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## **8. HEALTH CARE SYSTEM**

‘Healthy nation and developmental economy’ is part of the program of the Government of the Republic of Macedonia that relates to the development of the health care system and of the reforms in the health care system which are planned to be implemented in the 2008 – 2012 period. The program has been divided in 4 parts. The first part is dedicated to the commitments of the Government of the Republic of Macedonia to retain the values and merits which the health care system in the Republic of Macedonia is founded on; the second part refers to the guidelines of the Government of the Republic of Macedonia relating to financing the health care system; the third part refers to improving personal and preventive health care services; and the fourth part of the program relates to planning new investment cycles in the health care system.

This report presents the level of the implementation thus far of the program determinations concerning different parts of the program. In this context, due attention is paid to the possible risks in non-application of certain activities and presentation is given of general picture of the situation in the health care system.

### **8.1. Planned and implemented activities of the Government of the Republic of Macedonia in the reporting period**

#### **8.1.1. Values of the health care system**

The major values and merits of the health care system are defined by the Macedonian Government to be the basic characteristics of the European health care systems, such as solidarity, equality, and inclusion of the people in the decision making process. Indeed the very contents of the Program made by the Government of the Republic of Macedonia indicates that the Government will try to keep up, intensify and further promote these European values and merits in all aspects of the organization of the health care system in the Republic of Macedonia.

In the present implementation of that part of the program, the Government of the Republic of Macedonia indeed shows great concern to protect the poverty-stricken segments of the population and the vulnerable groups from further financial costs that refer to their health care. Such example has been noted in the recent amendment made to the Law on medical insurance. These amendments have paved the way for all unemployed persons and persons who are not medically insured on any grounds whatsoever, to be included in the health care system. Thus, the Macedonian Government has really tried to offer greater access to the medical insurance system for the entire population residing in the Republic of Macedonia. Additionally, the Government has been undertaking measures to reduce the private costs of insured patients for their hospital treatment by providing all the required medicaments and disposable medical materials.

### **8.1.2. Medical insurance and financial sustainability**

The second segment of the government programs contains growth projections and commitments to preserve the system of social security and medical insurance, projections on reduction of the rate of contribution for the medical insurance, as well as increasing the budget of the state-run Fund for Health Care Insurance of the Republic of Macedonia.

As part of the taxation system reform, the Government of the Republic of Macedonia has projected and implemented reduction of the rate used in payment and collection of all social security contributions, including the contributions for the medical insurance, starting from 9.2% in 2007 through cascade-like decrease to 7.5% in 2009 and the final 7.0% in 2010. The Government of the Republic of Macedonia has launched this reform expecting that reduction of rate of social security contributions would not produce a negative impact on the budget of the state-run Fund for Health Care Insurance of the Republic of Macedonia; this has showed to be partially true. Nevertheless, it is important to note that no tendency has been realized in increasing the budget of this Fund, so that the impartial evaluation of the effects from such reform will have to be monitored in the period to come. Greater problem would represent the already announced reduction of transfer of funds from the national budget to that of the Fund; this indeed shows there are objective risks in the financial sustainability of financing health care services.

The Government of the Republic of Macedonia announced that introduction of the new manner of financing by means of the so-called diagnostically related groups (DRG) will enable fair and efficient manner of distribution of financing of state-run hospitals, as well as proper evaluation of solvent hospitals. Implementation of such reform is the outcome of integrated and intensive efforts made by the Ministry of Health, the Project Coordination Unit, and the Fund for Health Care Insurance of the Republic of Macedonia in the last 3 years. In context of the reforms intensively undertook in 2008 and 2009, the Government of the Republic of Macedonia was fully dedicated to implementing that program promise. Results thus far indicate that all general and specialized hospitals, as well as the university clinics, make records of all treated cases by means of the system of DRG. The system of recording (coding) was implemented after intensive trainings for teams of all hospitals in direct cooperation with the Fund for Health Care Insurance of the Republic of Macedonia. Provision was made of specially developed software (the so-called grouper) and such application is downloadable on the website of the said Fund. All hospitals are now obliged to regularly code all hospitalized cases and send such reports directly to the Fund.

Initial results have shown high level of inaccuracy in collected data; this is mostly the outcome of the process of adaptation and inadequately efficient control. Still, enhanced controls by the Fund for Health Care Insurance of the Republic of Macedonia in the third quarter of 2009 have contributed to major improvement of recording and data that are collected from providers of medical services. Such collected data, through the system of DRG, will enable the Fund for Health Care Insurance of the Republic of Macedonia to become truly strategic purchaser of health-related services. This in turn will replace the present manner of financing the medical institutions that is input based, towards a system of financing that is output based.

