Healthcare Project 2015

Executive summary

The SAO analysed the activities of the Ministry of Social Affairs in developing the second phase of the Healthcare Project 2015 in 2000 to 2003. The audit focused on project management, the pricing of health services and the development of the underlying cost accounting system, and the policy of investing in healthcare.

The project has been implemented with the involvement of the Ministry's officials and specialists outside the Ministry. Some concepts and solutions developed under the project have been introduced and implemented in practice.

The SAO is of the opinion that the project has not been implemented consistently or sufficiently valued.

Since the Healthcare Project 2015 is a very broad and long-term process, interim phases should certainly be envisaged at the end of which the activities can be evaluated and adjusted. At the moment, there is no clarity as to the interim phases of the treatment network development plans, the modification of the structure of using hospital beds and the introduction of the fixed asset charge.

The information collected during the project has not been analysed comprehensively and the corresponding decisions have not been made (e.g. the harmonisation of the operating cost accounting of hospitals). This does not mean that the Ministry is not dealing with the issue, but the process should be expedited. The Ministry should constantly see to it that the information collected and processed in the framework of the project would not become useless and a value in itself, which cannot be related to specific activities. Since there are currently problems with analysing the information, the project does not provide assurance as to the future of the entire healthcare reform – new developments in principle could occur.

The SAO found that the pricing of health services calls for more transparency. The principal objective of preparing and modifying the price list – the comprehensive, co-ordinated and regular review of the health service prices – has not been attained. The procedures for submitting applications concerning reference prices of health services and for examining these applications had not been documented and the process cannot be reconstructed afterwards.

The Ministry has launched certain subprojects with the purpose of creating a uniform cost accounting system for hospitals. In this context, the SAO found big differences between cost categories in different hospitals and established costs are not sufficiently comparable. Implementation of diagnosis-based cost accounting has been hindered by the fact that medical institutions use different approaches for determining the diagnosis, which causes big price differences between hospitals. The SAO analysed the development of the diagnosis-based complex price and compared that price with the current health service price. The use of this method would increase the hospital operator's interest in keeping intra-institutional cost accounts, since it would allow the operator to influence the pricing of health services.

The possibility of investing in hospitals lies in capital expenditure, which has been implemented as expected and which, being included in the price of health services, helps to cover the hospitals' costs, but is alone unable to influence the quality of health services. There is still inequality between health service providers – the assets received from the government free of charge have not been distinguished from those, which have been acquired by means of self-financing. In the first case the medical institution gets the additional funds from the price increase just like that and does not have to repay anything from investment expenditure.

The SAO recommends launching a pilot project to review the principles applied by the Health Insurance Fund for the purpose of classifying capital expenditure.

The SAO detected some non-purposeful expenses, which were to related the attainment of other objectives, and not to the Healthcare Project 2015.

Main proposals of the SAO to the Minister of Social Affairs

- To review project management principles and to observe the established procedure in future activities or to initiate the amendment of the relevant legislation.

- To improve the methodology for cost accounting of health services so that the direct and indirect expenses under a specific category of expenditure would be related in a more adequate and precise manner to the entities incurring the expenses.
- To envisage measures for modifying the structure of using hospital beds with the aim of increasing the number of beds available for continuing care and nursing care.
- To review the principles applied by the Health Insurance Fund for the purpose of classifying capital expenditure and to launch a pilot project to this end.
- To modify the procedures for reviewing and approving health service prices in order to make the pricing process more transparent.
- To organise the cost accounts of the Healthcare Project 2015 to provide a more detailed overview of each individual activity of the project.
- To adopt a position on the 2.5 million kroons, which was paid to the North-Estonian Regional Hospital from the budget of the Healthcare Project 2015, but was not related to the project.

Response from the Minister of Social Affairs

The Ministry does not consider it necessary to subject project management to the steering body and deems the project as a part of healthcare development. In 2004, activity-based accounting broken down by cost categories will be applied for the Healthcare Project 2015.

In 2004 the Price Committee will be restored at the Estonian Health Insurance Fund to make the procedure for pricing the services more transparent. The capital expenditure accounting methods will be reviewed in conjunction with determining the activity-based prices.

In the context of assessing the investment needs, the nursing care network development plan will be prepared and submitted to the Government for approval in 2004. This plan will be used to draw up nursing care development plans for individual counties, which form the basis for implementing the changes in the structure of using hospital beds by 2015. The motions to amend the Health Care Services Organisation Act and the Health Insurance Act are being developed in order to implement the investment policy.

The 2.5 million kroons allocated to the Foundation North-Estonian Regional Hospital was necessary for funding the financial obligations related to the take-over of the Keila Hospital, which is connected with the project’s objectives.

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