State supervision over healthcare providers

Does supervision support provision of high quality health services?

Report of the National Audit Office to the Riigikogu, Tallinn, 13 September 2007

Summary of audit results

The National Audit Office audited the activities of the Healthcare Board, the Estonian Health Insurance Fund and county governors regarding supervision over healthcare providers. The term "supervision" used in the audit report means the supervisory function of the Healthcare Board and county governors over healthcare providers and the inspection activities of the Estonian Health Insurance Fund regarding its contractual partners.

The purpose of the audit was to assess whether the existing supervision system provides adequate feedback on whether healthcare providers and health services meet the applicable requirements, whether health insurance funds are used purposefully and whether supervision supports quality development in the healthcare system. The nature of supervision cannot be finding faults with healthcare providers and punishing them. Supporting the health care providers and their quality development is equally important. Due to the above, the audit covered both aspects of supervision.

All people in Estonia have some sort of contact with healthcare providers and health services. Healthcare expenditure forms 5.3 percent of the GDP. 76 percent of this is the contribution of the public sector, which has been collected as taxes, including national health insurance 65.7 percent, appropriations form the state budget 8.5 percent and contribution from local governments 1.3 percent (data from 2004). In addition, people themselves pay 21.3 percent (of the total healthcare expenditure) for healthcare. The total amount which is forecast to pass through the Estonian healthcare sector in 2007 is over 12.4 billion kroons. Both taxpayers and the state need to know whether the public sector money is used purposefully in the healthcare sector and whether the health services are of high quality.

The audit provided the following results:

- **The supervision does not have a clear purpose at present. Therefore there is no certainty whether the supervision focuses on important problems and whether it has a significant influence on the quality improvements of health services.** The risk assessment on which the supervision is based is inadequate. The areas over which supervision is carried out are chosen quite randomly and it is not clear what the inspection results should give. On the basis of the lack of risk assessments, on the assessment of supervision and inspection reports and assessment of service providers, it may be concluded that supervision activities do not focus on those areas where some of the most important problems may be which influence the quality of health services and the (mis)use of finances the most. Too much supervision is focussing on the formal aspect of health services. Therefore the nature of supervision is mostly reaction to problems, and is not proactive. For service providers, supervision with no purpose means also additional work. As the most important areas which need improving in healthcare supervision do not involve just one supervision institution, it is important that the Ministry of Social Affairs acknowledge and fulfil its role in the management of national supervision system better.
- **The supervision does not assess the internal quality of healthcare.** Too much focus is on inspection of inputs (whether infrastructure and personnel meet requirements) and the output (result) is assessed very little. The overall trend in the world is for supervision to focus more on output as well. The service providers interviewed also thought that the part of supervision which assesses the content and output of the services is the best.
- **The work of the supervision institutions is not coordinated.** This has resulted in a situation where the Healthcare Board, the Estonian Health Insurance Fund and the county governor may check one family practitioner three times regarding the same aspect. There is no cooperation regarding planning supervision or exchange of the results. However, all parties agree that better cooperation is required. About one third of the family practitioners interviewed were of the opinion that supervision, mostly by the Estonian Health Insurance Fund and the county governor, is overlapping.
- **In issuing the right to provide heath services (activity licence), the Healthcare Board does not check adequately whether the healthcare provider starts its activities within the required time period or whether the healthcare personnel specified in the application for the activity licence starts work at all.** The analysis of the National Audit Office showed that some of the 252 healthcare providers who received an activity licence in

2005 did not necessarily start their activities and at least 8 percent of the healthcare professionals mentioned in the applications for an activity licence did not start work with that particular service provider. In the light of the increasing shortage of healthcare personnel this may mean that several service providers who have received an activity licence are not able to provide quality services to their patients. Furthermore, the register of healthcare professionals kept by the Healthcare Board is unreliable because many healthcare providers may not provide correct and up-to-date data on the work of healthcare professionals.

- **Due to gaps in legal acts, the state cannot stop healthcare providers from providing services that are not allowed.** For example, if the Healthcare Board cancels the activity licence of a healthcare provider due to the fact that they or their activities do not meet requirements, that healthcare provider under the name of another legal entity may apply for a new activity licence immediately and the Healthcare Board cannot refuse to issue it. Coercive measures as well are not always adequate in the case of violations.

The Minister of Social Affairs agreed to the opinion of the National Audit Office regarding the fact that supervision needs to be reorganised and in her reply she introduced a plan for improving the supervision system. The Minister informed that the Ministry will take the recommendations of the National Audit Office into account in the draft legal act which will amend the Health Services Organisation Act.

The Minister of Regional Affairs agreed to the recommendations made.

In his reply, **the Director General of the Healthcare Board** included several additional explanations and informed the National Audit Office of the steps taken.

In his reply, **the Chairman of the Board of the Estonian Health Insurance Fund** explained once again the role of the Estonian Health Insurance Fund in supervision activities and submitted his positions regarding the recommendations of the National Audit Office.

Jüri Kõrge
Chief Auditor, 3rd Audit Department