

SEVERAL ISSUES AFFECTING SUSTAINABILITY OF HEALTHCARE FINANCING IN ROMANIA*

ANDREEA-OANA IACOBUȚĂ

UNIVERSITY OF MEDICINE AND PHARMACY "GR.T.POPA" IASI, CENTER FOR HEALTH POLICY AND ETHICS, 16th University Street, 700115, Iasi, Romania
ALEXANDRU IOAN CUZA UNIVERSITY OF IASI, FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION, 22nd Carol I Blvd., 700505, Iasi, Romania,
e-mail: andreea_iacobuta@yahoo.com

Abstract:

Healthcare financing is a priority on international agenda and a challenge for all countries, no matter what their development level. Inefficiencies are present in all healthcare systems to a smaller or a larger extent. The 2010 World Health Report Health systems financing: the path to universal coverage estimates that from 20% to 40% of all health spending is currently wasted through inefficiency.

Getting higher value for invested money is, thus, a major concern worldwide but mostly to developing countries since their economic situation does not always allow an increase in spending on health in order to improve health outcomes. In this context, the efficient use of the existing resources becomes the key challenge for these systems.

This paper provides an analysis of the Romanian healthcare financing system and evaluates its performance based on several selected health financing indicators. Quantitative secondary data from national and international databases are used in order to present the patterns of health financing in Romania and to assess the performance of the system.

The performed analysis allowed us to identify several issues that explain the low performance of the Romanian health financing system and to discuss them in the context of the implemented reforms and on the basis of the recommendations made by World Health Organization towards universal health coverage.

Key words: *health financing, sustainability, efficiency, equity, universal health coverage.*

JEL classification: D61, H51, I11, I18.

BACKGROUND

Healthcare financing is a priority on international agenda and a challenge for all countries, no matter what their development level. All the countries of the world are confronted with a discrepancy between medical services' demand and the available resources. Also, all the countries are facing all sorts of inequities in population health status.

World Health Organization recommends greater and more effective investment in health systems and services in order to achieve national and international goals (WHO, 2007, v).

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Calls are made to establish a national health financing system that enables all countries to move towards universal coverage (Mathauer&Carrin, 2011, 183).

For middle and low income countries the problems they are facing are more challenging than the ones in high income countries. They display poor economic situation, chronically underfinanced health care systems, huge discrepancies in health status and so on. In this context it is hard to build a “sustainable, inclusive, and fair” healthcare system (WHO, 2007, iii).

This also the case of Romanian health care system which, from over two decades, is in continuing transformation and struggling to find a vision for its future.

The changes proposed by the health care reforms in Romania aimed at attaining the major objectives common to most countries: universal and fair access to a reasonable package of health services, control of costs of health services and efficient delivery and allocation of resources (Vlădescu, Scîntee et al., 2008, xx). These objectives have not yet been reached, due to several factors such as: the scarcity of resources (the low level of funding), the lack of a coherent political and economic environment, the low progress in decentralization, the lack of knowledge of population medical needs combined with subjective resource prioritisation criteria etc.

This paper provides a brief analysis of the Romanian health care financing system and health status indicators in order to assess its performance and to identify several of the weaknesses that hamper the sustainability of the system.

The performed analysis allowed us to identify several issues that explain the low performance of the Romanian health financing system and to discuss them in the context of the implemented reforms and on the basis of the recommendations made by World Health Organization towards universal health coverage.

METHODOLOGY

The methods used in this paper are systematic review and comparative analysis.

The analysis of the Romanian healthcare financing system and its performance is based on several selected health financing indicators. Quantitative secondary data from national and international databases are used in order to present the patterns of health financing in Romania and to assess the performance of the system.

