

PUBLIC EXPENDITURE ON HEALTH IN LOCAL BUDGETS

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Abstract:

This paper entitled "Public expenditure on health in local budgets" aims analysing and deepening major spending categories that public authorities finance at local level, namely health expenditure.

In the first part of the article we have specified the content and role of this category of expenditure in local budgets and also made some feedback on decentralization in health.

In the second part of the work, based on data available in Statistical Yearbook of Romania, we have carried out an analysis of the dynamics of health spending from local budgets to emphasize their place and role in the health care expenses.

The research carried out follows that the evolution and structure of health expenditure financed from local budgets is determined, along with the legislative framework in the field, by several variables that differ from one territorial administrative unit to another: the existence of sanitary units, their type, the involving of local public authorities in their development and modernization, the number and the social structure of the population. The research shows that over the period 1993-2015, the dynamics of the share of health spending in total expenditures of local budgets is sinusoidal, with a minimum threshold in 2000 of only 0.3%.

Key words: health, local budget, public expenditure, health institutions, decentralization

JEL classification: H72, H75

1. INTRODUCTION

Given the importance for the overall development of society through shares that they occupy in the local budgets, the public health expenditures financed from these budgets stand out. This expenditure arises as a result of actions of local public authorities that are interested in maintaining a good general state of health of the population as a factor for socio-economic development of local communities. For each individual, and for the whole community, health is one of the most important factors ensuring the performance of life and work.

The purpose of this paper is to deepen this category of expenditure funded from local budgets by identifying its economic content and analysing from the quantitative perspective of its evolution in the local budgets over the post-December period (as referred to in the specialized literature between 1990 to present). Our scientific approach will highlight the role and structure of public health expenditure in local budgets.

2. GENERAL ASPECTS OF HEALTH EXPENDITURE FINANCED FROM LOCAL BUDGETS

Local government expenditure represents the amounts approved and made from local budgets, budgets of public institutions wholly or partly funded from local budgets, the budgets of the institutions entirely financed from their own budgets, external and internal loans from the budget of external grants, within the limits and under purposes established in the respective budgets, according to the legislation (Ichim, 2013). As opposed to the state budget expenditure, expenditures of local budgets reflect the financial efforts made by the local public authorities to cover the social, cultural and economic needs, the public development services and other requirements of residents of administrative units within the competence local authorities. Due to their importance for the overall development of society through shares that they occupy in the local budgets, the public health expenditures financed from these budgets stand out. Until 1997, the

financing of health care in our country relied on a national health system (Oprea and Cigu, 2013), the amounts allocated coming from the state budget, local budgets and some special funds established (Special Fund for health, functioning between 1992 and 2000 included in the state budget since 2001 and the national health insurance Fund, functioning since 1998 and transformed in 2003 into unique Fund for social health insurance.)

Public expenditure on health includes two main categories of destinations: organization, maintenance and operation of health institutions (both general expenses and medical expenses); prevention and health education.

The efficiency of these expenses is determined from the main categories of effects that they generate (Filip, 2002):

- medical effects, with individual character, extremely important as they aimed at restoring health, essential feature and above all for the sick and their families;
- social effects, reflecting the general health of the entire population, such as average life expectancy, morbidity, the overall mortality and infant mortality, the level of medical healthcare (number of inhabitants per doctor, in a hospital bed, belonging to a sanitary unit, etc.);
- economic effects, which generally reflect the "unproductive" state due to unsatisfactory health status: the average period of incapacity for work, eradication of diseases, increase in average working lives.

Through the own budgets of communes, towns and municipalities are financed health care in hospitals with beds and other health institutions and activities. Also the budgets of counties cover expenditure on medical services in hospitals with beds.

