HEALTH CARE REFORM AND INEQUALITY OF ACCESS TO HEALTH CARE IN BULGARIA

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1. INTRODUCTION

1.1 Background

The socio-political changes that have taken place in Bulgaria since 1989 have had a big impact on the health care system. The previous communist model of health care had offered universal and free access to full range of health care services and the sole funder and provider of health care was the central government. Informal payments by patients for health care services and medicines were common in Bulgaria, although not officially sanctioned by the authorities. All this led to constant crises in connection with the delivery of health care and this required radical reform to be implemented.

The Bulgarian Government's strategy includes the reform of the health sector as part of the social protection systems. The aim is to enhance sector efficiency, increase resources allocated to the health sector by tapping alternative sources of financing, and target public resources to the most cost-effective interventions.

A new law on health insurance was passed by the Bulgarian Parliament in June 1998. Initially, this law provided for the collection of insurance premiums to commence on July 1, 1999, and for the health insurance financing to begin operations by January 1, 2000 for ambulatory care services and by January 1, 2001 for hospital services. Collection of premiums started as scheduled. However, later in the year the Bulgarian Government decided to postpone the effective start of the reform by 6 months - July 1, 2000 for ambulatory care, and moving to July 1, 2001 for hospital services.

In connection with the above, a National Health Insurance Fund (NHIF) was also established**.** Modifications to the premium rates for social security and unemployment insurance have been made to provide the fiscal room for the introduction of the health insurance premiums. The compulsory health insurance is a system for social and health protection of the population, which guarantees a package of health-related services, and is administered by the NHIF and carried out by the 28 Regional Health Insurance Funds. Voluntary health insurance is optional and is carried out by limited liability companies, registered according to the Commercial Law.

The Health Insurance Act also regulates the signing of the National Framework Contract between the NHIF and the professional associations of health care providers - doctors and dentists. The National Framework Contract provides for the parameters and procedures related to the functioning of the health insurance system as a whole. It defines the order, the contents and the payment of the health care activities and services to be provided to the insured population. The National Framework Contract is valid for one year, until the signing of the next one. The first National Framework Contract was signed on 27 April 2000.

1.2 Scope of the paper

This paper explores and analyses four distinct dimensions of the new organisation of the health care system:

- A description of the current system of health care in Bulgaria
- An analysis of the implications of the current health care system regarding inequality of access to health care at primary, secondary and hospital level by social groups and income level.
- Information on the current operation of the private health care system
- An examination of the cost of medicines to the NHIF and the reasons for the rapid rise in costs.

The paper also draws upon a small number of case studies - interviews with primary doctors and hospital managers exploring financial issues faced by the providers.
The paper also analyses the health care system in the light of compulsory and voluntary health insurance and the private health care system.

The data in this paper have been collected from various sources, namely official publications of the World Health Organisation, International Labour Office, International Monetary Fund, National Health Insurance Fund, Bulgarian Ministries of Health and Finance, Bulgarian National Centre of Health Informatics and National Statistic Institute.

2. THE CURRENT SYSTEM OF HEALTH CARE IN BULGARIA

2.1 Health care facilities

Reform of the health care system included the enactment by the National Assembly of the Health Care Establishments Act (Official Gazette, 1999) which regulates the organisation of medical (inpatient and outpatient) and dental care. The existing public and private health care establishments were re-organised according to this act.

The health care establishments are organisationally autonomous structures in which medical providers independently or with the help of other medical or non-medical staff conducts all or some of the following activities:

- Diagnosis, treatment and rehabilitation;
- Observation of pregnant women and obstetric care;
- Observation of chronically ill people and people under threat of disease;
- Prevention and early detection of diseases;
- Improving and protecting health.

Outpatient health care establishments

Ambulatory care is provided by health care establishments for primary and specialised medical care. Establishments for primary care are individual and groups for medical and dental care.

Those for specialised outpatient care are:

- Individual and group practices for specialised medical or dental care.
- Medical, dental and combined medical-dental centres;
- Diagnostic and consultation centres;
- Stand-alone medical-diagnostic and medical-technical laboratories.

Inpatient health care establishments

Inpatient care covers general and specialised hospitals; emergency medical care centres; transfusion centres; dispensaries; nursing homes and hospices; hospitals providing acute, chronic and long term care, and rehabilitation.

According to the geography of the area served, the hospitals may be regional, district, inter-district, or national.

