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HEALTH CARE FUND EFFICIENCY IN ALBANIA

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ABSTRACT

In this paper it is explained the scheme of Health Care Fund scheme in Albania, how it is financed and which services are covered by this fund. It gives an analysis on the way money is distributed through public and private entities that provides health services. While the Health Care Fund has a vision and strategic priorities in accordance with the national health strategy, the public expenditures made for health continue to remain at the average level of 10% of general public expenditures and occupy an average of 2.9% of GDP, a trend that remains constant for the last 10 years on average. The health care scheme should change the model by offering a more solidary approach, in terms of full coverage of the entire population with health services and not only the categories of contributors. Increasing the transparency and quality of monitoring reports by adding analyzes e impact factors and quality performance indicators; Increasing transparency in terms of the budgeting process of funds by publishing funding sources including own income for each hospital in the Republic of Albania.

Keywords: health care, national health strategy, Albania.

INTRODUCTION

On the other hand, the out-of-pocket payments of families for health as a percentage of general health expenditures are reported in the March 2022 report by the United Nation[1] (Nations, 2022) at 56%, being the highest value in the region or about 4 times greater than the value of this indicator in the European Union area. Established since 1995, the Health Care Fund is the autonomous public institution that manages the health insurance scheme with the aim of providing universal coverage of the population with health care. "The vision of HCF is to fulfill the growing demands of the population with quality health services, as well as equal accessibility in the health services scheme". The mandatory health insurance fund does not finance health care services that are not part of the service packages defined according to law no. 10383/2011 as amended. Coverage policies and respective packages are separate for primary care and hospital care. Specifically for primary care, the health service is provided through health centers. HCF contracts with each health center to provide a series of health services which are detailed in a special list approved by Decision of the Council of Ministers[2] ("Financing Health Care Primary Services from Insurance Health Contribuiotn Scheme", 2006). The number of Health Centers is 406 and 6 (six) Health Centers of specialties

[1] *https://albania.un.org/en/173584-health-sector-budget-brief*

[2] *VKM nr. 857, datë 20.12.2006*

that operate only in Tirana. It is worth noting that the health insurance scheme for primary care does not cover the service the public dental service;

For secondary or hospital care, the scheme covers the costs of all public hospitals in the Republic of Albania, which include University Hospital Centers, University Hospitals and Regional and Municipal Hospitals. Expenditures of public hospitals include expenses for salaries of medical and nursing staff, administrative staff, operating expenses and expenses for hospital packages. Currently, eight hospital packages are financed through the contracting of public and private health service providers. Part of the financing from the scheme are the payments of the concessionaires for four services provided with the concession, specifically:

- Free basic medical check-up for population categories of the age group 35-70 years;
- Concessionaire of dialysis services;
- Hospital laboratory services concessionaire;
- Concessionaire of sterilization of surgical tools, disposable medical material in surgical rooms, treatment of biological waste and disinfection of surgical rooms.

Finally, an important part of the budget of HCF is the funding for the reimbursement of drugs. The reimbursement of drugs is based on a list of drugs that are approved every year and with it the measure of coverage by category. We emphasize that the coverage offered by the National Health Insurance Fund for drugs is complete for a certain category and with a co-payment for the rest of the drugs. So, the drug reimbursement scheme does not provide 100% payment coverage for all contributors but for specific categories of the population and specific categories of drugs. Medicines are reimbursed based on the Fund's contracts with pharmaceutical entities. Reimbursement is available for drugs sold in hospital pharmacies and drugs sold in the open network. The compulsory health insurance contribution measure is 3.4 percent of the base for calculating contributions. For employees, contributions are paid 50 percent by the employer and 50 percent by the employee.

RESULTS

Funding and spending of HCF

As the official documents and annual reports lack detailed analyzes related to the types of reimbursable drugs and their impact on improving morbidity indicators, the selected pharmaceutical companies and the criteria used, the actual expenses according to the types of hospitals, the results achieved by implementation of audit recommendations, etc. make the results limited in many dimensions. The total expenses of the HCF scheme have been increasing over the years and are financed by two main sources: 1. Income from contributions; 2. Transfers from the state budget. From the comparison of historical data in the years 2013-2023, including medium-term planning 2024-2026 it is noted that the transfer from the state budget constitutes the largest part of the scheme's expenses with an average of 69%, while contributions constitute 31% of the total.

