NATIONAL AUDIT OFFICE OF LITHUANIA
• BRINGING BENEFITS •

ASSESSMENT OF REGULARITY OF 2017 SETS OF CONSOLIDATED FINANCIAL AND BUDGET EXECUTION STATEMENTS, AND LEGALITY OF MANAGEMENT, USE AND DISPOSAL OF FUNDS AND PROPERTY OF THE COMPULSORY HEALTH INSURANCE FUND

01 October 2018

No. FA-2018-P-6-3-7-1

SUMMARY

The goals and scope of the audit

Having regard to the Law on National Audit Office[1] and the Law on the Accountability of the Public Sector[2], we have carried out an audit on the assessment of the regularity of the financial and budget execution statements for 2017, and the legality of the management, use, and disposal of the funds and property of the Compulsory Health Insurance Fund.

The audit was carried out in accordance with the Public Auditing Requirements and the International Standards of Supreme Audit Institutions. The audit report contains only the findings of the audit itself, while the independent opinion on the consolidated financial and the budget execution statements is provided in the audit conclusion. A description of the

[1] Clause 5 of Article 9(1) of the Law on National Audit Office.
[2] Article 30 of the Law on the Accountability of the Public Sector.

scope and methodology of the audit is provided in Annex No. 2 “The Scope and Methodology of the Audit” (p. 27).

Main results of the audit

1. Either the consolidated financial budget execution statements for 2017, or the procedure for their drawing up, were not found to contain any material misstatements

In all material respects, the data provided in the financial budget execution statements for 2017 of the Compulsory Health Insurance Fund was found to have been drawn up and submitted in accordance with set requirements.

2. Institutions responsible for the administration of the Compulsory Health Insurance Fund must joint the institutional optimisation process conducted by the Government

The break down of institutions responsible for the administration of the Compulsory Health Insurance Fund into separate legal entities is causing unnecessary administrative expenses which do not generate any added value. The National Health Insurance Fund and its five territorial branches, which have been awarded the status of legal entities, draw up 22 sets of financial budget execution statements, which encumbers the NHIF and the Ministry of Finance in drawing up and consolidating statements of the lowest level (18 units). If the NHIF joins the implementation of initiatives designed for the optimisation of the systems of public sector institutions specified in the Government Programme, the CHIF could be administered, in the entire territory of Lithuania, by the National Health Insurance Fund alone, which would enter into agreements with all medical establishments and draw up 4 sets of statements (Sub-Section 1.1).

3. The health care funding system currently developed by the Government lacks coherence

As we have noted in previous audits, the purpose of health insurance contributions and the scope of services which they guarantee have not yet been clearly established. Currently, health insurance funds are being used to fulfil state obligations, which are closer in substance to uninsured obligations or, in some cases, do no even contain any attributes related to social welfare.

During the present audit, we have determined the failure of the state in paying contributions to the Fund for the most socially vulnerable groups of persons either in full or in part, thereby failing to perform its obligations to the Fund. Even though, pursuant to the law, small-scale farmers are subject to Compulsory Health Insurance (CHI) contributions which are only a third of what applies to other persons, the state fails to cover the difference of their contributions. Pursuant to the law, lower CHI contribution rates also apply to persons insured via the public budget – in 2017, the SB contribution was 16.1 percent lower than the CHI contribution of persons who receive the Minimum Monthly Wage (MMW), which is estimated to be achieved only by 2021. On the other hand, some medical establishments receive different types of public property – not only

buildings, but also expensive medical equipment and other property necessary for the provision of health care services – free of charge from the state. Therefore, on the one hand, the state fails to allocate enough funds to perform its obligations, and on the other – attempts to compensate for said shortcoming by allocating property free of charge. Such unbalanced decisions prevent the assessment of the scope of funds allocated to health care, and to make objective decisions regarding the funding (Sub-Section 2.1).

4. The price of personal health care services is not based on objectively calculated expenses related to their provision

The complex and frequently altered system for paying for personal health care services from the fund does not yet ensure the setting of objective prices appropriate to the actual value of the relevant service. Just like all other market entities, medical establishments should know the price they will receive for rendered services paid for via the CHIF.

Prices set in accordance with the current system for paying for services are not objective, because their calculation does not include all of the expenses related to their provision.

Even though the currently approved basic prices for services, expressed as points, are estimates arrived at by considering only a part of the average expenses incurred by medical establishments in connection with the provision of services, they do not constitute prices actually received by said medical establishments. Furthermore, the chosen pricing method fails to encourage the engagement of more expensive and innovative treatment methods, and, prior to becoming the price received, this value – basic price expressed as points – is corrected by setting the rate in euros and allocating additional supplements absent any legal basis or methodology.

5. Not all decisions of the Ministry regarding the payment for new services have been objectively justified

Procedures for the inclusion of services approved by the Minister of Health as services covered by the CHIF are incompatible and contradictory, which renders the process unclear. For the above reasons, the current situation makes it possible to use the Fund to cover services, including vaccines and medications, which the experts engaged by the Ministry did not deem to be priorities (Sub-Section 2.3).

6. The compensation of expenses related to technical orthopaedic measures is not always rational

The National Audit Office has been reporting on cases of the irrational use of funds in compensating for technical orthopaedic measures in its public audit reports since 2012. Said issues have not been fully settled – during the present public audit, we have determined a number of new cases of irrational use of funds, where TOM were compensated for at higher than market prices. Even though provisions of the new procedure, which could reduce the base prices of TOM, came into force on 01-01-2018, their application to the compensation of TOM is being delayed. The fourth recommendation of last year, the implementation deadline of which is the IV quarter of 2018, is still relevant (Sub-Section 2.3.1).

Recommendations

Transition to personal health care service prices that are based on objective costs and periodically recalculated will require the implementation of the following recommendations submitted during previous audits:

1. Health insurance contributions would be used to cover only those expenses which correspond to the purpose of insurance and are not to be covered via public funds; social assistance would be financed via funds other than compulsory health insurance contributions (public audit report No. FA-2017-P-10-10-4-1 "The Regularity of 2016 Sets of Statements, and the Legality of the Management, Use, and Disposal of Property of the Compulsory Health Insurance Fund" of 29-09-2017);

2. Decisions must be made regarding the use of property (public audit report No. VA-2017-P-10-2-8 "The Management of Property Transferred to Public Health Care Institutions" of 20-04-2017 and public audit report No. VA-2018-P-60-8-1 "The Management of State Real Estate" of 24-01-2018).

To the Ministry of Health

1. Following the implementation of recommendations of previous audits and the learning the exact financial capabilities of the fund, transition to PHC prices that are based on objective costs and are periodically recalculated in accordance with set criteria (Main Audit Result No. 3 and No. 4).

2. Ensure that all instalments of the payment for personal health care services meet the provisions of the law (Main Audit Result No. 3 and No. 4).

3. Regulate the inclusion and exclusion of personal health care services as compensated via the fund in accordance with criteria set out in the law, having regard to the price of the provision of services and the objectively assessed capabilities of the fund. Set the frequency of the update and revision of the list of compensated services (Main Audit Result No. 5).

4. In order to optimise the fund and simplify their management structure, merge the six currently operational institutions responsible for the administration of the fund into a single legal entity (Main Audit Result No. 2).

The measures and terms for the implementation of recommendations are provided in section "Recommendation Implementation Plan" of the report (p. 24).