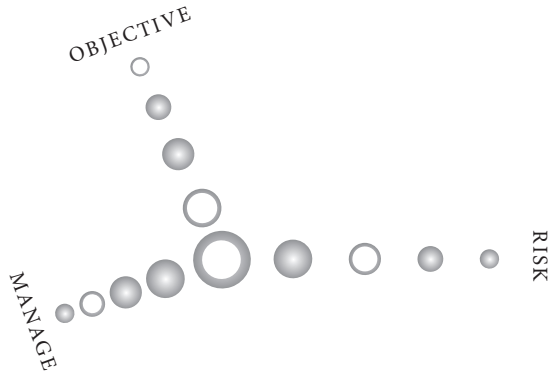

Impact of economic crisis in health care system in Albania

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Abstract

This paper aims to explore the current and potential impact of the economic crisis on health sector financing, programming and outcomes in Albania. Government and Health Insurance Institute (HII) face the double challenge of limited financial resources and increasing demand for health care services. The Primary health care reform started in 2007, designed to spend more resources at an early stage on prevention and primary health care, in ways that maximize health outcomes. Reforms in health care system and cost control mechanisms are being implemented, with the aim of making primary health care delivery more efficient, sometimes in response to pressure exerted by patients. It will also take a closer look at how health services are organized, to ensure that the necessary treatment is offered at the right level and that there is good coordination between primary, secondary and tertiary care. I'm referring in primary and secondary data from OECD, World Bank, HII, INSTAT, reports and papers related this field. Albania faced with lower expenditures than needed in health, informal payments and increases in the price of health services and pharmaceuticals. The pharmaceutical market is affected because the financial crisis is exerting upward pressure on drug prices. It is important the right balance between public expenditure,

social spending and private financing. Need to use the opportunity of crisis to ensure universal access to health services, ensuring social safety nets for the most vulnerable social groups, understanding of the strengths and weaknesses of health system management as a way to ensure a positive contribution from health systems in times of crisis and beyond.

Key words: Crisis, Healthcare Scheme, HII, Health Expenditures, Health care services.

1 Introduction

The global economic crisis has had a significant negative impact on public health and health care systems worldwide. The impact has been particularly sensitive to the health of the population groups with low incomes, and for women and children. Increased unemployment and poverty during the crisis as well as payments for health care services that people often do not require periodic medical care. It is important to face the impact of the crisis in the health care system is that the government could keep to the same level for the health budget and see the crisis as an opportunity to take strong decisions on reforms that should be performed, giving long-term contributions to the management of the health care system analyze relationship between economy and health care policy, giving priority to investment in human capital and improve their productivity and best use. Both sectors private and public health care should understand the importance they have investments in health care, especially in human capital spending and continuing education of primary care and research are very important to the welfare and sustainability of health care and economy for present and future generations. Time of economic crisis is a time to modify health care systems, thus abandoned what was excessive and unnecessary and at the same time be supported resources for health care. Attention must be given to providing appropriate services to patients' basic needs. Decisions must be taken by channeling new resources towards prevention, promotion and primary health care. The economic crisis is the time for taking responsibility, together with public and private sector which have a particularly important role in determining the health issues in public and political agenda. Health budgets should be protected and used rationally. It is necessary to establish a high priority on health care and health care spending during the economic downturn.

The direct impact of the global financial crisis on low-income countries will be stronger for countries with a higher degree of financial integration. For most, this channel has played a limited role so far, though strains are starting to appear. But, the slowdown in global growth will reduce trade, remittances, foreign direct investment and possibly, aid, and these factors will have a major impact on LICs, including second-round effects on the financial sector[1].

1 The implications of the global financial crisis for low income countries. March (2009). IMF. FMN.

The countries of South Eastern Europe have been affected in quite variable ways by the economic crisis. Some countries such as Bulgaria, Croatia, and Romania have been hit hard, while others such as Albania, Kosovo and Macedonia appear to have got off more lightly, so far[2]. In times of crisis, health outcomes and the risk of health-related financial hardship may be affected by changes in the resources available for health systems (financial and human resources, drugs and medical devices, running costs and infrastructure), by changes in living conditions, lifestyles and consumer behavior, and by changes in social norms and values. Ideally the health system can and should do three things: protect those most in need, concentrate on areas in which it is effective and adds value and behave as an intelligent economic actor in terms of investment, expenditure and employment[3]. Private expenditure on health almost always falls as disposable household incomes fall. Government expenditure on health often but not always falls, partly because government revenues fall or the health budget is disproportionally cut. Some governments, however, have in the past increased health and social sector spending during a recession[4].