3. THE ECONOMIC CONTENT OF HEALTH EXPENDITURE FROM LOCAL BUDGETS

The transfer of the hospitals administrated by the Ministry of Health under the administration of the county or local councils but maintaining the financial arrangements or through contracts for medical services supply of public hospitals with health insurance providers was regulated according to law¹. Local budgets are involved in the financing of administrative and operating expenses or goods and services, investment, repairs, consolidation, expansion and modernization, endowment with medical equipment of health units with transferred beds within budgetary credits approved for this purpose in the local budgets.

The land and the buildings where operate public health units of county or local clinical hospitals and university hospitals are part of the public domain of the counties, cities and districts of Bucharest and are given in the administration of medical units in question, by the decision of the county or municipal council, respectively local districts of Bucharest. The county or municipal councils, or Bucharest municipality sectors cannot charge fees and rents on land and buildings where operate clinical hospitals and university hospitals.

The county council presidents and mayors of the communes, towns, municipalities and of each sector of Bucharest have the following duties²:

- a) to provide the necessary amounts for maintenance and management, repairs, consolidation, extension and modernization of public health units, within the approved budgetary credits for this purpose in local budgets;
- b) to approve, within 10 days of their receipt, the draft budgets of income and expenditure, sent by public health units;
- c) to approve within five days of the receipt, the list of positions for the public health units.

The implementation of the decentralization process in the health sector aims to ensure the principles of equity, quality, and accountability, focusing on patients within health services system. All these principles were in varying degrees assumed and accepted by all governments after the

revolution, while being in accordance with all agreements and international documents to which Romania is a party.

In our opinion, this process has the following advantages:

- Making the allocation of own resources at county and local level according to the health needs of the population;
- Patients may become copartners in decision making, receiving necessary information and having the opportunity to exercise control – to the desired extent – on health care decisions that affect them directly;
- Decisions will be taken quickly as the local authorities know better the health problems of the population;
- Development of specific medical services that are necessary to a certain area;
- Disappearance of excessive institutional centralization currently existing.

On the other hand we can identify a number of shortcomings and disadvantages arising from the transfer of hospitals' administration to county councils or local councils:

- Local authorities do not have enough resources which may adversely affect the proper functioning of the hospitals;
- Involving more public budgets in health financing may result in dilution of responsibilities and much more difficult control on fluxes of formation, distribution and use of public funds, with negative effects on public finances as a whole;
- Inequities may occur, in term of population's access to medical services, although the law provides universal coverage and equity;
- Possibility of limiting access to medical services in a county for the patients from other counties;
- Possibility of political interference in the selection of managers favouring excessive politicization;

Another problem that we note is the risk of exacerbation of decentralization. There must be a balance between central and local level, too much decentralization will lead to fragmentation, the weakening or even the dissolution of state authority. In addition, certain projects in health cannot be achieved only locally, without the intervention of the central authorities.

Also, currently, county or local councils have the possibility to establish units for medical and social assistance³ through the reorganization of some public health units as health units where medical services mainly address the needs of chronically ill people. Medical social assistance units are specialized public institutions with legal personality subordinated to local public administration authorities, providing care, medical services and social services for people with medical and social needs.

The proposal to establish medical social units is made by the County Council or the General Council of Bucharest, or by the mayor, as appropriate, based on the documentation and substantiation submitted by the public service of social assistance from county councils or local councils.

Along with the decision to establish medical social units, local and county councils, as appropriate, approve the rules of organizing and functioning, the organizational structure and the number of positions.

The beneficiaries of these services are people in need of medical and social care, requiring permanent or temporary medical oversight, assistance, care, treatment, being unable to ensure their social needs, to develop their capabilities and skills for social integration, because of economic, physical, mental or social reasons.

Current and capital expenditure of medical-social assistance units is provided from its own income and subsidies granted from local budgets, depending on subordination. The subsidies from the local budgets are granted to provide medical and social services, according to the law, for

maintenance and management expenses, repairs, consolidations, independent features. The own revenues of medical social units consist of amounts reimbursed by health insurance houses, for medical services provided under contract, according to the framework contracts for medical assistance from health insurance system; personal contributions of beneficiaries as established by the decisions of local councils or county councils or the General Council of Bucharest and sponsorships, donations and other revenue, under the law.

