

# FINANCIAL PERFORMANCE IN THE PUBLIC HEALTH SYSTEM FROM ROMANIA

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## **Abstract:**

*The subject of this paper is highly actual and presents big importance, given that Romania is in the process of European integration and health is a global priority. Specialists in the field believe that the health sector is one of the most complex and dynamic sectors of the economy. This area has undergone many changes and is still in the process of development and innovation in response to an entire category of forces: the changing social patterns, public policies, new technologies, consumer demand.*

*The improvement of health sector financial performance is a goal pursued by all developed or developing countries. The role that the health system plays in any society is undeniable.*

**Key words:** *financial performance, public organization, health system*

**JEL classification:** *I18, I19, H00, H19*

## **1. The concept of performance**

In general the performance is defined as an "*outstanding achievement in an industry*" (DEX, 2009, p. 802). As stated by Verboncu and Zalman (2005, p.6), analyzing the general definition of the concept of performance, which is not related to the economic field, we can say that performance does not involve getting any results, but a special result. This special result can be seen through the prism of three dimensions:

- a better result than the previous results;
- a better result compared to the success of others;
- a better result than the set targets and commitments.

In any area we can found the notion of performance, which may be associated with any performed activity.

Another definition related to performance is given by Bourguignon (quoted in Dohon and Berland, 2007, p.4) and it refers to "*performant is the one that achieves its objectives.*"

In my view, this approach is comprehensive in terms of the area applied to, both of organizations and individuals.

As indicated above we believe that performance can be treated from two points of view:

- individual performance;
- organizational performance.

Performance reported at the individual level is the remarkable results achieved by the individual.

Organizational performance can be assimilated with the results achieved related to the fundamental objectives and targets, in the case they are superior to those objectives.

Regardless of the domain, the performance is exposed by indicators and indices and is shown in the following comparisons:

- the results are compared with the achievements made by the same entity in a past period;
- the results are compared with targets set for a certain period.

## **2. Performance of public health organizations**

Establishment of public sector performance is not an easy thing. Definition of performance in public organizations faces some barriers: the meaning that it has the notion of performance, how performance is achieved and not least the aspects related to its assessment.

Opinions in the literature about the performance of public organizations are numerous, but generally believes is that *"performance is the ability of an administration or public institutions to procure resources in an economic manner and use these resources in an effective way to obtain the desired result."* (OECD-Journal of Budgeting, Vol.2 / 2, pag.45)

*"If you don't measure the results you can not distinguish between failure and success, if you can not see the success you can not reward it, respectively if you can not recognize failure you can not correct it."* (Osborne, Gaebler - Reinventing Government, 1992, pag.147).

In my view, public sector performance is not restricted to the means that are used, but must take into account both the size and composition of the target group. Therefore, when talking about health, the target group for expenditure per person can be considered as consisting of children under the age of one year, because a global health goal is to decrease infant mortality.

Performance of public organizations is determined by how the human, material and financial information are used to achieve its objectives related to users expectations.

Categories of performance in public organizations:

- Financial performance;
- Budgetary performance;
- Management performance;
- Political performance;
- Professional performance.

Approaches to performance in public organizations had the foundation the growing level of public needs, difficulties of covering them and the fact that the state renounced to monopolize activities in this sector. With the acceptance of private economic agents as providers of public services and goods we can talk about competition and the public sector performance.

In our opinion, it takes a long period of time, appropriate public policies and public reforms in order for public organizations from our country to be performant, because of the existence of significant differences between the needs and expectations of citizens in the public sector and public system performance perceived by them.

If we analyze the performance of the health system in Romania we can still say that the Romanian health system is facing serious problems in many ways. If by the year 1998 the state budget provided resources to the health sector, the health care reform in our country brought to the fore a new system- social health insurance. Health insurance is made up of employee contributions and other sources, and is legally mandatory.

The specialized investigations found that the finances of the health system continue to be used in an inappropriate and inefficient manner. Even though there have been increases in the share of total health expenditure in GDP, the financing of the health system in Romania remains low compared with European region.

Failure and non-use of studies on cost-effective allocation of resources, lack of transparency regarding their allocation and the lack of relevant and consistent performance criteria in the health institutions make difficult to implement effective and efficient management systems.

This issue is not to be neglected because of the negative impact it has on the quality of life of the citizens that the underperforming and defective healthcare system has. Romania's health system has not a system that integrates the health services to ensure continuity of care. Another problem is that the current system works with sectors that have not any relationships between them. There must be relationships between primary care and hospital care and between the prevention of illness and promotion of health with the healing sector.

In addition, the Romanian health system must move in another direction, one that it is merging with a system based on people, healthier people, a fit and proper system, a reliable system.

