Sustainability of the Hospital Network

Has the state managed to create an optimal and sustainable hospital network considering its population, health services, healthcare professionals and money?

Report of the National Audit Office to the *Riigikogu*. Tallinn, 2 February 2010

Summary of audit results

The National Audit Office audited whether or not the current network of active hospitals is optimal, sustainable and formed in accordance with the Development Plan of the Estonian Hospital Network 2002.

A hospital network is optimal and sustainable if there are enough patients, qualified healthcare professionals and funds for maintenance of hospitals and purchasing medical equipment at present and in the future as well.

The development plan of the hospital network was completed in 2002 at the initiative of the Ministry of Social Affairs and its goals were to guarantee availability of quality medical assistance at optimal cost and sustainable operation of hospitals in the future.

In Estonia healthcare is funded from the health insurance premiums paid by the people. As the state's healthcare expenditure has increased constantly, the health insurance premiums may no longer be sufficient to cover healthcare expenditure in its current amount, i.e. to maintain all hospitals. It is therefore important to ensure that the number of hospitals and the health services provided by them correspond to the financial capabilities of the state. In 2009 the Health Insurance Fund of Estonia called a top workgroup to assess the sustainability of healthcare financing.

In 2008 specialised medical care comprised 54% (6.6 billion) of health insurance expenditure: 819,055 people or 61% of the entire population of Estonia received treatment for 6.6 billion kroons. 90% of the specialised medical care expenditure was spent in hospitals included in the development plans.

The National Audit Office finds that the active treatment hospital network set out in the hospital network development plan is too big and non-sustainable, because not all hospitals will have enough patients, qualified doctors or money for improvement of the hospitals in the future. The lack of clear decisions by the Minister of Social Affairs about the required hospital network has damaged the interests of the state as well as hospital managers. County hospitals are in the worst situation as their service and financial conditions are restricted and the small population numbers in counties means that they are unable to hire the required number of physicians on a full-time basis. Their investment capabilities are also worse than in large hospitals.

Main observations:

- **The development plan of the Estonian hospital network and the current hospital network exceeds Estonia's needs and, above all, what the state can afford.** Even the number of hospitals according to hospital type set out in the development plan of the Estonian hospital network has not been achieved. The Ministry of Social Affairs

has failed to seize the opportunity to guide the development of the hospital network. To the contrary, the ministers' decisions about the list of general hospitals and establishment of requirements for hospital types made so far have led to the situation where the current hospital network is even larger than stipulated in the hospital network development plan.

- **The number of population in the counties of general hospitals, which was already small, has decreased even faster than expected.** The hospital network development plan sets out the recommended sizes of service areas or the number of people in counties that would allow hospitals to maintain a sufficient volume of services in order to guarantee the quality of medical care and ensure that they cope economically. Many hospitals have been preserved as general hospitals in counties where the population is smaller than recommended for a service area in order to guarantee the availability of medical care. Since the population of Estonia has been decreasing gradually and more and more people have settled in areas surrounding Tallinn, then the number of people living in the service areas of general hospitals has decreased faster than the total population (7.9% and 2.9%, respectively). This means that the number of births and extraordinary surgeries in most general hospitals is too small to guarantee the professionalism of hospital staff, the safety of patients and efficient use of resources.

- **Fewer and fewer patients go to the general hospitals of their home counties for treatment.** The proportion of people seeking treatment in the general hospitals of their home counties (67%) is already lower than forecast for 2015 (72%). This means that the number of patients and services in these hospitals may decrease faster than the population. In addition to this, a significant amount of outpatient services in many counties are provided by other local medical institutions, which weakens the sustainability of general hospitals in these counties even further.

- **There are not enough healthcare professionals for all hospitals.** The average age of healthcare professionals and the number of professionals who have reached retirement age are increasing. This trend is particularly strong among doctors. 16% of doctors in the hospitals of the development plan had reached retirement age in 2008 (19% in the healthcare sector as a whole). According to forecasts, the number of doctors who have completed their residency and start working in the healthcare sector is smaller than the number of doctors who will attain retirement age in the nearest future. Many doctors, incl. those who have just completed their residency, decide to work abroad: the proportion of doctors who probably work abroad was 8.3% in 2008. The number of doctors who have moved abroad is probably highest among doctors who completed their residency in recent years (9% of doctors who graduated from 2004 to 2007).

- **Hospital buildings have not been renovated to the planned extent.** The state planned the investment needs of the hospital network when it prepared the hospital network development plan, but only some large hospitals have been allocated funds by the state and the European Union for renovating their buildings. According to estimates, at least another 8 billion kroons needs to be invested in the present buildings of active treatment hospitals. Hospitals themselves do not have this kind of money.

- **The situation and prospects of county hospitals (incl. general and local hospitals) are the worst.** Even though there are differences between hospitals, the sustainability of most county hospitals in the long run is questionable. The number people living in

their service areas is decreasing, the number of full-time doctors is decreasing (and the hospitals are increasingly more dependent on so-called visiting doctors), the average age of doctors (54 years) and the proportion of doctors who have attained retirement age (26%) are high, very few young doctors come to work in these hospitals, the share of staff costs among total expenses is very high and the investment capabilities of small hospitals are therefore even more limited than those of larger hospitals.

Recommendations of the National Audit Office to the Minister of Social Affairs:

- The development plan of the Estonian Hospital Network should be updated in 2010. The planned active treatment hospital network should be a reasonable compromise between offering specialised medical care on the regional level and the available resources, and all associated networks (incl. emergency medical care, first contact care, nursing care) must also be considered. The current situation where active treatment services are offered in so many places is neither reasonable nor sustainable considering the factors highlighted in the audit report.

- The availability of first contact medical care and nursing care should be improved. It will compensate the decrease in the number of places where active treatment services are provided.

- The variant where the regional hospital and the central hospital must provide certain outpatient and/or day care surgery and procedures in counties with general hospitals should be considered. This would improve the availability of quality medical care.

- A realistic investment plan for the active treatment network should be added to the new hospital network development plan and the schedule and funds for its completion should be determined.

- The forecast of the need for staff should be reviewed proceeding from the new hospital network and the development plans of medical specialties and state-commissioned education of doctors should be made to comply with the plan.

The **Minister of Social Affairs** agreed with the recommendations of the National Audit Office. The Minister described the first-level healthcare activities that have been completed and are still ongoing and the investments made into the nursing care and hospital network. The Minister also explained the current course of the development of the hospital network's concept, but did not present specific measures or timelines to demonstrate whether and how he intends to carry out the recommendations made by the National Audit Office.

The Minister of Social Affairs agreed with most of the conclusions and recommendations made by the National Audit Office. The Minister also emphasised that the Minister of Social Affairs is not the only person competent to make decision about the hospital network development plan as the development plan will be established by the Government of the Republic. However, the National Audit Office finds that the initiative for the creation and amendment of the hospital network development plan should come from the Minister of Social Affairs.

The **Chairman of the Board of the Estonian Health Insurance Fund** agreed with the standpoint given in the audit report that the hospitals included in the development plan are the

ones that should be able to cover the need of insured persons for health services. At the same time, the Chairman of the Board pointed out that such activities may not produce the desired results everywhere as they do depend on the road networks and traffic management of specific counties.

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