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## Article

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## **Financing Local Subordination Hospitals in the Context of Decentralizing the Medical Services**

**Silvia Bunea<sup>1</sup>, Ecaterina Necsulescu<sup>2</sup>**

**Abstract:** Health is a large resource consuming domain and in which the results are materialized in the long term. On the other hand, there are a variety of health systems in the world, but none are perfect and cannot be considered a model. In the recent decades, health systems have generally been marked by the sharp increase in costs, which has not been accompanied to the same extent by the improvement of health outcomes. The problem of insufficient resources and the understanding that health is, in fact, an investment, in the sense that better health of the population determines a better productivity and lower social support expenses from the state, have brought health to a central place in the sphere of politics. This was followed by the transfer of the set of tasks and competences exercised by the Ministry of Health to the local public administration authorities. In this paper we have presented some of the problems faced by the public health units of local subordination.

**Keywords:** health systems; health outcomes; local public administration authorities

**JEL Classification:** H54

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### **Introduction**

The present paper analyzes the possibility of achieving the financing of hospitals in an efficient way by allocating the amounts from the state budget and those allocated from the local budget.

Public health institutions are hospitals, which are financed entirely from their own revenues and operate on the principle of financial autonomy. The own revenues of the public hospitals come from the amounts collected for the medical services, other services performed on a contract basis, as well as from the social health insurance system. This system is compulsory for all Romanian citizens residing in the country, as well as foreign nationals and stateless persons who have requested and obtained the right to temporary residence or have their domicile in Romania and prove the payment of the contribution to the National Fund for Social Health Insurance.

Law 95 of April 14, 2006 (\* republished \*) on the health reform published in the Official Monitor no. 652 / of August 28, 2015 established that public hospitals are public institutions financed entirely from their own revenues and operate on the principle of financial autonomy.

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Thus by Order no.910 / of June 10, 2010 for the approval of the model of the Protocol of teaching-taking between the public health departments of the county and of the municipality of Bucharest and the authorities of the local public administration and the City Hall of the Municipality of Bucharest in view of the transfer of the management of the medical assistance of the public health units published in The Official Monitor no.389 of June 11, 2010 took over the sanitary units with beds by the territorial administrative units.

Therefore the year 2010 represented the moment of realizing the decentralization of the health activity by passing the hospitals from the direct administration from the Ministry of Health to the administration of the local public authorities (county councils and local councils).

This passage did nothing but pass the problems of the hospitals on the shoulders of the administrative units. The transfer did not in any way realize the problems of the health units because they are public institutions financed entirely from their own income and operate on the principle of financial autonomy. The own revenues of the public hospitals come from the amounts received for the medical services, other services performed on a contract basis, as well as from other sources, according to the law.

From the analysis we find that the own incomes of the hospitals are in proportion of 80% of the sources from the house of social insurance of health and amounts allocated by the Ministry of Health through the Directorates of Public Health, 10% of the transfers from the local budget and the rest of 10% from other sources.

In conclusion, the hospitals are also financed from the budget of the Ministry of Health but by other more complicated means, and here we emphasize that the incomes from the social health insurance house are established on the basis of cost / patient standards. This fact can influence the activity of some hospitals that carries out only one activity.

There are nine hospitals in Galați County, of which six are of regional and county importance and three are of local importance.

In this paper we will also analyze the activity of the three hospitals funded by the Territorial Administrative Unit of Galați Municipality for the last four years.

