



PUBLIC EXPENDITURE ON HEALTH CARE IN THE REPUBLIC OF MOLDOVA AND ROMANIA: REALITIES AND POSSIBILITIES OF OPTIMIZATION

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Abstract

This article reflects the analysis of some problems in the management of public spending for health care in the Republic of Moldova and Romania. The Mission of public medical-sanitary institutions is directly dependent on the financing of health care, a process that differs from one country to another, including fees and taxes, social insurance contributions, private health insurance, direct payments of households and informal payments in health systems. In order to improve public spending for health care the authors propose the use of a system of indicators tested by the Institute of the mother and child. This system of indicators allows obtaining a full and effective diagnosis of public medical-sanitary institution and provides an appropriate financial position in public medical-sanitary institutions.

Keyword: public expenditure, the system of indicators, health care, public medical-sanitary institution.

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I. Introduction

Nowadays, the process of financing the health systems in the European countries is characterized by the tendency of constant financing/fuelling the expenditures of this sector from public sources. Also, in recent years, the analysis of this problem in developed and high income countries denotes the tendency of funding from the private sector.

It is well known that the mission of public medical-sanitary institutions consists in protection of the population's health, prophylaxis, diagnosis, treatment and rehabilitation of patients, promoting a healthy lifestyle, because this is directly dependent on the financing of health care, a process that differs from one country to another, including fees and taxes, social insurances contributions, private health insurances, direct payments of households and informal payments in health systems.

Year by year, the public expenditure for health registers an upward trend due to the increasing number of population, modification of demographic structure, emphasis of the risk factors, the emergence of new types of illness, increasing cost of medical benefits, increasing the average duration of life. As a rule, the public expenditure for health are intended to the maintenance and functioning of the health care institutions, state and private medical institutions, funding some actions to prevent illness, avoidance of accidents and health care education,.

II. Basic content

Starting from these premises, we support the idea that each country has built its own health policy and its own system on the basis of the political, social, cultural and economic context and the practical implementation of such policies has been transposed through the funding mechanisms adopted and developed to collect resources, their allocation and payment of health services. In this way the efficiency of public spending on health care is determined by the ratio between the consumption of public financial resources and measurable or estimated effects regarding the quantity and quality of medical services provided to the population [8].

In the Republic of Moldova, public medical-sanitary institutions are unique in their own way, or at least different from other types of entities. The main distinguishing features of these institutions can be defined through the following: defining and measuring the results is difficult; global activity is perceived as being more complex and variable than in others entities; many activities have emergency character and cannot be



postponed; global activity requires a little tolerance to ambiguity or error; the activities are interrelated and require a high degree of coordination between different professional groups; the work involves a high degree of specialization; employees have a high degree of training and are more bound of profession than of entity; reduced possibility of effective organisational and managerial control over the doctors who have the biggest liability for activity and expenditure; in many medical institutions there are two sources of authority (medical and economic), which creates problems of coordination, responsibility and confusion of roles.

In the analysis of public expenditure for health of public medical-sanitary institutions from the Republic of Moldova, we will focus on a specific institution from the health system, namely, Public Medical Sanitary Institution Scientific Research Institute of Mother and Child Health Care. (Further - IMC) The selection of IMC is supported by a number of social and economic factors, including that IMC is a national tertiary, widely specialized, public medical-sanitary institution that provides high-level qualified and specialized medical care for patients, including those with the most serious and complex diseases. Being a scientific research institution, perform fundamental and applied scientific research, undertake activities of innovation and technology transfer for the purpose of health care of mother and child, prevention, diagnosis, treatment and rehabilitation of patients, promoting a healthy lifestyle. At the same time, mother and child care is one of the key strategies of the Ministry of Health of the Republic of Moldova.

Currently, the revenues of IMC are distributed on submitted sectors only after contracting with the CNAM (National Company of Medical Insurance), which denotes the absence of an internal tool of IMC that would allow the strategic development of the institution, as well as the estimation of additional revenue that could be raised from other sources. Beside this, is missing the economic and financial analysis of the institution, which does not allow the diagnosis and adjusting the activity, identifying and mobilising the internal reserves of increase the financial performance, strengthening the economic and financial autonomy, increasing the economic efficiency as well as the substantiation of the financial decisions.

This situation requires a rigorous analysis in order to improve significantly the activity of IMC, decreasing unnecessary costs and at the same time ensuring a sustainable growth of medical-sanitary institution. In this context, we emphasize the structure of



expenditure of IMC on main articles, in the period 2008-2013, carried out on the basis of data relating to the economic and financial situation of IMC (table 1).

