



BRIEFING NOTE #8

TRANSITION TO A NATIONAL HEALTH SERVICE

OCT 3, 2013

PURPOSE: To review the options for moving from the current health insurance model in use in Albania to an alternative such as a National Health Service.

BACKGROUND

The name or title given to a health system is less important than its characteristics. The names in use internationally range from National Health Service, Social Insurance Systems, Health Insurance Fund, etc.

There are several characteristics of any system that may be combined in various ways to create a health care system. These characteristics and the options are as follows:

1. The system could be public, private or a public-private mix
 - Public systems usually mean most of the revenue is drawn from public funds through taxation and usually means the public sector manages the system.
 - Private systems rely on user-pay or private insurance contributions to pay for services.
 - Public-private could mean the providers are paid either through public funds or private contributions and services could be delivered either by public or private organizations.

Comments: Well managed, public systems are generally less expensive overall because it eliminates the profit margin usually associated with private systems. Public systems also generally provide better health care security for lower income residents.

2. Coverage may be:
 - Universal - meaning it is available to everyone;
 - Voluntary - meaning residents have an option to participate, or not.

Comments: Universal systems tend to spread the financial risk for illness over the whole population. This tends to help minimize the total cost of health care, especially with a relatively small population as in Albania. Having a system of public care for the poor and a private system for the rich tends to cost more overall and the public system will generally be of lower quality.

3. Revenue may be generated in any of several ways:
 - General taxation- a portion of the tax revenue is dedicated to health care.
 - Contributions by residents or citizens through premiums, co-payments, deductibles, registration fees, user fees or any combination of these.
 - Informal payments- unregulated payments to providers.

Comments: Usually public, universal systems rely heavily on general taxation. Tax based systems are most difficult in poor countries where there is a high proportion of the population that does not pay

tax because they have informal or non salaried work or because they earn low wages. It is also the best option because of the large proportion of poor.

Most European countries have a public system with most of the revenue coming from taxation but which also obtains revenue from premiums, registration fees or co-payments. Systems with taxation as the base of their revenue are able to protect, ie subsidize the cost of care for the poorest of the population. Permitting or tolerating informal payments reduces the effectiveness of a public system in providing accessible care for the poor and results in distrust of the health care system by the population.

4. Provider funding or reimbursement:

- Providers such as doctors, nurses, hospitals may be funded or compensated for their work in several ways:
 - Salary
 - Fee for Service
 - Payment for cases
 - Budget allocation

Comments: The method of funding providers could be any combination of the options listed and are not constrained by the type of health care system. Each has its advantages and disadvantages. With good supervision, salary offers cost control and a method to direct care where it is needed. Fee for service and case payment systems tend to cause an increase in service delivery and thus expenditures often exceed the budget. Budget allocation on a line by line basis such as for primary care and hospital care in Albania offers the best control of expenditures but it minimizes innovation, efficiency and effectiveness of care management.

ANALYSIS

Regardless of the combination of characteristics chosen for the system in Albania, the same type of organization is required to manage the system. Whether it is the Ministry of Health (MOH) or the Health Insurance Institute (HII) or an organization with a different name, it will require the same functions as now provided by the HII and MOH. It will require dedicated staff with very specific education, experience, and skills to oversee the operations.

In many countries, organizations separate from the MOH, such as HII are created for this purpose. This is because Ministries are often large bureaucracies which are unable to respond quickly to change policies, adjust to new technologies and hire the staff needed to manage the system. All of the functions now being performed by HII will need to be provided by any replacement organization. These functions include:

- Registration of people who are covered, insured, etc.
- Supervision and funding of providers (primary care, hospitals etc)
- Collection of information and analysis of services of providers in such a way to ensure value for money, good quality care, etc.

If Albania eliminates payments by patients, ie premiums, co-payments, deductibles etc, it will lose about 60 million Euros of the total 260 Euros spent on health care. These funds will need to be acquired from some other sources. In an already underfunded system it is not reasonable to consider reducing total expenditures by this amount.

In Albania, there has been a history of hiring or appointing staff to both senior and junior positions based on personal or political connections. This results in poor management, inefficiency and loss of funds to corruption resulting in poor health care and unnecessary morbidity and death. Hospital directors typically are unqualified for their positions, serve for short periods and have no commitment to the long term improvement of the hospitals.

At HII, a number of staff members have gained significant experience and capability to perform their functions well. Others are neither capable nor interested in their positions.

Appointments in health care should be based on a transparent selection process based on merit and open competition with education, experience and commitment being the criteria for selection. People hired should be made accountable for their performance.

RECOMMENDATIONS

It is recommended that:

- Any name could be adopted for the health system in Albania.
- Characteristics could be a combination but a tax based system is best and because tax revenue is limited, other forms of contributions may be required.
- Primary care provider compensation and organization is best organized as it is presently.
- Hospital funding should move from the current historical and line by line allocation system to a more equitable global budgeting and population based model, in order to distribute funds more fairly and to enable hospital managers to meet patient needs better.
- Before global budgets are adopted, there should be a governance system in hospitals (boards of directors separate from government to oversee hospital management and to minimize political interference).
- Hospital managers and HII staff should be selected through open competitions based on their experience, education and skills.
- Informal payments should be strictly prohibited.

For an excellent, more detailed description of these issues please see:

The European Observatory Policy Brief: Funding Health Care, Options for Europe
http://www.euro.who.int/__data/assets/pdf_file/0003/108831/Fhcpolbrief4.pdf