2nd Health Systems Joint Network Meeting for Central, Eastern and Southeastern European Countries
Tallinn, 1-2 December 2016

Synthesis Note
2nd HEALTH SYSTEMS JOINT NETWORK MEETING FOR CENTRAL, EASTERN AND SOUTHEASTERN EUROPEAN COUNTRIES

The financial sustainability of health systems - improving the dialogue

1-2 December 2016, Tallinn, Estonia

Organised by the OECD, the Global Fund, the WHO and the Estonian Ministry of Social Affairs

Synthesis Note

Finding policies to make health spending more sustainable, while continuing to expand coverage and improve the quality of health care, is a major challenge facing Central, Eastern and Southeastern European (CESEE) health systems today. Effective co-operation between health ministries, finance ministries and social security institutions is crucial – but typically insufficient. This policy dialogue brought together senior officials from health and finance ministries, and social security institutions, from CESEE countries. There were lively debates on challenges in health system budgeting and effective policies to ensure the financial sustainability of health systems, with countries sharing experiences from different perspectives.

Five critical themes were explored in depth:

- How are health care systems structured? Who are the main actors involved, how are responsibilities shared among them? How is health care financed?
- How is health care expenditure formulated, approved and managed in countries’ public budgets? Are the right considerations taken into account?
- How is execution of the allocated health system budget enabled and supervised? Do countries face under-execution or on the contrary, over-execution problems in the health sector, and if so, what are the causes and consequences?
- How can smart budgeting practices improve health system performance? What must health systems in CESEE and Central Asian countries do to improve accountability and value?
- In light of countries transitioning away from Global Fund support, how can this transition from Global Fund support be managed in the most effective and sustainable manner?

The meeting gathered 65 participants from 18 countries, including representation from Ministries of Finance and Health, Social Security Funds, alongside invited experts and representation from international institutions (the WHO European regional office, WHO headquarters and the Global Fund). Evaluations from participants highlighted the quality and relevance of the country cases and topics presented. The meeting followed two thematically complementary events held earlier in the year: a regional meeting for the Latin America and Caribbean region in July, and the joint network meeting for OECD member states in February.

This policy dialogue was organised by the Ministry of Social Affairs, Estonia; the Global Fund to Fight Aids, Tuberculosis and Malaria; the World Health Organisation; the Senior Budget and Health Officials Joint Network of the OECD; and the CESEE Senior Budget Officials Network. The meeting was chaired by Geert Van Maanen, Director Top Consultant and former Secretary-General of both Ministry of Health, Welfare and Sports; and the Ministry of Finance in the Netherlands.
Opening remarks: setting the scene

Fiscal sustainability; links between health and wealth, and more specifically links with the major infectious diseases of AIDS, TB and malaria; were the main issues addressed in the opening remarks. This included the fundamental challenge for this joint network of respecting fiscal constraints whilst also achieving health policy objectives. One of the key points made was that achieving sustainable health systems requires investment as well as cost containment measures and revenue diversification, notably sufficient investment in health promotion and disease prevention.

Main panellists

- Jevgeni Ossinovski, the Minister of Social Affairs in Estonia
- Nicolas Cantau, Regional Manager for Eastern Europe, The Global Fund to Fight Aids, Tuberculosis and Malaria
- Hans Kluge
- Camila Vammalle and Chris James

Session I: Sustainability and Transition - Why? How? When?

Overview

As many countries aim to improve coverage and quality of health services provided, ensuring fiscal sustainability of health systems is key, and requires good coordination between health and finance officials. For some countries which have traditionally relied on external aid to finance some of their health programmes, economic development and “graduation” from such a support also requires strengthening national health financing systems. Taking the Global Fund example, this includes transition from support altogether and transition to a decreased level of support due to improvements in income and/or disease burden. This session provided information on how the Global Fund aims to support sustainable responses for epidemic control and successful transition. But the sustainability challenges involved are relevant to all countries that have other forms of time limited external sources of financing, such EU structural funds and bilateral supports.