Public health directorates, with the approval of county councils or local councils may establish, with the approval of the Ministry of Health, and the Ministry of Administration and Interior, multifunctional health centers, to provide a package of health services adapted to local community needs. Multifunctional health centers are organized as public institutions with legal personality under public health directorates, through the reorganization of hospitals, units or compartments, as well as in their other former, deprecated locations, or in other places. Subsequently, multifunctional health centers will be taken over by the county councils or local councils. The financing of multifunctional health centers is provided from their own funds and from amounts awarded by the state budget and local budgets.

The own revenues of multifunctional health centers consist of: amounts reimbursed by health insurance funds for contracted medical services provided; value of medical services provided at the request of individuals or legal entities; donations, sponsorships and other revenue.

The amounts from the local budgets are granted towards the costs of maintenance and management, repairs, consolidations and independent endowments, as well as personnel costs, excluding the costs related to the specialized healthcare personnel, ensured from settled amounts by health insurance houses for contracted medical services provided.

4. ANALYSIS OF PUBLIC HEALTH EXPENDITURE DYNAMICS FROM LOCAL BUDGETS

To highlight the place occupied by the local public health expenditures within local budgets we will use the data found in the Statistical Yearbook. Since the last two decades have been characterized by rising prices and currency redenomination (in 2005) and in order to be conclusive, we calculated the share of total health spending in local budgets over the period 1993-2015.

Table no. 1 - The share of health spending in total expenditures of local budgets over the period 1993-2015

Year	Share %	Year	Share %	Year	Share %
1993	14,6	2001	0,4	2009	1,1
1994	15,2	2002	0,5	2010	1,71
1995	12,5	2003	0,6	2011	2,15
1996	12,4	2004	0,8	2012	2,13
1997	12,8	2005	0,7	2013	2,17
1998	0,5	2006	0,5	2014	2,40
1999	0,4	2007	0,5	2015	2,56
2000	0,3	2008	0,6		

Source: Processed Data from Statistical Yearbook of Romania 1994-2016

From the table above we identify three stages in the evolution of the share of health spending from total expenditures of local budgets over the post-revolutionary period:

a) Over the period 1990-1997, this type of expenditure held a relatively high share of total expenditure financed by local budgets. Thus, health expenditures financed from local budgets were 14.6% in 1993 and 15.2% in 1994, so that at the end of the period declined to 12.8%;

b) The period 1998-2006 is characterized by a significant decline in the share of public health expenditure in the total expenditure of local budgets (about 0.5%). This decrease is due to the fact that in 1998 local budget expenditures on health were taken by the National Health Insurance House;