Initially, some countries had planned to expand their 2009 budgets. Increases had been announced in Armenia (about 20%), Albania (about 4.7%), Georgia (about 21%) and the Republic of Moldova (30%), as well as in the Former Yugoslav Republic of Macedonia, Kyrgyzstan and Turkey. However, most budgets were drawn up on the basis of previous revenue and spending projections, and these have since changed dramatically. It is uncertain whether these increases can be sustained. Some of these countries may have to deal with a situation where they obtain only 50% of the revenues that they had expected when developing their draft budgets.

2 The challenges of albanian health system in the current financial and economic crisis

The effects of the global economic crisis have been transmitted to the Albanian economy. The impact on the Albanian economy is yet to be determined and it expected that the full extent of the crisis will not be felt until a later moment due to the lack of full integration in the global markets[5]. The Albanian economy seems to have escaped relatively unscathed even in 2009, when the impact of the global crisis was felt in many developing countries. Figures from the EBRD show that in 2009

2 Will Bartlett and Vassilis Monastiriotis Economic Crisis: a New Dawn or back to Business as Usual? LSEE – Research on South Eastern Europe European Institute, LSE (November 2010)

3 Regional Committee for Europe Fifty-ninth session Copenhagen, 14–17 September 2009 Observed and potential impact on health and health systems.

4 Evans D (2009). The impact of the economic and financial crisis on global health (Presentation at the high-level consultation on the financial and economic crisis and global health, Geneva, 19 January 2009).

5 SOCIAL DIMENSIONS OF THE GLOBAL CRISIS IN ALBANIA THE FASON INDUSTRY AS A CASE STUDY (June 2010).

the average growth rate of the South Eastern European countries was -6.2%; whilst Albania registered a positive growth rate of 3%[6]. This led the IMF to conclude that "in the face of strong headwinds, the Albanian economy has weathered the global crisis fairly well so far" where "sound economic policies and Albania's still limited integration into global markets have helped to mitigate the negative impacts of the global financial crisis"[7].

Bank of Albania figures indicate that private consumption appears to have decreased in 2009 due to the increase in unemployment, the reduction of remittances, credit for consumption, and increased insecurity during 2009[8]. The effects of the crisis were magnified for countries with a heavy dependence on remittances and migration.

The share of health expenditure that is accounted for by private out-of-pocket expenses generally falls as per capita income increases. For the transition economies this private share is relatively high and this not only harms the poor more but also increases their health vulnerability during economic recessions[9].

Despite a positive growth rate, the Albanian economy remains one of the poorest in Europe, and any slowdown of the economy is likely to affect population groups and different sectors of the economy disproportionally[10]. The Government of Albania faces the double challenge of limited financial resources and increasing demand for health care services, owing to aging populations and changes in the burden of disease. Albania is currently having a reform of its health system, designed to spend more resources at an early stage on prevention and primary health care, in ways that maximize health outcomes. It will also take a closer look at how health services are organized, to ensure that the necessary treatment is offered at the right level and that there is good coordination between primary, secondary and tertiary care. The crisis does not pose a major threat to public health itself, although it is indeed having health effects; on the other hand, it is a danger to the financing of health systems, so Albania will have to adjust public spending and control long-term expenditure. Reactive strategies, such as cutting salaries, adjusting pharmaceutical pricing and adopting measures to protect the poor, seem to be more economically effective than proactive ones, which tend to improve the quality of health care rather than reduce expenditures.

Good health is perhaps the most important precondition for well-being and productive societies, so continued and sustainable investments in health are crucially important. Efforts will be made to combat budget cuts in health, education and social protection, to continue to allocate sufficient resources to the health sector, and to

6 EBRD 2009 Transition Report.

7 IMF Preliminary Report 2010.

8 Bank of Albania, 2010, Report on the Second Half of 2009 Monetary Policy Department.

9 Robert C. Shelburne and Claudia Trentini UNECE DISCUSSION PAPER SERIES, No. 2009.2 November 2009 Public Health in Europe: The 2007-2009 Financial Crisis and UNECE Activities.