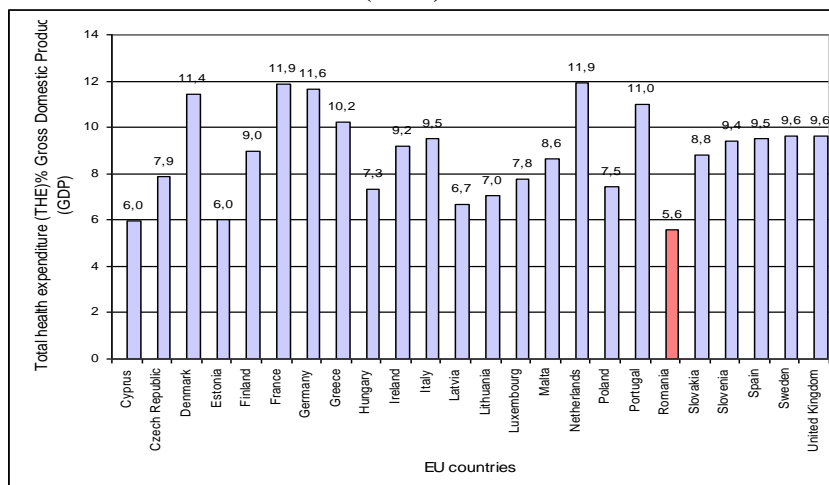
Data from World Health Organization National Health Accounts Database were used both for longitudinal analysis in order to analyze the trends in health expenditure in Romania between 1995 and 2010 and for cross-sectional analysis in order to compare the values of several indicators in Romania with the ones registered in the other EU countries in 2010. The same data source was used to analyze the Romanian health system outcome indicators and to compare them with the same indicators at the level of EU countries in 2009.

Also, we used data from European opinion surveys in order to provide an image of patients’ evaluation and satisfaction with the access and quality of healthcare system both in Romania and in EU countries.

OUTCOMES

In Romania, health financing comes from state budget and social insurance. Health financing has increased significantly since the introduction of the insurance-based system. However, compared with the EU countries, in 2010 Romania still had the lowest percentage of GDP spent on health, of 5.6% (Figure 1).

**Figure 1 Total health expenditure (THE)
% Gross Domestic Product (GDP) in 2010 in EU countries**

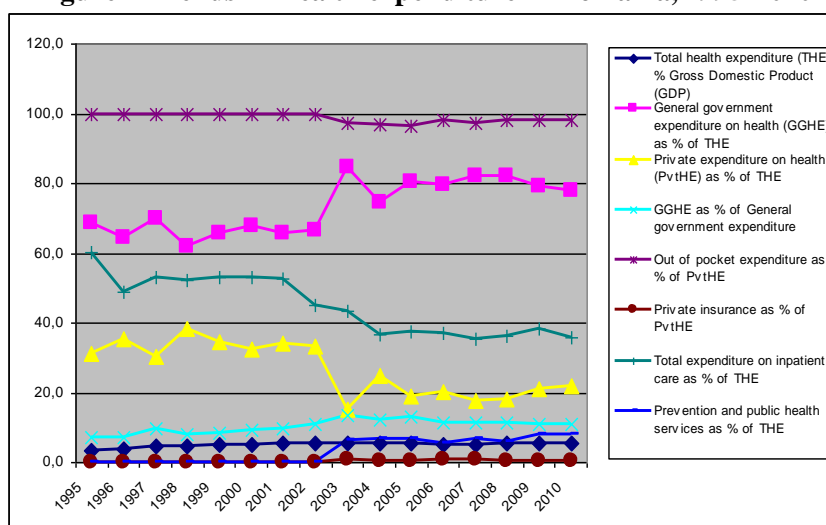


Data source: World Health Organization, Global Health Expenditure Database, National Health Accounts Indicators. Available from <http://apps.who.int/nha/database>

Figure 2 shows the trends in public and private health expenditure in Romania since 1995. As can be noticed, since 1999, the public sector has been spending on average about 5.4% of GDP. After an increase from 4.6% in 1998 to 5.1% in 1999 (when the health insurance scheme was implemented), there were no further significant increases until 2010. The total health expenditure (THE) in Romania as a share of GDP displays a positive general trend. Also, the main source of health financing in Romania is government expenditure with a share of 78% of THE in 2010.

