

INFORMATION SOCIETY AND FINANCIAL SUSTAINABILITY OF THE ROMANIAN HEALTH SYSTEM

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Abstract

The financial sustainability of the health systems often reveals the ability of policy makers to finance healthcare in the face of growing cost pressures, with populations ageing, new technologies and increased patient expectations for healthcare coverage and quality. Thus, the healthcare systems need to reinvent themselves by using innovative financing mechanisms coupled with electronic information and communication systems, while offering greater transparency, flexibility and choice and increasing access to the services available. The paper analyses the healthcare financing models: the national health system, the social insurance or the private insurance model so that the Romanian health care reform should preserve the best elements of its existing system while selectively adapt techniques and processes that seemed to have been successful in other countries.

Moreover, the application of information and communication technologies – eHealth offers new possibilities for improving almost every aspect of healthcare, from making medical systems more powerful and responsive to providing better health information to all.

Keywords: financing, health policy, sustainability, efficiency, health system reform, universal health coverage, health information system.

Classification JEL: I15 Health and Economic Development; G28 Government Policy and Regulation

1. Introduction

Romania is affected by a crisis in health financing, and the health care system has continued to struggle with insufficient and inequitably distributed resources. This is worsened by the governments ineffective spending, limited capacity for domestic resource generation as well as lack of institutional capacity to convert external resources into meaningful health inputs. As argued in Preker and Carrin (2004), the health care financing mechanisms have profound effect on the population's access to health care, and on the health status of each individual. Therefore it is imperative that Romania evaluates all mechanisms which make up the system of financing.

Given the generally poor health performance and limited healthcare financing in Romania, this study will critically evaluate the current health financing mechanisms in Romania, including social security contributions, direct government funding, external funding, or out-of-pocket payments and also will identify alternative ways of working (electronic information and communication systems) that could complement the existing financing mechanisms.

This is a descriptive study involving health financing datas from different sources including, journals, reports, published articles and studies. More over data collection was done through electronic searches of specific databases, namely: Science Direct, World Bank, WHO, the Ministry of Health, Google Scholar using key words – health financing, health system.

The health policy is considered to be of high importance for the society. The implementation of this policy has been achieved with funding mechanisms that gathered and allocated resources, and payed the health services. A robust financing mechanism will determine health policy makers to achieve maximum benefits with minimum effort and expense. The financial mechanism has a complex structure that includes: the financial system, the financial levers used to influence the economic activity, the administrative methods of management used in finance, the institutional framework composed of institutions and bodies with attributes in finance, the legal framework consisting of laws and other financial legislative measures.[13]

The literature distinguishes three fundamental financing sub-functions:

- Ø Revenue rising;
- Ø Risk pooling;
- Ø Resource allocation and service provision.

Revenue rising for healthcare indicates how financial resources are collected for payment of medical services. Thus, there are many sources: compulsory health contributions paid by the employees and the employers, direct taxes (income tax, corporate income tax) and indirect (VAT, excise duties), private health insurance premiums and direct payments of health services by consumers.

Risk pooling involves that health funding should be done in order to ensure the entire population's access to health services they needed without causing financial suffering.

Resource allocation and service provision refers to the allocation of funds to health sectors (primary, secondary and tertiary level and to healthcare services providers: hospitals, polyclinics, private health clinics). Health funds are

allocated through various mechanisms to the health services providers, an important part being used for staff remuneration.

The funding mechanisms of the European health systems are very complex and differ from country to country, requiring detailed research and careful attention from specialists. The main funding mechanisms include budgetary funding through general taxes, social health insurance and private insurance and direct payments. Modern health systems use these mechanisms in various combinations, depending on the specific objectives pursued and the economic, political and social constraints set out in those countries.