### **8.1.3. Preventive and personal health care services**

The Government of the Republic of Macedonia has foreseen important promotion of preventive services through transformation of the institutes for health prevention into modern institutes for public health.

In 2008, the Macedonian Government made important step forward towards improving the preventive public health services. Pursuant to the program commitments, amendments were made to the Law on health care whereby the then Republic Institute for Health Care and its regional affiliated offices were transformed into Institute for Public Health and regional centers for public health. Nevertheless, these changes have not been followed by corresponding statutory support in segment of future financing of the public health care system and by prevention improvement at national and local level through investment in HR (Human Resources); this may appear as possible risk in the overall successful implementation of such program commitments.

In context of prevention, it is important to underline that the Government of the Republic of Macedonia has continued implementation of preventive programs such as 'Health for everyone', as well as introduction of mandatory HPV immunization for all girls between 9 and 26 years of age.

The Government also made major efforts to prevent or downsize the pandemic of the flue H1N1. Introduction was made of strong preventive measures at all border crossings; heat-sensor cameras were installed in order to register all persons entering the territory of the Republic of Macedonia and having increased body temperature and flu symptoms. Efforts are being made to supply 800,000 vaccine shots that should meet the needs and demands of most of the population who would be infected by such type of flue. It is expected that vaccine process will start in November and December 2009.

Likewise, the Government of the Republic of Macedonia has announced the start of giving subsidies for the in Vitro Fertilization and Other Assisted Reproduction methods (IVF) through the Fund for Health Care Insurance of the Republic of Macedonia. That novelty was implemented with great initial success by concluding cooperation agreements with 3 accredited private hospitals, as well as the state-run Gynecology and Obstetrics Clinic at the Medical Faculty on Skopje. The Fund for Health Care Insurance of the Republic of Macedonia actually fully finances the first three attempts of a couple to have a child by means of the IVF method in the four medical institutions that have signed such agreements. According to initial information, implementation of all cooperation agreements is being conducted with satisfactory results. In 2009, the Fund for Health Care Insurance of the Republic of Macedonia earmarked funds for 1,550 IVF attempts. Out of them, 76% of the planned finds were spent by 30 September 2009.

In the primary health sector, the Government of the Republic of Macedonia announced its intention to raise the role of personally chosen primary health care doctors, as well as to open medical specialization for future family doctors. The Fund for Health Care Insurance of the Republic of Macedonia raised the value of the so-called capitation point for 5 MKD; however, in this context no analysis was made on the distribution of

risk from visiting a doctor by gender and age groups. This practically caused linear raise which is not directly linked to the success in the work of different categories of doctors in the primary health care system.

After a corresponding period of preparation, in October 2009 cooperation agreement was concluded between the Skopje Medical Faculty and the London Imperial College concerning family medicine studies and specialization. Implementation of such study reform will take place in several stages. The first stage will involve training of a group of 10 doctors specializing in family medicine who have already commenced their 3-year specialization studies in October 2009. The second phase will involve further training of present doctors in the primary health care system; finally, the third stage will be completed by opening a Family Medicine Department at the Skopje Medical Faculty.

#### **8.1.4. Investment in the health care system**

In its program, the Government of the Republic of Macedonia plans to make new investment in the health care system in context of improving infrastructure, purchase of new and state-of-the-art medical equipment, introduction of new IT, and, maintaining constant investment in the HR working in the health care system.

After the 2007 successful implementation of full computerization of the Fund for Health Care Insurance of the Republic of Macedonia and all its local offices through the Project on management of the health care sector funded by the WB, opportunities were created for implementation of the planned project to introduce personal electronic health care card. The Ministry of Health commenced implementation of a project that provides for full refurbishing and equipping of a central room for data collection, and planning full computer installations in all public medical institutions. Complete realization of the project on computerization of the public health care system is scheduled to be completed in 2010.

The government program also foresees additional investment in further development and functional integration of the university clinics and investing in the construction of a new Emergency Center as part of the existing Clinical Center complex. In 2009, the Ministry of Health intensively worked on the implementation of the so set program commitments, whereby certain projects suffered some changes and re-adaptations, as in the case of the transformation of the City Hospital in Skopje into an Emergency Center, instead of its planned integration within the University Clinics in Skopje.

The Republic of Macedonia signed a loan agreement with the CoE Development Bank worth 45 million euro. These funds are earmarked for renovation of many public health institutions, including the University Clinics in Skopje. The Ministry of Health has formed a new Project Unit whose aim is to implement all those activities agreed upon with the aforementioned bank. Feasibility study was made. The renovation of public health institutions should start in early 2010.