Main panellists and topics

- Sustainability and Transition – the Global Fund approach, Nicolas Cantau, Regional Manager for Eastern Europe, The Global Fund to Fight Aids, Tuberculosis and Malaria
- Sustainability and Transition – the Estonian case, Maris Jesse, Deputy Secretary General, Ministry of Social Affairs, Estonia

Key messages

- National ownership and political commitment are imperative for a sustainable transition away from reliance on Global Fund and other external resources, as is close collaboration between government and international partners.
- Transition preparedness and planning should include development of transition readiness assessments, and progressive and accelerated government of key interventions. A number of tools can ensure a smooth transition; with overall National Health Plans and disease-specific strategic plans a particularly effective way to integrate HIV/AIDS, TB and malaria plans into wider health systems.
- In the CESEE region, drug-resistant TB and HIV epidemics in key affected vulnerable populations are major causes for concern. Following transition, there is a concern that these key populations will be given less priority, even though this is where the epidemics primarily reside.
- The Estonia experience demonstrated the importance of both forward planning in a smooth transition away from Global Fund and external support. In particular, multisectoral strategies and agreements were made in advance that included all of the key governmental agencies involved in HIV and TB-related activities. At the same time, conducive economic conditions and political commitment were crucial, to ensure sufficient financing from domestic sources post-transition from external funding support.
Looking back at how Global Fund resources were used in Estonia, key lessons learned included (1) some differences in priorities between external partners and government, but that these differences can help improve the priority-setting process; (2) donor targets are fixed with limited flexibility, so it is important to ensure the right timing for activity implementation but also an active role of the recipient country in target setting and sustainability planning.

Session II: Structure and governance of financing of health systems

Overview

Health financing systems vary greatly across countries. Some countries rely more on general tax revenues, while others depend on social health insurance or mandatory private health insurance schemes, with private administrators. Boundaries have become blurred as the trend in Europe is moving towards mixed revenue sources with increasing reliance on government budget transfers to health insurance funds (public or private) within a publicly financed system. Voluntary private insurers are also present in many countries. Some countries have multiple financial schemes in place, which can create challenges to coordinate, monitor and enhance efficiency in health systems. Private, out-of-pocket payments for health services play a significant role in financing health systems in Europe and Central Asia.

Main panellists and topics

- Spending on health and financial protection: why and how? Tamás Evetovits, Head of WHO Barcelona Office for Health Systems Strengthening
- Healthcare financing reform: switching from social health insurance to NHS and back? The case of Latvia. Kārlis Ketners, State Secretary, Ministry of Health, Latvia
- Spending on health: when is it worth it? Steve Wright, Executive Director, INTEGRATE

Key messages

- To improve the dialogue between health and finance, health officials need to make a much better case for why they require more public spending on health. At the same time, finance officials need to understand the poverty and health impact of high out-of-pocket (OOP) payments by households.
- Country benchmarks can help suggest what insufficient levels of government spending on health are to ensure effective universal health coverage. The WHO suggested that when OOP payments make up over 30% of total health spending, there is a serious risk of households facing catastrophic spending and impoverishment because of the costs of healthcare. OOP shares below 15% generally ensure adequate financial protection. Related to this, the WHO proposed a minimum share for public health spending at 6% of GDP, with sufficient priority given to health within general government spending. At the same time, policies matter, with the type of OOP spending important.
- The Latvia experience demonstrated the challenges in healthcare financing reform. In Latvia, there has been a movement to and from financing models based to differing degrees on health insurance or NHS-style systems. But irrespective of the precise model chosen, the key challenges were ensuring sufficient government revenues to health and that this money is spent efficiently.
- In Latvia, preconditions for the new healthcare financing model is centred on a comprehensive service package managed in a single pool by a state agency, one that guarantees adequate financial protection to all. A mix of personal income tax, indirect taxes and social contributions will be considered. As well as overall funding levels, an important challenge is to develop a medium-term budget framework that secures a stable and predictable revenue flow into the health sector.
- Across many countries in the room, there was some debate about the risks of over-reliance on payroll taxes, particularly in light of ageing populations.
- Irrespective of the governance of health financing arrangements, many countries’ health systems were adversely affected by the global financial crisis of 2007/2008. Looking forward, build-up of debt has acted as a drain on economic growth, limiting the fiscal space for health in many countries in the short to medium term. In the long-term, health officials’ dialogue with finance officials can be based on the health is wealth idea – assuming health expenditures are effectively used. In the short to medium term, arguments for increased spending should be based more on social cohesion and potential fiscal multipliers.
Session III: Budget formulation process

This session aimed to understand the different ways in which health expenditure is managed in countries’ budgeting processes. In particular, it examined the complex interactions that take place during the budget formulation process for health and the different actors that play a key role in defining health expenditure levels and allocations.