The main revenues of hospitals are:

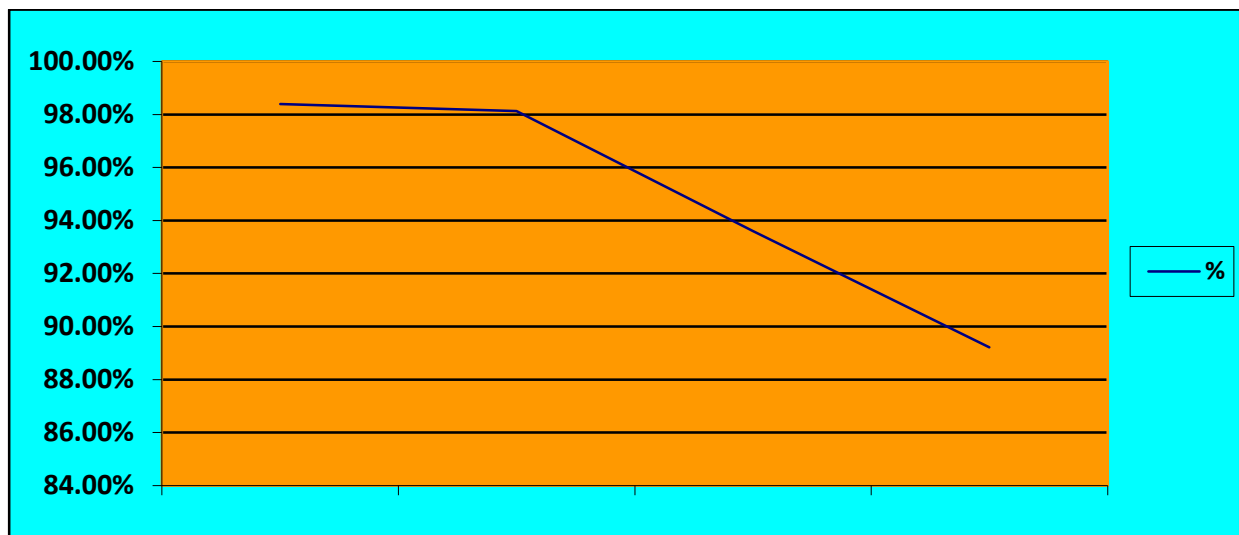
- the revenues from the contracts concluded with the Social Health Insurance Houses;
- the revenues from the contracts concluded with the Public Health Directorates from the amounts allocated from the state budget;
- the revenues from the contracts concluded with the Public Health Directorates from the amounts allocated from the Ministry of Health's own revenues;
- subsidies from local budgets to finance current health spending;
- subsidies from the budget of the Single Health Fund from 2016;

In table no. 1, we can see that the total projected revenues to be realized by the end of each year increased as follows: by 8.62% in 2016 as compared to 2015, 33.16% in 2017 as compared to 2016 and 31.46% in 2018 compared to 2017. Also, in figure no. 1 we presented the evolution of the incomes realized

compared to the projected incomes that were of over 90% in the years 2015-2017, with a decrease of about 9% in the year 2018, which shows that the sanitary units received the amounts contracted with the Social Health Insurance Houses, the Public Health Directorates and the subsidies from the budget of the Unique Health Fund.

**Table no. 1. Evolution of the revenues of the local subordination hospitals in the years 2015-2018 Galati**

Indicators	2015	2016	2017	2018
<b>Initial forecasted revenue</b>	56.416,00	69.564,00	91.906,00	103.283,00
<b>Final forecast revenue</b>	66.132,00	71.830,00	95.648,00	125.737,00
<b>Income realized indicators</b>	65.068,00 <b>98,39%</b>	70.490,00 <b>98,13%</b>	89.528,00 <b>93,60%</b>	112.181,00 <b>89,22%</b>



**Figure 1. Evolution of the incomes realized in the years 2015-2018**

Following the analysis of the incomes realized, we noticed that the sanitary units with beds, as the hospitals are called by Law 95 of April 14, 2006 (\* republished \*) on the reform in the field of health published in the Official Monitor no.652 / of August 28, 2015, the weight represents it the indicators that are based on the contracts concluded with the Social Health Insurance Houses, the Public Health Directorates and from 2016 amounts were allocated to them and from subsidies from the budget of the Single Health Fund.