Table 1. Analysis of the structure of expenditure of IMC for the years 2008-2013

Article of expenditure	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2013 share, %
Total expenditure IMC, thousand lei, from which:	89 619,7	105 244,6	113 841,0	127 515,4	146 346,6	195 082,70	100
Remuneration of work	40 269,4	48 778,2	50 563,6	58 455,9	68 147,0	88 635,70	45,43
Patients' nutrition	4 297,9	4 658,4	4 838,2	6 222,5	5 935,4	7 936,30	4,07
Drugs	8 864,6	10 902,5	11 128,0	13 075,0	18 051,7	21 335,50	10,94
Other expenditure (thousand lei)	36 187,8	40 905,5	47 311,2	49 762,0	54 212,5	77 175,20	39,56
Contributions to the budget	8 126,3	12 786,2	13 146,7	15 345,7	17 919,7	23 067,90	11,82
The current repair	215,8	722,1	818,1	835,2	481,8	995,79	0,15
The capital repair	776	1 602,2	1 155,7	1 901,2	2 234,4	4 992,00	2,56
Petroleum products	391,5	309,2	301,4	371,9	410	664,00	0,34
Electricity	2 185,9	2 543,3	2 807,1	3 193,5	3 428,6	5 677,70	2,91
Thermal energy	4 625,1	4 921,1	6 389,3	7 724,6	8 269,5	8 083,60	4,14
Water and sewerage system	3 296,0	3 807,5	3 712,4	3 081,9	3 096,7	2 813,40	1,44
Waste disposal	153,9	186,8	188	194,9	206,8	301,50	0,51
Payment of goods, services and other payments	10 704,6	8 213,1	12 280,4	9 734,0	9 709,8	29 932,41	15,34
Improving of the staff	5,1	4,5	9,8	860,3	656,4	611,10	0,31



Displacements	38,1	13,2	26,6	42,5	71,5	35,80	0,02
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Source: elaborated by the authors based on statistical data "Data related to economic and financial situation of IMC" for the years 2008-2013

From the data presented in the table we find that the most significant expenditure of IMC (not less than 45% of the accumulated revenue) are performed for remunerating the work of employees. In order to ensure patients' nutrition institution allocates annually about 4%. Drugs are a very important component for the efficient conduct of activity and ensure the quality of the medical act, but at the same time to this article is intended expenditures in the amount of approximately 11%, which cannot ensure the provision of quality medical services and fully applying the provisions of the national health standards.

The Analysis of the economic-financial situation conducted within medical institutions consists of:

- The monthly review of the execution analysis of the estimate of revenue and expenditure separately on type of healthcare and separately on the items of expenditure submitted to the National Company for Medical Insurance;
- The quarterly performance of economic and financial analysis, presented for approval to the Board of Directors of IMC;
- Presenting reports to the Ministry of Health of the Republic of Moldova, the National Company for Health Insurance, the Academy of Sciences of Moldova, the National Bureau of Statistics of the Republic of Moldova.

We would like to mention that the analysis of economic and financial situation elaborated by economists working within the medical-sanitary institutions is insufficient to allow managers to take a future development decisions (formalisation of payments, obtaining profits that would allow the development of the technical-material base, the stimulation of employees, etc.). Under these circumstances, modification of their statute do not allow getting profit, but only the provision of services in the limit of mandatory health insurance, so it becomes impossible to build up their own resources, and informal payments increase.

To have high financial performance is necessary that the economists working within public medical-sanitary institutions in addition to the three types of analysis of economic-financial situation described above, to use a set of methods, techniques and



tools of financial analysis, which ultimately will make it possible to attract investors, donations, sponsorship, etc.

With reference to Romania, we notice that health expenditures are financed as follows:

- central public authorities-the Ministry of Health, the National Health Insurance House, Ministry of Labour, Family, Social Protection and Elderly, other authorities with private health network or working in the field;
- by local public authorities, municipalities, urban and communal;
- from funds of non-governmental organizations;
- from foreign refundable and non-refundable funds;
- by individuals or private enterprises.

The main source of funding for public health care is the National Fund for Health Insurance, which ensure the purchase and settlement of medical services in case of ordinary illness or accident. These services are provided to persons who fulfil the obligation to pay the single contribution to National Fund for Health Insurance, and for people who do not provide that payments are insured only services for emergencies, medical-surgical and for diseases with endemic-epidemiological impact.

The main sources of income from which are funded the health expenditures are : social insurance of health contributions that form the budget of National Fund for Health Insurance -the main source of financing of the sanitary system; state social insurance contributions that form the State Fund for Social Insurance (the main source of financing in case of occupational disease or accident at work); the State budget and local budgets; revenue of the Ministry of Health and other ministries with their own health network; health units' own revenue derived from direct payments of population for medical services, technical advice and assistance, rental, fees for issuing opinions, expertise; funds from donations and sponsorships of individuals and legal enterprises or NGOs; foreign repayable and non-repayable funds; from private investments.