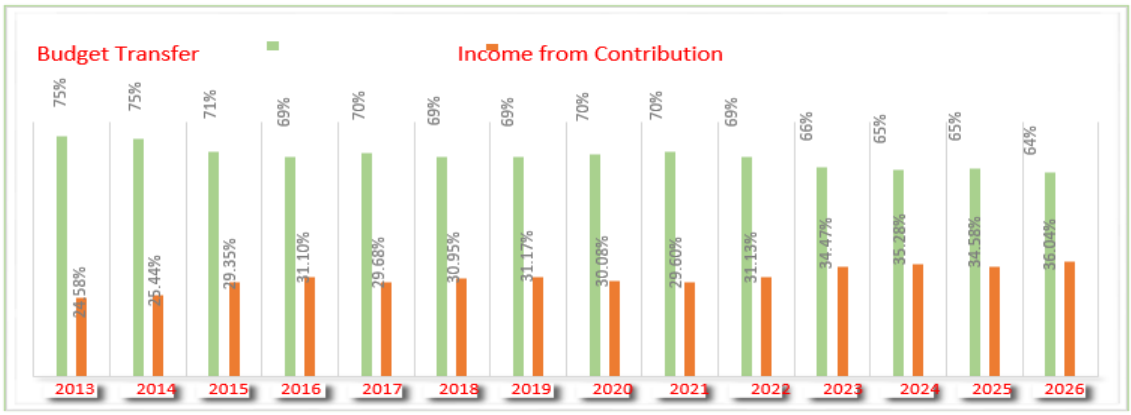

Figure 1. Expenditure according to the Financing source, HCF

Source: HCF Yearly Report

The expenses for the main products of the scheme are financed partly from the income and partly from the transfer of the state budget. These expenses are divided into four main categories, specifically: Administrative expenses for the operation of HCF; Expenses of the scheme for primary care; Expenses for the reimbursement of drugs; Scheme expenses for hospital care.

Administrative expenses account for an average of 2% of the total expenses of the scheme and mainly serve to cover the personnel expenses of the HCF scheme, operational expenses necessary for the Central and regional Directorates as well as minimal investments mainly in equipment for the operation of the work.

Trending of cost change

Expenditures for primary care are expected to increase from 2020 by 7.4 billion ALL to 12 billion ALL in 2023. These expenditures also include the cost of basic control PPP (Public Private Partnership), which exceptionally for the year 2020-2021 (suspension of service provision due to the SARS COV pandemic 2) continues payment according to the conditions negotiated in the contract.

What is noticed in the primary care service is the increase in the number of primary care visits, which actually exceed the mid-term forecasts of the period. In the medium-term budget documents of the Ministry of Education and Culture for the years 2022-2024, an average of 2022, 6.4 million visits and in fact the number of visits has increased by 700 thousand more going to 7.1 million visits. The increase in the number of visits means a decrease in the cost per visit, which should impact the forecast level of the planned fund for the following years. In reality, the planning done by HCF does not take into consideration the factual indicators of the number of visits and the cost per unit. Below is the cost per visit in ALL referring to the data[3] above:

Table 1. Cost for Visit in Primary Care Services

	2020	2021	2022	2023	2024
Cost per visit	1,155.6	1,351.4	1,189.0	1,668.2	1,617.8
% of change		17%	-12%	40%	-3%

Source: PBA Ministry of Finance

The average cost for a primary care visit cost the HCF in 2020 was 1156 ALL, while the cost increases by 17% in 2021, and decreases by 12% in 2022, in 2023 the cost planning increases by 40% going in nominal value in the amount of 1668.2 ALL from 1189 ALL, i.e. about 480 ALL more. This increase does not come from the increase in the number of visits, as it can be seen that the planning of visits results in a decrease. In the conditions where in the HCF report it is not noticed any argument on the basis of which the number of visits is planned, from a simple economic analysis the increase in the cost of the visit offered in the primary care service can be realized as much as the consumer price index. Referring to the official data of INSTAT[4] (https://www.instat.gov.al/media/12745/ick_tetor_2023.pdf, n.d.), the consumer price index for 2023 is 3.8%, which is far from the level of the increase in the cost of the visit by 40% in 2023. The lack of arguments as well as the great fluctuation of the cost per visit from one year in the following year, raises doubts about the quality of budget planning by HCF and consequently the efficiency of the use of funds. It is important to underline that most of the cost of primary care is covered by income from contributions and a small part of it is covered by the transfer of the state budget.