10 Bank of Albania, Financial Stability Report, 2009, IMF Preliminary Report, February 2010.

spend health budgets more wisely. The situation of the Albanian health care system in relation to the global economic crisis, identify the health problems caused by this impact. On a personal level, the crisis will impact many of the social determinants of health, such as income, employment, education, nutrition, corporate practices and taxation. GDP growth projections are being revised downwards, economic activity is declining and unemployment is increasing. This is leading to decreased contributions to social health insurance and reduced budgets for health care institutions. In Albania public expenditures for health get only 2.7% of GDP.

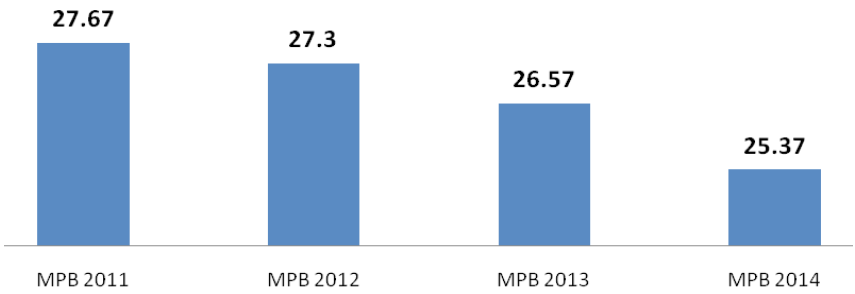

Figure 17.1 — *Budget of Health Ministry for health care (as % of GDP). Sourse: MOH, MPB -Programi Buxhetor Afatmesem 2012-2014 - Ministry of Finance.*

The health system response is based on a number of principles: to maintain solidarity, with fair and equitable redistribution of the financial burden for health, to protect the most vulnerable population groups, to increase efficiencies, building on the achievements already made through health system reform and to protect and continue investments in health. Government spending on the health system is correspondingly less.

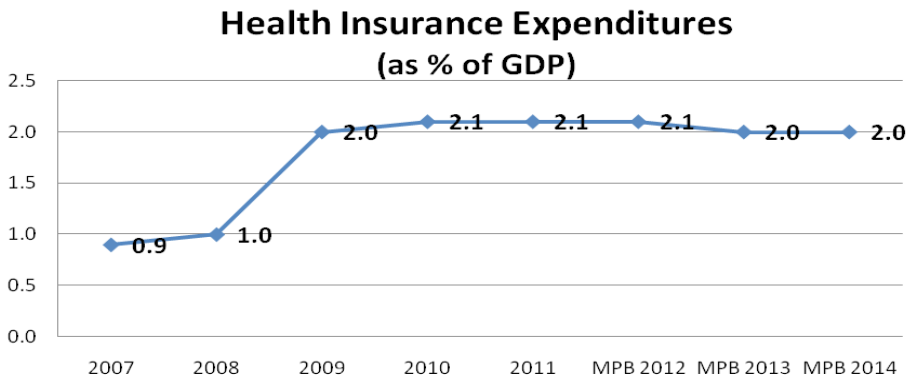

Figure 17.2 — *Trend of health insurance expenditures from 2007 – 2014. Sourse: MOH, MPB -Programi Buxhetor Afatmesem 2012-2014.*

2.1 Health insurance scheme in Albania

Health services in Albania are provided by a mix of public and private health service providers. Hospital service is provided by MOH and other public institutions. HCS is provided through a network of general practitioners and a private network which is rapidly developing in this sector. Pharmacies, dentists and other supportive health services are completely offered by private entities. Ministry of Health remains the main stakeholder in devising policies and the health system regulator. Local authority also plays a role regarding the allocation of public resources for the health sector at regional level.

There is a compulsory health insurance scheme in Albania. Participation in the scheme is based in the payment of contributions by: a) economically active persons - employees, employers, self-employed, unpaid family employees, persons who receive revenues from their property on regular basis. b) state - which pays for economically non-active persons, children, students, pensioners, unemployed, mothers on maternity leave, disabled people, persons living on assistance and economic aid, c) Voluntary insurance. Contribution rate is 3.4% for the employed (is divided between the employer and the employee), 3 up to 7% of a minimal wage for the self-employed according to village, city etc. The state makes a fixed payment for the non-active population based on the consumption per capita of the healthcare during the successive year. The contributions are collected by the Tax Office.