The Ministry of Health also started in 2009 the transformation of the Military Hospital in Skopje into a city hospital for the needs of the city of Skopje. This project, in addition to great financial resources, will require additional investment in the HR segment.

According to the Program 'Healthy nation and developmental economy', investing in the health of the citizens of the Republic of Macedonia has direct contribution to the economic development of the country. The program underlines the need for higher responsibility and role of the state in provision of all necessary conditions for healthy life as well as for speedy recovery of patients. Likewise emphasis was made on the role of the individual and his personal responsibility for own health as well as for other's health.

The ultimate goals of the announced changes that the Government plans to carry out on long and sustainable term is to reduce private health-related costs of the citizens opening opportunities for additional health care insurance, as well as recognition of the influence and role of the private medical sector. The Government of the Republic of Macedonia foresees that the implementation of its program will raise the role of the patient as the focal point of all actions within the health care system and that this will gradually make our the health care system come closer to the modern health care systems in Europe.

## **8.2. What remains to be implemented (not yet implemented or not yet finished) in the analyzed period**

The Government of the Republic of Macedonia announced starting a process of democratization in running the Fund for Health Care Insurance of the Republic of Macedonia by establishment an Assembly of Medically Insured Persons. The aim of this program intention was to increase the transparency in the work of the Fund for Health Care Insurance of the Republic of Macedonia, and the role of the medically insured persons in the distribution of the collected revenues from the social security contributions. Although the final deadline for implementation of this commitment was January 2009. Nevertheless, in spite of the recent amendments to the Law on on health insurance, such announced change was not part of the proposed amendments to the said law.

Non-implemented program commitments include preparation of the Master plan for transformation and development of hospitals. This plan was to foresee the future planning and development of hospitals, which in turn would have provided detail prediction of future investment, avoiding thus possibility of doubling or overlapping of financing and of increasing costs. Additionally, such plan would enable also greater regional medical cooperation among local hospitals located in a same region (for instance: Bitola, and Prilep; Ohrid, Struga and Kicevo; Kocani and Stip).

The Government of the Republic of Macedonia announced complete transformation of the hospital sector by drafting and adoption of the Law on autonomy of general and special hospitals. Although this law was prepared in 2008, its adoption has been postponed. The aim of this new law would be to bring greater spirit of entrepreneurship, as well as new opportunities for the state-run hospitals. Such reform-minded concept is complementary with the new management principles in running hospitals; these principles should significantly raise the quality of the work done, improve the attitude and relationship towards patients, and introduce a system of proper work evaluation of the people employed in the public health care system in the Republic of Macedonia.

Still one cannot note progress in the promotion of the palliative care of old and feeble people in the country with greater role of the medical house call practice.

### **8.3. Evaluation of potential risks from (non)implementation or from (non)quality implementation of activities**

Postponement of reforms in managing the Fund for Health Care Insurance of the Republic of Macedonia leads inevitably to minimizing the role of contributors of social security contributions in the decision-making process on how to distribute the revenues that are collected by this Fund. One can locate here the greatest risk to the present and future functioning of the health care system of the Republic of Macedonia.

The analyzed period also noted lack of functionality of the present management system of the Fund for Health Care Insurance of the Republic of Macedonia. Thus, certain decisions which had been previously made by the Management Board of the Fund for Health Care Insurance of the Republic of Macedonia (for instance, the discontinuation of the positive list of government-paid medicaments) were later revoked by the Minister of Health; this then led to a public confrontation between the said Minister and the Fund Director who later had to leave his office. The present management structure of the Fund, where payers of social security contributions are represented by their representatives in the Management Board of the Fund, is insufficiently transparent. This could lead to potential direct pressure and influence by incumbent politicians in the distributions of the funds collected from the insured contributors. Indication for such conclusion has been the implementation of the Government Project on free-of-charge health care insurance for all citizens. This Project has been implemented by the Government without at the same time providing additional money to the Fund from the national budget in view of now greatly increased medical expenses for everyone in the country. This has only added further risk to the possible successful outcome of the Project. On the other hand, the medically insured people (as the group of greatest contributors to the revenues of the Fund) were never consulted on the manner of collecting and spending these funds. This has created a situation of increased number of medically insured people and greater need to deliver medical services for all of them, on one hand, and lower health care budget on the other; this might indicate a rather serious threat to the financial sustainability of the overall state health care system in the country.