Thus, carrying out the analysis of evolution of expenditure for health care in Romania in 2003-2011, we noted that while the 2003-2008 periods is highlighted by the annual growth of total health spending from 10.5% in 2006 and 28.4% in 2008, since 2009 have noted significant changes in the dynamics of the use of financial resources. Accordingly, the total expenditure on health care increased only 1.5% annual in 2009 or 407,5 million lei. In 2010, health spending grew over the year 2009 with an increase of



9.7% of total expenditure or 2.8 billion and an increase of 8.8 % of current expenditure, or 2.5 billion lei. In 2011 the total expenditures in the health sector remained almost unchanged compared to the year 2010, rising by only 0.2 % and current expenditure increased by 0.7%, while capital expenditures have decreased by 21.2% [6].

According to the classification developed by the OECD for the Health Accounts System, the main funders of the sanitary system are: public administration, the private sector, the rest of the world and other unclassified sources.

The financing sources of the private sector are represented by private health insurances, population's household, non-governmental organizations and corporations. Direct payments of the population represent the main source of financing of private expenditures for health. Thus, the direct costs with which the population have funded the sanitary system through the payment of medical goods and services have recorded an upward trend during the 2005-2011 periods.

Currently, according to the statistical data in the field we have noted that there is no direct causal relationship between the amount of expenditure allocated for health and the real coverage of the health needs of the population of Romania. Although the package of basic health services for insurers increased in size, some categories of persons consuming health services were exempted from the payment of the contribution for social insurance of health [1].

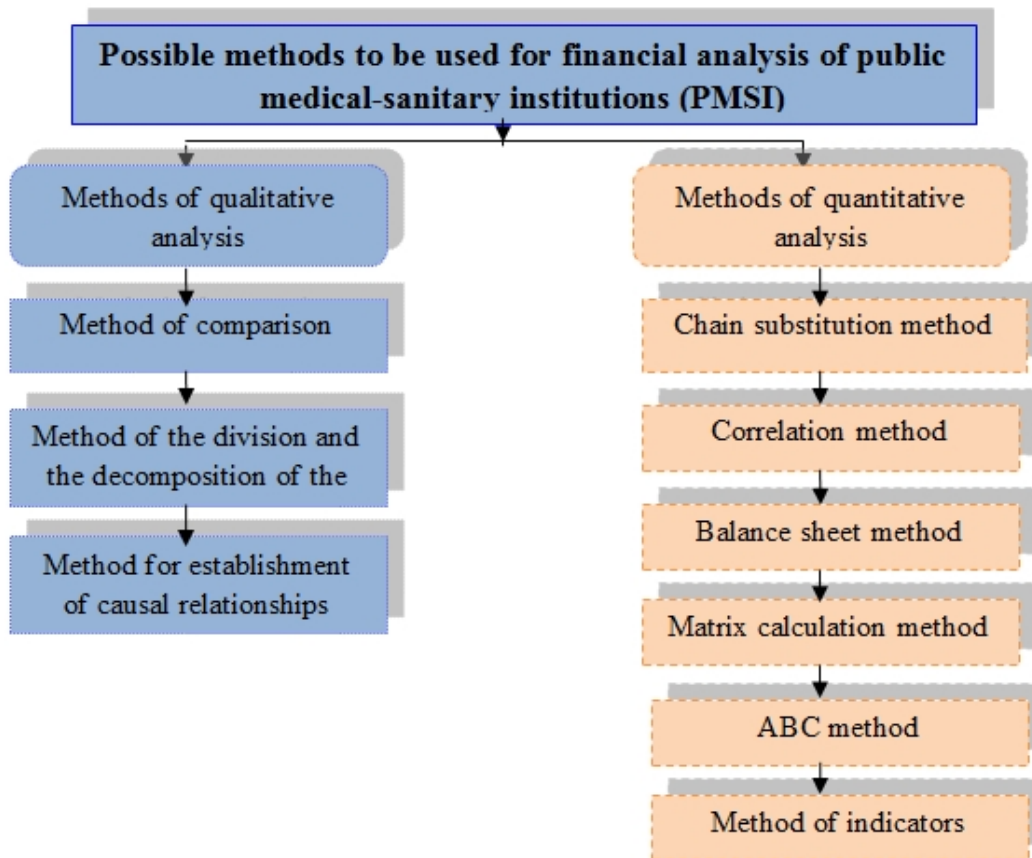
Taking into account the fact that the primary purpose of public medical-sanitary institutions is the protection of population's health, prophylaxis, diagnosis, treatment and rehabilitation of patients, promoting the healthy way of life, their financial analysis can be carried out on the basis of several quantitative and qualitative methods. For the Republic of Moldova, we consider it appropriate to use the methods of financial analysis as a real instrument of the public medical-sanitary institution's manager; it can help him to get into the essence of economic phenomena, to formulate right conclusions and to elaborate strategies for development.

