

# COUNTY MANAGEMENT - AN IMPORTANT FACTOR OF AVAILABLE HEALTH CARE

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## Abstract

*The Republic of Croatia during last 20 years of its existence goes through different forms of health care reforms whose effects are difficult to measure, and often instead of the planned positive developments, reform results are mismatch factors in the health system and reduced health care of citizens. The regional authority, county, have the task to coordinate all subjects in the health system without direct ability to make decisions on the scope of health care in their area. Healthcare providers in the public and private sectors implement the health care in the field of local self-government. Providers contract the financing of health care directly with the Croatian Institute for Health Insurance in accordance with the Network of health care by the Minister. The main goal of organized health system is accessible, continuous and comprehensive health and protection, which can be organized and implemented by only a well coordinated and organized health management consisting of service providers, organizers and health care legislator. One of the main prerequisites for achieving this goal is a properly funded system.*

**Keywords:** management, county, health care

JEL Classification: P36, I1, I11

## INTRODUCTION

Health care is a basic need of every human being, and organized health systems provide access to health care. Health care in the Republic of Croatia is organized through primary care, secondary care and tertiary care.

At the primary level health care a key role in the organization are counties that founds

health institutions, Bureau of Emergency Medical Services and Public Health Institute. County grant concessions for the public health services in family medicine, dental medicine, health care for children, women's health care, occupational home health care services. The regional authority have the task to finance the health care system in the part related to the financing and maintenance, investment and loan repayment for establishments founded by and for institutions that are under the Law on the rehabilitation of public institutions<sup>1</sup> have transferred the founding rights to the Republic of Croatia. The role of the county, as a unit of regional self-government is to provide services to citizens in the areas of education, health, utility infrastructure, county line transport, gasification, environmental and nature protection, planning and development of a of educational, health, social and cultural institutions networks, issuing construction and location permits, other acts related to construction and implementation of spatial planning documents within the county, outside of large cities. In this paper the focus will be on the role of the county in the provision of public services, with emphasis on the organization of health care which is becoming increasingly demand in terms of organization. The expectation of citizens to protect their health every day are growing, and the informations are becoming available which is contributing to the changing lifestyles of the population and as results in increased use of health services. To resolve the phenomenon of overfilling emergency departments with non emergency patients an important role is played by the correct organization which is in charge of the regional, local government and health management. Together they must organize and connect all the teams in the Network of health care to the system which can function without overload, and health care workers could be in the best possible conditions to perform health activities. The last few years the public sector that provides public services are facing the challenge of harmonizing the factors used and those who provide health services. Increased expectations of citizens of the

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<sup>1</sup> Zakon o sanaciji javnih ustanova , Narodne novine br.136/12, 151/14.

providers of public services and the recessionary state of the economy which is not able to increase allocations to finance public services are in contradiction. In this paper, we will try to explain the situation described above and propose the solutions.

## 1. REGIONAL SELF-GOVERNMENT IN THE FUNCTION OF THE ORGANIZATION OF HEALTH CARE

Accessible health care at the primary level means the existence of doctor's office or the presence of a general practice doctors in all settlements of full and part-time to ensure a comprehensive, continuous and accessible health care to all residents.

Brod-Posavina County in the composition has 26 municipalities and 2 cities inhabited in which lives 159.979 insured persons<sup>2</sup>. They can get primary health services in institutions at the primary level, namely Health institution Slavonski Brod, Health institution "Dr. Andrija Štampar Nova Gradiska," Public Health Institute of the Brod-Posavina County, Department of immediate medical care of Brod-Posavina County and Health institution Pharmacy. Health care at the primary level in family medicine, dental medicine, health care for children, women's health care, occupational medicine, laboratory service and medical care is carried out through concessions.

