Оригиналан научни рад

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CONTEMPORARY TRENDS AND CHALLENGES OF THE CURRENT SYSTEM OF MANAGING AND FINANCING THE PUBLIC HEALTHCARE SYSTEM OF THE REPUBLIC OF MACEDONIA

Summary: The protection and promotion of the public healthcare is a crucial goal of any modern socio-economic community. The role behind an institutional organization of each community is to set up a flexible healthcare system which effectively and efficiently works toharmonize the network of primary, secondary and tertiary health care; as well as public health and emergency healthcare. The aim of this paper is to examine the effectiveness and efficiency of the network at the secondary healthcare level, particularly hospital activity, with emphasis on the hospital healthcare activity in the eastern region of the Republic of Macedonia. Namely, can the method and form of healthcare institutions' management contribute to strengthening the organization or it obstructs achievements in meeting itsinherent activities. A part of this paper focuses on the financingof the public healthcare system, as an essential aspect that can promote or hinder the functioning of the entire healthcare system.

Key words: *Public Healthcare, Health Protection, management, legislation, Financial reports*

INTRODUCTION

"The health of the population is not a coincidental situation. It is a central element in the economic productivity of that population [...] Therefore, the use of health care resources should not be understood as an expense or loss, but as an investment intoaccomplishing better results."- prof. Milton Roemer[1]

The health of the population is a crucial segment of every democratic state; hence every state strives to strengthen its health system, improve the health services it offers and to promote public health. Therefore, the use of

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healthcare resources should not be understood as an expense or loss, but as an investment in the individuals in order to help them to achieve better results.

Inevitably, the legislative and executive authorities participate in reforming the national healthcare system and are supposed to help in optimizing the use of the health care resources of the country for the protection and promotion of human health. As a result, the evolution and organization of the health systems directly depends on the socio-economic development of the community. The transitional period in most of the countries on the European continent, especially thetransitioning of a number of countries from the post-social system of organization, such as the Republic of Macedonia, imposed a need for reforms several spheres of public life, including healthcare.

CHAPTER 1

1. Institutional and legal framework of the public healthcare system in Macedonia

The way the health care system is organized and managed affects the health of the individual and the population in general. It also has an impact on the abilities and wellbeing of the health care workers. The physical, social, economic, and especially political environments are important determinants of the health of the individual and the community.Governments should strive to establish a national health policy, with strategy and plans, which should help provide primary health care to all people, but would also establish cross-sector cooperation between the public and non-governmental organization, the central and local authorities, as well as between the national and international entities. Social evolution directly affects medical evolution, which requires a functional and efficient health care system. Social advancement directly affectsthe medical advancement of a society, which is why a functional and efficient health care system is in order. Therefore, the investment in public health is an integral part of the socio-economic development of a community, and its financing is an essential mechanism.

The developed countries have made important conceptual changes in healthcare, including health objectives and changes made to the national legislation as the primary driver of national strategies. As a result, the need to manage the healthcare funds, and the financial andbudgetary control of the public healthcare institutions are seen, primarily, as a public responsibility.

There are several phases of development that the healthcare system of the Republic of Macedonia has gone through since the country’s independence.The development of the Macedonian healthcare system has been conditioned by many social and intrinsic factors which, to a greater or lesser extent, are dependent on the country’s aspirations to join the EU. However, the phases mentioned below should not be taken as an absolute, nor necessarily

perceived through the prism of a set time frame, but only as an orienting indicator that depends on the social and economic factors and, of course, the socio-political priorities of the state. Therefore, the phases outlined below are to a greater or lesser degree limited by the foreign relations strategies and the current challenges faced by Republic of Macedonia in its attempt to join the European Union and closely align its care standards to those of the World Health Organization (WHO)[2] .

- The first development phase of the public health system of the Republic of Macedonia is usually linked to its proclamation of independence in 1991 from the Yugoslav Federation.The established healthcare system and its legislature were a relapse from the Yugoslav state. According to the standards of that system, the health care system, including all aspects of the health care services organization was in the hands of the state. The system relied on its basic ideological premise that every citizen has the right to equal access to health services, and furthermore, the state is responsible for covering all research costs associated with staff training and delivery of services at central and local level.