The check-up package, which is a PPP contract that provides for payment according to the ceiling approved in the contract, cost HCF 876 million lek for the year 2022, despite the fact that the number of patients who benefited from the package was below the floor number defined in contract of 475 thousand patients. 454 828 citizens benefited from the service, i.e. 20 172 less than the ceiling, costing the state budget/tax payers a loss of 37.2 million ALL which is paid to the private company despite the fact that the analyzes were not carried out.

On the other hand, the check-up package includes a limited number of tests for citizens, being reduced to a complete blood test, complete urine test and heart ECG. The cost of this package, including the medical check-up, is 1,800 ALL/person. Meanwhile, if we compare a simple check-up package offered by private hospitals, the number of tests offered is at least 26, and the packages are differentiated according to gender, offering specific preventive checks for

[3] https://financa.gov.al/programi-buxhetor-afatmesem-ne-vite-2/

[4] *https://www.instat.gov.al/media/12745/ick_tetor_2023.pdf*

women, such as breast echo and PAP test or Antigen prostate specific test (PSA) for men. The full cost of a simple basic control package with 26 analyzes results in 6,800 ALL[5].

As can be easily analyzed, the state's basic check-up package costs 1/3 of a package offered in a private hospital, but the number of tests offered is 1/8 of those offered by a private hospital. In this context, the efficiency of the use of public funds as well as the effectiveness of the basic control policy to guarantee universal coverage of the population with services and to prevent diseases with high prevalence are discussed. We emphasize that so far no analysis of the effectiveness of the basic control policy has been published in terms of her medical, analysis that should have been part of the annual performance monitoring reports of the Ministry of Health and Social Protection and the HCF in the framework of transparency with contributors and all interested parties.

In the PBA 2022-2024 document published by the Ministry of Finance and Economy[6], it is reported that the number of drugs planned to be reimbursed for the years 2022-2024 respectively will be around 605, 615 and 625. But what is noticeable is that in the current PBA document for the years 2023-2025 it is reported that the actual number for 2022[7] is 1191 drugs and the planning for the medium term is 1200, 1210 and 1220[8]. The change of planning from one year to the next by 100 % more indicates a high inconsistency in planning and a marked lack of transparency regarding the way of adding drugs to the list in a multiple manner. The material creates confusion as it is not clear how many drugs are on the list of reimbursable drugs and how the number of drugs has actually doubled from those planned in the PBA 2022-2024 document, calling into question the seriousness of data reporting from the ministry responsible for health and social protection and HCF.

The information presented in the reports of the HCF for the argumentation of the addition of drugs to the list is also shallow, where the main argument is the morbidity indicator, but no concrete statistics are presented according to the types of morbidity on how this indicator is achieved. Part of this data should be an analysis of the quality of the drugs included in the list and their impact in improving the life and health of the beneficiary categories.

On the other hand, the cost of the hospital service is financed entirely through the transfer of the Central Government Budget. The average expenses for hospital care for the period result in the amount of 28 billion ALL. 14% of total secondary care expenditures go to PPP payments for providing sterilization of surgical sets, laboratory examinations, and hemodialysis. Meanwhile, hospital packages account for 7% of the fund spent on secondary care. Expenditures for hospitals and their operation account for 79% of total expenditures for secondary care and on average 56% of the total expenses of HCF.

Table 2. Budget Plan for patient

Product	Patient treated in hospital			
Product descript	Cost for patient included			
Unit measured	Nr of Patient			
	2021 Budget	2022 Estimation	2023 Estimation	2024 Estimation
Quantity	330.000	330.000	340.000	350.000
Total cost	22.996.144.384	24,265,498.000	23.166.682.000	24.380.689.000
Cost for Unit	69.685	73.532	68.137	69.659

Source: Ministry of Finance

The expenses of the scheme that are allocated to the hospital budget cover the necessary personnel expenses and the operational expenses of the hospitals. While public investments are centered in the Ministry of Health and Social Protection. In addition, hospitals provide income from the services they provide with payment according to the respective rates. The use of the income is done entirely by the hospital itself, as part of the cost of the service. What stands out is the fact that these revenues are not presented as part of the analysis of the annual monitoring reports of the Ministry of Education and Culture or the Ministry of Education and Culture. In the annual monitoring report of the Ministry of Health, it is mentioned that the revenues beyond the limit for the budget program related to secondary care are about 400 million ALL, but there is no other information on how they were used by the hospitals.