County, regional self-government, pursuant to the Law on Health Care<sup>3</sup>, provide filling public health care services in their area, organize activities of the institutions founded by, coordinate the work of all legal and natural persons in the territory of a regional governments witch perform health activities, grant all concessions for the provision of public health services in their area, adopt of health care plans for the area of a regional self-government, organize and implement public health measures, organize the coroner service and other activities within the jurisdiction of counties.

Health care must be accessible, effective, comprehensive, continuous which makes the main tasks and challenges in health care management. Philip Kotler

<sup>2</sup> HZZO [www.hzzo.hr](http://www.hzzo.hr), Broj osiguranih osoba na dan 31.01.2014.

<sup>3</sup> Zakon o zdravstvenoj zaštiti, Narodne novine br.150/08., 71/10., 139/10., 22/11., 84/11., 12/12., 35/12., 70/12. i 144/12., 82/13., 159/13., 22/14.

in his work “Marketing in the public sector – way to the better performance” talks about the expectations of the citizens of the administration units. Citizens expect full service for their needs with require that these services are provided effectively and efficiently. Of units of public administration are expected effectiveness and efficiency level of private companies<sup>4</sup>, and according to the Rogić Lugarić<sup>5</sup>, role of regional self-government must be developmental. Decentralization of powers, which is clearly prescribed with legal framework, fully allows that and are in some cases expressly provided by law. For county to be fully functional in development, decentralization of authority must be accompanied by fiscal decentralization, and this wasn’t happened in Croatia. Counties have no powers to introduce their own taxes which have strong influence in the implementation of legal powers and implementation of development. For this reason, counties become developmentally ineffective. According to Bovaird and Loeffler<sup>6</sup> makers and end-users of public services must be satisfied. Users have to create a public service and to do not try only to carry out the maximum exploitation of the same. The efficiency of the system can be seen as the result of interaction between decision and policy makers and consumer in the system i.e. citizens.

In the domain of health this effect is most obvious in the organization during on-call days off and weekends with primary care physicians in the organization of the coroner service. Management of regional governments and the medical management creates health policy and makes decisions about the functioning of the health system in units of regional self-government. The purpose is to improve the health care system and greater public satisfaction which are final beneficiaries (buyers of products produced by the management). Organization of special duties on non-working days and weekends<sup>7</sup> is a service that allows citizens affordable and comprehensive health care and organized medical examiner’s service allows a dignified process after death. Under the current legislative framework in the Republic of Croatia both forms of care a priority by doctors,

<sup>4</sup> P. Kotler & N. Lee; (2007.): Marketing u javnom sektoru, Mate doo, Zagreb, Zagrebačka škola ekonomije i menadžmenta, Grafotisak d.o.o, str.6.

<sup>5</sup> Rogić Lugarić (2015) : Financijske mogućnosti hrvatskih lokalnih i područnih jedinica za preuzimanje razvojne uloge, Institut za javnu upravu, str.179

<sup>6</sup> <http://www.birmingham.ac.uk/Documents/college-social-sciences/governmentsociety/in-log/publications/chapter-4-bovaird-loeffler.pdf> (06.04.2015.)

<sup>7</sup> Odluku o osnovama za sklapanje ugovora o provođenju zdravstvene zaštite iz obveznog zdravstvenog osiguranja („Narodne novine 153/13)

medical doctors. None of the above services can't function without additional financial allocations, and the county fiscal capacity due to the tax reforms are smaller or inversely proportional to the increasing of power. Counties, as well as the regional authority units, in the Republic of Croatia have the foundation rights of health facilities at the primary and secondary level health activities that are in their area: health centers for emergency medicine, public health departments, pharmacies and general hospitals, except for those institutions which are based on the Law on the rehabilitation of public institutions have transferred the founding rights to the Republic of Croatia. County grants the concession for the performance of health services at the primary level in family medicine, dental medicine, women's health care, children's health care, occupational medicine, laboratory services and home medical care. Counties coordinate the work of all employees in these sectors, and the example of the County employees in numbers as in Table 1: health workers in a Brod-Posavina County, but counties do not authorize the decisions and regulations that oblige all participants to provide public services. County grants concessions and implement procedural actions of their allotment in primary health care based on which doctors concession holders sign contracts for financing with HZZO and according to this contracts they perform care from the compulsory health insurance, Chart 2: Revenue CIHI according to sources of financing, but they do not have the ability to bring acts that will ensure the implementation of health care from the compulsory health insurance. The dominance of the health management) is visible in this segment- they put doctor in the central focus, not an insured person.

