

# THE HEALTH CARE SERVICES FINANCING SYSTEM

University Reader PhD. **Claudiu CICEA**  
The Bucharest Academy of Economic Studies, Romania  
E-mail: claudiu.cicea@man.ase.ro  
Teacher Assistant PhD. **Cristian BUSU**  
The Bucharest Academy of Economic Studies, Romania  
E-mail: cristian.busu@gmail.com  
Professor PhD. **Ion FRĂSINEANU**  
The Bucharest Academy of Economic Studies, Romania  
E-mail: frasineanui@yahoo.com

## ABSTRACT

*Taking into account the fact that people health is a national priority, the government is responsible for the performance of the **health system** of a country. The general administration is permanent and it calls for the supervision of the entire system, avoiding myopia, the narrow-minded points of view, in front of the weaknesses of a health system.*

**KEYWORDS:** *economic efficiency, six-sigma, standard deviation, investment management, economic policy*

I believe that nowadays, from an ideological point of view, the health systems are focused on **the election and the responsibility of each person**. From a political point of view, this fact involves a limitation of the promises and expectations concerning the government actions, without impairing people to expect more from their health systems. Within the new current society, an informational and knowledge one, population become well informed regarding the improvements in the production and distribution of medicines, medical equipment, resulting in **increased demands and engagements** that will influence the public and private departments within the health systems.

The individual's physical integrity and dignity are recognized by international law, health systems must supervise if people are treated with due respect and according to the human rights.

The strategy of public health system aims to ensure the health of population within healthy communities.

## Public health care

The provision of public health is the responsibility of the Ministry of Health, the territorial public health authorities as well as the public health authorities within the ministries and institutions with own sanitary network.

**The public health care** is guaranteed by the state and it is financed from the state budget, the local budgets and the budget of the unique national fund for social health insurance or from other sources, according to the law.

In consequence, in my opinion, of the major goals of the public health strategy in Romania must be the consolidation of the public health infrastructures in order to provide an optimum field for the implementation of the interventions regarding the improvement of people health and to ensure the optimum attendance to public health programs of the European Union.

As a conclusion, I estimate that it is imperatively necessary to continue in the following period to draft the secondary legislation within the context of the social assistance reform initiated by Law no. 95/2006. It is also necessary to regulate the conditions for the allowance of social aid rights for the deprived categories (children, old people, people with disabilities etc) by means of special laws or the update of the existing ones.

The ethical issue within **sanitary economy** may be approached starting from the debatable character of the control actions concerning the use of health expenses. The question is: isn't the doctor obliged to do everything for the patient, regardless of the medical costs. On the other hand, it is permanently mentioned the significant increase of medical costs as opposed to other services that do not register these important jumps (education, transportation, etc). This situation leads to the separate analysis of collective services and individual services.

The object of sanitary economy consists in the assessment of medical services provided to patients in terms of costs and efficiency of sanitary activity.

From an economical point of view, the idea according to which it is essential to provide efficiency of the use of resources available in the sanitary department must be accepted. We must admit that the economical analysis must be replenished by a medical assessment in order for the level of sanitary activity efficiency to be the real one.

The present studies show an increase of the incremental cost together with a decreasing marginal efficiency, entailing a special attention for the allowance of financial resources. That is why the comparisons regarding the medical efficiency and the economical efficiency of sanitary activities are very sensitive.

The permanent need to streamline expenses for medical services and fine management of assigned funds is included in the sensitive relationship between economy and health care. The limited level of financial resources generates restraints at the level of sanitary units. The increment of these resources depends on the direct development of economical activities.

This is also our country situation, where the financing of the suppliers of health care services is mainly provided by health insurance houses, out of the contributions of natural and legal persons, the employees and the businesses. In all European countries, during the past 20 years, economy has become one of the dominant factors of medical care development. That is why, the level of health care expenses must relate to the macroeconomical and financial regulation mechanisms.