During this period the health care system was obligatory and financed by the state.

Namely, the system of socialist health care insurance (known as the Bismarck model of health insurance)[3] is characteristically funded by the health insurance fund, employee and employer contributions taken out of gross income. These health care contributions into the state fund were paid by all but used by those in need. The state exercised the regulatory and oversight role. Basically, the financing of the health care of the Republic of Serbia is based on this model, as more than 90% of the funds necessary to cover the needs of the compulsory health insurance are taken from the contributions into the compulsory health insurance fund. Precisely, the current financing of the health care system in Serbia has a mixed financing set up, because the funds come from this dedicated fund, as well as the state budget.[4]

The promotion of general health among the populace, disease prevention, as well as financing and subscription to health services are all in the service of the national interest. Therefore, it is no coincidence that in the early 20 century many European countries adopted a national health insurance system. As for the national legal framework, the basic law is the 1991 Health protectionlaw, which nullified the healthcare law in Socialist Republic of Macedonia (Official Gazette of SRM 10/83, 43/85,50/87, 27/88, 36/89 and

[2] In1996 the WHO established a country office to support and improve the Macedonian health care system by aiding it with expertise and technical advice.
[3] Svetlana Jovanovic et al. “Health care systems.” Engrami , vol. 37, 2015, br. 1, pp.75-82
[4] *Ibid*

42/90) and the law on the conditions and reimbursement of health services, (Official Gazette of SRM No. 15/76).TheHealth protection law, Official Gazette of the Republic of Macedonia No.38/91, was amended several times 46/93, 55/95, 10/2004, 84/2005, 65/2005, 5/2007, 77/2008, 67/2009, 88/10, 44/11, 53/11.

According to the amendments and additions to the national legislation, this period covers the establishment of the first private health care institutions. The privatized health market introduced market economy into the field and a degree of competition where receiving health care services depended on the purchasing power of the patient. This new reality required a reorganization of the existing social values.

This opened the possibility for patients to choose the best service for their needs, and the provider in turn could offer the best health service to satisfy the expectations of the patient. Macedonia followed the required health reforms, which were an attempt to increase the quality of health care services for all, but in fact this increased the cost, as patients started to use the services in both the state and private health care institutions. This approach had an impact on the planning of health insurance systems in developing countries, which up until that point knew only of centralized healthcare system.

- The second phase incorporates the period after the signing of the Stabilization and Association Agreement 2001, which entered into force in 2004[5]. By the SAA Agreement, the Republic of Macedonia is obliged to improve the level of health and safety protection of its workers, using as a reference the protection requirements that exist in the European Community.[6] This is a period when a restructuring of the existing health system based on public and private (primary and secondary) health care system was being established. The health system is organized at three levels (primary, secondary and tertiary level). In fact, this is a period when the Macedonian healthcare system emerged from the so-called traditional healthcare (a concept that defines public health as the health of the population and the community) and switched to the so-called New Public Health (a synthesis of the traditional public health – as it was known in the past few centuries – coupled and in interaction with biomedicine, clinical practice, economic and legal sciences, technological development, management, as well as the experience of health systems).[7] This period saw the passing of the law on health insurance, Official Gazette of the Republic of Macedonia No.25/2000, also amended and edited many times:

[5] Stabilization and Association Agreement between the European Communities and its member states and the Former Yugoslav Republic of Macedonia.Official Journal of European Union.L84/13 from 20.03.2004

[6] See article 168 (3) TFEU.Official Journal of the European Union. C115/123 from 2008

[7] Tulucinski and Varavikova. (2003) "The new public health."*Studentski Zbor.* Skopje

96/2000, 50/2001, 11/2002,31/2003, 84/2005, 37/2006, 18/2007, 36/2007, 82/2008, 98/2008, 6/2009, 67/2009, 50/10, 156/10, 53/11, 26/12, 16/13, 91/13,187/13,43/14, 44/14, 97/14, 112/14, 113/14, 188/14, 20/15, 61/15 , 98/15, 129/15, 150/15, 154/15, 217/15, 27/16. To this day, there is no official consolidated version of the law.