**Table 1:** health workers in a Brod-Posavina County

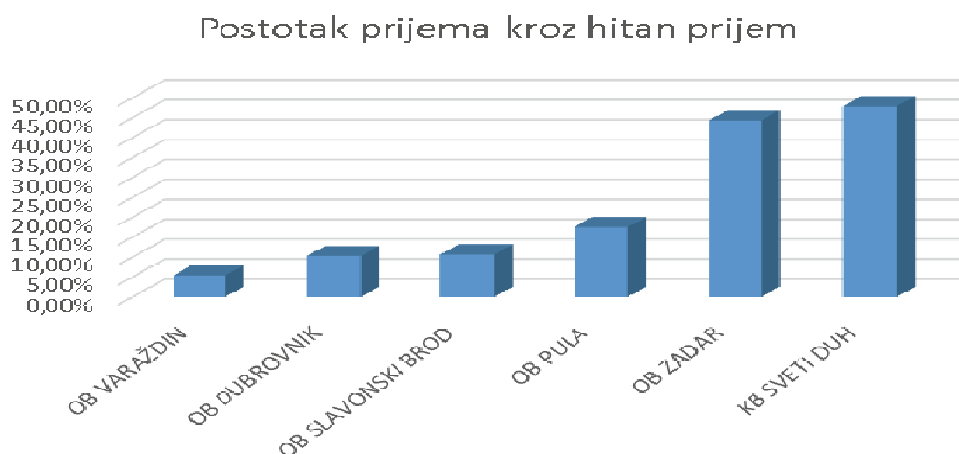
| Institution                                       | Health | Non health | Total |
|---|--------|------------|-------|
| Health center Slavonski Brod                      | 127    | 52         | 179   |
| Health center "Dr. Andrija Štampar" Nova Gradiška | 56     | 29         | 85    |
| National Institute of Public health               | 49     | 17         | 66    |
| Institute of emergency care                       | 69     | 27         | 96    |
| GH „Dr. Josip Benčević                            | 1203   | 468        | 1671  |

Source: author's calculations

Due to the adoption of amendments to the Law on health care and changes in the way of contracting health care from the compulsory health insurance provided by the Croatian Institute for Health Insurance it has been made a

difference that enabled the citizens, insured persons, the use and abuse of secondary health care. Primary health care (family doctors) should perform 70 to 80% of all admissions and treatment of patients. In Croatia, primary health care solves an average <50% of health problems. In developed European countries primary health care solves at least 75% of health problems, in the UK, this percentage reaches 84%. These changes in contracting health care in the Republic of Croatia enables bypassing primary care by patients and a further reduction in participation in primary health care in addressing health problems. Doctors which perform activities of health care at the primary level has been provided free choice to participate or not to participate in the performance of each segment of health service financed by compulsory health insurance for example special duties or a medical examiner's service. That resulted in not arranging on-call doctor at the primary level of health care and as increased load on the system at the secondary level. The result of the change is the enormous number of arrivals in hospital emergency admissions and hospital doctors emancipation from their primary role, care for the sick in a regular hospital treatment. There was no coordination of producers and consumers in system of public values and public services. The importance of counties as units of regional self-government in such a situation comes to the fore because together with health management of health facilities takes coordination with interested parties.

**Figure 1:** Patient admission via OHBP- in county hospitals in REPUBLIC OF CROATIA



Source: HZZO, <http://www.hzzo.hr/05.03.2015>.