The Romanian sanitary system had and still has many issues because it is one of the fields where the reform was not yet concluded.

The index system must focus on both aspects related to the financing of the health care services, the technical endowment, human resources within sanitary system, the quality of medical services; these are aspects that influence the health state but also the short and long term effects of the activity in this field.

The indicators that characterize the health condition must be seen as a system, due to the fact that often, the same indicator may describe different aspects and often conflicting aspects of the medical activity.

When talking about the endowment of the sanitary system, one takes into account:

- the human factor, the number of doctors, medical staff with secondary education, technical staff, auxiliary staff;
- material basis: medical units and their endowment;
- Investments within the medical department.

I consider that this health care project or program involves two categories of economical-financial efforts, whether it refers to building some new sanitary units, the modernization of the old ones or the implementation of a new medical technology: the investment effort and the expenses related to current functioning. The assignment of the

financial resources within different projects concerns the investors; the costs are always analyzed in close relation with the results.

### Swot analysis

The complexity of the problem the national health care program confronts with and which must be solved through the measures of the respective reform lead to a **SWOT analysis**, particularly for this reform.

The **strong points** consists of the voting and coming into force of the *Law concerning the health care reform*, the large number of services suppliers, for every type of medical assistance, the existence of medical excellence centres leading to an afflux of patients, regardless of the area where they live. *The implementation of the hospital financing system - DRG – financing based on solved case* – represented a process approved through a MH project that has benefited from the financial support of the European Union, through PHARE 2003 program.

The Romanian health care system consists of the following **weak points**:

- *The necessity to increase the financing level of the Romanian health care system;*
- *The lack of a unique integrated information system;*
- *The lack of real self-sufficiency;*
- *The high rate of infectious and chronic diseases*
- *The rate of problems related to the lack of knowledge of related services*

Nowadays, the **financing sources of public health care expenditures** are the social health care insurance funds, the state budget, own incomes and external resources.

Beyond the problems related to the low level of financing of the system, other distortions within the system restrict the quality, equity and the access to services, delaying the population health problems. During the transition period, socially and economically under-privileged population classes appeared in Romania, with access difficulties to medical services.

Based on the literature I have studied, I noticed that within all European health care systems the development path is debated in a profitable way, effective for a nation, in view of a sustainable social development. Fiscal pressure leads also the developed countries to put a question over new financial sources, an efficient management and alternative ways to organize the services.

In all European Union countries, governments are involved in financing the health care, the majority of the member states use a combined system between the contributions to medical insurance and the governmental financing of health.

Financing and organization of health care system follow the national institutional, political and social-economical traditions and are applied in a series of social objectives related to financing and efficient health care services, at a reasonable price..

The main resources used to finance the health care system are the state budget, local budgets (tax collection), social contributions (contributions to various social funds) etc.

Within the most UE countries, a significant part of expenses related to medical care is provided by the private department or from private funds.

Each EU member state has its own financing mechanism; health care is financed through public contribution or through direct contribution. 3 main financing systems are distinguished:

- the public financing system, based on global taxes (Beveridge model);
- financing system through mandatory (Bismarck model);
- private financing through voluntary insurance.

Related to the above mentioned, we can say that the following aspects have a major influence over the health care financing system:

- ◆ the way how a health care system is financed determines the available amount of money, who bears the financial costs, who controls the funds as well as if the cost inflation can be controlled;
- ◆ the capacity of a country to put up funds is closely related to its per capita;
- ◆ the same financing structure cannot be applied to all countries. The health care systems differ from one country to another, mainly according to the social-economical development;
- ◆ inequitable repartition of available funds; insufficient coordination between various financing sources as well as the inappropriate attention for costs and aspects related to efficiency, represent major problems for the financing of health care systems within the transition countries;
- ◆ the majority of the actual financing systems are not "pure". The majority of countries have combined various financing ways, according to each specificity and the health care objectives;
- ◆ none of the financing methods is ideal and can provide a magical solution to solve severe problems regarding health financing, especially within poor countries around the world.