Other types of health care establishments

The following establishments remain state-owned:

- Emergency medical care centres;
- Blood transfusion centres;
- Psychiatric hospitals;
- Medical facilities intended for medical surveillance and specific care of children;
- Establishments run by certain Ministries (Defence, Interior, Transport, Justice).

2.2 Ownership of the health care establishments

Equal treatment of public (state and municipal) and private establishments is provided for by legislation. A specific feature of the reform is the changing ownership of establishments. Assets, such as buildings and equipment etc., are owned by the practitioner or group of practitioners or by the municipality or a private owner and the medical professionals are contracted or pay rent as the rent normally is not significant. Individual practices are owned

by general practitioners and dentists and a range of other health care establishments are organised as commercial partnerships or co-operatives.

Public health care establishments have been transformed as follows:

- Hospitals belonging to the high medical schools, national centres providing medical activities, state pulmonary hospitals and the Scientific institute of emergency health care have been transformed into sole commercial partnerships owned by the Ministry of Health;
- Public health care facilities - district hospitals in the district centres have been transformed into medical establishments as shareholder companies with mixed ownership where 51 % belongs to the Ministry of Health and 49 % to the municipalities
- Other public health care facilities have been transformed into medical establishments or dispensaries as limited commercial partnerships, owned by the municipalities.
- Public health care facilities for outpatient care have been transformed into state or municipality medical establishments.

Privatization of health care establishments

Privatization is the ultimate model of decentralization and rejection of central planning (ILO, 2001). The Health Care Establishments Act also included procedures for privatization of both state and municipality medical establishments. With privatization, out-patient health care facilities, which are the property of the municipalities, may be sold or rented to general practitioners. None have been sold yet. Similarly, hospital privatization has not produced any result and so far they remain in the public sector whilst the number of privately operated facilities is very small and is just 6 % of total number of all hospitals.

In March 2002 the newly elected government repealed the provisions for privatization this turned privatization to be more slogan than reality. However it is not clear how this process will continue to take place.

Although privatization has not yet taken place as scheduled it has not prevented some primary care practitioners from owning their own practices.

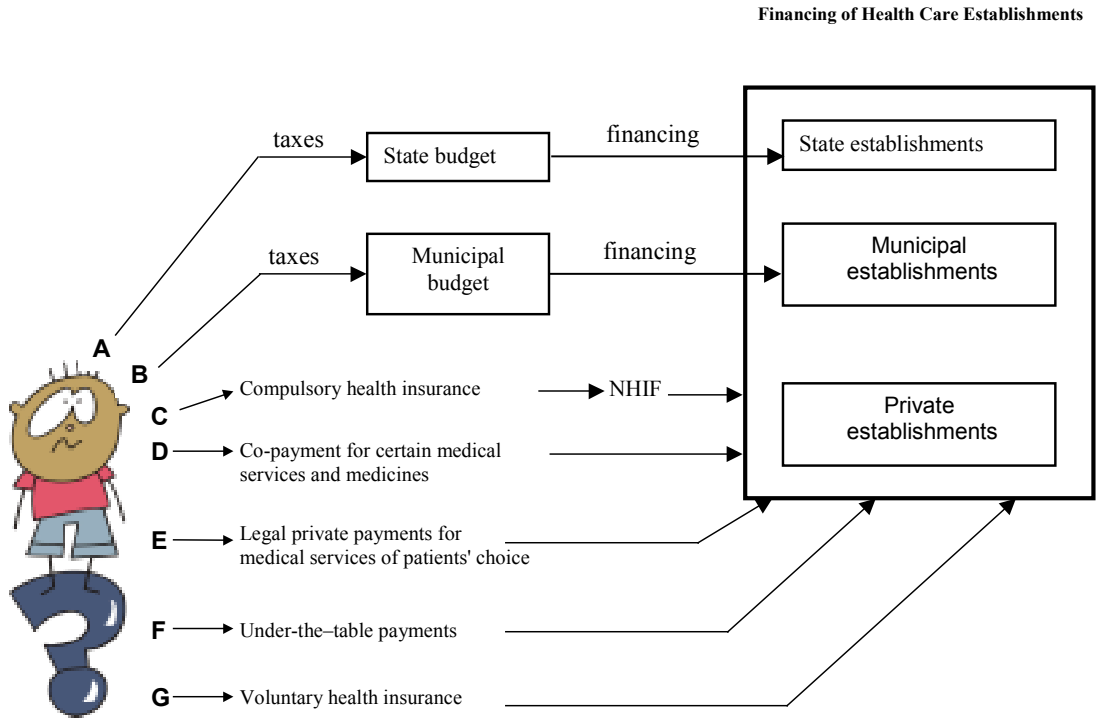
2.3. Financing of health care establishments

Sources of financing are:

- The National Health Insurance Fund;
- State and municipality budgets;
- Voluntary health insurance funds;
- Local and foreign legal bodies and individuals;
- Co-payment.

