



OECD Joint Network of Senior Budget and Health Officials
Fiscal Sustainability of Health Systems

3rd Meeting for Central, Eastern and South Eastern European Countries (CESEE)

Increasing the Efficiency of Healthcare through Better Budgeting and Governance

25-26 April 2019, Vilnius, Lithuania



Synthesis Note

OECD Joint Network of Senior Budget and Health Officials: Fiscal Sustainability of Health Systems

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Organised by the OECD, with support from The Global Fund to Fight Aids, Tuberculosis and Malaria; the WHO Regional Office for Europe; and the Ministry of Health of the Republic of Lithuania

Synthesis Note

The third meeting of the OECD Joint Network of Senior Budget and Health Officials for Central Eastern and Southern Eastern European (CESEE) countries focused on budgeting and governance challenges, and identified solutions to increase the efficiency of health spending. The meeting also presented results from the OECD budgeting practices for health survey, implemented in the region in light of discussions for future work held in the previous meeting.

This year, 75 participants from 22 countries¹ in the CESEE region attended the meeting. This included representatives from Health and Finance Ministries, Social Security Funds and experts from The Global Fund, WHO, Transparency International and the European Healthcare Fraud and Corruption Network.

In conjunction with the meeting for CESEE countries, during 2019 the Joint Network held a regional meeting for Latin America and Caribbean countries in San Jose, Costa Rica, along with the annual meeting for OECD countries in Paris.

¹ Albania, Azerbaijan, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Malta, Moldova, Poland, Slovak Republic, Slovenia, Romania, Russia, Turkey and Ukraine,

Session 1: Introductory Perspectives and Overview of Health Financing and Budgeting Practices for Health in CESEE Countries

Overview

This session set out the objectives of the meeting, with senior officials from the Lithuanian government providing their perspective on collaboration between finance and health ministries.

Presenters and Topics

- **Overview of Health Financing and Budgeting Practice for Health in Lithuania, Aurelijus Veryga, Minister of Health, and Kristina Garuoliene, Vice Minister of Health, Lithuania**
- **Meeting Overview and Introduction, Chris James and Andrew Blazey, OECD**
- **Improving the Dialogue Between Health and Finance Officials, Tamas Evetovits, World Health Organisations**
- **Welcoming remarks, Michael Borowitz, The Global Fund to Fight AIDS, Tuberculosis and Malaria**
- **Health Financing and Budgeting Practices in CESEE Countries, Caroline Penn, Budgeting and Public Expenditures Division, OECD**

Key Messages

- Results from the OECD Survey on Health Financing and Budgeting Practices in CESEE countries showed that for all countries health spending is lower than the OECD average, and out-of-pocket payments are high. Budgeting tools were, though, in place across the region, including multiyear projections and the use of performance information within the budget process. However, targets and ceilings for expenditure and long-term projections were rarely used.
- Discussions focused on the question of an appropriate level of health care expenditure. Lithuania noted their public spending on health was significantly lower than the EU average. The World Health Organization (WHO) suggested high unmet needs and weak financial protection act as signals for insufficient public spending, with indicative benchmarks of minimising out-of-pocket payments to less than 15% of total health spending and a minimum of 12% of the government budget being allocated to health.

Session 2: Wasteful Spending: Tackling Corruption, Fraud and Abuse through Better Governance

Overview

Considerable resources for healthcare are lost to corruption, fraud, abuse and other activities constituting integrity violations. The total loss is difficult to estimate, but Transparency International estimates that around 34% of citizens in OECD countries consider the health care sector corrupt or extremely corrupt.

Presenters and Topics

- **Wasteful Spending in the Health Sector, With a Focus on Fraud and Corruption, Chris James, Health Division, OECD**
- **International Experiences in Tackling Corruption, Fraud and Waste in the Healthcare Sector, Nathalie De Wulf, European Healthcare Fraud and Corruption Network (EHFCN)**

Discussion moderated by Ingrida Kalinauskiene, Transparency International, Lithuania

Key Messages from Presentations

- In OECD countries, up to 20% of all health spending is potentially wasted, with loss to fraud and error estimated to average 6% of payments for health care services. Though there are no equivalent estimates across the CESEE region, the extent of the problem was seen by delegates in the room as at least as high, if not higher.
- The European Healthcare Fraud and Corruption Network aims to improve European healthcare systems by reducing losses to fraud, waste and corruption for the benefit of every patient. It has identified common corrupt practices and anti-compliance behaviours among countries, and the areas of vulnerability in the health sector. Proposed actions to combat corruption include solid regulatory and political frameworks, education, public awareness, and digitalisation.

Box 1. Key Messages Derived from Group Work Discussions

Challenges from tackling integrity violations identified by country delegates:

- Public procurement, especially in the case of small countries.
- Overuse of services and pharmaceuticals.
- Poor information systems and lack of transparency to monitor service providers.

How can these challenges be addressed?