In the table 2 and figure 2 we analyzed the degree of income generation by each source of income as follows:

- the revenues obtained from the contracts with the Social Health Insurance House were realized in 2015 as a percentage of 74.90%, in 2016 -76.34%, in 2017-56.71% and in 2018-42.65%. There is a decrease

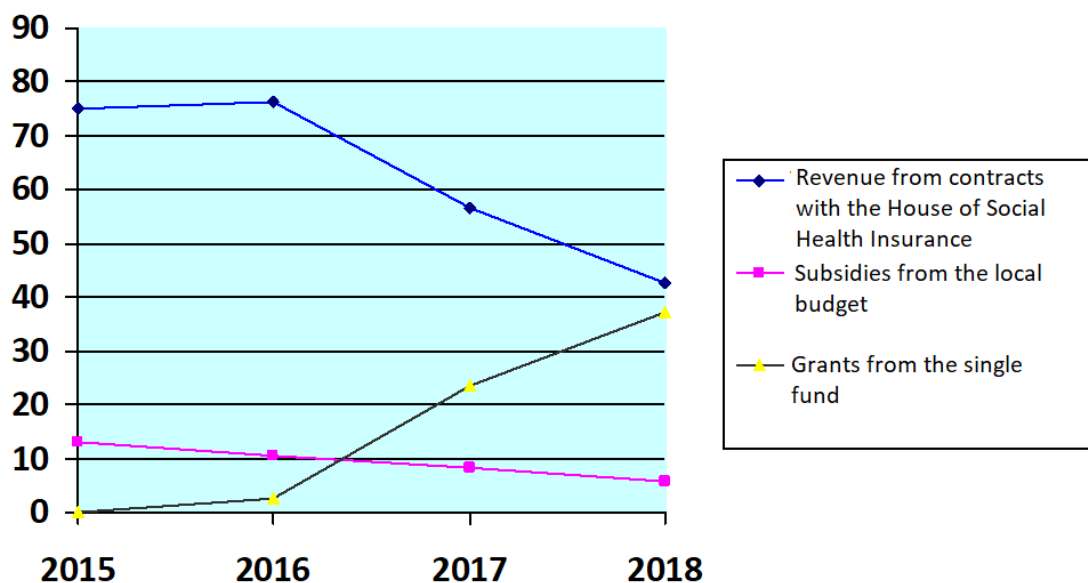
in the absorption rate of this indicator in 2017 and 2018 compared to 2015 and 2016. The decrease of the indicator is due to the lack of patients who benefit from all the legal rights regarding health insurance.

- subsidies from local budgets were realized in 2015 as a percentage of 13.04%, in 2016 -10.47%, in 2017- 8.22% and in 2018-5.78%. The analyzed indicator has been declining from year to year it has decreased by approximately 2-3 percent. The decrease is due to the lack of availability of the Territorial Administrative Unit.

- the subsidies from the budget of the single health fund were allocated from December 2016. These were allocated from the funds of the state social insurance budget through the Social Health Insurance House in order to ensure the salary differences for the personnel employed in the health units. At this indicator we see a major increase due to the legislative changes regarding the salary rights for the personnel in the health units.

**Table 2. Evolution of the revenues of the local subordination hospitals realized in the years 2015-2018**  
**Galați**

	2015	%	2016	%	2017	%	2018	%
<b>Total Own revenues of which</b>	<b>65.068,86</b>	<b>100,00%</b>	<b>70.489,92</b>	<b>100,00%</b>	<b>89.527,63</b>	<b>100,00%</b>	<b>112.181,37</b>	<b>100,00%</b>
Revenue from contracts with health house	48.734,78	74,90%	53.811,40	76,34%	50.767,32	56,71%	47.841,55	42,65%
Subsidies from the local budget	8.482,20	13,04%	7.377,00	10,47%	7.356,00	8,22%	6.486,00	5,78%
Grants from the single fund of health	0,00	0,00%	1.752,92	2,49%	21.088,33	23,56%	41.661,15	37,14%



**Figure 2. Evolution of achievements by sources of income**

In Table 3 we presented the evolution of the expenses of the three hospitals under the subordination of the Territorial Administrative Unit. It is observed that from year to year the expenses incurred increase, thus in 2016 by 14.26% compared to 2015, in 2017 by 28.72% compared to 2016, and in 2018 by 29.08% compared to 2017.