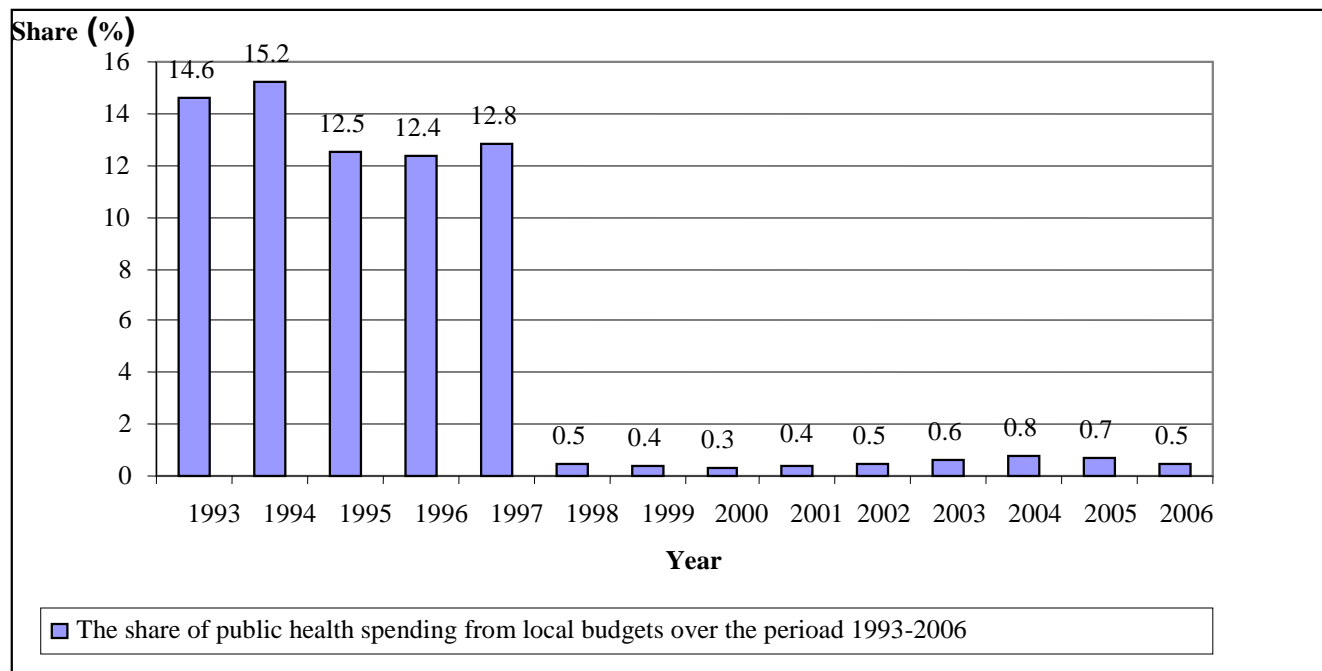


Figure no. 1. Dynamics of the share of health spending in total expenditures of local budgets over the period 1993-2006

Source: Processed Data from Statistical Yearbook of Romania 1994-2007

c) From 2007 until now there has been an increase in the share of public health expenditure in total local budget expenditures because in 2006 was regulated the transfer of the hospitals' administration from the Ministry of Health to the county councils or local councils.

