Management of contracts for specialised medical services in the Estonian Health Insurance Fund

Audit Report No 2-6/05/16 of March 10, 2005

Executive summary

The State Audit Office (SAO) has audited the activities of the Estonian Health Insurance Fund (EHIF) in the management of the entry into contracts for the provision of specialised medical care. The audit covered the EHIF's regional departments of Harju, Tartu and Pärnu. Additional information was obtained from the following health care institutions: Tartu University Hospital Foundation, North Estonian Regional Hospital Foundation, Viljandi County Hospital Ltd., West Tallinn Central Hospital Ltd., and Pärnu Hospital Ltd.

Specialised medical services are financed through the health insurance budget, the appropriations for specialised medical care amounted to EEK 2.87 billion in 2003 and to EEK 3.24 billion in 2004.

The goal of this audit was to determine whether the regional departments of the EHIF act in conformity with the decisions regulating the conclusion of contracts for medical services funding; to identify problems emerging in the course of contracting; to obtain an overview of the possible risks in the process of contracting for specialised services and to enable the Supervisory Board and the Management Board of the EHIF to build, on the basis of the conclusions drawn, an improved process for concluding contracts for funding specialised medical care.

The SAO has found that the Estonian Health Insurance Fund has, in general, followed the 2003-2005 development plan in regard to proposed funding and contracting for specialised medical services in 2004 as well as the decisions of the Supervisory and the Management Boards of the EHIF, the strategic goal of which was to maintain the access to medical services, the waiting lists and the caseload at the 2002 level.

The SAO points out that in the course of the audit, circumstances occurred, issues were raised and problems were identified which refer to certain risks and need further regulation and the application of additional measures.

Relevant observations

- Caseload for certain specialties in specialised medical care was projected to be lower in 2004 as compared to 2002. In 2004, the EHIF planned a decrease of 1,853 cases over the 2002 caseload in hospital-based specialised medical care. Declining inpatient caseloads were offset by increases in community-based medical services in 2004.
- When entering into contracts for funding for specialised medical services, the EHIF's regional departments relied on the decision No 238 of the Management Board of 3 December 2003 titled "Endorsement of the procedure for the conclusion and management of contracts for medical services funding, the conclusion of the funding contract and the time schedule for the conclusion of contracts for funding medical services in 2004".
- Given the need to ensure access to health services, the EHIF regional departments had fairly often suggested to the providers of health care services that the contract volumes for specialised medical care be changed.
- The regional departments of the EHIF, due to the reportedly high workload, had not made records of the negotiations concerning the level of funding for specialised medical care between the EHIF and the providers of health care services included in the hospitals network development plan.
- Upon the conclusion of contracts with the providers of health care services not listed in the hospitals network development plan, the grounds for all accepted proposals and for refusal to enter into contracts for medical services funding had been stated. The EHIF regional departments followed the principle of equal treatment when contracting for the funding for specialised medical services selected through a competitive bidding process.
- Proposals for the provision of specialised medical services made in a competitive bidding process were difficult to evaluate on the basis of valid criteria and the scoring system (old and new bidders).

- Family physicians who did not carry out patient testing to a sufficient extent, did not use up the resources allocated for testing; the EHIF cannot reallocate the existing resources among the providers of specialised medical services because the amount of unused resources can be ascertained only at the end of the budget period.

Proposals made by the SAO

To the Supervisory Board of the EHIF

- Improve the health services accessibility standards underlying the budget debate, by confirming the need, if substantiated, for priority development of community-based specialised medical services.

To the Management Board of the EHIF

- Elaborate procedures which regulate when and why the EHIF regional departments are authorized to make amendments to the contracts for specialised services funding.
- Give an opinion of the changes in contract volumes for funding specialised medical care by the providers of health services as specified in the EHIF development plan and of taking record of negotiations.
- Review the criteria for the evaluation of proposals made for the provision of specialised medical services through a competitive bidding process and the scoring system applied.
- Explain to the providers of specialised services the general terms and conditions of contracts for medical services funding: family physicians ordering medical tests will pay for the testing according to the arrangements in force between the provider of medical services and the family physician, but not more than the reference price of a medical service.

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The Minister of Social Affairs and the Chair of the Management Board of the EHIF have stated that they concur with the made proposals and the action envisaged for their implementation. Further to the details given in the reply of the Chair of the EHIF Management Board, amendments have been made to the audit report. The full texts of the responses from the Minister and the Chair of the Management Board have been appended to the report.

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