RESEARCH PAPER | Management | Volume : 4 | Issue : 2 | Feb 2014 | ISSN - 2249-555X

Financing Health System in Romania and The Claw-Back Tax

KEYWORDS: financial management of health, health expenditure, healthcare reform, the claw-back contribution

Mr., Prof., Ph D in Eng, Ph D in Ec, NIȚĂ Aurel Mircea-NSPPAS

Associate Professor, The National School of Political and Administrative Studies, Faculty of Public Administration, Bucharest, Romania

ABSTRACT *Romania, as a member state of the European Union has a financing system consists of public and private resources coming from the state budget revenues, the budget of state social insurance and private insurance. Current mechanisms, underlying health system costs covering of the EU member states, have in center the principle of social solidarity. According to this principle, all citizens, regardless of income they are entitled to, have the health protection right achieved. In Romania, funding of health expenditure is mainly performed by the public sector and the private sector further. Claw-back contribution type was settled by the provisions of the Government Emergency Ordinance no. 104/2009 on healthcare reform. This article aims the funding system limits of the public health sector, identifying the main public revenues for health. Also in this context was carried out a SWOT analysis of the claw-back contribution, which constitutes a personal income source of the Ministry of Health.*

INTRODUCTION

Medical care in Romania, from the public policies approach (Iancu, 2010) is provided by: 1 -Unique National Fund Health Insurance budget - UNFHI, supplemented with 2 - amounts from state budget 3 - amounts of the state social insurance budget, and 4 - from the revenues of the population (Iliescu, 2012).

2. FUNDING FROM THE STATE BUDGET

Currently, in Romania, the state budget finances only certain medical services, namely preventive actions, given the causes determining the need for medical services and prevent them, namely: a-normal condition, b - occupational disease, c - work accident, d - some emergency services or part of them, given that they are a citizen's right and duty of the state, according to the Constitution (Ungureanu et al, 2013).

Amounts from the state budget (that came from general taxation) have the following destinations:

- Construction or repair of sanitary facilities;
- Purchase of professional medical apparatus (Pardeshi, 2005).
- Diagnostic activity, curative, rehabilitation of national importance, recovery of working capacity (Zismer, 2013).

3. FINANCING FROM OTHER SOURCES

Besides these two revenue collection main modalities for health (health insurance, the state budget), there may be other private resources coming from:

a - direct payments from patients to healthcare providers (private clinics, costs of services that are not reimbursed by insurance County houses that are set out in the Framework Contract); National Health Insurance House - NHIH shall prepare the annual draft framework contract conditions regarding medical assistance in social health insurance system. Framework Agreement and its implementing rules establish the medical services reimbursed by Unique National Fund of Health Insurance - UNFHI provided to insured and uninsured persons, and also contractual relations between the National Health Insurance and service providers at all levels: primary secondary and tertiary;

b - co-payments – represent the patient's personal contribution for the medical services basic package (consultations, hospitalizations, lab tests or investigations) within the health insurance system, (Slowther, 2008);

c - voluntary contributions will be in the future a new resource for public health budget, with the advent of private insurance funds (Bes et al, 2013).

Romanian system problems are mainly related to difficulties in collecting funds. Amid the absence of clear legal provisions, the county houses of insurance experience particular difficulty in raising money from state-owned enterprises that traditionally owe money for both the state budget and social insurance security of health. Basically, the system is highly supported by the taxation of small and medium-sized companies.

4. FUNDING FROM THE UNIQUE NATIONAL FUND OF HEALTH INSURANCE - UNFHI

Although the financing from public financial resources is an important source of funding for the health system in Romania, as in most European countries, the main source of public revenue for health are health insurance contributions. Currently, in Romania, the social health insurances are mandatory and represent the main financing system of population healthcare; thereby is ensured access to a basic package for insured, Romanian citizens residing in the country and the foreign citizens and stateless who requested and obtained an extension of the right of temporary residence or domicile in Romania and proof of payment of contributions (Law no. 95/2006).

UNFHI is mainly financed from contributions paid by employers and employees.

The graph from Figure 1, the financial situation in 2006 and 2007 recorded a financial surplus. In 2009, in the context of failure to achieve revenue and expenditure growth plan, the Fund received revenues of 14.6 billion RON, which is about 4.5 billion USD.

In 2011, the main public revenues for health in Romania represented by health insurance contributions totaled 15 billion RON, equivalent to 4.6 billion USD, and also 2.6% of GDP, according EFOR Policy Brief no. 7.