Main panellists and topics
- **Budget formulation**, Ana María Ruiz Rivadeneira, Policy Analyst OECD
- **Healthcare financing in Bulgaria**, Lyubomir Kamboshev, Health Expert, Budget Directorate, Ministry of Finance of Bulgaria

Key messages
- The budget formulation process has three major objectives: to ensure fiscal sustainability, align expenditure with government objectives (prioritization) and provide an inclusive, transparent and participative debate about resource allocation. Within this process, health spending is a particularly complex expenditure area, with cost containment challenging because of the high share of entitlements, the number of stakeholders involved, and because healthcare is a high priority for citizens.
- Budgets for health are also not always fully included within the public budget, notably when there is a separated health insurance or social security agency. The relationship between such agencies and the central government budget varies across countries, and poses challenges for maintaining an overall positive fiscal position.
- Budgets are usually classified and formed on the basis of inputs (line items) and by institutions. Whilst this makes auditing and financial accountability relatively straightforward, it makes it more difficult to evaluate performance, match health spending with priorities, and address cross-sectoral issues such as HIV/AIDS.
- Multi-year budget planning was seen as an important approach to negotiate in a way that accounts for likely resource envelopes.
- In Bulgaria, most of government health spending is through a separate budget for the National Health Insurance Fund. Important challenges highlighted were the need to consolidate and streamline hospitals, where too many resources are spent; and provider payment reform (moving away from over-reliance on fee-for-service and towards DRGs).
- There is interest in further developing voluntary health insurance in Bulgaria – however, other countries and international partners in the room emphasised the risks with expanded voluntary health insurance, notably around high administrative costs and risk selection.

Session IV: Budget execution

Operational management issues in the health sector can create difficulties during the budget execution phase, which can lead to over or under execution of the budget. Likewise, rigid public financial management rules could prevent efficient allocation of resources. For example, while in OECD countries, budget over-execution in health is frequent, in some low and middle income countries on the contrary, report to have lower expenditure levels than the ones initially programmed in the budget. This session explored the situation in CESEE countries, as well as possible strategies to improve efficiency during the budget execution phase.

Main panellists and topics
- **Budget execution**, Chris James, Economist / Health Policy Analyst OECD
- **Budget execution – the Slovenia case**, Dusan Josar, Head Public Health Economics Division, Ministry of Health

Key messages
- Poor budget execution worsens service delivery by delaying, or limiting flexibility of, funds to frontline health providers. This is often due to rigid public financial management rules, and health providers not always having the authority to manage budgets.
- Characteristics of effective budget execution are that it is predictable, timely, flexible, accountable, sustainable and incentivises good performance – though there are trade-offs between some of these characteristics. For example, greater flexibility (a crucial factor for Ministries of Health) can affect financial accountability if not properly managed.
• Policies around cash flow management, authorisations/delegations, allowing carry-overs and effective financial monitoring systems are some of the main tools for improving budget execution.
• In Slovenia, within the context of a health financing system based on social health insurance, the budget execution process starts with negotiations to define the General Agreement (GA). This relates to contract agreements between purchasers and providers – which ensures agreement but is time-consuming and often requires renegotiating agreements in-year. Financial monitoring systems work well to ensure that funds are spent on intended purposes, with strict controls on expenditures to avoid over-spending.
• Other country experiences highlight that the degree of flexibility depends to a large extent on the legal entities of hospitals and other health providers.
• Countries often experienced both over-spending and under-spending, depending on the exact year in question. The structure of budget formulation was also seen as being an important factor affecting the level of budget execution, particularly how broad or detailed specific budget lines were (given a generally limited flexibility in moving funds between budget lines).

Session V: Performance budgeting, reporting and monitoring

Performance budgeting, reporting and monitoring are key tools to ensure the fiscal sustainability of health systems. Many countries have started to introduce performance budgeting in the health sector, shifting the attention from inputs and process towards healthcare outcomes and results. Despite the progress made, there is still space to improve the way performance information is used to inform budget allocation decisions. There have also been initiatives to introduce periodic reporting and monitoring systems. However, these practices tend to be applied only to health expenditure that is included in the central public budget.