The Health Insurance Institute (HII) administers the health scheme and manages a total budget of approximately 200 million Euros. Parliament by its law for special funds where the budget of HII is part is totally balanced for both revenues and expenditures. This budget takes 2.1% of GDP in Albania. High value investments related to the purchase of screening equipment, reconstruction or construction of new buildings are part of the budget of the Ministry of Health. Public health care provider has the right to use the secondary revenues that are realized during their activity, in determined rates for salaries and rewards, goods services and other investments of small value.

Health services covered by health insurance scheme are; health services of the primary health care, hospital health care services (PHC) and pharmaceuticals reimbursement. HII purchased health services from primary health care since 2007. This service is organized in health centers which operate in all local government units (416 health centers). PHC is financed on the basis of the service package and primary health care financing formula is: 80% of the budget is calculated on the basis of the history of expenses; 10% of the budget is financed on the basis of the number of daily visits to the Center (the Administration Council of HII has approved daily rates that a GP must achieve, actually a GP has 12 visits per day); 10% of the budget is financed on the basis of the realization of some quality indicators (defined by decision of the Council of Ministers). Health insurances cover pharmaceuticals of the reimbursable drugs list, the current list contains 420 pharmaceuticals and 1066 of their alternatives. Characteristics of the reimbursable drugs list are; pharmaceuticals

ATC classification, prescription of generic drugs, reimbursement of the cheapest alternative, reimbursements of pharmacies.

The situation that is aggravated by the economic crisis and the accompanying adverse trends in currency rates, which make pharmaceuticals more expensive and difficult to access. Rates of unemployment and non-standard employment are already increasing and are likely to rise further as a result of the economic crisis. At country level, Albanian health system is facing major challenges in paying for imported pharmaceuticals and equipment, so the crisis may give impetus to the development of national industries in these sectors and the increased use of generic drugs. Regardless of whether operating budgets or tendering procedures are administered in a centralized or decentralized manner, management training may need to be stepped up and stricter control exercised over budgetary expenditure, capital investments and the operation of health insurance funds. Every effort should be made to increase the cost–effectiveness and productivity of the health system. The effectiveness of health sector spending can be improved through the use of evidence-based guidelines, appropriate skill mixes and generic substitution of pharmaceuticals. Referring to the last 5 years, the reimbursement of drugs' expenditures from health insurance scheme, is increased, but the variety of drugs' expenditures for the last 2 years 2010/2011 is decreased.

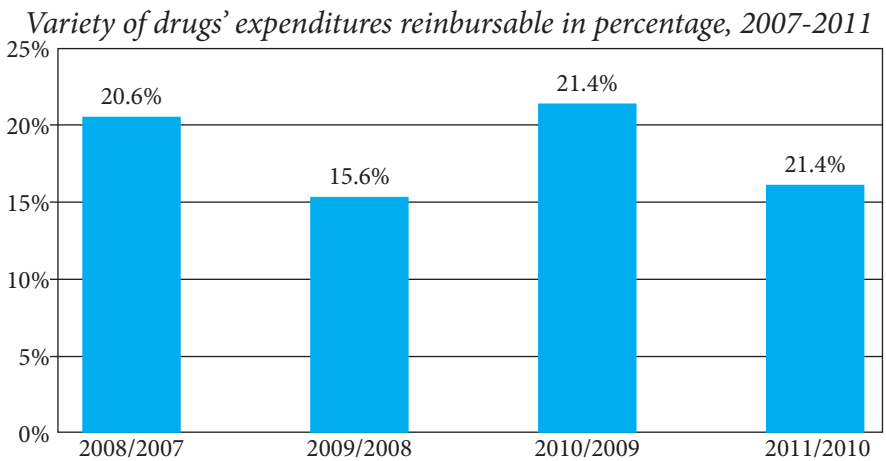

Figure 17.3 — *The comparison of drugs' expenditures from health insurance scheme, for 5 recently years. Source: HII, my calculations.*

The trend over the past 3 years has been one of a growing share of public expenditures going to hospital care and prescription drugs, at the direct expenditures of primary care or first level intervention. The decreasing emphasis put on financing of primary care is of concern in an environment in which the population has lost trust in primary care owing to quality concerns and the frequent absence of essential supplies at primary care facilities. Of particular concern is the fact that the budget execution ratio for non-wage recurrent costs at the primary care level has consistently been below that of hospital care.