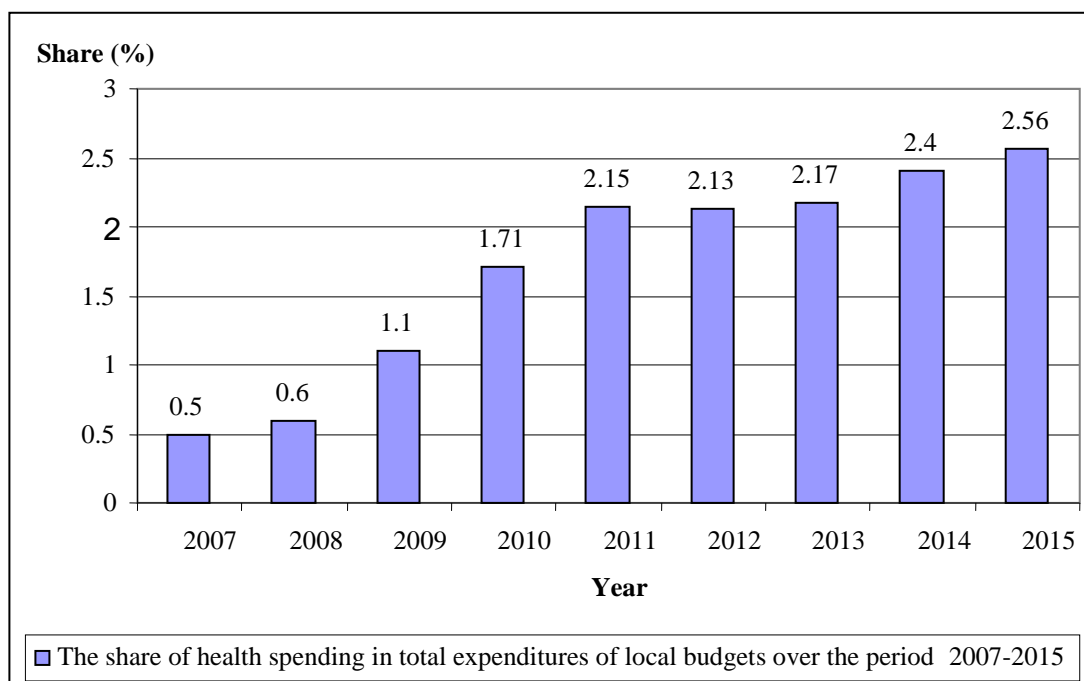


Figure no. 2. Dynamics of the share of health spending in total expenditures of local budgets over the period 2007-2015

Source: Processed Data from Statistical Yearbook of Romania 2008-2016

As shown in the graph above, over the period 2007-2015 there was a tendency to increase this percentage to 2.56% which shows that local authorities have directed significant amounts of local budgets to health financing. It seems to me that this upward trend will continue in coming years.

5. CONCLUSIONS

The scientific approach initiated and realized through this paper is the basis for drawing conclusions on public health expenditure financed from local budgets.

It notes the importance of these categories of expenditures for the local community which is interested in people's good health, a key factor for their socio-economic development. The transfer of the hospitals' administration from the Ministry of Health to the county councils or local councils was regulated under the legislation while maintaining financial arrangements or contracts for the supply of medical services of public hospitals with health insurance providers. Local budgets participate in the financing of administrative and operating expenses, respectively goods and services, investment, repairs, consolidation, expansion and modernization, endowment with medical equipment of health units with transferred beds, within budgetary credits approved for this purpose in local budgets.

Through the implementation of the decentralization process in the health sector was aimed at ensuring compliance with the principles of equity, quality, accountability and patient centeredness in health services system. The transfer of hospitals' administration to county councils or local councils has advantages and disadvantages. Involving more public budgets in health financing may result in dilution of responsibility, and much more difficult control in achievement of the flows of formation, distribution and use of public funds with negative effects on public finances as a whole.

The research carried shows that the evolution and structure of health expenditure financed from local budgets is determined with the legislative framework in the field and by several variables that differs from one territorial administrative unit to another: the existence of sanitary units, such

as these, involving local authorities in development and modernization of their number and social structure of the population. Over the post-revolutionary period we identified three stages in evolution of the share of health spending in total expenditures of local budgets, as follows:

a. between 1990-1997, this type of expenditure held a relatively high share of total expenditure financed by local budgets (about 15%);

b. between 1998-2006, there was a significant decline in the share of public health expenditure in total local budget expenditures (about 0.5%);

c. from 2007 onwards there has been an increase in the share of public health expenditure in total local budget expenditures due to the transfer of hospitals' administration from the Ministry of Health to the county councils or local councils, transfer which was regulated in 2006.

Over the period 2007-2015, there was a tendency to increase this percentage to 2.56% which shows that local authorities directed significant amounts of local budgets to health financing. We believe that this upward trend will continue in coming years.

ENDNOTES

¹ Law no. 95/2006 on healthcare reform, published in the Official Monitor of Romania, Part I, no. 372 of April 28, 2006 and GEO 48/2010 amending and supplementing certain acts in decentralizing health, published in the Official Monitor, Part I no. 384 of June 10, 2010;

² Art. 4 of Government Ordinance no. 70/2002 on administration of public medical units of local and county interest, published in the Official Monitor No. 648 of August 31, 2002 approved by Law no. 99/2004;

³ Government Ordinance no. 70/2002 on administration of public medical units of local and county interest, published in the Official Monitor no. 648 of August 31, 2002

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7. *** O.U.G. no. 63/2010 amending and supplementing Law no. 273/2006 on local public finances and to establish financial measures, published in the Official Monitor no. 450 of July 2, 2010, art. I, para. 6, approved with amendments by Law no. 13/2011, published in the Official Monitor no. 179 of March 14, 2011
8. *** Statistical Yearbook 1994-2016.