Main panellists and topics
• Performance budgeting, reporting and monitoring, Camila Vammalle, Economist / Policy Analyst OECD
• Progress in performance budgeting in the Czech Republic, Jakub Haas, Head of Healthcare and Public Health Insurance unit, Ministry of Finance of the Czech Republic

Key messages
• Performance budgeting has the potential to better link non-financial performance measures with budgetary resources. It is a move away from a more traditional approach which focuses only on budget line items, to an approach that shows what a government is getting for their money. Such an approach can encourage debate and more rational allocations, as well as better engaging policy stakeholders.
• Three different approaches to performance budgeting can be categorised: a presentational approach that shows outputs/performance indicators separately from the budget document (easy but is this effective?); performance-informed budgeting which includes performance metrics within the budget document (more engaging?); and performance-based budgeting where more direct links are made between results and resources (is the extra effort worth it?).
• Performance budgeting faces a number of challenges, notably the quality of performance information, potential gaming of performance targets, how to respond to poor performance, and how to engage different stakeholders in the process.
• An important distinction should be made between performance budgeting described above, and paying-for-performance (P4P), which relates to how health providers are paid.
• In the Czech Republic, there is much interest in performance budgeting but currently progress is based on the simpler presentational type. This provides more relevant information on the budget process, including the basis for potential savings. However, performance budgeting remains in its early stages, not yet being an official concept or approach.
• Experiences from other countries in the region show a few countries starting to explore performance budgeting, usually in a presentational-based approach. This has often been driven by parliament and civil society wanting greater transparency on the reasons behind budget allocation decisions.

Session VI: National Health Accounts

National Health Accounts are a tool to track the use of financial resources spent on health care in a country. OECD, Eurostat and WHO have jointly developed the “System of Health Accounts 2011” as an international
health accounts framework to measure the consumption of health care goods and services around three core dimensions of provider, financing and function. But the applicability of SHA 2011 goes beyond this core system by allowing detailed breakdowns of health spending to aid policy. For example, analysing the different revenues of financing schemes can help both Finance and Health ministries assess fiscal sustainability of public financing arrangements.

**Main panellists and topics**

- **Informing policy with health accounts**, Michael Mueller, Health Policy Analyst OECD
- **National health accounts in Kazakhstan**, Ali Nurgozhayev, Head of the Centre for Economic Research in Healthcare of Kazakhstan

**Key messages**

- Health accounts offer a range of policy uses. At the broadest level, they allow effective cross-country benchmarking (because of a uniform methodology for measuring health spending). But they are also useful for showing trends in spending over time and disaggregation by component (e.g. spending on prevention vs inpatient care).
- Of direct relevance to this joint network, health accounts can help monitor financial sustainability. For example, tracking the diversification of revenue sources can assess the extent to which countries are reliant on payroll-based contributions (in the face of ageing populations), irrespective of the nature of financing scheme/s in a country.
- At the same time, Health accounts are not an end in themselves, but rather their usage should follow country priorities. It is also less relevant for budget process, formulation and execution questions, but rather for ex-post analyses of health spending.
- In Kazakhstan, health accounts have been gradually institutionalised since the early 2000s. Over time, and following careful review from the OECD and other international partners, health accounts have become a useful way of providing credible values for health expenditures. Major policy uses include the monitoring of progress towards universal health coverage; of regional differences in public health spending and out-of-pocket payments; and of challenges associated with the shift to social health insurance.
- Other countries noted the important monitoring function of health accounts. For example, in Greece it was useful to monitor pharmaceutical spending, and helped pave the way for important related reforms like generics-related policies.
- For the Global Fund, health accounts can offer a useful tool to help ensure a smooth transition from grant-centred funding to supporting national strategies. Disaggregating spending by disease, and clearer breakdowns between domestic and external revenue sources, and of pharmaceutical expenditure, are all seen as particularly important from the Global Fund perspective.
- More broadly, health accounts should be seen as an effective way to raise attention – of potential under- or over-spending or potential inefficient allocations – without necessarily providing an answer. That is, it is a useful prerequisite and way of guiding more specific policy analysis of certain spending areas.

**Session VII: Social contracting**

Evidence across the world suggests that forming a stable, meaningful partnership between governments and civil society organizations can enable more effective national responses in the health sector. But as countries transition from donor funding to domestic reliance and such partnership are i) not clearly defined, ii) legal frameworks are not in place, and, iii) contracting and funding mechanisms not present, there is a risks to the funding for, and implementation of the responses and its sustainability, especially for key populations most at risk.

