

**The Trade-off Between Access and  
Sustainability for Bulgaria's  
NHIF: Is Financial Independence  
a Real and Achievable Goal**

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# Objectives of the presentation

- To define the financial independence of the purchaser of health care services
- To provide evidences from Bulgarian experience that it is a powerful tool to promote market principles of conduct for both the financing authority and the providers of services

# Financial problems of the health sector in the pre-reform period

- Direct funding of the health sector from the state budget.
- The overall expenditures in the sector usually were determined as a residual figure. The sector has been under financed for the last ten years.
- The health care providers had no incentives to introduce market practices like budget planning, services marketing and cost containment.
- The doctors' salaries were low.
- Out-of-pocket payments flourished.

# Implications of the pre-reform financial policy

- Lack of accountability and chronic deficits in the budget of the sector and the providers
- Easy access of patients to an ill-equipped, largely specialist-based system of hospitals and affiliated polyclinics.
- Patients in cities self-referred to an array of salaried specialists or directly to hospitals while those in rural areas had more limited access to physician services.

# Elements of the financial independence

- Detailed description of the sources of revenues
- Clear definition of the bundle of services, covered by the compulsory insurance. Determination of performance based criteria for regular payments to the providers of health care services
- Active management of the operational surplus and reserve fund.

# Compulsory health care contributions

- Accountability as an incentive to increase the collection rate
  - 2000 - 102 %
  - 2001 - 96 %
- The people pay health care contributions even if they try to decline paying income tax and social insurance.

# Structure of health care contributions

	2000	2001
Employers	45.7 %	48.4 %
Employees	14.7 %	12.5 %
Self-employed	6.0 %	7.6 %
Pensioners	26.6 %	25.9 %
Others	7.0 %	5.6%

# Health care contributions - future challenges

- How should the amount of contributions be increased to achieve the average level in the EU?
- Any change in overall tax burden will influence the collection rate
- What should be the participation of the government in financing health priorities?



# Health insurance payments

- Capitation fee for GPs with additional payments for prevention and treating the health priorities
- Fee for service for specialists, dentists and laboratories
- Clinical pathways for hospitals
- Pharmaceuticals

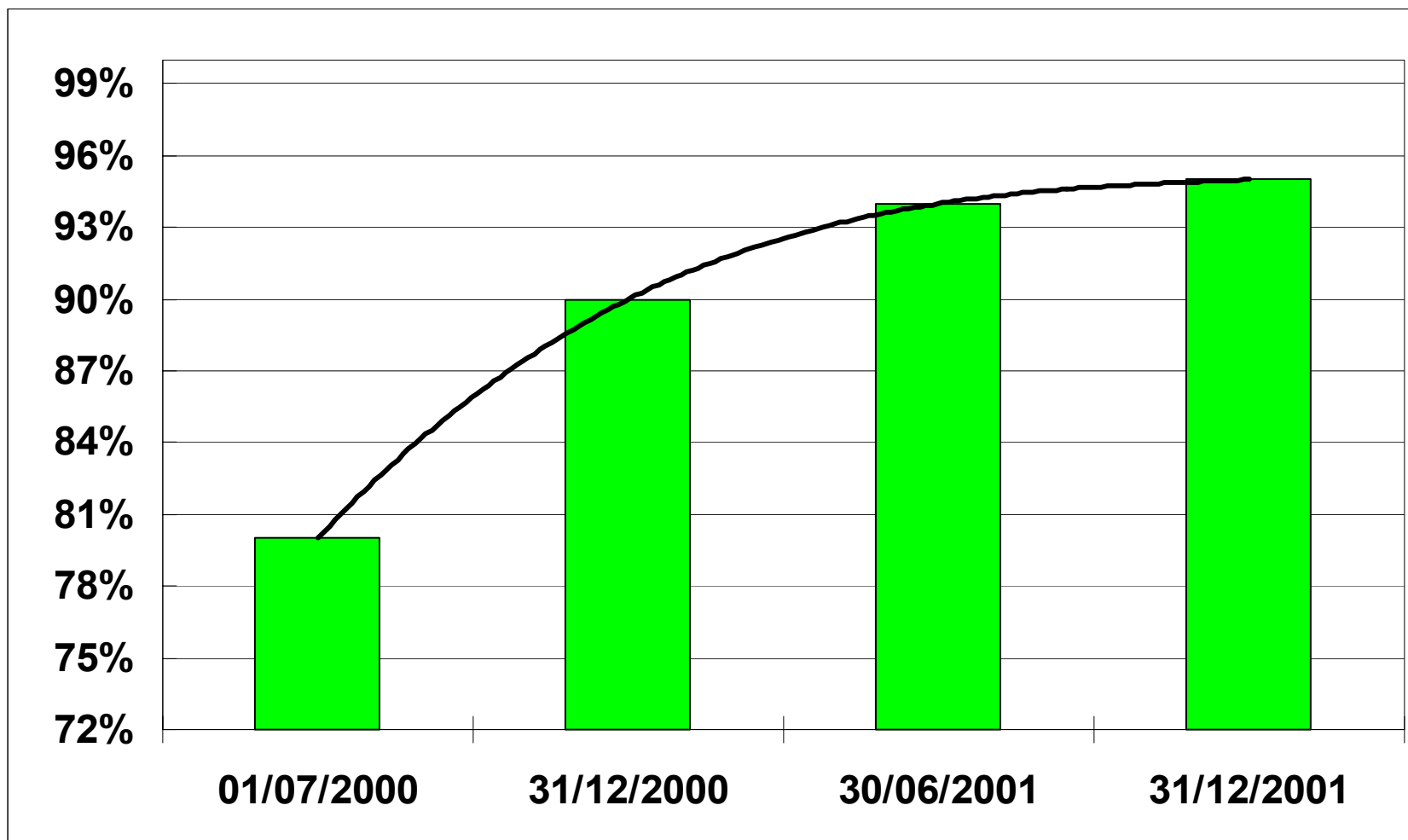
# NHIF as a purchaser of health care services

- Distribution of the budget between the regions of the country according to objective criteria
- The NHIF is able to pool the regional risks
- Checking and verification of information before the payment to the provider
- No delays in payments for more than two years

# Introducing market incentives to the providers

- Increase in GP's enrolment rate guarantees better access to health care services
- Principles of business conduct and management of own practice are promoted
- The quality of services becomes a crucial factor for patients' satisfaction and is directly linked to physician's income

# The rate of GP enrolment



# Health insurance payments – the pitfalls

- MoF impose additional restrictions because of the agreements with the IMF
- The implementation of a Treasury Account will become a temptation to reduce the health care expenditures
- Financial sustainability requires establishment of viable criteria for covered services
- Regulation of capital expenditures in the sector

# Active management of the reserve fund

- A substantial reserve fund was created since the establishment of the institution
- MoF declined the proposal to issue special bonds as an investment vehicle
- Currently the reserves are successfully invested in the international market – 2001 yield 4.25% p.a.
- The agent and the trustee of the guaranteed investment contract became the Bulgarian National Bank

# Financial independence – lessons learned

- It allows more effective management and allocation of scarce resources
- The support of payers of health insurance contributions and physicians is crucial
- A set of services should be clearly defined to ensure the development of voluntary insurance schemes
- The investment strategy should be clearly defined and strictly enforced