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Methods of Financing the Health System in the Republic of Moldova

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Abstract: The financing of a health system refers to the way in which the necessary funds are collected in order to carry out the activity in the healthcare sector, as well as to the way in which these funds are allocated and subsequently used. The chosen method of financing, combined with the type of organization of the health system, determines who has access to healthcare, its cost, the productive efficiency and, last but not least, the quality of the services offered. At the current stage, at the international level, the specific characteristics regarding the organization, operation and financing of the healthcare system are being studied, which consist in the combined nature of financial relations and financial resources, the aspects of public and private financing being analyzed.

Keywords: health system; costs; efficiency

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1. Introduction

The scientific argumentation of the financial mechanism consists in the fact that finances represent a mechanism for unequal redistribution of society's income in favor of one subject at the expense of another with the aim of ensuring the fulfillment of its functions that society needs. This redistribution mechanism shall work in order to ensure the level necessary for the performance of functions by the State. According to this opinion, the mechanism meets the requirements of the redistribution process referring to the fulfillment of the State's function aimed at protection of the health of the population.

The financial mechanism of the health system can be presented in the form of a financial management system, being intended to organize the interaction of financial relations, as well as the flows of financial means in accordance with the requirements of economic laws through the use of financial instruments in accordance with normative and legislative acts.

The costs and resources required to maintain the ability to provide medical services (infrastructure, human resources, etc.) are added those related to the process of prioritizing medical emergencies (establishing the extent to which the patient who presents himself to the doctor has a problem in fact or came being unaware of the problem). All these will be minimized, thus leading to what we call "rationalization". In conclusion, the rationalization of medical services is the process that aims to

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balance the demand for medical services, on the one hand, and the existing capacity to provide them, on the other.

A health system can be viewed as a set of markets that interact and condition each other, and the market of institutionalized medical services is one of the linking elements of this combination.

2. Analysis of the Financing Mechanism of the Healthcare System in the Republic of Moldova

At the current stage, the necessity for research into the financing of the healthcare system is motivated by the fact that the Republic of Moldova needs to increase the efficiency of the healthcare system functioning from the perspective of attracting additional financial resources.

The healthcare sector in the Republic of Moldova is currently at a difficult stage of transition from a quantitative reform promoted over the past years to a qualitative reform.

The compulsory health insurance model applied in the Republic of Moldova operates on the basis of mixed sources of financing consisting of:

- 1) insurance premiums paid by employers and employees;
- 2) amounts paid by unemployed natural persons;
- 3) transfers from the State budget for categories of persons insured by the Government;
- 4) as well as other sources.

Every year the role of employees becomes more and more important in the financing mechanism of the healthcare system and in the coming years it has the possibility to exceed the sources allocated from the State budget according to the volume of revenues to the Mandatory Health Insurance Fund. The effect of partial replacement of budget funds by other new financial sources is typical for a financial reform in the healthcare sector with a favorable effect on its functionality.

The summary of the Mandatory Health Insurance Funds (MHIF) performance in 2021 compared to 2020 is presented in Table 1.

Table 1. Summary of the MHIF Performance in 2021, thousand lei MDL

Indicators	Performed in 2020	Specified Plan 2021	Performed in 2021	Performed vs. Specified in 2021 (%)	Performed in 2021 vs. Performed in 2020 (%)
INCOME	8542564,8	11457321,0	11540026,1	100,7	135,1
Compulsory health insurance (CHI) premiums in the form of a percentage contribution	4800508,9	5398777,7	5477997,5	101,5	114,1
Compulsory health insurance (CHI) premiums in fixed amount	139064,9	135000,0	137188,1	101,6	98,7
Transfers from the State Budget	3533691,4	5835039,6	5835039,6	100,0	165,1
Other income	69299,6	88503,7	89800,9	101,5	129,6
EXPENDITURES	8405512,0	11857321,0	11552085,6	97,4	137,4

Fund for Medical and Pharmaceutical Services Payment (basic)	8270109,6	11703291,2	11436194,8	97,7	138,3
Reserve Fund	10000,0	10000,0	-	-	-
Fund of Prophylactic Measures	25301,8	36300,0	19592,3	54,0	77,4
Development Fund	19882,4	15000,0	9554,3	63,7	48,1
Management Fund	80218,2	92729,8	86744,2	93,5	108,1
BUDGET BALANCE	137052,8	-400000,0	-12059,5	-	-

The Mandatory Health Insurance Funds (MHIF) performance in 2021 was realized under the Law on Mandatory Health Insurance Funds No. 256 as of December 16, 2020 for the year 2021, with subsequent amendments. Thus, the MHIF indicators for the year 2021 were approved on the revenue part in the amount of 11.144.097,3 thousand MDL as well as on the expenditure part in the amount of 11.344.097,3 thousand MDL, with a deficit of 200.000,0 thousand MDL.