[5] *https://intermedica.al/oferta-e-plota/*

[6] *https://financa.gov.al/programi-buxhetor-afatmesem-2022-2024-faza-iii/*

[7] *https://shendetesia.gov.al/https-shendetesia-gov-al-tabelat-e-raportimit-per-intervalet-kohore-3-muaj-9-muaj-dhe- vjetore-si-dhe-relacionet-perkatese/*

[8] *https://financa.gov.al/programi-buxhetor-afatmesem-2023-2025-faza-iii/*

Despite the fact that public hospitals have autonomy in the use of their secondary income, this does not justify the fact that there is a marked lack of information and transparency of their use. These revenues are used by public hospitals to further improve the quality of the service provided to patients, therefore analyzing them and their overall contribution to the hospital service is necessary to report to complete the framework of all the financial resources used for this purpose. On the other hand, and why the increase in the hospital budget appears progressively from year to year, the indicators of the non-financial performance of hospitals published by HCF prove that the performance of mainly regional and municipal hospitals is deteriorating. Based on the above, we have focused in analyzing some of the main performance indicators of hospitals published by HCF in the annual reports of the years 2019-2022.

A qualitative performance indicator that is used to analyze the financial and non-financial performance of hospitals is the coefficient of readmission to the hospital within 30 days of the first discharge from the hospital. This indicator evaluates the effectiveness of the given therapy as well as the real cost of treating a patient. But in the medium-term budget documents and in the annual monitoring reports of the ministry responsible for health or the Ministry of Health, this indicator is neither planned nor monitored. Other valuable indicators to analyze hospital efficiency are the average costs of treating patients by therapy, which gives a clearer picture of where most of the funds are allocated.

Table 3. Average cost for patient referring different packages

Product	**91304AB – Patient with dialyze**			
Desc. Of product	**Payment from HCF to the private entity**			
Unit measured	**Nr of sections**			
	2021	2022	2023	**2024**
	Budget	Estimation	Estimation	**Estimation**
Quantity	234,000	234,000	252,000	**271,000**
Total cost	2,400,100,000	2,800,000,0	3,050,000,00	**3,320,000,000**
Cost per unit	10,257	11,966	12,103	**12,251**
Product	**91304AD – Patients in cardiology**			
Desc. Of product	**Patients treated in cardiology**			
Unit measured	**Nr patient**			
	2021	2022	2023	**2024**
	Budget	Estimation	Estimation	**Estimation**
Quantity	8,600	8,600	8,800	**8,800**
Total cost	850,900,000	1,249,000,0	1,269,000,00	**1,289,000,000**
Cost per unit	98,942	145,233	144,205	**146,477**
Product	**91304AE – Patient for transplant**			
Desc. Of product	**Patient treated for transplant**			
Unit measured	**Nr patient**			
	2021	2022	2023	**2024**
	Budget	Estimation	Estimation	**Estimation**
Quantity	30	26	26	**26**
Total cost	16,780,000	36,780,000	36,780,000	**36,780,000**
Cost per unit	559,333	1,414,615	1,414,615	**1,414,615**
Product	**91304AF – Patient with cataract**			
Desc. Of product	**Patient treated for cataract**			
Unit measured	**Nr patient**			
	2021	2022	2023	**2024**
	Budget	Estimation	Estimation	**Estimation**
Quantity	2,600	4,500	4,500	**4,500**
Total cost	74,000,000	93,150,000	93,150,000	**93,150,000**
Cost per unit	28,462	20,700	20,700	**20,700**