2. Literature review

Fiscal sustainability is an important issue for health systems today and in the future, because of the rapid growth of health spending. The OECD defines fiscal sustainability as the ability of a government to maintain public finances at a credible and serviceable position over the long term (OECD, 2013). Fiscal sustainability implies governments are able to maintain policies and expenditure into the future, without major adjustments and excessive debt burdens for future generations. Policy makers have three broad ways to ensure fiscal sustainability of health systems: raise more money for health, improve the efficiency of government health spending, and reassess the boundaries between public and private spending. Simpler blanket spending cuts can also evidently address fiscal constraints, but are more likely to have adverse effects. [10]

The 2013 Annual Growth Survey recognized that „in the context of the demographic challenges and the pressure on age-related expenditure, reforms of healthcare systems should be undertaken to ensure cost-effectiveness and sustainability, assessing the performance of these systems against the twin aim of a more efficient use of public resources and access to high quality healthcare”.

“Creating and implementing the strategy for financing health involves continuous adaptation and not a linear increase because the conditions in the countries are in constant transformation, the characteristics of diseases is changing, resources decrease and fluctuate, institutions develop or go through periods of decline” [19].

Financing and organization of health systems in the Member States of the European Union follows institutional, political and socio-economic traditions. This focuses on a series of social objectives in terms of funding and delivery of effective health care services at a price approachable. [8]

3. The EU's health financing systems

This part of the paper analyses the different mechanisms of financing health systems in the Member States of the European Union to conclude the advantages and disadvantages of each system. The mechanisms of financing the health systems are very different from one another, depending on cultural and historic backgrounds proper to each European nation.

EU countries use a combined system between social security contributions and direct government funding of the healthcare system. The private insurances represent a supplement rather than a substitute for the primary health system.

The EU member states have the following typology of health systems based on their funding mechanisms:

➤ The Health Insurance System – the Bismark model, including countries that finance their health sector mainly through social security contributions: Austria, Belgium, Czech Republic, Estonia, France, Germany, Hungary, Lithuania, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia. This system of health financing involves payments from employers and employees to finance these sickness funds and participation is compulsory. The advantages of this system include: funding is independent of changing political priorities; health financing system is linked to income level; greater transparency of contributions and benefits of the healthcare system for citizens; funds paid are relatively stable in the system; efficient and appropriate services are provided; supports the rights of insured patients. The disadvantages of the health insurance system may be summarized as follows: the administrative costs are higher compared to a system based on general taxation, especially at the beginnings, when the infrastructure is achieved; a reduction of the contributions during the recession; funding is dependent on employment or unemployment of the labor force; higher costs for small agents by including the amounts paid by employers to ensure employees in the production costs; can become financially vulnerable if it lacks grants.

➤ The National Health System - Beveridge model, including countries that finance their health care system through general taxation and are managed by the state: Denmark, Finland, Ireland, Italy, Malta, Portugal, Spain, Sweden, UK etc. Citizens have access to healthcare services binding on income taxes, thus ensuring a high degree of social equity. Payment of physicians in this system is based on either salary or capitation. The advantages of this system are equity in funding, ensuring universal coverage of health services for the population; the lower administration cost of the system; and the possibility of controlling the healthcare expenditures. The major disadvantage of this type of system is the short-term political decisions that can affect health financing system, which competes with other public sectors. Other drawbacks are the lack of transparency in the financing of additional healthcare services; low efficiency in the management of funds; long waiting lists (predominantly for performing surgical services); the medical staff lack of motivation to increase the activity or quality.

➤ Private health insurance system. Private insurance does not play an important role in the European Union countries, as does in the USA, Australia and Swiss. In EU States voluntary health insurance provides additional

coverage for services that are partially or entirely not covered by the social one. In a private insurance system the individuals voluntarily opt to pay an insurance based on the potential individual or group risks. The private insurance system advantages are: direct funding makes the consumer be aware of the cost of health care; the choice of selecting the service provider and the service range; transparency in costs and in the system benefits; financing does not depend on the short term political objectives. The disadvantages of private insurance system are: lack of equity in health system financing; poor population coverage with health services; high costs involved by the insurance companies and high medical fees.