Although planned in the various Government programs, the introduction of autonomy in the work of general and special hospitals has yet to see the light of day. The postponement of this intended process, which is directly complementary with the introduction of the DRG system, could possibly invoke high risks in certain segments of hospital management. Contrary to the expectations that the said autonomy would introduce entrepreneurship spirit in the state health care system, its postponement will prolong the present autonomy of the hospitals in making decision on hiring medical staff, promoting their operation, as well as in using and directing the funds that these hospitals get, regardless if investments or hospital annual budgets are in question.

Additional risk to the successful outcome of the reforms in the health care system is seen in the official announcement by Government officials of projects that lack careful planning, so that such projects are difficult to carry out, are postponed, or even are not implemented at all. Such example is the purchase of medical equipment and machines the

implementation of which has been going on for more than two years; this leaves room for doubts as to the successful outcome of this project. This also relates to the announced Project on transformation of the Skopje Military Hospital lacking any clear time frame, precise analysis of the costs and of required investments in certain segments, especially costs relating to the projected medical staffing. Similar untreatment has been given to the formal announcement of opening a coma department as part of the present Gerontology Institute in Skopje. Although that project was publicly announced by formal opening of the premises to be equipped with the new designated medical machines, it has been almost stopped. There is no trace whatsoever of the similarly widely publicized Project on PPP (Public Private Partnership) in medicine, and especially of the Project on dialysis.

Possible reason to postpone certain projects is seen in the current economic crisis which has had a direct impact on the public health care system in the country as well. Reduction of the social security rate, coupled with lower transfer of money from the national budget for the Fund for Health Care Insurance of the Republic of Macedonia have thus caused lower revenues of this Fund. Thus, the total revenues of the Fund in 2008 amounted to 20.5 billion MKD, while the 2009 revenues were decreased to 19.7 billion MKD due to national budgetary cuts. The second 2009 national budget revision provided further cuts to the overall revenues of the Fund. According to statements by Government officials, there will be further national budget cuts in 2010 for the revenues of the Fund by 5%. Smaller revenues of the Funds are not followed by reduction in the type and volume of services that are bought from the public medical institutions; there is also no reduction in the medical staff or medical institutions so financed. This actually means that the public medical institutions are compelled to produce more services with less resources, which certainly can have grave consequences on the quality of rendered services or to make the patients spend more private money for disposable medical material that cannot be presently provided for by the state health care system.

#### **8.4. Overall evaluation by the expert on implemented activities for the reporting period, with possible recommendations**

The Government of the Republic of Macedonia, and especially the Ministry of Health, although faced with great challenges and restriction in financing the state health care system, have adhered to the implementation of the set reform tasks and projects in the health care system that have been defined in the mid-term program activities. Because of the complexity of the reform process and lack of precise information, there is no possibility to make overall evaluation of the results in the foreseen reforms in the present stage of their implementation.

The introduction of the new manner of financing the hospital services by means of the aforementioned DRG system is signed out as the best-implemented activity in this period during the analyzed period. Indeed this is one of the biggest reform steps forward that have been to date undertaken in the Macedonia state health care system. Although this reform has not been fully completed, one should underline the fact that most activities in this context have been finalized in very short time period (2007-2009), as opposed to many other countries where such system was introduced within 7 to 10 years on the average.

The Government will face greater challenge in context of the actual connection of the financing of the hospitals with the DRG system, when great discrepancies will appear between the planned budgets and actual paid expenditures by the state medical institutions. Initial analyses show that there will be many hospitals whose budgets will have to be cut for the sake of other hospitals which will require increased budgets in accordance with the work done during the year. The final impact of such reform will be later shown by means of integration of the DRG system computer applications with the informatics systems of the hospitals and the Fund for Health Care Insurance of the Republic of Macedonia.

Together with the implementation of the planned program activities, the Ministry of Health has started in 2009 a completely new reform-based approach in its work by establishment of the Committee for health care promotion. Although this process has been applied with evident transparency and inclusion of many stakeholders that operate within and around the medicare system, nevertheless there is impression that the Committee plans new activities incompatible with the ongoing Government medicare Program. Therefore, it would be necessary in the period to come to make direct connection between the Government Program and new activities undertaken by the said Committee.

It is to be recommended that the Government should be very careful in the forthcoming period in the presentation of the policies it intends to pursue, while their public presentation should be conducted at the moment when related projects are about to be completed.

Ultimately one would recommend, for the sake of high level implementation of already started and future planned reforms and projects, that the Government and particularly the Ministry of Health act towards reduction, and in some points, towards complete elimination of the said threats and risks that pop up on that road.