NATIONAL AUDIT OFFICE OF LITHUANIA

ASSESSMENT OF REGULARITY OF 2020 SETS OF CONSOLIDATED FINANCIAL AND BUDGET EXECUTION REPORTS AND LEGALITY OF MANAGEMENT, USE AND DISPOSAL OF FUNDS AND PROPERTY OF THE COMPULSORY HEALTH INSURANCE FUND

01 October 2021

No. FAE-8

SUMMARY

The Objective and Scope of the Audit

Pursuant to the Law on National Audit Office [1] and the Law on Public Sector Accountability[2], we have carried out an audit of the Compulsory Health Insurance Fund's 2020 sets of consolidated financial and budget execution reports, and the legality of the management, use and disposal of its funds and property in selected areas.

The audit was carried out in accordance with the Public Auditing Requirements of the National Audit Office (NAO) in force until 30 June 2021, the International Standards on Auditing and the International Standards for Supreme Audit Institutions. The scope of the audit and the applied methods are described in more detail in Annex 2 "The Scope and Methods of the Audit" (p.p. 24–26).

[1] Law on National Audit Office, Article 8(2)(2).

[2] Law on Public Sector Accountability, Article 30

Key Results of the Audit:

1. 2020 set of consolidated financial reports contains material misstatements of data, the set of budget execution reports is correct in all material respects

The set of consolidated financial reports of the Compulsory Health Insurance Fund has not been prepared, in all material respects, in accordance with the provisions of the Public Sector Accounting Standards or other legislation governing accounting and accountability:

- Social contributions receivable from the State Social Insurance Fund amounting to EUR 28.0 million were incorrectly accounted for as short-term, as the contributions deferral agreements signed will result in the receipt of contributions from policyholders after one or more years.
- Other reserves' Article does not disclose the data on the Fund's budget reserve's composition, use and its balances at the end of reporting periods (Sub-section 1.1, p.p. 10–11).

2. The arrangements for the payment of personal healthcare services during the quarantine period due to COVID-19 were not in line with the provisions of the Law on Health Insurance

The Ministry of Health, in order to ensure the financial sustainability of personal health care institutions in the event of a reduction in the volume of personal health care services provided by institutions during the period of quarantine due to COVID-19, by the Minister's Order of 30 March 2020 amended the existing Description of Procedures for the Payment of Health Care Services and laid down, that the provisions of the Description do not apply to payment for services provided from 1 March 2020 until the last day of the month in which the quarantine is lifted, and personal health care institutions are paid 1/12th of the annual contracted amount specified in the contract in force at the time of payment concluded with the Territorial Health Insurance Fund (THIF). If an institution provides more than 1/12th of the annual contracted amount of personal healthcare services during the specified period, the institution is paid for the services it actually provides.

According to the invoices issued by personal health care institutions, EUR 902.6 million was actually paid by the Compulsory Health Insurance budget in 2020 for the services provided and EUR 201.3 million for the services planned to be provided to the extent foreseen in contracts.

The payment for the planned provision of personal health care services, which has been established by order of the Minister of Health since March, cannot be considered as the establishment of basic prices, and the Minister has not been entrusted the right to establish a different procedure for the settlement of payments with personal health care institutions by the Law on Health Insurance. Such payment must be regarded as not aligned with the provisions of the Law on Health Insurance, service provision, and payment contracts. The Ministry of Health plans to consider the issue of alignment and revise the legislation in light of the decisions taken on the future method of payment for personal health care services (Sub-section 2.1, p.p. 12–13).

3. Different legal frameworks lead to not uniform salary increases in personal health care institutions

The Government has decided on the 2020 salary increase for personal health care institutions' employees and accordingly to reimburse the cost of employer's taxes from the main part of the Compulsory Health Insurance Fund's reserve. After the full use of the EUR 34.6 million accumulated in 2020 in the main part of the reserve, the remaining EUR 24.1 million will be reimbursed by the SSIF budget in 2021 (a total reimbursement to institutions amounts to EUR 58.7 million).