The third phase commenced after the recommendation from the European Commission – gaining the status of open negotiations with the EU in 2009, although the health care system depends and is exclusively within the scope of the national legislation of each EU member state. In 2007, led by the EU health policy named Health 2020 and WHO strategy and priorities, the Ministry of Health of the Republic of Macedonia established a Health Strategy of the Republic of Macedonia 2020. This strategy carries out the vision for safe, efficient and just national Health Care System. In 2008, the Law on the protection of patients' rights entered into force.[8]In 2009, the Law on health care records was also passed with a few amendments.[9]In 2009 a new electronicHealth Insurance Card was introduced. Before 2015 Macedonia signed agreements with eight EU member states regarding the usage of the European Health Insurance Card.[10]In 2010 the Public HealthLaw entered into force, which has been subject to several amendments as well.[11] In 2012 the current Law on health care was passed, and up to today it has been amendment over 10 times,[12]The Law on voluntary health care insurance,[13] and over 20 laws and numerous bylaws were also instituted.[14]During this period in which a new pay model for doctors was introduced – salaries tied to contribution, i.e. the number of patients doctors see. This is characteristic of what is known as a National Health Service system (Beveridge model).[15] The basic premises of

[8] Law on patients' rights.*Official Gazette of the Republic of Macedonia* No. 82/08, 12/09, 51/11.

[9] "Law covering the records in health care."*Official Gazette of the Republic of Macedonia*, No. 20/2009, 53/11, 164/13, 150/15.

[10] "Commission Staff Working Document: The Former Yugoslav Republic Of Macedonia Report." 2015. SWD(2015) 212 final, Brussels, 10.11.2015. pp. 34

[11] Public Health Act, Official Gazette of the Republic of Macedonia , No. 22/10; 136/11; 144/14; 149/15;

[12] Law on Health protection, Official Gazette of the Republic of Macedonia No.43/12, 145/12, 87/13,164/13, 39/14,43/14, 188/14, 10/15,61/15, 61/15, 154/15, 192/15 37/16. This act has also been amended several times, however there is no consolidated version of this law.

[13] Law for voluntary health insurance, Official Gazette of the Republic of MacedoniaNo.145/12, 192/15

[14]All Laws are published on the official website of the Ministry of Health of The Republic of Macedonia, up to 2015. For more see: http://zdravstvo.gov.mk/zakoni-2/

[15] This model of health insurance was formally introduced in 1942 in England, by William Beveridge.

this model are: health care is financed from the national budget; free access to health services comprehensive coverage and equal access for all residents under the health care system.

- The fourth phase is the period the country is experiencing currently. In line with the strategic plans of the Ministry of Health[16], and in accordance with the government programs and national strategy, the priorities are the improvement of the efficiency and functioning, as well as the financial control of the healthcare system. This is a phase in which key components of the World Health Organization and the European Health Policy named Health 2020[17] are expected to be continuously implemented and respected in the Republic of Macedonia.

2. CHAPTER
Managing the public health care system in Macedonia

The management of healthcare institutions can be done in variety of ways, and research conducted by the World Health Organization suggests that an effective governance is compatible and in correlation with the socio-economic development of the state, its political development, public administration, the local sector, the private sector and, of course, the level of citizens' participation in the system.

Countries with weaker economies can promote and protect its citizens' health with good governance that would involve: setting state strategies and goals, as well as policy making, passing laws, by-laws, rules, decisions, and by appropriate allocation of resources with strategic goals and objectives in mind.[18] Also in this type of countries, one should take into account the tendency to create public-private partnerships in healthcare, which requires a slightly different management.

Managing is a complex concept with political, economic, legal and institutional influences, multifaceted at all levels of the health system. [19]At the micro level, the management of hospitals is entrusted to the Board of Directors.

