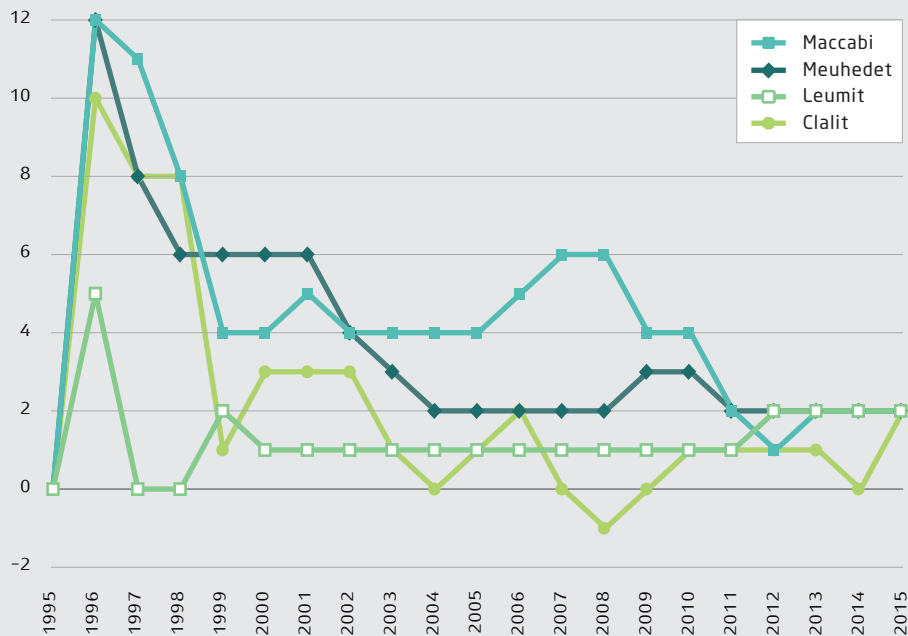
	Total	Clalit	Leumit	Meuhedet	Maccabi
1995	5,202,100	3,305,500	468,300	451,300	977,000
2015	8,201,977	4,296,852	731,012	1,123,322	2,050,791
Growth in 20 years (Absolute numbers)	2,999,877	991,352	262,712	672,022	1,073,791
Growth in 20 years (percentages)	58	30	56	149	110

Causes of Changes in Insuree Distribution

- **New Immigrants and Returning Israelis:** In the last 15 years most of the new immigrants (and returning Israelis) joined the Maccabi health fund. In 2015,

Chart 1

Annual Change in Number of Insurees (Percentages), 1995-2015

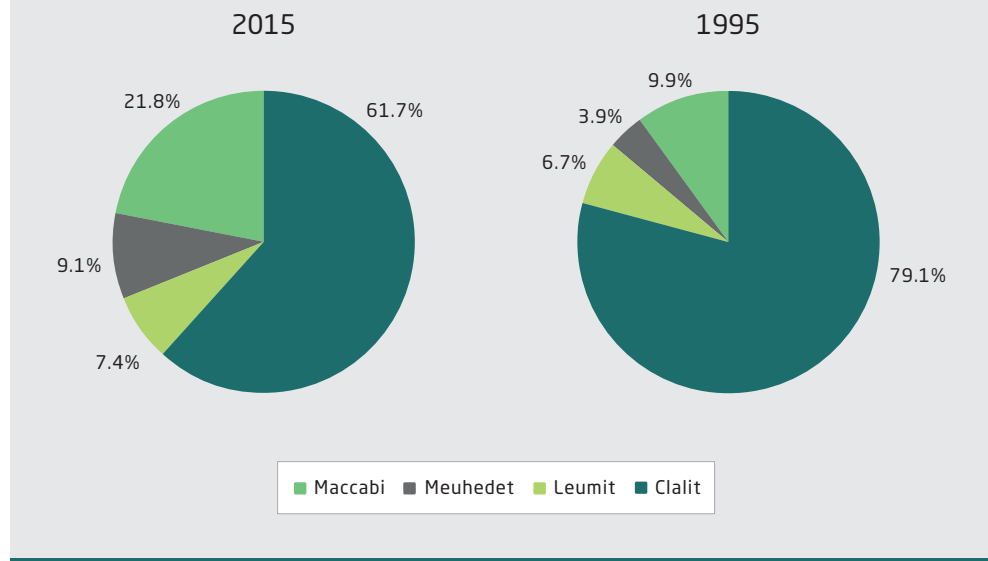


approximately 27 thousand immigrants registered with the health funds, approximately 53% of them registering with Maccabi.