The increase is due to legislative changes regarding the salary rights of the personnel employed in the sanitary institutions and to the increase of the tariffs of the expenses with the utilities.

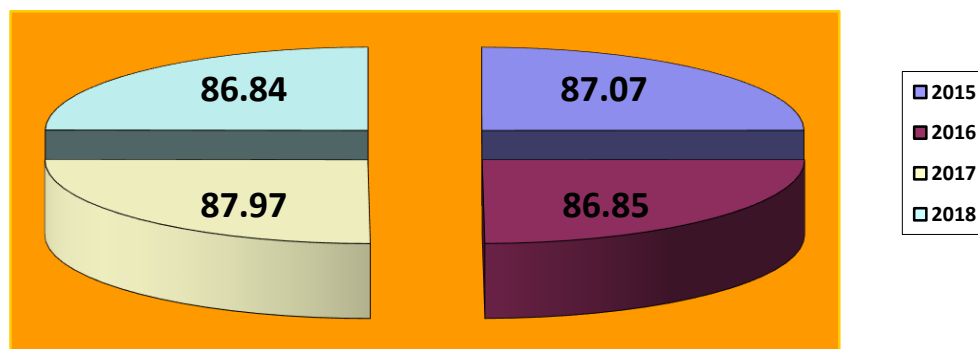
**Table 3. Evolution of the expenses of the local subordination hospitals in the years 2015-2018**  
**Galați**

thousands lei

Indicators	2015	2016	2017	2018
Initial expected expenses	60.814,00	78.529,00	96.345,00	111.806,00
Final expected expenses	70.530,00	80.795,00	102.675,00	134.260,00
incurred Expenses	61.411,00	70.171,00	90.326,00	116.597,00
%	87,07%	86,85%	87,97%	86,84%
Achieved / FINAL PROG	<b>3.657,00</b>	<b>319,00</b>	<b>-798,00</b>	<b>-4.416,00</b>

In the figure no. 3 it is observed that the expenses incurred by the health institutions each year are constant.

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**Figure 3. The expenses realized in the years 2015-2018**

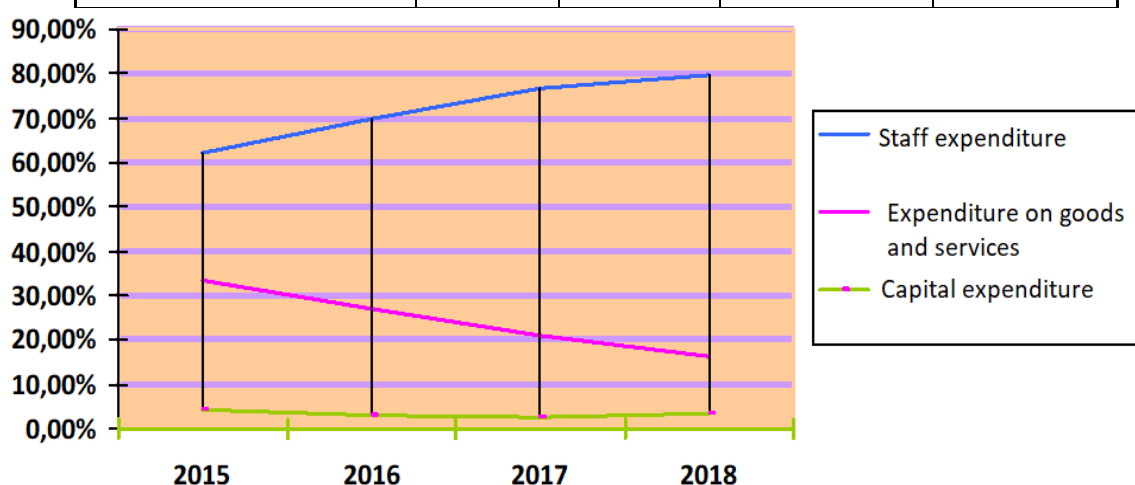
In the table no. 4 we presented the variation by types of expenses. Thus the personnel expenses or increased by the year with a percentage of about seven percent. The expenses with goods and services or reduced by about six percent from the year to the year. The capital expenditures although they were in small percentage compared to the total expenditures realized. These were in small percentage because some of the urgent facilities were ensured and it was considered feasibility studies, projects needed to access non-reimbursable funds.