This has resulted in many primary care facilities lacking even the most essential supplies to effectively provide appropriate care, particularly in rural areas. This has contributed to a situation in which much of the population, particularly in rural areas, circumvents primary care facilities in search of better care at higher end facilities.

3 Some problems of the health insurance scheme

Current situation of health services offered by the health scheme, despite efforts made in the last two years, there is at appropriate levels to answer a growing population needs and to deliver quality services. These reflected the shortcomings which relate mainly: the methods of financing providers, the level of management autonomy and hospital providers, the lack of incentive methods for managers and for their staff in order to improve access and quality, with the degree of organization, distribution and operation of the service, human resources available for providing services, as the level and use of medical technology.

Albania spends a below average share of GDP and of total public expenditures on healthcare. As a result, out of pocket spending is high and this has serious equity, poverty and health sector stewardship implications[11].

The private sector contributes already 60% of the total GDP but only 27% of the health insurance funds. Only 18% of the Albanian employees work in state companies. Only 40% of Albanians report of having health insurance enrolment. Over 93% of people seeking health care pay for something, most of it as informal payment. Albania allocates about half of all public sectors spending on health to hospital care (compared to an OECD average of 38%). The health expenditures have a strong impact on poverty, with the poverty incidence increasing from 25% to 34% if out-of-pocket health expenditure is subtracted from household income. Out of pocket health care expenditures are wide spread phenomena as well as in the Central and Eastern European countries and Former Soviet Union countries after the fall of the communism (Ensor 2004; Falkingham, 2004; Lewis 2000; Delcheva et al 1997; Vian/ Burak 2006; Liaropoulos et al. 2008; Gaal/McKee 2005). As result of: the scarcities of the financial sources allocated to heath care, the lack of efficient policies for both health care financing and for human sources management, as well as high informality present in all sectors of economy.

Financing responsibilities have changed often. The main source of public sector funding is the state budget, but has limits on the amount that governments can spend on health imply the need for explicit or implicit rationing that, in turn, means trades off between the attainment of the health financing policy objectives and the need for fiscal balance.

Hospital expenditures dominate public sector spending on health. Albania

11 European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities Manuscript completed in September 2008

allocates a higher share of total public sector spending to hospital care than do OECD or EU-8 countries. Hospital expenditures account for about half of all public sectors spending on healthcare in Albania.

The budget mainly is planned based on the historical trends. In the framework of reforming the sector of health, the decentralization is important within the sector, as well as for sharing responsibilities, competences and functions with the organs of the local power. The actual experience is not very positive.

Health contributions would be collected by Social Insurance Institute but the later refused to collect health insurance separately from social insurance contributions. As a result, since social insurance rates are much higher than those for health insurance many people who can't afford to pay social insurance are denied the chance of paying health insurance in case they wished to. The money generated by contributions cover about 50% of health scheme expenditures and the difference is covered by state budget. It is the low affiliation of the population to health contributions and to the fact that the health contribution rates are low compared to expenditures. The later objective is not at all easy to be achieved since it requires increases of contribution rates that are politically difficult to impose. At the health sector there is still centralization of tasks and budgetary competences from the MOH and central institutions, which has badly influenced in the composition and administration of the public funds. It is worthy to underline that after 2006 the local government units do not have any role and responsibility in the health sector and as a consequence do not play a specific role in the composition and implementation of the budget in this sector. The differences between the contributors and beneficiaries have caused premises for a considerable fiscal evasion, which influence in the raise of contributes from the general taxation. This should be considered the reason for stimulating in an indirect way the bribes and other corruptive elements in this sector. There is a lack of responsibility from the institutions which draft the budget and accomplish budgetary policies and the lack of political consensus and continuous electoral.

4 Reforms in health care system and necessaty of changes

In recent years the Albanian health system is faced with new developments in all types of services offered to the population. Institutions, the policy-decision making, or government agencies, law enforcement based on the necessity of reforming the financing of all our healthcare system, have taken concrete steps in order to improve the mode of delivery of services, improving access the population in their benefit, as well as quality of these services offerings. Funding of services to secondary and tertiary level of health insurance is an important step in the deepening of financial reforms in health care. In Albania as in many other countries, reform of health services is more sensitive to the fact that this service continues to be the most important element

of health care delivery, providing basic services as well as those specialized for the population.