[16] Strategic plan of the Ministry of Health 2015-2017, 2016-2018, 2018-2019. Access at:http://zdravstvo.gov.mk/strateski-plan-i-budzet/

[17] For the key components see:http://www.euro.who.int/en/health-topics/health-policy/health-2020-the-european-policy-for-health-and-well-being/about-health-2020/what-are-the-key-components-of-health-2020

[18]Baez-Camargo C, and Jacobs E. 2011. "A Framework to Assess Governance of Health Systems in Low Income Countries."*Basel Institute on Governance*.

[19] Caulfield, T., Hort, K. "Governance and stewardship in mixed health systems in low and middle-income countries."*Nossal Institute for global health.* N. 24.December 2012. p. 2

It is a formal body of the public health institution in-charge of hiring the heads of hospitals.[20]

With the amendments and additions to the Law on Health Care in 2004,[21]for the first time in the history of the health care system the Management Board is mentioned as a separate body, a collective body of the healthcare institutions. What is lacking are specific provisions that indicate the manner of managing this body in liaison with the health institutions. Instead, the law refers to the bylaws deriving from the law itself. The Board of Directors is charged with the management of the public health institution.[22]The Law on institutions establishessthe number of members of the managing body from a minimum of 3 to a maximum of 15 members.[23] The number of members and the composition of the Board of Directors of the individual health institutions that provide health care is regulated by the amendments and supplements to the Law on Health Care, such as lex specialis. And of course, the current Law on Health Care precisely determines the number of the Board of Directors at five for public health institutions offering consulting services from specialists and athospitals.

The composition of the administrative body at these health care institutions is slightly different from those offering primary care.[24]

The Managing Board is a collective body comprising of two representatives selected from the professional and competent public health professionals and three representatives from the founder (the Government of the Republic of Macedonia).[25]Specifically, a member of the Board of Directors of a public health institution can be anyone outside of the profession, as long as they have special competences (at least higher education). Two are selected from among the employees and three members are representatives of the founder. All are appointed by the founder, the Government of Macedonia.

The Law on Institutions and the Law on Health Care, as well as the bylaws governing the public healthcare institutions arising from these laws prohibit the appointment of a member of the Management Board if there is a conflict of interests. Conflict of interest situations are: the named person or a close person of the named person is employed or owns shares or investments in legal entities that manufacture or trade in medical products, medical devices or

[20]Article.6 from the law on changes and additions to the law on health care. No. 84/2005.
[21]Article16of the law on changes and additions to the law on health care.Official Gazette of the Republic of Macedonia. No. 10/2004
[22]Article100, page.1 and Article 1, page 1 from the Statute of the Public Health Institution, Shtip.
[23]See article42, page 2 Law on Institutions.
[24]See article 100, page 3.
[25]See article 100, page 2 Law on Health Care. No. 43/12

medical equipment; if the nominated person, personally or through a third person, has interests in the institution or can have any influence on the independence and impartiality of the management of the institution. The aforementioned situations could be used as reasons for the dismissal of a member of the Management Board before the duration of their appointment expires.[26]

Considering this composition of the Management Board, it appears that the legislator has opted for a member board set up similarly to the forms of management found at trade companies, i.e. a set up mirroring the two-tier system management of trade companies.

Given the high level of responsibility carried by board members, one cannot but question whether the "good practices" of corporate governance of private companies would be beneficial to the management of public health institutions, given that their services are of general public interest. Although,

We talk about corporate governance in private healthcare service systems, so why cannot we talk about corporatization of the public health institutions?

These types of concepts of organizational reforms in the public health institutions have already been instituted in several developed systems. Some even argue that this is the best “middle road” approach to get rid of the deficiencies and the unsustainability faced by public healthcare institutions.

Good corporate governance is a fundamental prerequisite for the successful operation of any institution, whether it is in the public or private sector of ownership.

In line with the current Law on Health Protection of the Republic of Macedonia, "the executive body of the public health institution consists of two people who are equally responsible for the work and the legal responsibilitiesof the public health institution."[27]In other words, the rights and obligations of the directors, which stem from their regular work as a collective body are mutually conditioned. The basic duties of the executive body are to undertake measures to eliminate the irregularities in providing health care to the beneficiaries, while protecting the public interest.[28]

[26] See article 102, Law on Health Care.