Volume : 4 | Issue : 2 | Feb 2014 | ISSN - 2249-555X

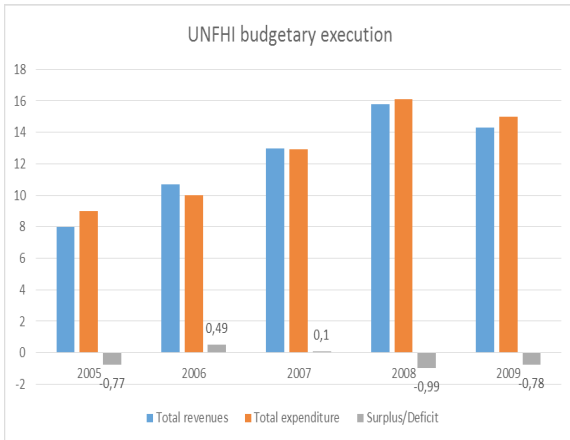

Figure 1. The budgetary implementation in 2005-2009 UNFHI

In Figure 2 are presented the categories of income that constitutes FNUASS resources. A percentage of 42% of total revenues from Unique National Insurance Fund, is the employees' contributions, while subsidies from the state budget is a 6% and subsidies revenues of the Ministry of Health, only 4%.

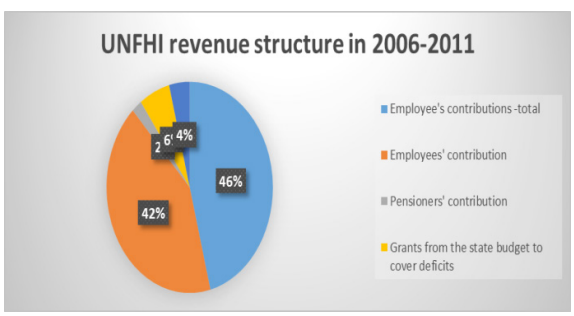

Figure 2. Revenue structure UNFHI in 2006 - 2011

In 2012, legal regulations imposed on the employer a contribution of 5.2% and for other categories of persons who are required contribution payment or pay directly from other sources, a contribution of 5.5% (Boc, 2011). For people who provide voluntary contribution, social health insurance rate is 10.7% (State Budget Law, 2012).

5. DIRECT PAYMENTS FOR MEDICAL SERVICES AND PRODUCTS

Direct payments by the private sector have an important contribution to total health spending. Reasons to promote direct payments as a source of financing health expenditure were:

- reducing the risk of medical services misusage;
- the need to attract additional resources in the system.

However, direct payments are criticized as it affects access to health services for people with low income or leading to the increase of population health costs. In these circumstances, the political factor promoted in many countries in the European Union, changes in the regulatory framework of direct payments, aimed first: the amounts required revenue, occupation and family status (Cherches et al, 2011).

6. CLAW-BACK TAX

6.1.DEFINITION AND CALCULATION METHOD

In Romania, the grid defining contribution was made based on the experience of other European countries, being elected a progressive scale based on income for producers and importers of drugs compensated with a percentage between 5% and maximum 11%. Such a grid allows the implementation of the principle of cost / volume, percentage contribution increases with the increase of drug manufacturer income, for products included in a - national health programs, b - included in the list of medicines reimbursed or c - used for consumption in hospital (Academic Society of Romania, 2010).

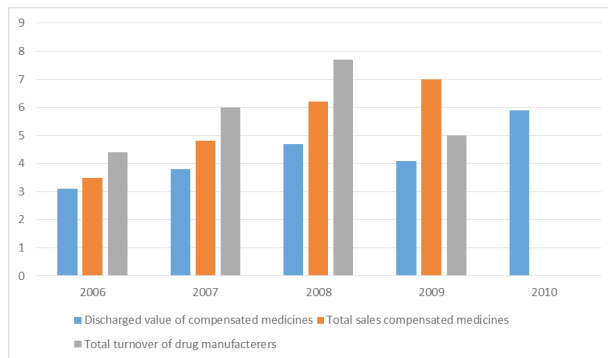

Figure 3. The dynamics of drug sales marketed by producers during 2006 - 2010

The percentage contribution of *claw-back* is determined according to Annex no. 14 of Law no. 95/2006, as amended and supplemented, of total quarterly revenues by manufacturers and importers in Romania. *Claw-back* tax was introduced in 2009, at a time when UNFHI revenues were shrinking while consumption grew, and was based on the practice of another European country, France. *Claw-back* implications are closely related to the reform initiatives in the state health system (Weeks, 2007).

6.2.USING THE CLAW-BACK CONTRIBUTION

Income earned as a result of the *claw-back* contribution represents revenues of the Ministry of Health, to be used for:

a) Investment in infrastructure and facilities in the public health system
b) Financing national health programs;
c) Ministry of Health reserves for special situations;
d) Transfer amounts allocated to the budget of the Unique National Fund of Health Insurance-UNFHI for medicines that policyholders receive in outpatient treatment, with or without personal contribution, on medical prescription in the health insurance system;

6.3.LEGAL NATURE OF CLAW-BACK CONTRIBUTION ANT THE SWOT ANALYSIS

Claw-back contribution represents an important source of income within the Ministry of Health. This could be assigned by transfer to the budget of the Unique National Fund of Health Insurance until October 1, 2012 for medicines that policyholders benefit of in the national health insurance system. After that day, according to GEO. 77/2011, the claw-back contribution directly becomes UNFHI budget revenue. This mechanism can be considered as a control mechanism of UNFHI expenditure on medicines and aims to ensure continuous supply of medicines to insured persons, without gaps in the national health insurance system.