- **Natural Growth (Births and Deaths):** Although most infants (53%) are still registered with the Clalit health fund, the number of infants being registered with Meuhedet has increased from approximately 13% in 1995 to 16% in 2015.
- **Moving From one Fund to Another:** Over the course of twenty years, the number of members leaving Leumit was always higher than the number of persons joining, in Clalit more joined than left only since 2011, in Meuhedet more left than joined since 2010, and for Maccabi, the number of those joining was always higher than those leaving. In 2015, approximately 140.2 thousand insurees transferred between funds.
- **Aging Population:** Whereas in 1995 approximately 79% of those aged 65 and over were insured by Clalit, in 2015 only approximately 62% of them were insured by this fund (Chart 2). On the other hand, in Maccabi, only approximately 10% of the elderly were insured in 1995 in comparison with approximately 22% today.

Chart 2

Insurees Aged 65 and Older by Health Fund, 1995 And 2015



5. Distribution of Payment Burden

The national insurance system stipulates in most cases, eligibility to a benefit upon payment of insurance contributions. According to this perception, every insuree, irrespective of his/her employment status, must pay insurance contributions.

The parameters of national insurance contributions mentioned at the beginning of the chapter - a minimum and maximum for income subject to national insurance contributions and rates of insurance contributions for various insurees - are characteristic of most social insurance systems in western countries. There is no disputing the fact that setting a floor and cap for income subject to national insurance contributions constitutes a regressive component in the collection system. The reform introduced in 2006 in the NII's collection system - expanding the income base for national insurance contributions and introducing a reduced rate for income that does not exceed 60% of the average wage - was designed to moderate the regressive distribution of the burden of payments of national insurance contributions imposed on the individuals.

Table 11

**Employees: Income (on Average per Month of Work)
and Insurance Contributions Burden According to Decile, 2013***

Decile	Income on Average per Month of Work	Payment of Insurance Contributions					
		Absolute Numbers (NIS)			Percentage of Income		
		Total	National Insurance	Health Insurance	Total	National Insurance	Health Insurance
1	1,028	36	4	32	3.5	0.4	3.1
2	2,439	86	10	76	3.5	0.4	3.1
3	3,649	128	15	113	3.5	0.4	3.1
4	4,644	163	19	144	3.5	0.4	3.1
5	5,661	229	47	182	4.0	0.8	3.2
6	6,925	381	135	246	5.5	1.9	3.6
7	8,571	578	250	328	6.7	2.9	3.8
8	11,086	880	426	454	7.9	3.8	4.1
9	15,707	1,435	750	685	9.1	4.8	4.4
10	29,250	3,060	1,698	1,362	10.5	5.8	4.7
Average	8,896	617	273	344	6.9	3.1	3.9

* The last year for which there is full administrative data on employees and self-employed income.

The decision to impose health insurance contributions collection on the NII from 1995, together with the perception that every resident is insured and the majority of insurees must pay health insurance contributions, led policy makers to adopt aspects of national insurance contributions with respect to the health insurance contribution function.

The most up-to-date income data refers to 2013⁷. The data in Tables 11 and 12 refer to the legal situation in 2013, meaning the insurance contributions rate for that year and the maximum income subject to national insurance and health insurance contributions (up to 5 times the basic amount). The steps taken within the framework of the tax reform introduced in 2006 (such as lowering the reduced rate for an employee from 1.4% to 0.4%), increasing the regular rate from 5.58% to 7.0% and increasing the reduced rate bracket from 50% of the average wage to 60%) are also expressed in the insurance contribution rate calculated on the wage and income data for 2013.

Table 11 shows data pertaining to income (average per month of work), national insurance contributions (only the employee's portion) and health insurance contributions, on average per decile in the employee population. Employees are rated according to income subject to insurance contributions (on average per month of work) and in each decile are

⁷ The last year for which there is full administrative data on employees and self-employed income.

10% of the individual employees⁸. Each one of the first four deciles pay national insurance contributions of a rate of 0.4% of income and the rate gradually increases to 5.8% of the upper decile. A similar picture is portrayed with health insurance contribution rates also; however, the lowest rate in the first four deciles is 3.1%, as with the reduced rate.

Table 12 shows insurance contribution rates by deciles in self-employed populations for 2013. In the first and second deciles the national insurance contribution burden is prominent since today the minimum insurance contribution payment (25% of the average wage) highlights the system's regressiveness at the low-income levels. The national insurance contribution rate paid by self-employed (like employees and employers) is 6.7% in the third decile and increases gradually to 10.6% in the tenth decile.