A health system that puts the focus onto the man is a system of the future, a complex and competitive system that will be a dynamic and integrated structure that will mold to the various changes that may arise in connection with the health needs of society in general and individuals in particular.

## **2.1 Characteristics of public health organizations**

According to some authors, the Middle Ages is the cradle of the public health system because of the help given by the group to its members who were unable to work because of sickness or accidents. Other authors believe that the beginnings of the public health system should be placed in the industrial revolution, when the health of the society took the first plan detrimental to the health of the individual.

In Romania the presence of organized forms, through which aid was provided to members of various guilds, crafts and local communities in need and affected by risks, dates from the eighteenth century.

Public health organizations have as objective to improve health and increase life expectancy. But for these goals to boost it needs, first of all, that medical care system accessibility to rise. It is known that in our country there is a noticeable discrepancy between systems in terms of access to care by persons in urban and in rural areas because of the low, sometimes non-existent health units in rural area.

Another aspect of health care system accessibility in some countries is the existence of financing systems and ways of functioning of the domain which share the responsibility of medical care between public authorities and citizens. In the case of such health systems the citizens are required to pay part of the costs, but are independent in choosing an insurer, but also the place where they will be treated.

Public health system is considered the main distributor of social benefits, where can be reviewed the curative health services.

The belief that the state plays a decisive role both in terms of individual health and his recovery is reflected both in our country and in Europe.

"Health is considered at European level a social right to which all citizens should have access, compared to the U.S., where health is especially an individual good, and to accede to it, you must pay the necessary costs." (Vladescu, 2004, p. 6).

Modern health insurance systems are part of a social security network. The society must provide its members with protection in regard to the economic and social

issues that has as a cause illness, disability, old age and death through the public measures it takes.

Public health organizations from developed countries have as the main objective improving health sector performance. Addressing such issues as health sector performance, involves selecting, defining and applying a set of programs aimed at public health activities.

The performance of public health organizations is determined by how the human, material and financial information are used to achieve the desired objectives in order to satisfy the beneficiaries of the health care services.

Public health organizations make all efforts in order that analyzes from health sector, public health policies developed, programs and health reforms, all of the former to contribute to health care.

### **3. The financial performance of public health organizations**

The financial performance reflects the economic potential and financial strength of an economic entity, obtained after analyzing a set of quantitative factors, financial and economic indicators, compiled using data from annual and periodic financial statements.

Financial performance implies an efficient allocation of resources. According to Pauly and Culyer's (cited in Vladescu, 1999, p.22) for an allocation of resources to be considered effective it must simultaneously fulfill the following requirements:

- available resources should not be wasted;
- the results are achieved at a minimum cost;
- the types and quantity of results created must be consistent with those that people value the most;

An important aspect in assessing the financial performance plays the financial state of the public organizations. Making an assessment of the financial status of public organization and a clear and accurate presentation of the picture of income, liabilities, costs and financial efficiency is absolutely necessary. The evaluation aims to highlight the main sectors of interest of financial condition and management of the organization.

Financial analyses prepared by public organizations must reflect an accurate picture of assets, liabilities, financial position (net assets, equity) and also of financial performance and the outcome of their heritage.

Financial performance of public organizations concerns all the actors who interact with them directly or indirectly.

In order to achieve the financial performance of health systems, these systems need to be based on clearly formulated health policy and directed towards improving the health system reform, policy implementation programs and developing issues related to public health improvement, but one of the main elements is represented by the sources all of these are achieved through.

No country finances the health services exclusively by a single mechanism, but there are mechanisms that prevail, namely:

- Government funding based on taxes, national or local;
- Social health insurance;
- Private health insurance;
- Direct payment for services by the patient.

An important aspect is related to the fact that, at present, the quality of life and life expectancy has increased worldwide, due to duplication in the last 30 years of the volume of health expenditure in most developed countries. In developed countries within the European Union spending on health reached an important level as a

percentage of GDP, the trend being to keep the funds allocated to this sector at a high level. The European Union has invested and continues to invest in the health system, is involved in supporting and developing health policies at the highest levels, through an exhaustive analysis of health systems in Europe. Factors underlying the analysis of health systems are tied to the country legal framework, policy decisions, trends in health system reforms.

The level of funding in Romania before 1990 was poor, expenditure in the health sector has been low compared to European average and even compared with the former socialist countries. This is because the health sector was considered an unproductive sector, budgetary allocations were not a priority and the low number of medical staff in this period led to lower spending in this area, practically almost the largest share of expenditure accounted for salary rights of the employees. After 1990 the situation continued, and although the number of medical personnel has increased, it remained well below the EU average compared to the population. Health expenditure also experienced an increase but Romania remains one of the last places in the European Union in terms of resources allocated to health.