Figure 1 shows the money flow to the health care establishments.

Figure 1



The health care establishments make their revenue from payments such as contracts for providing health care; direct payments made by legal bodies and individuals as well as fees-for-visit under the Health Insurance Act; reimbursement of expenses by a third party; subsidies from the state budget when provided in the annual State Budget Law; subsidies from the municipality budget when provided in it; the leasing of equipment and premises; donations, wills, financial aids and others.

The state and municipalities subsidise the public (state and municipality) hospitals in accordance with the State Budget Law for each year and municipal budgets. The subsidies are used for acquisition of long-term assets; capital repairs for restructuring the medical establishment; information technology and to aid the financial recovery of hospitals which have been insolvent.

In fact most, if not all state and municipality hospitals have considerable financial problems. The budget for hospitals for 2002 is 530 million leva (265 million USD) as financing is coming from the Ministry of Health (350 million leva or 175 million USD), the NHIF (100 million leva or 50 million USD) and municipalities (80 million leva or 40 million USD). This appears to be highly insufficient for the debts of the hospitals, which in September 2002 amounted to nearly 90 million leva (45 million USD). The figure is expected to reach 120 million leva (60 million USD) at the end of 2002. The main creditors are the electricity and water suppliers, as well as pharmaceutical companies. Those who suffer most are the university and district hospitals, which normally treat more patients than any other hospitals. The Ministry of Health has declared that hospitals have money only for wages and social insurance contributions.

However, amounts paid by the NHIF to the hospitals that they have contracted with cover only 10 % of the cost of the activities performed and reimbursed by the NHIF.

Experts in the field of health care agree that the severe under-funding of hospitals is due to the excessive number opened up during the communist era. From then to the break down in the 1990s all hospitals were 100 % funded by the State. Instead of closing down ineffective hospitals they were left open and no investments were made. This led to old buildings and medical appliances, which were not properly maintained.

As the economic situation in Bulgaria changed and central planning came to an end, budget subsidies together with compulsory health care contributions have not been sufficient to cover the expenditure of hospitals. The hospital sector appears to be in need of significant refurbishment and replacement of key diagnostic and therapeutic equipment.

In 1999 the World Bank gave Bulgaria a loan of 63.3 million USD for restructuring the health sector (World Bank, 1999, Health Sector Reform Project). One of its four components is hospital care reform. In general the objectives of this component are quality of care and accreditation and quality assurance and management.

The idea of reforming hospital health care was also included in the Memorandum on Economic Policies of the Bulgarian Government and the Bulgarian National Bank for 2002 presented to the International Monetary Fund (IMF, 2002 Country report). The Bulgarian government has stated that it "will finalise accreditation of all hospitals by end-June 2002 to identify providers of high quality health services….. and will redirect around 10 % of medical activities from hospitals to outpatient service providers, reduce expensive and non-effective activities in hospitals, and privatise or close down 10 % of hospitals in 2002."

So far this has not been done. The government has not had the political strength to implement its programme concerning closure of ineffective hospitals or structures. The reason for this is resistance by health personnel working in the hospitals. This has led to support for hospitals that cannot even ensure minimum care standards and thus has decreased subsidies available for well performing hospitals.

In addition to this, each year 10 % of state subsidies are being reduced which leads to an even greater financial deficit in the hospitals and increased pressure on both health care providers and patients.

After the Internatonal Monetary Fund mission in Sofia at the end September, Jerald Schiff the IMF mission leader for Bulgaria said that health care reform was falling way behind schedule. He said that one of the aims of the reform was to close down inefficient hospitals in order to increase subsidies available to the remaining hospitals but none of this has happened yet. He added that the state budget has allocated too little to healh care in 2003.

Pirita Sorsa, Resident Representative of the IMF in Bulgaria confirmed that health care