It is noted that contrary to employees, the income of the self-employed is stated in terms of the average per month in a year (and not per month of work), since collection from this group is based on the annual income that they report. Therefore, employees' income as presented in Table 11 cannot be compared with self-employed income as presented in Table 12.

Table 12

**Self-Employed: Income (average per month in a year)
and the Insurance Contribution Burden According to Decile, 2013***

Decile	Average Income per month in a year	Payment of insurance contributions					
		Absolute Numbers (NIS)			Percentage of income		
		Total	National Insurance	Health Insurance	Total	National Insurance	Health Insurance
1	739	216	148	68	29.2	20.0	9.2
2	1,944	216	148	68	11.1	7.6	3.5
3	2,561	251	172	79	9.8	6.7	3.1
4	3,617	355	243	112	9.8	6.7	3.1
5	4,698	462	316	146	9.8	6.7	3.1
6	6,005	636	436	200	10.6	7.3	3.3
7	7,933	948	652	296	12.0	8.2	3.7
8	10,736	1,403	967	436	13.1	9.0	4.1
9	15,692	2,207	1,523	684	14.1	9.7	4.4
10	35,573	5,434	3,756	1,678	15.3	10.6	4.7
Average	8,950	1,113	766	347	12.4	8.6	3.9

* The last year for which there is full administrative data on employees and self-employed income.

8 In April 1999, a legislative amendment was adopted according to which the minimum income to calculate insurance contributions for employees was equated with the minimum wage in the economy, taking part-time positions into account. When calculating insurance contributions we assumed full compliance by employers with the Minimum Wage Law, and that a wage reported at a level that is lower than the average wage derives from part-time positions. The deviation in the average rate of insurance contributions from income in the lower deciles is negligible.

6. Populations Defined as Employees

The data presented in this chapter regarding the number of employees refers to the number of employees reported by employers in Form 102. Special groups whose characteristics and collection data for 2015 are detailed below are also included in the employees' population as defined by the NII.

Members of Kibbutzim

Kibbutz members and those of co-operative settlements are defined in the law as employees of a co-operative society (as employer), who is obligated and responsible to register them as employees and to pay insurance contributions for them. Members of kibbutzim and co-operative settlements are insured in all national insurance branches except for unemployment. In 2015 approximately 40 thousand members on average per month (18 years and older) were reported and the insurance contributions paid for them amounted to approximately 100 million NIS per year.

Domestic Employees

The status and rights of domestic employees are similar to other employees although the insurance contributions paid for them are determined at varying rates. At the end of 2015, approximately 198 thousand were reported as active employers employing domestic employees from which in this year approximately 90 million NIS in insurance contributions were collected.

Employees from the Palestinian Authority

Employees from the occupied territories and the Palestinian Authority employed by Israeli employers must pay insurance contributions for three branches: work related injuries, maternity and bankruptcy. Their insurance premiums are collected by the payments section of the employment service. In 2015, approximately 52.7 thousand employees on average per month were reported and the amount that was paid for them was approximately 16.6 million NIS per year. The average monthly wage for an employee on the basis of which national insurance contributions were paid, was approximately NIS 4,198.

Foreign Workers

Employees who are not Israeli residents hired by Israeli employers are included in this group. Similar to Palestinian Authority employees, foreign workers are insured by the

maternity, work-related injuries and bankruptcy branches and the insurance contributions rate applicable to them is set forth in a special regulation. In 2015 approximately 137 thousand foreign workers on average per month were employed in Israel, their average monthly wage was approximately NIS 6,500 and the insurance contributions charged for them was 99 million NIS per year.

Employees who Retired Before Reaching Retirement Age

These employees are subject to payment of national insurance contributions and health insurance contributions for early retirement. In 2015, approximately 53 thousand retirees on average per month paid insurance contributions, and the sum collected for them amounted to approximately 326 million NIS per year.

Insurees Attending Vocational Training

This group includes insurees attending vocational training within the framework of the Ministry of Economy (non-working and employees alike), or at places approved for this purpose in national insurance regulations. National insurance contributions are imposed upon the employer and the person attending vocational training for only two branches: work-related injuries and maternity. In most cases, the Ministry of Economy is the employer unless the person attending vocational training was sent to study on his employer's behalf. The number of insurees attending vocational training (who paid insurance contributions) reached approximately 44 thousand on average per month in 2015 and the insurance contributions paid for them amounted to approximately 10 million NIS per year. This is because employers ceased collecting contributions from employees-in-training as non-working and not self-employed, and transferred only the insuree's part as an employee to the NII. Insurees' part as non-working is paid separately by him/her, directly to the NII.