The volume of private expenditures on health fluctuated over the analyzed period, reaching to 22% of total health expenditure (THE) in 2010. Although increasing from 18% in 2008, compared to other EU countries private sector plays a small role in co-financing health care in Romania. A major part is formed by out of pocket expenditures, the share of which has been stable at around 98% of total private expenditures between 2006 and 2010. Private health insurance is not widespread in Romania, its share in private expenditure being less than 1%.

Figure 2 Trends in Health expenditure in Romania, 1995-2010



Data source: World Health Organization, Global Health Expenditure Database, National Health Accounts Indicators. Available from <http://apps.who.int/nha/database>

A large share of out-of-pocket expenditure in Romania is represented by informal payments. Several studies estimate that these would account for 25–29% of total health expenditure but the real amount is not known (Scîntee&Vlădescu, 2006, 240). A comparison among EU countries from the perspective of the relationship formal payments - informal patient payments is provided by Figure 3.

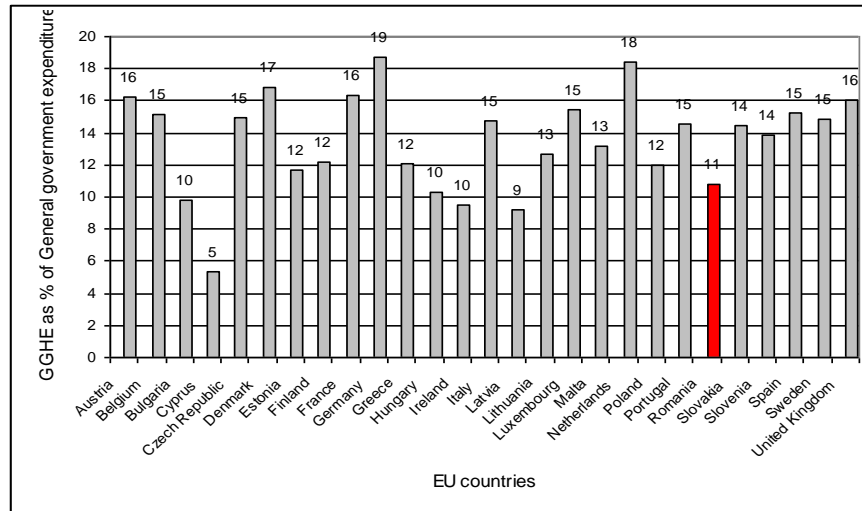
Figure 3 Formal-informal patient payment mix in Europe

Formal obligatory/unavoidable service fees	<p>2 Belgium, Cyprus, Finland, Germany, Iceland, Ireland, Netherlands, Norway, Portugal, Slovenia, Sweden, Switzerland</p>	<p>3 Austria, Croatia, Czech Republic, Estonia, France, Italy, Luxembourg</p>	<p>5 Albania, Bulgaria, Latvia, Lithuania</p>
	<p>1 Denmark, Malta, Spain, UK</p>	<p>4</p>	<p>6 Greece, Hungary, Poland, Romania, Russia, Slovakia, Turkey, Ukraine,</p>
	no	some cases	widely spread
	Informal patient payments		

Source: Groot, W. (2011), *Patient payments in Europe*, International Conference Sustainable Financing of Health Care systems Presentation, March 24-25, 2011, Bucharest. Available from http://tarusmedia.ro/res/presentations_financing/Wim_Groot.ppt

Another important characteristic of public health expenditure is its share in total General government expenditure. As can be noticed from Figure 2, the general trend shows slight increases over the years. A falling was registered from 2008 (11.4%) to 2009 (10.8%), the share of the General government expenditure on health (GGHE) in General government expenditure remaining at the same level in 2010. A possible explanation may be provided by the present economic crisis. Compared with the EU countries, Romania spent a low share of public resources on health, being “surpassed” only by very few countries (Figure 4).