Product	91304AG – Patient radiotherapy			
Desc. Of product	**Patient treated with radiotherapy**			
Unit measured	**Nr patient**			
	2021	2022	2023	**2024**
	Budget	Estimation	Estimation	**Estimation**
Quantity	31,400	26,000	26,000	**26,000**
Total cost	147,300,000	147,300,000	147,300,000	**147,300,000**
Cost per unit	**4,691**	**5,665**	**5,665**	**5,665**

Source: Ministry of Finance

Various studies have concluded that informal payments are typical for employees in the Albanian health system[9] This is also supported by the fact that in the latest progress report of the European Commission's report on Albania, it is quoted that "the informal economy in Albania continues to remain high and is mainly based on cash payments[10]. From an analysis of the historical data of functional expenditures for health in years as a percentage of GDP and in specific weight to total public expenditures, it is noted that the average expenditures remain at the level of 10% of General Public Expenditures and 3% to GDP.

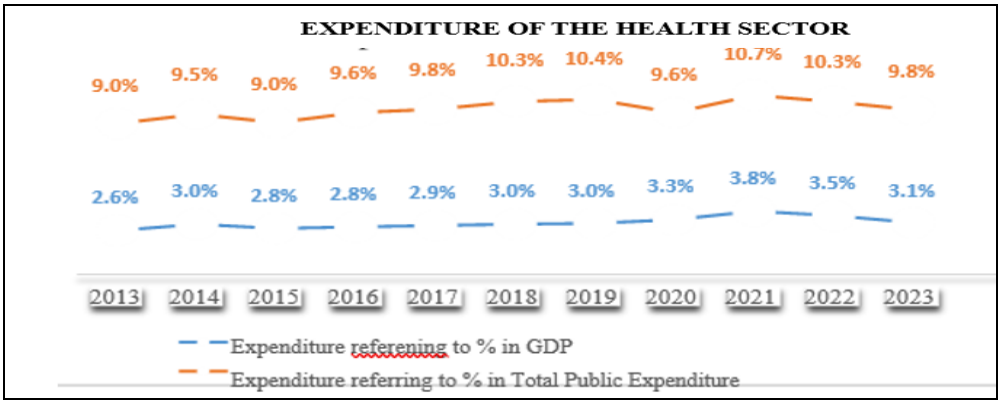

Figure 2. Expenditure of health sector referring to GDP and to public expenditure
Source: Ministry of Economy and Finance

Compared to the Region, public spending on health in Albania is the lowest.

Table 4. Health expenditures compared to the region

Shpenzimet e shendetesise ndaj Shpenzimeve te Pergjithme Publike per vendet e rajonit						
Vitet	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Bosnja dhe Hercegovina	14.87	15.37	15.14	15.47	15.63	14.98
Republika e Maqedonise se Veriut	12.83	13.56	12.41	11.83	13.05	12.78
Mali i Zi	13.13	11.52	10.53	9.73	10.92	11.63
Serbia	11	12.03	12.45	11.79	11.65	11.92
Shqiperia	9.6	10.4	10.3	9.8	9.62	8.88

Source: WHO database and the Ministry of Health and Social Protection

During the first 3 months of 2024, INSTAT published the results of the Income and Standard of Living Survey which measures the standard of living, relative poverty and material deprivation in Albanian families. According to this survey, the indicator for being poor in Albania in 2022 is 20.6%.

[9] *Can people afford to pay in Albania, New evidence on financial protection in Albania/ Tomini.S and Tomini.F (2020)*
[10] *Albania 2022 Report/EU Commission Paper/2022/faqe 6*

The deepened degree of material deprivation shows the percentage of individuals living in households that cannot afford at least 4 of the 9 categories of material deprivation. This indicator is rated 33.2% in 2022, against 35.2% estimated in 2021, marking an increase of 2 percentage points.
At risk of being poor or social exclusion refers to individuals who are at risk of being poor, or deeply materially deprived, or living in households with very low employment intensity. In 2022, this indicator was estimated at 41.6%, against 43.9% estimated in 2021. Compared to the EU average, which results in 21.6%, Albania marks a deterioration of the indicator for 2022, resulting in the level of 41.6%, surpassing Romania, which ranks at the top of the list of EU countries with the highest degree of risk to be poor or socially excluded to the extent of 34.4%.