During the year 2021, by amending the Law No. 137 as of October 14, 2021 on the amendment of the Law on the Mandatory Health Insurance Funds for the year 2021 No. 256/2020, the revenues were specified in the amount of 11.457.321,0 thousand MDL and the expenditures in the amount of 11.857.321,0 thousand MDL, with a budget deficit in the amount of 400.000,0 thousand MDL, covered from the account of the cumulative balance existing at the beginning of the financial year. The changes given were determined by the evolution of the MHIF indicators during the reporting period as well as the policy priorities promoted by the Ministry of Health during the year, such as:

- increasing the salaries of the administrative-household staff from the public medical and sanitary institutions included in compulsory health insurance system, starting from November 01, 2021;
- increasing expenditures for hospital services for patients meeting the COVID-19 case definition;
- increasing the amount allocated for granting the supplement to the salary calculated for personnel trained in the provision of medical assistance to persons meeting the criteria of the COVID-19-case definition, etc.

The MHIF performance in 2021 amounted to 11.540.026,1 thousand MDL on the revenue part or at the level of 100,7% in relation to the annual provisions and on the expenditures part - 11.552.085,6 thousand MDL or at the level of 97, 4% compared to the rectified amount and ended with a deficit in the amount of -12,059.5 thousand MDL.

The cumulative balance of financial means in the accounts of the National Health Insurance Company (hereinafter - NHIC) amounted to 674.689,8 thousand MDL at the end of the year, being used during the year to cover the temporary cash deficiency.

The number of persons insured in the CHI system at the end of 2021 constituted 2.545.868 persons, of which: employed insured persons - 874.950, persons insured by the Government - 1.605.831 and individually insured persons - 65.087 persons. Compared to the previous year, the number of individually insured persons increased by 3.0%, and compared to 2019 - by 7.9%. At the same time, the number of employed insured persons and persons insured by the Government decreased compared to 2020 by 0.7% and by 1.4%, respectively.

Participation of natural persons in the financing of the healthcare system is pertinent and of major importance. Analyzing the sources of income for the healthcare system for the year 2021, the

participation of natural persons by making direct payments constitutes 45% of the total sources of the healthcare system financing.

The shortcomings regarding the application of compulsory health insurance are:

- the reduced experience of subjects from the field of health;
- the relatively short period since the implementation of the reform;
- the imperfection of the legislation regarding mandatory medical assistance insurance;
- a fully unadjusted mechanism for insurance contribution collection;
- a low level of population coverage.

Some experts recommend increasing the percentage contribution from employees, which would represent not only a solution to increase equity, but also a better accumulation of financial resources for the necessities of the system. Increasing the percentage contribution of employers and employees would allow to increase the healthcare system financing taking into account the experience of European countries.

The transition processes have weakened the capacity of the health system, affecting its quality and accessibility in a negative way. With the implementation of compulsory health insurance as well as the application of the mechanism for optimizing expenses, the financial situation of the healthcare system has improved.

A major problem of the healthcare system is the low coverage with compulsory medical insurances and the low share of people who directly contribute to the financing of this system. Effective tools are not currently used to discipline the population in contributing to compulsory medical insurance.

The correct and timely application of the system's financing regulatory levers allows to increase a fair access of the population to medical services, ensures the rational and efficient use of resources and favors the positive motivation of medical service providers.

The general objective is to improve the financing of the health system as well as payment mechanisms for health services. The specific objectives are the following:

- 1) improving the financing of the public health system;
- 2) improving payment and contracting mechanisms for public health services;
- 3) increasing equity and transparency in the allocation of resources and the financial protection of citizens.

One of the basic components of the healthcare system is its financing. Financing the healthcare system refers to the accumulation of financial resources and their distribution with the aim of ensuring the provision of quality health services to the population. The accumulation of financial resources is carried out from the point of view of the participants of the health care system in the Republic of Moldova.

Thus, over the last three years, there has been a constant upward trend in the number of individually insured people - from 60.3 thousand people in 2019 to 65.1 thousand people in 2021. At the same time, the number of persons employed remains relatively constant, with an insignificant increase from 874,7 thousand persons in 2019 to 875,0 thousand persons in 2021. At the same time, the number of persons insured by the Government decreased during the period analyzed from 1,691.7 thousand persons in 2019 to 1,605.8 thousand persons in 2021 or by 5.1%.

During the management year, revenues were accumulated in the amount of 11.540.026,1 thousand MDL, which is 100,7% in relation to the annual provisions. Compared to the previous year, the amount of revenues accumulated in MHIF increased by 2.997.461,3 thousand MDL or by 35.1%. In the income structure, 49,5% of the income represented own income (the CHI premiums in the form of a percentage contribution, in the form of a fixed amount and other incomes), which were accumulated in the amount of 5.704.986,5 thousand MDL and 50.5% - transfers received from the State budget in the amount of 5.835.039,6 thousand MDL.

Detailed information on the MHIF revenues performance by type of accruals is presented in Table 2.