Figure 4 GGHE as % of General government expenditure in 2010 in EU countries

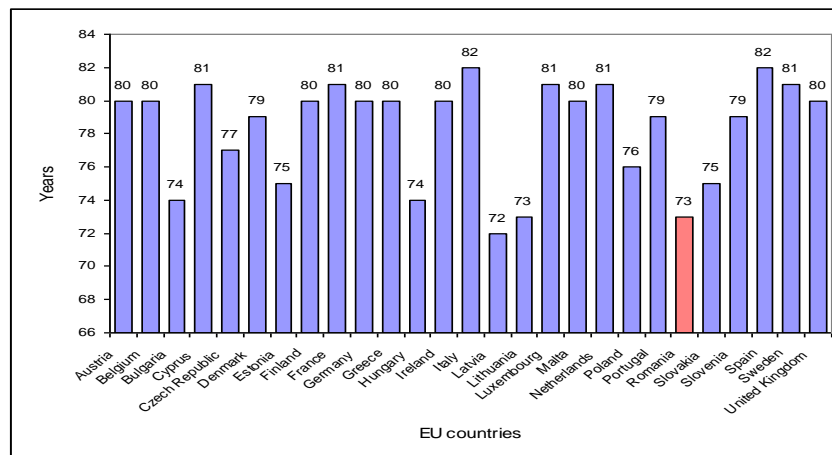


Data source: World Health Organization, Global Health Expenditure Database, National Health Accounts Indicators. Available from <http://apps.who.int/nha/database>

Like the input indicators presented above, the evolution of Romanian health system outcome indicators points out several improvements over the years but still Romania falls behind EU countries in life expectancy, infant mortality rate, under-five mortality rate and other health status indicators.

The evolution of life expectancy at birth displays a slightly increasing trend in Romania, from 71 years in 2000 to 73 years in 2009. Despite the positive trend, life expectancy at birth in Romania is lower than in most EU countries (Figure 5).

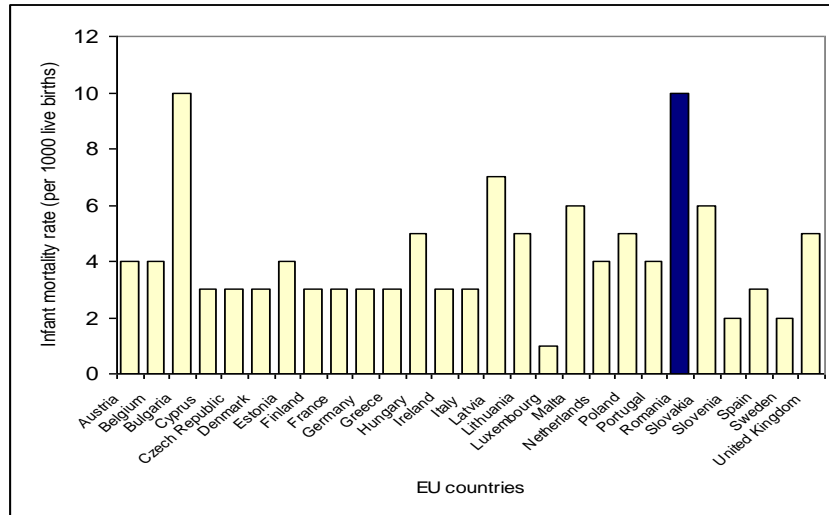
Figure 5 Life expectancy at birth (years) in 2009 in EU countries



Data source: World Health Organization, Global Health Expenditure Database, National Health Accounts Indicators. Available from <http://apps.who.int/nha/database>

Infant mortality rate, one of the most important health status indicators, targeted in the Millennium Development Goals, shows the same situation. Even though it declined from 19% in 2000 to 13% in 2006 and further to 10% in 2009, Romania still has the highest infant mortality rate among EU countries, the same as Bulgaria (Figure 6).