- Delegates noted digitalisation as a solution for corruption challenges (Czech Republic, Estonia, Lithuania and Poland. For example, in Poland, the Ministry of Health is moving towards eHealth records, with the aim of improving transparency for patients, by showing the real costs of the received medical services, and to raise awareness about the costs of health care. Moreover, digitisation allowed for better data analysis within the health sector.
- Introduction of Health Technology Assessment
- Governance is key, which is achievable through a dedicated national anti-corruption plan or unit. Actions taken within include dedicated anti-corruption training sessions, and the promotion of good practices through information campaigns.

Good practices on pharmaceuticals expenditure

- Delegates stressed the need to promote the use of generics, and strengthen procurement processes.
- The Ukraine has outsourced its public procurement process of medicines from the Ministry of Health to non-government organisations, with contracts specifying accountability mechanisms throughout the procurement process. This initiative has contributed to a 40% reduction in the net price of oncological medicines in the first year.

Are salaries of medical personnel too low or too high?

- Most delegates noted that low salaries were often an issue in the region, leading to under-the-table payments, doctors emigrating to other countries in search of higher salaries, or switching from the public to private sector.
- Some delegates noted that they increase staff salaries in order to discourage the above behaviours (e.g. Lithuania), in some cases benchmarking with other graduate salaries to compare across sectors. However, this does not always discourage doctors from leaving the country, as working conditions also need to be improved.

Session 3: Sin Taxes - Increasing Revenues and Meeting Public Health Objectives

Overview

Sin taxes are placed on goods that adversely affect health, such as alcohol, tobacco, and sugar-sweetened beverages. The taxes can have a positive impact on the change of people's behaviour and thus contribute to healthier lifestyles, while adding to tax revenues.

Presenters and Topics

- **Increase Revenues through Health Taxes, Bert Brys**, Centre for Tax Policy and Administration, OECD
- **Moldova Tobacco Taxation System, Vasile Botica**, Ministry of Finance, Moldova
- **Health Taxes to Save Lives, Michael Borowitz**, The Global Fund

Key Messages

- The main goal of health taxes on food and non-alcoholic drinks is to improve the health of individuals. Moreover, if demand is modestly inelastic, health taxes are also a source of revenue. However, as shown by Belgium and France, both objectives are difficult to achieve, as demand has become more elastic over time. Taxes also lead to cross-border consumption and smuggling – therefore cross-country collaboration is critical.
- In general, countries from the CESEE region have lower sin taxes than in OECD countries. However, these types of sin taxes can be highly regressive, and political constraints can make increasing taxes or introducing new sin taxes difficult.
- Moldova presented its experiences with a tobacco tax. The Government's objective was to increase the tobacco tax to meet the EU minimum rate by 2025. There was evidence that some consumers imported cigarettes from neighbouring countries. Nevertheless, Moldova experienced increased revenues and lower tobacco consumption. Hungary also shared experience of their sugar tax; the policy promoted healthier food choices and raised revenue for public health.

Session 4: Measuring Performance and Setting KPIs

Overview

When discussing efficiency and effectiveness, performance measurement systems are critical, but also bring many challenges. These include gaming; over-focus on more easily quantifiable indicators to the detriment of less measurable aspects of performance; and decreased morale and engagement of staff. Despite these challenges, many countries strive to improve their performance measurement systems in order to maximise benefits and reduce possible risks.

Presenters and Topics

- **Performance Measurement and KPI Setting, Wojciech Zielinski**, Public Governance Directorate, OECD
- **Performance Measurement in Estonia, Kersti Esnar**, Ministry of Social Affairs, Estonia
- **Performance Budgeting in Health in Kazakhstan, Zarina Temekova**, Ministry of Health, Kazakhstan

Key Messages

- Recent trends in OECD countries suggest that health is often a pioneer in the use of performance information alongside budgets, although typically limited to hospitals and ambulatory care services. Whilst most CESEE countries include mortality and other health outcome indicators, many health delegates questioned how actionable such indicators are, given they are only partly dependent on the health care system. For this reason, intermediate outcomes reflecting the quality of care, output and process indicators, are seen as important performance measures.
- Performance indicators were linked to bonus payments in some CESEE countries. For example, Estonia introduced a quality bonus system for primary health care. The goal of the system is to motivate family physicians to work actively on prevention, better monitor patients with chronic conditions and provide insured patients with a wider set of services. The bonus payments are based on 19 indicators and equivalent to about 3.3% of physician allowances. In Kazakhstan, performance indicators form a core part of the performance budgeting framework, and includes bonus payments in primary care (based on 8 indicators and adding an average of 30% to base salaries).

Session 5: Performance Budgeting in Health

Overview

There is a trend towards performance budgeting across the region, with most countries presenting performance information within budget documents, rather than as an input to allocation decisions. Performance budgeting often accompanies the restructuring of the budget based on programmatic criteria.