Table 2. MHIF Revenues Performance, Years 2020-2021, thousand lei MDL

Indicators	Performed in 2020	Specified Plan 2021	Performed in 2021	Performed vs. Specified in 2021 (%)	Performed in 2021 vs. Performed in 2020 (%)
INCOME	8542564,8	11457321,0	11540026,1	100,7	135,1
Compulsory health insurance (CHI) premiums	4 939 573,8	5 533 777,7	5 615 185,6	101,5	113,7
Compulsory health insurance (CHI) premiums in the form of a percentage contribution	4800508,9	5398777,7	5477997,5	101,5	114,1
Compulsory health insurance (CHI) premiums in fixed amount	139064,9	135000,0	137188,1	101,6	98,7
TRANSFERS	3533691,4	5835039,6	5835039,6	100,0	165,1
Special purpose transfers from the State budget	153219,3	140924,3	140924,3	100,0	92,0
General-Purpose Transfers from the State budget	3380472,1	5694115,3	5694115,3	100,0	168,4
Other income	69299,6	88503,7	89800,9	101,5	129,6

In 2021, the share of income from CHI premiums in a total of MHIF income constituted 48.7% (5.615.185,6 thousand MDL) and that of transfers from the State budget for the categories of persons insured by the Government - 49.3% (5.693.376,8 thousand MDL).

The healthcare system in the Republic of Moldova is a system based on compulsory health insurance system, according to the insured's ability to pay, in which there are, however, other possibilities for carrying out payments for medical services, apart from settlements between medical services providers and the public insurer, such as: voluntary health insurance and direct payments to consumers.

The public financing of the healthcare system refers to the financial sources that are formed at the State budget, the administrative-territorial units' budgets and the funds of compulsory health insurance.

Private financing of the healthcare system refers to financial sources in the form of direct payments and insurance companies' funds.

In the "Other income" chapter, financial means were accumulated in the total amount of 89.800,9 thousand MDL, which constitutes 101.5% in relation to the annual provisions and 20.501,3 thousand MDL more (29,6%) compared to the previous year.

Among the most significant receipts (revenues) in this chapter were:

- CHI premiums included in the composition of the single tax levied from the IT parks' residents provided for by Law No. 77/20165 - 82.412,2 thousand MDL;

- interest received on balances of financial means on MHIF bank accounts - 2.354,4 thousand MDL; - fines and contravention sanctions imposed by NHIC and STS - 403,5 thousand MDL;
- other revenues collected to MHIF, including from medical services providers for financial violations regarding the use of financial means for purposes other than the provisions of the CHI Single Program, with derogation from the normative acts, of unjustified prescriptions of compensated medicines and the unjustified issuance of referral tickets for hospitalizations - 4.630,8 thousand MDL.

3. Conclusions

Transparency in the allocation of financial resources is of major importance as an objective regarding the improvement of the financing of the healthcare system that will be achieved in the conditions of the statistics' development in the field of healthcare regarding the annual publication of indicators that analyze the level of financing of the healthcare sector by highlighting the role of each funding source, but also the efficient use of financial resources.

The measures necessary for achieving the objectives and the expected results of improving the financing of the health system will be achieved by increasing the compulsory health insurance funds; ensuring State guarantees in participation in the financing of the health system; reviewing the participation capacities of the local public administrative authorities in the development of the local medical and sanitary institutions' infrastructure; developing of optional forms of insurance for the provision of the over-package healthcare services.

MHIF income is formed from compulsory health insurance premiums, transfers from the State budget and other revenues, represented by fines and pecuniary sanctions, bank interest, deductions from the single tax levied from IT parks' residents.

During the analyzed period, the national healthcare public budget contributed considerably to the provision of medical services to the entire population of the Republic of Moldova. Thus, the public sector participated in the field of healthcare, being a public office with special characteristics. And the public expenditures for healthcare are part of the expenditures for social and cultural actions representing social services that lead to the creation of national income, thus demonstrating a productive character and contributing to the social and economic development of the country.

Currently, the financing of the national healthcare system only from budgetary sources or from the compulsory medical assistance insurance is practically impossible.

Factors such as the aging of population, the high cost of new technologies and the growing needs of the population are assumed to increase the demand for healthcare, so that healthcare expenditures increase beyond the ability to pay for healthcare through compulsory health insurance or budget allocations. As a result, the Government cannot always provide a sufficient level of medical services for the entire population, and citizens have to resort to additional payment methods.

In this situation, voluntary health insurance plays an important role in financing of the healthcare system.

The financial instrument for the accumulation and distribution of the disease risk insurance resources, managed by the National Health Insurance Company, are the mandatory medical assistance insurance funds, elaborated annually and approved via Law by the Parliament of the Republic of Moldova.

The healthcare system in the Republic of Moldova is a system based on compulsory health insurance system, according to the insured's ability to pay, in which there are, however, other possibilities for

carrying out payments for medical services, apart from settlements between medical services providers and the public insurer, such as: private insurances and direct payments.

The financial mechanism of the healthcare system can be presented in the form of a financial management system, being intended to organize the interaction of financial relations, as well as the flows of financial means in accordance with the requirements of economic laws through the use of financial instruments in accordance with normative and legislative acts.

The functional and instrumental action of the financial mechanism of the healthcare system is determined by the volume of financial resources, granted by different sources for healthcare. An essential role is played both by the sources, as well as the methods of accumulation of financial resources. The financial resources formed in the planning and forecasting module are expected for specific purposes in the field of healthcare. Also of considerable importance are the forms in which financial resources are provided, their conversion into monetary form and the circuit through financial insurance channels.

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