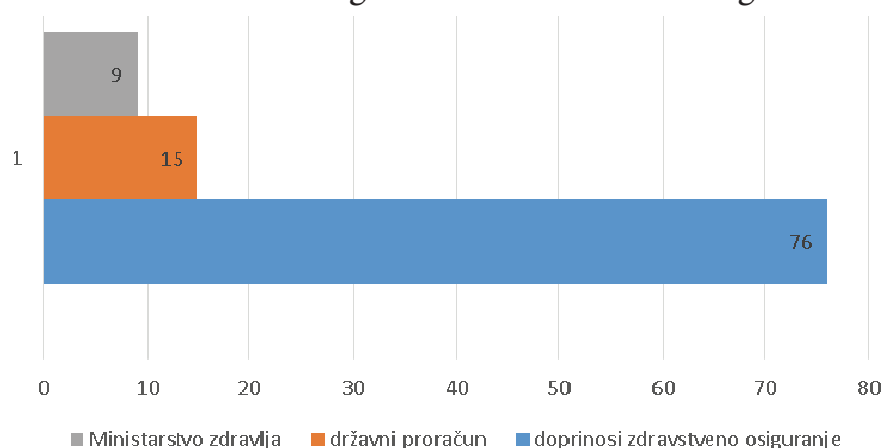


## 2. THE FINANCING OF THE HEALTH SYSTEM

Health systems are complex systems that are more or less financed from the state budget and the budgets of regional government by payment of citizens for social security. The health system of the Republic of Croatia is not working exclusively under one financing model. It is a combination of Bismarck's model (based on social insurance and contributions that people pays from salary) and Beveridge's model (based on budget revenues) because of deficiency of revenue exclusively in Beveridge's model of financing. Contributions for compulsory health insurance mandatory for all employees and employers (which makes basic income CIHI). Dependent family members are covered by their household members who exercise their rights from regular employment. Self-employed citizens pay themselves contribution for compulsory health insurance. The Republic of Croatia is, under the Constitution, welfare state so that through the budget provides funds for financing health insurance for vulnerable populations such as the elderly, pensioners and people with low incomes who are exempt from paying contributions<sup>8</sup>. This includes people under 18, students, military war veterans, the unemployed, people with disabilities and blood donors (with more than 35 donations for men and more than 25 donations for women donations). All of them are exempt from co-payments and CIHI is compensating the value of these exemptions from the state budget. Key sources of income CIHI are: compulsory contributions for health insurance, which makes up 76% of total revenue CIHI with funding from the state budget (15%), and 9% are covered by the Ministry of Health. It is estimated that only about a third of the population (which are economically active) pays full health care<sup>9</sup>. It is estimated that revenues from health insurance contributions makes up to 35% of the budget of Republic of Croatia.

<sup>8</sup> [http://www.hzzo.hr/zdravstveni-sustav-Republika\\_Hrvatska/financiranje-zdravstvene-zastite](http://www.hzzo.hr/zdravstveni-sustav-Republika_Hrvatska/financiranje-zdravstvene-zastite) (09.11.2014.)

<sup>9</sup> <http://www.hspm.org/searchandcompare.aspx> (30.03.2015.)

**Chart 2:** Revenue CIHI according to the sources of financing

Source 1: WHO

**Table 1:** Composition of persons insured in the CHIF, 2012

|                        | Number of the insured | % of all insured in the CHIF |
|------------------------|-----------------------|------------------------------|
| Active workers         | 1 471 662             | 33.78                        |
| Active farmers         | 32 205                | 0.74                         |
| Pensioners             | 1 047 191             | 24.04                        |
| Insured family members | 1 135 747             | 26.07                        |
| Other                  | 669 681               | 15.37                        |
| <b>Total</b>           | <b>4 356 486</b>      | <b>100%</b>                  |

Source: CHIF (2013).