**Financing of health care system** refers to the way the funds needed for the activity within the sanitary system are collected as well as the way these funds are assigned and used.

The financing method chosen, combined with the organisation type of the sanitary system decides who has access to the health care, the cost of these services, the efficiency and the quality of services supplied. All these intermediary results determine in their turn the final results of every health care system: the health condition of population, financial protection against risks and the degree of satisfaction of consumers of services.

### Conclusion

There are five main financing methods of health care systems:

- ◆ financing from the state budget;
- ◆ financing through social health insurance;
- ◆ financing through private health insurance;
- ◆ financing through direct payments;
- ◆ Community financing.

I consider that each of them has both advantages and disadvantages. Related to these, there are two aspects that must be emphasized: first, in many cases, there are many financing sources of health care expenses; secondly, none of these methods is ideal and cannot provide a magical solution to solve the severe problems the health care financing confronts with, especially in poor countries.

The criteria used for the selection of the appropriate method to finance a health care system tend to focus on six main objectives: the ability to generate the necessary income; the equity; the quality of services; sustainability.

Each sanitary unit needs a minimum computerization, mainly to send periodical reports related to budgets, number of patients to the County Health Insurance House.

The pilot **information system** shall serve the health services network of Prahova County. The information system shall contribute to reaching the other objectives of the project:

- *the transparency of the financing system for the health care services for citizens;*
- *the competitiveness of the internal production of health care services on the European market;*
- *the optimization of the health care services distribution through the provision of an effective management of the distribution network;*

- *human, financial, material and information resources management within the health system.*

The system introduces the **social health care insurance card** of the insurant, in accordance with the law in force.

The system manages in a central data base the information along all the network of social health care services, regarding: *the financing, production and distribution of services*, with material, human and informational resources, providing objective tools to the responsible factors for the analysis of the state of health care system (reports, statistics) that will help to forecast and anticipate and prevent the eventual crisis situations.

In conclusion, I can say that an important advantage of the information system is the possibility to track *on-line* (real time) all operations that run within the health social insurance system.

## References

1. Allan Pease – *Limbajul trupului*, Ed. Polimark, București, 2006;A
2. Alexandru, Gh., - *Evaluarea eficienței activităților sanitare*, Ed. Lumina Lex, București, 2005;
3. Armean, P., - “Evaluarea și măsurarea calității serviciilor spitalicești”, *Revista de Management în Sănătate*, publicație a IMSS, nr. 2, iunie 2007;
4. Armstrong Michael, - *MRU, Manual de practica*, Codecs 2006;
5. Aas Monrad, - *Remote consultations by telemedicine, Viability and organizational consequences*, Eurohealth, vol.9, no.3, 2007;
6. Bardey D, Lesur R, - *Regulation optimale du systeme de santé dans un contexte de demande induite et de risque moral ex post*, 2008;
7. Blindu Daniela, - *Asigurările sociale pentru sănătate în România. Posibilități de îmbunătățire*, ASE, București 2006;
8. Blomqvist A, - “Optimal non-linear Health Insurance”, *Journal of Health Economics*, 2007;
9. Bruno Galland, Denis Fontaine, - *Guide, Metodologie Evaluer la viabilite des centres de sante*, 2005;
10. Bușu Cristian, - “Sistemul de sănătate, Concept și Importanță”, *Revista Economia – Seria Management*, vol. 12-2009;
11. Bușu Cristian, - “Eficiența investițiilor în sănătate”, *Revista Economică* – vol. 4 – 2009

*This work represents a dissemination of research results for contract PNII - IDEAS no. 789/2009, NURC ID 1839 code, entitled " Social and economic efficiency within public health services, in the connection to the European Community space norms and standards, project director University Reader PhD. Claudiu Cicea.*