In conclusion, the ideal financing solution could be a health care system with three levels [7]:

- ✓ For goods and public health services with major impact on the health status, namely financing through general taxation;
- ✓ For necessary health services derived from the individual sickness risks, through public funding, special taxation or social insurance health;
- ✓ For reduced service needs (with unproven efficiency, luxury, at the patients request etc.) based on private health funding or direct payment.

4. The information society and health financing mechanism in Romania

The Romanian healthcare system is continuously facing poor achievement of system function, lack of comprehensive long-term care strategy, low levels of public investment in health, inefficient use of resources, improper health infrastructure. Therefore, Romania must develop its health strategy based on values and principles such as: universal protection against financial risk, equitable provision and use of services relative to need, improved transparency and accountability of the system to the public, quality and efficiency in service delivery, while ensuring the financial sustainability of the health system.

The Romanian health system is a mixed model of joining sources obtained from premiums paid by the citizens and the funds of Government collected through taxes into a single public fund for health insurance.

Financial resources for the compulsory health insurance will be paid to the Unique National Social Health Insurance Fund (UNSHIF). This includes all founding sources: health insurance premiums for all citizens and residents of Romania; budget transfers from government institutions to cover mandatory health insurance for special groups (pensioners, unemployed, persons with disabilities, persons under social assistance); local budgets; own incomes; external credits; external subsidies; donations and sponsorships;

the claw-back tax which represents a tax obligation owed by all manufacturers of drugs on the Romanian market through marketing authorization holders of medicines in Romania or their legal representatives, to finance the necessary health services for the entire community; the vice tax, payable by legal entities that produce or import tobacco products, entities that produce or import alcoholic beverages other than beer, wine, fermented beverages and by entities who derive revenues from advertising activities on tobacco products and alcoholic beverages.

Another important resource of the health sector is represented by the private expenditure of the population achieved through private health insurances or direct payments (i.e., co-payment and service fees). The private health insurances are insignificant as a percentage of the total private spending and so the proportion of people who pay directly out of pocket for the health services is increasing. The consequence is a reduced access to the necessary health services, especially for the low-income population.

The Romanian health financing mechanisms should contribute to more efficient and sustainable vision for better healthcare. Several levers may hold the key to transformation: pay for value, not for volume; encourage awareness and independence among consumers; focus efforts on prevention; implement modern management and focus on performance; promote technology innovations that optimises for both quality and cost; investigate the feasibility of alternative financing models for cure and care; reshape the healthcare landscape .[18]

Thus, the healthcare system need to reinvent itself by using innovative financing mechanisms coupled with electronic information and communication systems, while offering greater transparency, flexibility and choice and increasing access to the services available.

Compared to other sectors, information technology is used much less in health. ICT has never been used to its full potential. So far, only certain areas of the health sector have used ICTs. The reasons are understandable: difficulties in agreeing on specific requirements for interoperability for e-Health solutions, the need for communication was not so big in the past, and also the high costs of IT solutions. It requires sustained efforts to improve the use of ICT in health. Modern ICT technologies make possible things that previously seemed impossible: organization, coordination and delivery of healthcare, clinical research in ways unimaginable in the past and at reasonable costs.

Electronic health care services, generally known as e-Health, represent the result of the information and communication technology across the range of functions related to the health sector.

A thorough analysis is performed aiming to identify the main internal and external driving forces and obstacles for the Romanian “e-Health” strategy. The SWOT analyses categorize the findings in the literature review based on four criteria: Strengths, Weaknesses, Threats and Opportunities[11].