In order to improve the economic and financial analysis of public medical-sanitary institutions and for accurate reflection of disruption of the activity object, we propose to use an indicator system in the process of analysing the economic and financial situation. Also consider relevant the use of qualitative methods by the public medical-sanitary institutions as they will ensure the revelation and knowledge of elements and factors which explain the studied economic phenomenon or process, and the



establishment of economic models to describe accurately and objectively the studied economic phenomena. However, qualitative and quantitative characteristics of economic phenomena which occur within the public medical-sanitary institutions can be ensured of using the methods given in Figure 1.

Figure 1. Possible methods to be used for financial analysis of public medical-sanitary institutions



Source: elaborated by the authors

In conditions of the competitive environment development and adaptation to these of medical institutions, is required, by the public medical-sanitary institutions the use of a



system of indicators that would lead to the advancement of innovative ideas with a positive impact on their activities. In order to assess the economic performance of PMSI, along with the analysis which is carried out at the moment, we consider it opportune and the application of a system of indicators that would make it possible to determine the degree of efficiency of resources use and would provide information regarding the rationality of borrowed resources and also would provide a complex picture of the situation in the field for potential investors:

- Indicators of the results of the economic and financial activity performance study-oriented, their actual assessment value and development prospects in the future. Within this group are: sales and profit volume;

Analysis of these two indicators will be applied only after the modification of the public medical-sanitary institutions statute.

- Profitability indicators. Economic efficiency of public medical-sanitary institutions can be calculated using the profitability indicators. Profitability is the economic category that expresses the institution's ability to gain profit, reflecting its performance. Profitability is shown through the effective rates (table 3):

Table 2. Analysis of rates that characterize the real degree of profitability of IMC

Indicators	The method of calculation	2008	2009	2010	2011	2012	2013
Economic profitability rate	$Ra = \frac{Pimp}{Total\ Activ} \times 100$	3,99	-0,404	3,28	0,73	0,422	-4,80
Profitability rate in relation to the resources consumed	$Rcost = \frac{PB}{Costul\ V\inz\arilor} \times 100$	1,11	-2,14	2,77	1,59	0,202	1,16
Profitability of fixed assets	$Rmf = \frac{Pimp}{Valoarea\ medie\ anual\ a\ MF} \times 100$	1,98	-0,21	1,66	0,39	0,23	-0,03
Financial profitability rate	$Rf = \frac{Profit\ Net}{Capital\ propriu} \times 100$	4,35	-0,439	3,52	0,77	0,431	0,000



Sales profitability rate	$R_v = \frac{\text{Profit brut}}{\text{Volumul vânzărilor}} \times 100$	1,10	-2,19	2,70	1,56	0,202	1,14
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Source: elaborated by the authors on the basis of bibliographic source [4]

Thus, we notice for IMC a reduction of all profitability indicators in 2013 compared to the period 2008-2012. Calculation and analysis of profitability indicators have major importance for the IMC managers at the elaboration of the strategic development plan and the annual work plan.

- Liquidity indicators. Liquidity, solvency are the most important conditions of the entity on the market because it reflects the ability to pay, its ability to honour its obligations of payment at due dates. The use of this indicator in practice allows us to conclude that the exceeding the recommended levels of liquidity reflects an irrational structure of IMC's assets;
- Indicators of the structure of liabilities. Indicators of the structure of liabilities allow the appreciation of the PMSI's financial structure, the composition of capital through the sources of its formation.

III. Conclusion

In conclusion of the related information about public expenditure on health care in the Republic of Moldova we consider opportune the optimisation of the financial analysis of public medical-sanitary institutions through: revision of the regulatory and legal status of public medical-sanitary institutions pursuing non-commercial activity based on the non-profit self-financing principle for providing the possibility to accumulate their own income, which would reduce the level of informal payments; the analyse of the financial situation by using the presented system of financial indicators, which would provide an adequate picture of the financial situation for both: internal and external users; application of qualitative and quantitative methods of analysis of the economic and financial situation of PMSI.

Finally, we support the opinion of Romanian researchers in this area regarding the fact that the problems in the sanitary sector cannot be approached without some level of government involvement. Solutions based solely on market mechanisms, as we encounter in other sectors of the economy, does not work in the health care system, taking into



account the fact that any person is very uncertain if and when it will need to use the health services. Public expenditure on health care highlight even more the level of development of a country, whereas the developed countries from the economic point of view provide and private systems of health care too, many of them very well developed.

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