The health system is financed and with decentralized funds and that is the transferred funds from the state budget to lower levels (counties and cities) which are extracted from the additional share of income tax in the legally prescribed percentage. According to some authors, decentralization is not just a transfer of funds from the Croatian state budget provided for financing decentralized functions at lower levels, but also the transfer of responsibility and the freedom to decide on the appropriateness and the rationalization of expenditure of funds for the functions from the state level to the local and regional self-government to which the functions are transferred<sup>10</sup>. From the budgets of counties and the City of Zagreb are provided the funds for investment maintenance of premises and equipment of health institutions

<sup>10</sup> Maja Lukeš-Petrović(2002). Decentralizacija funkcija javnog sektora s državne razine na jedinice lokalne i područne (regionalne) samouprave i fiskalna decentralizacija, Hrvatska javna uprava,UDK 336.2.023, str.158



owned by counties or the City of Zagreb, capital investment and repayment of loans for capital investments. The counties can be health centers, health care at home centers, polyclinics, general hospitals that are not in the process of rehabilitation, special hospitals, sanatoria, institutions for emergency medical help, and over these institutions County may have founding rights. Counties provides funds for decentralized functions of establishments they founded and institutions for which they have transferred the founding rights to the Republic of Croatia in the process of rehabilitation, which began in 2013 in accordance with Law for the rehabilitation of public institutions<sup>11</sup>. The share of financing of decentralized funds is continuously decreasing due to changes in the tax system which has reduced the budget of regional self-government in the part related to revenues from income tax and for that reason there are reduced allocation of funds for health care from the county budget.

### 3. HEALTH MANAGEMENT

Health management today is mainly consists of doctors who have achieved significant results in the field, according to Gavran – Kapetanović<sup>12</sup>, are members of certain organizational culture and those who have learned to make decisions based on objective facts, science-based diagnosis during treatment. In order to exercise his management functions with health resources, management must have leadership skills, team managing, managing with information processes, quality managing, must know allocate the resources, make business decisions, plan objectives and manage with human resources.

Top of health management must be the in function to create the health policies (public services for users), and middle management to conduct health policies and to communicate with users of public services. Synergic action of policies promoters, coordinators and users it can be achieved the satisfaction of all actors in the public system. All factors in the system must be informed about new policies, procedures, objectives, policies, benefits and plans within the system in which they operate. Communication must be mutual: top-down and bottom-up. In our health care system is an attempt to achieve both forms of communication. Subsidiary health system, that we meet in the National Strat-

<sup>11</sup> Zakon o sanaciji javnih ustanova NN 136/12, 151/14

<sup>12</sup> Prof. dr. Faris Gavrankapetanović Klinički centar univerziteta u Sarajevu

egy for the Development of Health 2012th-2020th and the National Development Plan clinical centers, clinical hospitals, clinics and general hospitals in the Republic of Croatia 2014.- 2016 is an excellent proposal, but without the associated action of health management that will connect primary, secondary and tertiary health care, is unenforceable. For the implementation of this principle it is required the existence of situational management, management concept which recognizes that there is no one best course of action in all situations. Instead, managers should examine the facts in a given situation to choose the means, method or process that will in the best possible way to resolve the situation. Effective management, therefore, depends on the correct assessment of a number of situational variables<sup>13</sup>.

## 4. CONCLUSION

The main problems in the functioning of the health system are reflected in the inflexibility and in separate activities of public services that are focused on a narrow range of activities, and particular problem seems to be legislation of healthcare system that does not effectively linking the levels of health care (primary, secondary and tertiary). Management of regional governments and health management in units of regional self-government have the task to manage the quality of local services which must be aimed at improving the quality of life. County can become a development, effective and they can increase the quality of their services. To fulfill this task, it is necessary to implement the decentralization of assignments and fiscal decentralization as well as the adoption of political programs of regional authorities which are planned to enhance the quality of public services.

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<sup>13</sup> Quible Zane K.: (2010.). Menadžment uredskog poslovanja, Mate d.o.o., ISBN: 978-953-246-099-5, Zagreb

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