The challenges for the PHC reform are; improvement of the financing system, focusing on increasing the performance and quality of the services (changing the financing report); concluding the electronic registration of the population and the improvement of the payment system per capita; improvement of the quality and performance standards; perfecting the supervising system regarding the financial management, human resources and performance; supporting the process of drafting the clinical practice guidance and give support in the training programs of the Continual Medical Education; the functioning of a unique informative system; cooperating with the Ministry of Health for the fulfillment of the Standards in the primary health services.

Have been observed some problems in hospital sector; there are absences of the Specialist Doctors and this is more visible in the hospitals of the municipal level; lack of provision of the defined services in the services packages; not good indicators of the medical performance; the medical equipments in some hospitals are not of the appropriate standards; inadequacy according to the type of service that should be provided; inappropriate level of qualification regarding the hospital management and the frequent changing of the leading staff and not appropriate informative system regarding the data.

In this situation there are three options for the changes; *the first option is maintaining of the status quo* (39 hospitals with, 39 contracts with HII. This requires: fulfillment of the standards in 39 hospitals, fulfillment with human resources (especially Specialist Doctors) equipments, devices, etc, larger investments in the infrastructure). This option brings maximal possible access, but has unaffordable financial costs, impossibility for real resources and mainly with specialists, can't respond to the level of the country development.

The second option is district level (11 District hospitals that have to provide 19 obligatory services; I Level: 5 municipality hospitals with a level of services between the district hospitals and the municipality existing ones; II Level: 11 municipality hospitals. There is possibility to fully provide eight basic services; III Level 8 municipality hospitals are going to be transformed into centers which will provide these services: Emergency 24 hours, micro-surgery, radiology, lab clinical/ biochemical). This option has got two main advantages; a better access compared to the existing one in the 5 mentioned municipalities and services' standardization. But maybe can bring an absence of the flexibility in the provision of the specialized services; contracting in three levels and inappropriate management and social costs.

The third option is regionalism of the services. Advantages: contacting only with 11 District Hospitals, providing 19 (+1) basic services in the district hospitals by outlining the service out-patient as a separated and measurable service, the efficiency and flexibility in the usage of the human resources, financial and technological, etc, this enables the providing of the basic services, absent in 16 municipality Hospitals,

enables the contracting of the SD with more attractive payments, improvement of the access and increase the quality of the services and standardization of the services and provision of the services according to the needs of the community and make people trust in the hospital services. Disadvantages: absence of managers of this reconfiguration and not appropriate infrastructure regarding the human resources.

Current methods of payment that is based on historic budget associated with lack of autonomy and the hospital management level is not good stimulation is limiting factor for providers to improve service quality and consequently promotes efficient service delivery and cost effectiveness. This kind of approach at the same time does not increase the reliability of patient population and to our health system and also does not favor a fair distribution of financial resources based on performance, in hospital or at the population level in which they serve.

The monitoring of contracts with hospitals, we note that a number of other indicators of activities such as utilization of hospital beds or non-provision of services for which hospitals are funded at a lower level. Thus, this method of financing does not stimulate hospitals to be interested in providing efficient and productive. Do must change the method of payment to hospitals by lifting up the historical budgeting, in the DRG method in many cases combined with a global budget.

5 Conclusions

The health insurance scheme is currently undergoing a series of challenging adaptations and reforms in order to improve its performance. One of the priority challenges is to increase population coverage and to extend social health protection to the currently unprotected population share. Impact of global economic crisis in health care system.

The global economic crisis reduced the possibility and willingness for government support of the health care system and decline of contributions as result of rising unemployment and economic output. There is a need for complex measures. Crisis is a serious threat to health care system and we should take all possible measures to diminish the impact of negative consequences. Complex situation needs complex solutions. The structural reforms and cost control measures are being implemented, with the aim of making primary health care delivery more efficient, sometimes in response to pressure exerted by patients. The crisis may also be used as an opportunity to take unpopular steps, such as rationalizing and downsizing the hospital sector.

In terms of allocation of an insufficient budget for health, we need bold steps towards the deepening of financial reform, mainly in hospital sector. There are three scenarios for further reform of hospital services in Albania, selection and implementation of which depends primarily the common will of our political decision makers. Because health is an area with a high sensitivity for the population and implement deep reforms in this direction would have high costs, primarily the social,

so any decision to be undertaken, must be made on basis of genuine and professional studies, and based on the experience of other countries, which have health insurance model, with close to ours.

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