Volume : 4 | Issue : 2 | Feb 2014 | ISSN - 2249-555X

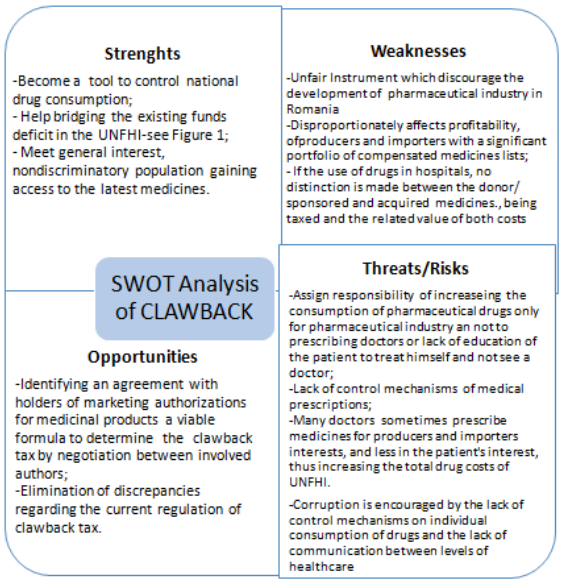

Figure 4. SWOT Analysis of CLAWBACK

7. CONCLUSIONS

In Romania, the health system is financed by public and private financial resources, with the majority of the public ones.

A percentage of 85% from health system financing is managed by the Unique National Fund of Health Insurance - UNFHI.

The financing of healthcare is mainly made from UNFHI budget, supplemented by: a - the amount of the state budget, b - state social insurance budget, as well as c - the revenues of the population.

Private financial resources come from direct payments, co-payments or fees for services.

An ill caused by an accident or an occupational disease is covered by the state social insurance budget from another venture Fund for Work Accidents and Occupational Diseases, managed by another actor, namely the National House of Pensions and Other Social Insurance Rights.

In order to supplement the income needed to provide medical services, the authorities have introduced *claw-back* contribution for medicines included in the national health programs, from which insured outpatients benefit, with or without personal contribution, on medical prescription. This applies to drugs for the treatment which an insured person receives in hospital, performing receipts from the sale of these medicines in Romania, after deduction of value added tax.

REFERENCE

[1]Bes, R. E., Wendel, S., Curfs, E., Groenewegen, P., De Jong, J. (2013). Acceptance of selective contracting: the role of trust in the health insurer. BMC Health Services Research. 2013, Vol. 13 Issue 1, pp.1-10. | [2]Boc, E. (2011). The reform of the state in Romania (2009-2011). Transylvanian Review of Administrative Sciences, No. 34 E/2011, pp. 5-21. | [3]Cherches, R. Ungureanu, M., Rus,I., Baba, C. (2011). Informal payments in the health care system – research, media and policy. Transylvanian Review of Administrative Sciences, No. 32 E/2011, pp. 5-14. | [4]Iancu, D.C. (2010). European Union and Public Administration. Bucharesti: Polirom Publishing House. | [5]Iliescu, A.M. (2012). Financing the health system in Romania by public revenue. MANAGEMENT IN HEALTH, VOL 16, NO 4 , Journal published by SNSPMS. | [6]Pardeshi, G. (2005). Medical equipment in government health facilities: missed opportunities. Indian Journal of Medical Sciences. Jan2005, Vol. 59 Issue 1, pp.13-19. | [7]Slowther, A. (2008). Co-payment for medical treatment. Clinical Ethics. 2008, Vol. 3 Issue 4, pp.168-170. | [8]Ungureanu, M.I., Litan, C.M., Rus, I.A., Chereches, R.M. (2013). A Brief Insight into the Study of Informal Health Care Payments in Romania. Transylvanian Review of Administrative Sciences, No. 39 E/2013, pp. 212-219. | [9]Weeks, E.L. (2007). Cooperative Federalism and Healthcare Reform: The Medicare Part D 'Clawback' Example. Journal of Health Law & Policy, Vol. 1, p. 79. | [10]Zismer, D.K., (2013). Connecting Operations, Operating Economics, and Finance for Integrated Health Systems. Journal of Healthcare Management. Sep/Oct2013, Vol. 58 Issue 5, pp.314-319; | [11]EFOR Policy Brief No. 7 (2012). Revenues and expenditures of the health system. Available at: www.expertforum.ro | [12]Academic Society of Romania (2010). Crisis and reform in the health system. An x-ray day, December 2010, p.16. | [13]Law no. 95/2006 on healthcare reform, as amended and supplemented, published in the Official Gazette, Part I, no. nr.372/28 April 2006. | [14]Government Emergency Ordinance no. 77/2011 regarding to establish a contribution to finance health spending, published in the Official Gazette, Part I, no. 680 of September 26, 2011. | [15]CNAS report, MIND Research & Rating. www.cnas.ro | [16]Court of Accounts Report, for the year 2011, www.curteadeconturi.ro |