[27]Article 7, page 1. The law on changes and additions to the law on health care. *Official Gazette of the Republic of Macedonia.No.*5/2007.

[28] Article 53 Law on Health Care.*Official Gazette of the Republic of Macedonia*.No. 38/91.

3. CHAPTER
Public Health Care financing

For every country the financing of the healthcare system poses a challenge, but also a difficulty. Each country strives to build a compatible and sustainable health system.

Hence, the functioning of the system as a whole is directly determined by the financial mechanism behind it. In order to provide sufficient funds for its sustainability it is necessary to find a balanced and comprehensive way of financing all of the components of the system.

Most often, the budget for public health care services can be drawn from taxes and/oremployer contributions to health insurance. Governments remain the main provider of finances and are primarily responsible for the management and development of the health infrastructure, the supply of health services and cost covering.[29]

The financing of the Macedonian healthcare system comes from health insurance contributions that flow into the central state budget and the health insurance fund. Which means that the main funding source are health insurance contributions from salaries and other salary allowances to the State Health Fund. The State Health Fund functions on the principle of solidarity.At the moment there are four main funding sources: from the central budget, the health insurance fund, as well as self-financing and external programs. Specifically, the funds necessary for the continuous work of the public healthcare institutions in Macedoniacome from: direct payments for health services, but these direct payments are covered by programs that are in direct agreements with the Fund; with funds from the measures and activities of the various programs; by payment for health services by the patients themselves, with personal funds of the insured persons covered by the compulsory health insurance, that is, with additional payments for a higher standard of health services in accordance with the regulations covering health insurance; from the assets of the insurance companies that offer additional health insurance; from the investment funds of the founder; from donations and gifts and, other sources.[30]

However, over the past decade, the set targets for the budget have not been realized or funds were not sufficient, suggesting either that the annual projections were misleading or the control over the spending of funds was lacking.The principle of cost-effectiveness of the public healthcare institutions and the Fund, as well as the targeted spending of resources should be the mail

[29] Theodore H. Tulchinsky, Elena A. Varavikova(2003) "The new public health."*Studentski Zbor*. Page 93.
[30] Article 16, and article 133. Law on Health Care of the Republic of Macedonia.

goal. Proper financial controls mean proper control of the adjustment of annual financial plans.

Aside from the previously mentioned functions, these controls should also serve a corrective purpose, more precisely to appear as a corrector of the irregularities in the financial activities at the inter-sectoral and inter-institutional level.

One of the reasons for this budget deficit is the increased number of unemployed people, the aging population and the labor migration to the European countries, which has been increasing in the last decade. Which means that the demographic structure is a key factor for a functioning and financially sustainable health system. The financial control in the social democratic countries guarantees to the individual a right to health care. The state accepts the obligation to provide sufficient, accessible and quality health care.However, the specialized health care and the demand for high-tech services by the citizens exceeds the budgetary and personnel capabilities even in highly developed economies, and in some cases even they face limited-resources problem. Hence, we can freely say that the financials of the current Macedonian health care system and its sustainability are under serious pressure and that the established system is hardly sustainable.

CONCLUSION

Structurally and organizationally, the health care system is one of the most complex social systems.This system depends on the socio-economic, political and social development of a country and is strongly influenced by the social values and applicable regulations, which is why the health infrastructure varies from state to state. The ongoing implementation of a set health policy plays a significant role in the creation of a sustainable health system.The realization of the basic goals (universality, efficiency, fairness, freedom of choice of services and providers) depends on the manner of managing and financing the public health care system.Which means that the modern health systems differ primarily in the methods used for collecting health care funds, as well as in the manner of paying the health care providers. In Macedonia, the state has a pronounced regulatory and supervisory role in the management of the public health system.As a result, finding a competitive management system of public health, alongside a balanced fundraising and financing, are necessary conditions for the successful functioning and upkeep of the Macedonian healthcare system.

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