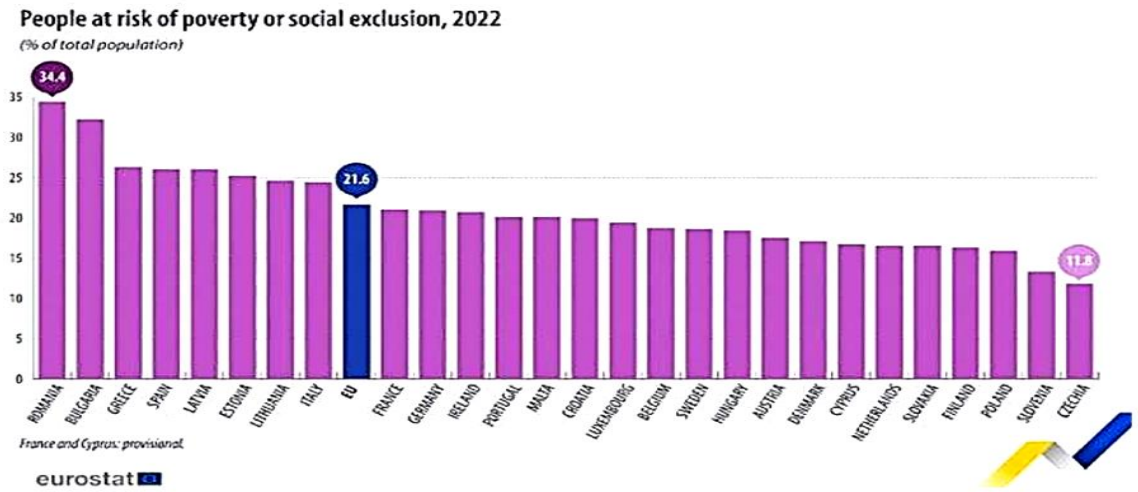

Figure 3. Risk of being poor or social exclusion in EU countries
Source: Eurostat/Living conditions in Europe, poverty and social exclusion

Risk of being poor or Social Exclusion is the percentage of individuals who are at risk of being poor or deeply materially deprived or with very low employment intensity, which means that 41.6% of the population in Albania are at risk to be poor, materially deprived or with low employment intensity. So, in Albania, 41.6% of the population has a standard of living on the verge of poverty and as a result they cannot afford a normal life with the income they have, where food and health care remain primary. As we mentioned above, the health care scheme does not offer support or exemptions for low-income families, which, coupled with the other factor of the high level of out-of-pocket payments made for health at 56%, prove that financial coverage of the health care scheme is weak and not universal as intended.

CONCLUSIONS

- The Health Care Scheme needs to have the right attention of the policy-makers in terms of the urgent need for its reformation. From the above study, it is clear that its financial coverage in the conditions of high informality of the economy and pronounced poverty is not appropriate as it leaves unaddressed the needs of over 41.6% of the population who are at risk of being poor or socially excluded.
- On the other hand, the lack of transparency in the planning and monitoring of public funds of the HCF scheme raises doubts about the effectiveness and efficiency of the use of funds related to a constitutional right such as that for health care. The lack of analysis of the impact factors for each policy undertaken by HCF and respective ministry significantly reduces the possibility of interested parties to be informed about the results of the health policies undertaken by the government. Also, the quality of data reporting is very poor, inconsistent in some cases and totally missing for a significant part of activities related to primary, secondary care and drug reimbursement. For the services provided by concession and PPP, no qualitative analysis of the results of the policies delegated to these structures has been carried out so far. The process of monitoring their results is done as part of the annual report of the HCF. Inefficient is also the current

management policy of hospitals, especially regional and municipal ones, which, in addition to the lack of transparency in the allocation of budgets, are characterized by a marked lack of effectiveness in their management, which is evidenced by the performance indicators published in years as part of the annual reports of HCF.

- As a result, we recommend: The health care scheme should change the model by offering a more solidary approach, in terms of full coverage of the entire population with health services and not only the categories of contributors. Increasing the transparency and quality of monitoring reports by adding analyzes e impact factors and quality performance indicators; Increasing transparency in terms of the budgeting process of funds by publishing funding sources including own income for each hospital in the Republic of Albania. Increase in public spending on health, since the low level of 10% of spending general public accompanied by the high level of out-of-pocket payments of 56%, create poor financial coverage of the scheme and leave room for abuse and high informality in this sector.

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