Presenters and Topics

- **Performance and Programme Budgeting in the Health Sector**, Caroline Penn, Budgeting and Public Expenditures Division, OECD
- **Findings of the 2018 OECD Performance Budgeting Survey in PEMPAL Countries**, Ivan Rakovskiy, Ministry of Finance, Russia
- **Performance and Programme Budgeting in the Health Sector in Latvia**, Svetlana Batzare, Ministry of Health, Latvia

Key Messages

- OECD recommendations on Budgetary Governance² include the principle on integrating performance measurement, evaluation, and value for money into a budget process. Various approaches exist for performance budgeting, but often are characterised by restructuring a budget around programmes, that is grouping expenditure by common objective. Across the OECD, the use of performance budgeting frameworks continues to increase over time and are now the norm.
- Performance budgeting is widespread across CESEE countries (as reported by PEMPAL countries), but with most adopting a presentational approach, where performance information is presented alongside budgeting documents. The main reported challenge was the lack of performance culture in public administrations.
- Latvia provided an example of a programmatic approach to budgeting, so that budget lines were able to be linked to performance. The budget for the Ministry of Health is organised around four policy targets, with associated policy objectives, and policy, action and quality performance indicators.

² See <https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf>

Session 6: Spending Reviews

Overview

Spending reviews, the process of identifying and weighing adopting savings options, based on the systematic scrutiny of baseline expenditure, are an important tool to potentially increase efficiency of spending. Frequently budgets are based on historical spending and the estimated cost of new tasks. Spending reviews provide an assessment on whether the spending is producing the expected results.

Presenters and Topics

- **Spending Reviews in OECD Countries, Andrew Blazey**, Budgeting and Public Expenditures Division, OECD
- **Spending Reviews in Slovakia, Stefan Kiss**, Ministry of Finance, Slovakia
- **Spending Review, Case of Croatia 2014, Ida Hohnjec**, Ministry of Finance, Croatia

Key Messages

- In the OECD, an increasing number of countries conduct spending reviews. The focus has shifted away from short-term budget cuts to a more medium-term view on efficiency and an improved programme impact. Therefore, the result is not often budget savings, but rather ensuring spending aligns to government priorities.
- Across CESSEE countries, spending reviews are less frequently used than in OECD countries. In Slovakia, spending reviews have gone beyond identifying cost savings to analyse allocative efficiency. In contrast, Croatia carried out its 2014 spending review as recommended by the EU, with the main objective of fiscal consolidation. In the health sector, this led to a package of saving measurements, such as reduction of expenditures for health care employees and reduced capital spending. In both countries, political engagement and support were crucial for success.

Session 7: Health Insurance, Social Contracting and Access to Affordable and Quality Medicines are the Key Elements to Enhance Transition from Donor Funding

Overview

A policy challenge facing lower-middle income countries is strengthening health systems while effectively managing the reduction or exit from external financing. This session discussed how synergies, efficiencies and flexibilities could be maximised in order to mobilise additional resources and achieve better results, drawing from responses to HIV/AIDS, tuberculosis and malaria in the region.

Presenters and topics

- **Strengthening Transition Preparedness, Global Fund's Approach to Transition**, Olga Avdeeva and Michael Borowitz, The Global Fund
- **Health Financing Reforms**, Rasim Hasanov, State Agency on Mandatory Health Insurance, Azerbaijan
- **Georgia Experience and the Perspective on TB, HIV and Hepatitis C Elimination in the Context of Anticipated Transition**, Tamara Gabunia, Ministry of Health, Georgia,
- **Transition to the Domestic Funding (20-50-80 Plan)**, Anzhela Kuplivanchuk, Ukraine

Key Messages

- The Global Fund discussed the transition process, whereby a country moves towards fully funding its health programmes independently of external Global Fund support, while continuing to sustain gains made and scaling up programmes as appropriate. Key elements to enhance transition include linking country transition with national health financing reforms, social contracting of civil society, and maintaining access to affordable, quality medicines.
- Georgia established a Universal Health Care Programme through increases of the state health care budget. This reduced out-of-pocket payments; and increased use of hospital services and vertical programmes including HIV/AIDs, TB and Hepatitis C. Challenges of the transitional period have been addressed through a number of interventions, including service standards approved by the Ministry of Health, and budget impact analysis undertaken for harm reduction.
- Azerbaijan embarked in 2016 on health financing reforms by introducing mandatory health insurance to undertake the purchaser role in the health system, previously carried out by the Ministry of Health, creating a purchaser-provider split. In addition, in 2018 the Ministry of Health joined an international drug procurement platform, with the purpose to provide quality services through the purchase of reagents and medicines for the fight against HIV/AIDs, TB and Hepatitis C.
- Ukraine is also going through a transition period to domestic funding, to assume responsibility for ensuring the sustainability of HIV/AIDs, TB and Hepatitis C services. Starting in 2019, the Public Health Centre will procure all services in all regions for full coverage from the state budget.

Session 8: Future Work Programme

Key Messages

- Suggestions for future topics include more in-depth analysis of spending reviews and performance/programme budgeting as well as KPI setting. New topics suggested by countries include procurement, sources of finances for health care, social contracting, and guidance on setting the benefit package.

All outputs and main publications of the OECD Joint Network of Senior Budget and Health Officials are available on the [website](#), and published in the [Journal on Budgeting](#). Alternatively, for further information on any of our analytical reports or network meetings, please feel free to contact:

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