Here we can point out that the Emergency Clinical Hospital for children Sf. Ioan Galați, has obtained non-reimbursable funds for the creation of the UPU Section. In 2017 the Territorial Administrative Unit, *BUSINESS ADMINISTRATION AND BUSINESS ECONOMICS*

after my many efforts, managed to purchase the building of the Gynecologic Hospital “Buna Vestire”, which was claimed after the revolution.

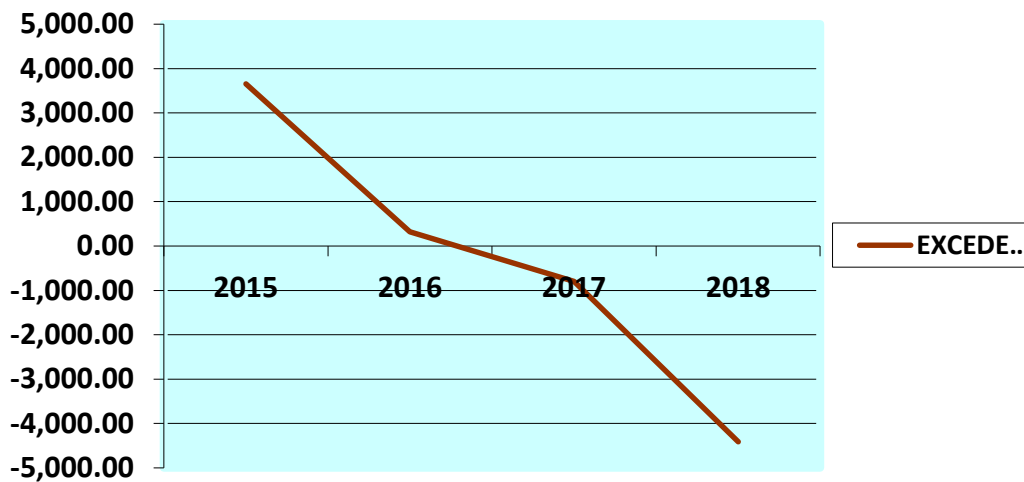
**Table 4. Variation of expenditures reported in 2015-2018**

	2015	2016	2017	2018
Staff expenditure	61,96%	69,72%	76,51%	79,60%
Expenditure on goods and services	33,34%	26,85%	20,89%	16,41%
Capital expenditure	4,40%	3,11%	2,39%	3,40%



**Figure 4. Evolution of expenditures made in 2015-2018**

After analyzing the incomes and expenses made by the local subordination health institutions, we can see that in 2015 the hospitals closed the budget execution with a surplus of 3,657.00 thousand lei, so the expenses realized were smaller than the incomes received. In 2016, the budget execution was completed with a surplus of only 319.00 thousand lei. In the following years, 2017 respectively 2018, the health institutions suffered a decline, they concluded the budget execution with deficit. This decline is presented in figure no. 5.



**Figure 5. Evolution of the result in the years 2015-2018**

Finally, we can draw some conclusions:

- health institutions following the legislative changes have a stable management
- cost standards are a big step forward in making public money more efficient, but exceptional situations should not be eliminated, even though it is known that in Romania most of the time the law enforcement is an exception. You cannot endanger the lives of certain categories of patients just because their treatment is more expensive;
- decentralization of hospitals should lead to a change in the population's optics regarding health care and moving the center of gravity from therapy to prevention;
- as a result of the legislative changes regarding the salary rights, there was no change of the medical personnel;
- consideration will be given to modifying sections within hospitals that are not on demand and replacing them with others that are in high demand to secure funding.

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