Strengths of e-Health in Romania

- Ø Interest for eHealth strategies;
- Ø Equipped family doctors with computers;
- Ø Hospitals and other healthcare service providers gradually increase the use of ICT;

- Ø Long tradition in collecting statistical data and activity data at the health service providers level;
- Ø Using international coding standards for reporting of hospital services (ICD-10, ICD-10-AM (ICHI));

Weaknesses of eHealth in Romania

- Ø A relatively small portion of the eGovernment budget is allocated to eHealth;
- Ø Insufficient level with computers in hospitals;
- Ø Low durability of previous projects results in the eHealth field;
- Ø Low level of interoperability in healthcare applications (information systems in hospitals, laboratories information systems, applications for family doctors), administrative information systems (accounting, human resources) and national eHealth systems (statistics, CNAS,DSP);
- Ø Insufficient information support for customers - citizens and patients.

Opportunities for eHealth in Romania

- Ø Continuous drop in the price of ICT;
- Ø Increasing the quality and availability of ICT (power, capacity, range, etc.);
- Ø Savings by automating processes using ICT (productivity, efficiency, quality and safety);
- Ø Ability to use the experience of other EU Member States and WHO;
- Ø International cooperation on eHealth standards and initiatives.

Risks of eHealth in Romania:

- Ø Insufficient support from central and local authorities;
- Ø Lack of financial resources;
- Ø Low level of preparedness of users of e-Health.

In order to ensure the sustainability of the health care system through the application of information and communication technologies, the EU report „ Redesigning health in Europe for 2020” identifies some recommendations:

Ø The policymakers must create a legal framework to manage the explosion of health data, establishing strong safeguards and providing a stable market environment to encourage innovation.

Ø Public authorities (national or regional) that have advanced eHealth activities should provide leadership and inspiration for other EU countries and third countries, thus ensuring rapid progress.

Ø Increase public understanding about the opportunities of eHealth to monitor measure and manage their wellbeing. Raise awareness of what data is collected, the different ways that it can be used and the benefits for the individual and the health system.

Ø Use the power of data while creating a culture of transparency in health or benchmarking and monitoring performance of the health system.

Ø Re-orient EU funding and policies by requiring transparency from institutions in health systems through procurement and funding criteria.

5. Conclusions

Results show that the Romania's health financing system carries out its functions primarily through the Ministry of Health. Revenue collection mainly occurs domestically via social security contributions and direct government founding of the healthcare system. The financing system has contributed to an improvement in the health status of the population by prioritizing the main health problems and granting universal access to public health services, however, pooling strategies seem to have led to demand side misuse that highlight and perpetuated supply side constraints.

The main aim of any health financing mechanisms is to sustainably generate adequate resources for the health system, while at the same time setting the financial incentives for health care providers as well as insuring that all individuals have access to health care in a more equitable, efficient and effective way. Most importantly, the way in which any health system is financed has profound effects on its stewardship, service provision, resource mobilization and attainment of national health goals, as well as faire financial contributions so that individuals are not exposed to financial risk of impoverishment. In other words, countries should design and implement health financing mechanisms that are able to collect revenues, pool financial risks and allocate resources through purchasing of services. [20]

Financial sustainability is an important issue for health systems. The paper explores how the health financing mechanisms can be used to improve the value of the health systems and, thereby ensure their financial sustainability. Although the financial efforts of the Romanian state to support the health system have increased, the quality of healthcare services is very often not assessed to be at the desired level. The health system financial sustainability demands strong governance of the health system that includes political decisions about how and how much to invest in health and how resources should be allocated. There are several policy levers and tools which ensure financial sustainability of health systems without compromising important achievements in access and quality of health care: raise more money for health, improve the efficiency of government health spending, and reassess the boundaries between public and private spending.

The strategy regarding health information system aims to foster a smarter and more sustainable healthcare system. Greatest challenges in relation to designing and implementing health information system in Romania are tied to physical infrastructure for its implementation and qualified personnel to use it. Regarding the required physical infrastructure for health information system implementation, provision of computers and internet connection for all health institutions is needed. On the other hand, the staffs that will use the infrastructure need to be adequately trained. Another challenge is the capacity to maintain and further develop the health information system. In conclusion, the Romanian health information system has great potential to help improve quality of health care, assure patient safety and increase efficiency in health care delivery.

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