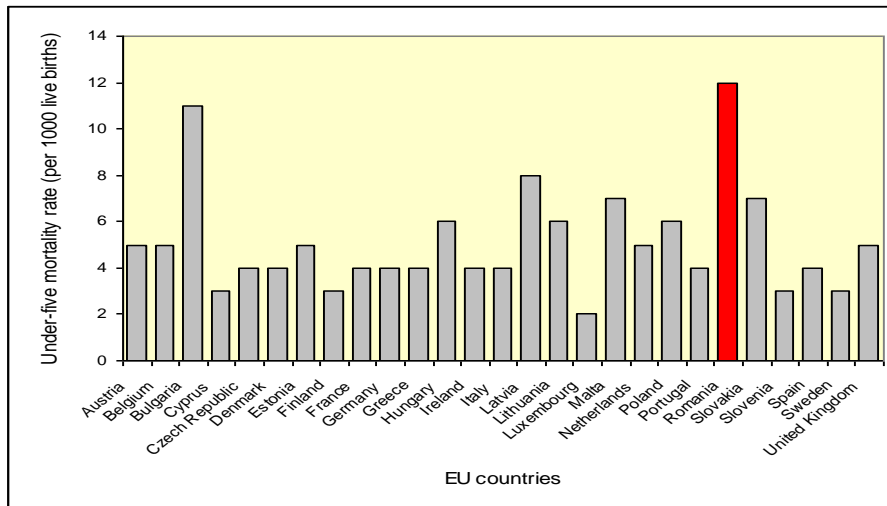
Figure 6 Infant mortality rate (per 1000 live births) in 2009 in EU countries



Data source: World Health Organization, Global Health Expenditure Database, National Health Accounts Indicators. Available from <http://apps.who.int/nha/database>

Also, under-five mortality rate – another indicator targeted in the Millennium Development Goals - has significantly declined over the years, from 26% in 1995 to 22% in 2000 and further to 18% in 2005 and 12% in 2009. Despite this positive trend, the level reached in 2009 places Romania on the first place among EU countries (Figure 7).

Figure 7 Under-five mortality rate (per 1000 live births) in 2009 in EU countries



Data source: World Health Organization, Global Health Expenditure Database, National Health Accounts Indicators. Available from <http://apps.who.int/nha/database>

The indicators presented above provide the image of a healthcare system which has been improving over the years but is still behind other EU healthcare systems. This image corresponds to Romanians’ evaluation of healthcare in their country. According to the results of a *Special Eurobarometer*, 55% of the Romanian respondents consider that is likely to be harmed in hospital and non-hospital care in Romania. The percentages are above the EU 27 average of 50% and respectively, 46% (European Commission, 2009, 12). When asked to evaluate the overall quality of healthcare in their country only 25% of respondents in Romania consider healthcare quality in their country as “good” (the EU average being 70%) while 26% see it as “very bad” (European Commission, 2009, 58-

59). Also, 73% of the Romanian respondents perceive the healthcare in their country as “worse” than in other EU member states (European Commission, 2009, 61).

Besides, access to, and quality of, health care is in Romania uneven among development regions, income groups and ethnic minorities (Cox Report, 2007; Dragomirișteanu, 2010).

DISCUSSIONS AND CONCLUSIONS

The results of the performed longitudinal and cross-sectional analyses are in line with the ones in previous published studies in this area.

The main issues of Romanian health financing system are the insufficient resources and the inefficient use of the existing ones. To these we can add the fact that most of the times governments gave health a relatively low priority when allocating their budgets.

The Romanian health financing system is a cause of low health status, health inequity, unequal access, and low quality of care.

Although slightly increasing over the years, cross-sectional health expenditure data show that the Romanian health system still has lower level of funding as compared with EU countries. The insufficient level of health spending results in the widespread practice of informal payments. This represents a significant financial burden for patients, distorting incentives in the payment system and increasing inequities.

The increase in health spending had a positive effect on health outcomes. The efficiency of health expenditure is questionable when comparing health status indicators. The available data illustrate that health status indicators in Romania are well below the ones in EU countries. Most of the population perceives the health system as unsafe, of low quality, inequitable and hard to access.

A performant health care system cannot be developed according to the “one size fits all” principle. There is no unique receipt or policy mix to do this. World Health Organization makes several recommendations to help countries to move towards universal coverage: raise sufficient funds (through increasing the efficiency of revenue collection, reprioritizing government budgets, innovative financing, development assistance for health), reduce the reliance on direct payments to finance services (or, in other words, remove financial risks and barriers to access), and improve efficiency and equity (or eliminate waste) (WHO, 2010).

Thus, increasing public spending on health alone is not enough to improve the health status of population. Supplementary steps are needed to improve performance, efficiency and accountability in Romanian health sector.

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