Following the Romanian health system performance analysis we can say that the health system is facing serious problems in several ways. The specialized investigations found that the financing of the health system continues to be used inappropriate and inefficient, even if there have been increases in total health expenditure share of GDP.

Hospitals in Romania are facing an unprecedented situation, in addition to already existing gaps on the necessary drugs and medical materials, are added to the list the lack of human resources.

The economic crisis that Romania is going through is an internal crisis in particular, having as a starting point the wrong mix of macroeconomic policies taken in recent years. The international financial crisis was the trigger of the internal economic crisis because it affected the funding sources. Romania's economic situation has affected both private and almost all budget areas. Budget areas are in crisis and suffered, but not only in terms of under-funding, but also about human resources. The health sector in Romania is probably one of the most affected budget domains because of the impact health has on human welfare, sustainable economic and social development.

According to the World Bank and the European Commission's evaluations, Romania is still confronted with problems of poverty present in certain areas of the country and among certain population groups, and also with difficulties relating to the health system, registering the lowest index of health in E. U.

It takes a long time in conjunction with the pursuit of economic and financial reforms to improve health system performance and social protection in Romania. In Romania over the last 30 years, income and health spending increased, but health care is lacking and the sense of deprivation continues to exist and to grow.

With the lack of interest and appropriate public health policies, health system in Romania is poor, and the results have an impact on population health. Health is a system that works long term. Knowing the chronic deficiencies of the health system and the difficulty to ensure these needs, one should properly take into account several aspects.

The need for planning public health policy is vital because a health system which doesn't provide analysis on the existing situation in the health sector and estimates of future human resources, financial resources, the materials and informational ones, is a system that can't meet citizens' needs and with no future.

To discuss a possible performant health system in Romania, reforms and measures are needed, and they must cover the whole health system and issues arising from its analysis.

**Human resources:** The concept of human resources has emerged and developed in the 80s in the UK and USA, providing a new picture of the staff. The new approach was centered on people and emphasized the fact that staff resources are more important, or at least as important as financial and material ones.

Improving the performance of human resources from the health sector is a priority on the list of developed or developing countries. However, with the lack of human resources planning and lack of clear and transparent human resources policies, there may be a crisis of human resources in this area. Human resource planning should be a priority in terms of health policies. In Romania, the lack of planning concept and of a policy on human resources has led to the present context- the human resources crisis of public health organizations.

The role that human resources play in the health care system is indisputable. Essential to achieve performance in health care is the quality of human resources management. To overcome the human resources crisis facing public health organizations in Romania, specialists in the field have made several key recommendations: development of a coherent policy of formation, development and allocation of human resources in health, increasing medical staff number and career development in the medical field.

Reforming the health system implies a change of employment issues, working conditions, degree of decentralization of management, competences, remuneration system, and staff motivation.

Specialists in the field believes that from all resources of health, the human resources are the most important player. In this sector, the role of the personnel is more important than in other sectors. As stated by Ursoniu (2000, p.101), human resource management must ensure a sufficient staff, with certain skills and appropriate training for effective and efficient use of resources. According to World Health Organization (WHO), human resource management has certain characteristics and requirements:

- health needs of the population and demand for health services should be examined;
- existing staff should be analyzed to measure its use and its efficiency;
- future needs must be assessed in relation to the general plan of action;
- research and determination of the imbalance between estimated needs and probable supply ;
- for reducing imbalances some general policies must be made, especially regarding the use of available human resources.

As stated above, in the health system is undeniable that human resources are strategic components of the health system. Essential for obtaining health performance is the quality of human resources management and its exercise of certain functions: job analysis, human resource planning, training and staff development, staff performance evaluation, personnel management, staff motivation. In Romania's situation, is known that human resource management is not a priority, its functions are not exercised fairly and consistently, and some of them are missing. All this led to the crisis in health human resources, Romania being the last place in the European Union in terms of the medical staff number per population: doctors, dentists, nurses or pharmacists.

#### **4. Conclusions**

With the lack of interest and appropriate policies relating to health, the health system in Romania is poor, and the results have an impact on population health. Health is a system that works long term. Knowing the chronic deficiencies of the health system and the difficulty to ensure these needs, several aspects should be properly taken into account. The need for health system financing and organization, as well as the need for

policies on human resources, law, medicines and improving hospital and primary care, all of these are vital because a system with no regard to the financing modality and transparent and effective allocation of resources, which doesn't provides integration of health services in order to ensure continuity and which not moves towards a system that meets the needs of citizens, is a system with no future.

To discuss possible performance in the health system in Romania, radical reform measures are needed.

In my view, organizational performance should be analyzed and addressed both in relation to predetermined objectives and to external and internal references to which the organization relates to.

We believe that the goal of any organization must be represented by continuous performance because only through performance the organizations can develop and can progress.

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