**Main panellists and topics**

- Geir Lie, Health Financing Specialist, The Global Fund to Fight Aids, Tuberculosis and Malaria (Facilitator)
- Aljona Kurbatova, Head of the Infectious Diseases and Drug Abuse Prevention Department, National Institute for Health Development of Estonia
Iva Jovovic, Executive Director of Life Quality Improvement Organisation Flight, Croatia

Key messages

- Social contracting is a process by which government funds are used to fund non-government entities for carrying out activities that the government wants implemented and that the civil society organizations (CSOs) agree to implement. It is particularly important for maintaining or expanding services to key affected populations.
- The Global Fund and other external donors fund a large share of CSO activities. The Global Fund has developed a Social Contracting Diagnostic Tool for HIV, TB and Malaria programmes to examine procedures, policies, laws and regulations for the ability of CSOs to register to receive funds from government; use those funds for key populations and other HIV, TB and malaria efforts, and; be involved in planning and implementing HIV, TB and malaria responses among key populations.
- In Estonia, CSOs have played a critical role in providing social services to people living with HIV, using drugs, sex workers (i.e. key populations). They were seen as a more cost-efficient option, since using health personnel would be too expensive. A key challenge was Estonia’s strict legal regulation on procurement regulations and how services would be provided. The government signed contracts between 1 to 3 years with CSOs, a mechanism preferred by the CSOs given it provides them with the ability to plan better and prioritize the service volume. This approach also made it easier for the government to monitor outcomes and provide a more accountable system.
- In Croatia, contracting CSOs is well established for the Ministry of Health, as the monitoring system and financing forms are both in place. CSOs provide outreach services to people who use drugs, social support to sex workers, and sex education for young people. Funding is based on the UK charity model (half from the state, half from the lottery). The Ministry of Health have online access to information on the CSOs activities, with laws in place to regulate CSOs. Whilst these are seen as being good for transparency and accountability, CSOs struggle with the administrative workload for complying to such laws and regulations.

Additional Global Fund session: sustainability and transition policy in action: moving towards patient-centred tuberculosis care in EECA

This session was organised for countries benefitting from Global Fund grants. The Global Fund Sustainability and Transition policy was discussed, along with country experiences, discussing how countries can increase domestic resource mobilization and use existing resources more efficiently, including through introduction of innovative health financing instruments and approaches.

Main panellists and topics

- Brief introductions from the Global Fund, WHO and the PAS Centre
- Country cases from Armenia, Azerbaijan, Kazakhstan and Kyrgyzstan

Key messages

- Evidence across the world suggests that forming a stable, meaningful partnership between governments and civil society organizations can enable more effective national responses in the health sector. But as countries transition from donor funding to domestic reliance and such partnership are i) not clearly defined, ii) legal frameworks are not in place, and, iii) contracting and funding mechanisms not present, there is a risks to the funding for, and implementation of the responses and its sustainability, especially for key populations most at risk.
- TB-REP, a regional project involving 11 EECA countries, is implemented by the Centre for Health Policies and Studies (PAS Centre) in strategic partnership with WHO and aims at building political commitment for sustainable change in health systems and at supporting countries to implement effective and efficient patient-centred TB care model with sustainable financing and innovative provider payment methods. Current TB service delivery systems in EECA are heavily dependent on the Global Fund’s funding and often underperform as suggested by high burden of TB and MDR-TB.
- Country experiences from Azerbaijan, Armenia, Kazakhstan and Kyrgyzstan highlighted the challenges of sustainably financing TB care, in light of transition from Global Fund support. A key reform issue across all
these countries was ensuring that care for TB patients is fully integrated into a unified benefit package, since care is currently very fragmented.

**The way forward**

In light of the discussions held during the meeting, country delegates proposed a range of approaches to ensure this joint network meeting offers the greatest value to policymakers. In particular, there was interest in making these meetings more frequent, and complementing discussions with more in-depth country case studies. A potential application of the OECD budgeting practices for health survey to the CESEE region was also discussed. In terms of topics of particular interest, a deeper analysis on performance budgeting and the use of health accounts was requested. New sessions on strategic purchasing and pharmaceutical reimbursement policies would be of interest to a number of countries present.