The Law on Prevention and Control of Communicable Diseases in Humans provided for a salaries increase of the personal health care institutions' employees (base amount coefficient of the basic salary (salary) or the monthly salary) in accordance with the procedure established by the Government. The increase of the base amount coefficient of the basic salary or the monthly salary by 60 to 100%, as provided for in the law, did not provide for an increase in the other parts of the salaries calculated on the basis of these amounts (as provided for in the remuneration systems of medical institutions).

Looking at the salary increase decisions taken by 29 personal health care institutions[3] in 2020, we can identify three provisory methods of applying the law, which were applied in a similar proportion by 170 (personal health care institutions that responded out of 221 surveyed) personal health care institutions:

- 45% (13 out of 29) of the institutions increased the coefficient for the base amount of the basic salary (the calculated base amount of the salary) by a fixed percentage, which led to a corresponding increase in the other amounts of the salary calculated on this amount (as foreseen in the remuneration system of the personal health care institution). The application of the provision of the law resulted in a maximum increase in the salaries of the employees by up to 2 times their calculated salaries and the need for the Fund to compensate them.
- 45% (13 out of 29) of the institutions increased the coefficient for the base amount of the basic salary (or the calculated base amount of the salary) by a fixed percentage, but calculated the other amount of the salary on the basis of the amount that was not increased. The method of remuneration chosen by these health care institutions for work related to the COVID-19 pandemic was essentially in line with the bonuses provided for in the Labour Code for additional work or additional duties (tasks)[4], calculated on the base amount of the basic salary. As a result, the increase in the salaries of health care institutions' employees was smaller than under the method described above.
- 10% (3 out of 29) institutions calculated a fixed salary supplement for a given post for the actual time spent working with COVID-19 patients in a given unit. The essence of this method, and the main difference from the methods described above, was that employees who work with COVID-19 patients in the same positions received the same salary increase, although the coefficient of the base amount of their salary may have differed.

[3] Public health care institutions and private limited liability companies under the Lithuanian national health system that have concluded agreements with the THIFs.

[4] This possibility is provided for in Article 139(2)(4) of the Labour Code.

The application of three different methods has led to inequalities in salary increases in personal health care institutions. We recommended that the Ministry take action to clarify or revise the practical application of the legislation[5] on salary increases during periods of quarantine and emergency due to coronavirus infection (Sub-section 2.2, p.p. 13–17).

4. Looking forward to changes in the implementation of the recommendations

In our 2017–2019 audits, we made recommendations to the Ministry of Health on the optimisation of the Fund's operations and centralising contracting, detailing the health insurance system, and cost-based prices of personal health care services. The optimisation of the Fund's operations has not yet started, but there are positive changes: from 2021, personal health care institutions will have to conclude contracts for payment of services with one Territorial Health Insurance Fund and a Working Group has been established in the Ministry in August 2021 to prepare the measures for the optimisation of the operations. The health insurance system has not yet been detailed, nevertheless, there are changes: medical rehabilitation services are reimbursed to all insured persons. Objective cost-based prices for personal health services and timely updated lists of paid medical services are awaited (Section 3, p.p. 19–22).

Recommendations

The audit made two recommendations to the Ministry of Health in the form of expectations[6] concerning the assessment of the need for the administration of the expenditure account (which collects contributions from personal health care institutions to compensate for damage caused to a patient's health), and the representation of the State in the courts in relation to patient's health care damage compensation, and a recommendation related to the interpretation of the practical application of, or adjustments to, legislation on salary increases (during the periods of quarantine and emergency due to coronavirus infection) in personal health care institutions.

Important recommendations from previous audits (public audit reports: No FA-7 of 30 September 2019; No FA-2018-P-6-3-7-1 of 1 October 20218; No FA-2017-P-10-10-4-1 of 29 September 2017), we have reported on changes in implementation in Section 3 of the audit report. The current status of the implementation of the recommendations can be found on our website (https://www.valstybeskontrole.lt/LT/AtviriDuomenys).

[5] Law on Prevention and Control of Communicable Diseases in Humans, Article 32(1), and Order of the Minister of Health No V-2426 of 29 October 2020.

[6] National Audit Office's expectations: No SD-(6-9.1.1-E-6075)-1067 of 18 December 2020 and No SD-(6-9.1.1-E-6075)-836 of 24 September 2021.