

# Kosovo healthcare system still without consolidated funding!

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## Abstract

In the post-war period, Kosovo state budget was substantially smaller compared with the budgets of the countries within the region of the Western Balkans. Although in small amounts, the status of the budgetary treasury had seen its share of increase over the years. Despite this fact, the level of support for the healthcare sector in Kosovo, on current terms, is still far-off from reaching satisfactory levels of service for its public. Furthermore, it is still lagging behind the health systems of the countries within the region. In present terms, we cannot even make a parallel in relation to the health systems of the developed countries in Europe. Problems resulting from such situation are numerous and complex and the causes behind such an undesirable reality are numerous. One of them pointed too often is the simple fact that Kosovo's healthcare sector still does not have the so called 'Stable Financial System'.

In this paper, certain aspects regarding financial and budgetary system in Kosovo are analysed. Thus, mainly by focusing on health financing elements, the attempt is also to reflect on the functioning of the whole healthcare system. This article also provides recommendations, which may help improve the current financial status of the health care system of Kosovo.

**Keywords:** financing, health-sector, Kosovo.

## Introduction

Until the collapse of the former state of Yugoslavia, Kosovo was part of the unique healthcare system of that country, which, considering the time and space, was accepted as relatively consolidated and advanced within the region and often beyond. A staggering disruption became pretty much the reality during the last decade of the twentieth century, when for political reasons, Serbia decided to abolish Kosovo's constitution, consequently the autonomy of the all then public institutions. During that period, throughout the goodwill organization of the local people from Kosovo, generous assistance from Diaspora and the aid of some international associations, for a period of time spanning for nearly a decade (1990-1999), Kosovo's healthcare system was organized on the so-called parallel institutions. This was a system organized on a voluntary basis, the network of makeshift ambulances extended throughout Kosovo by the humanitarian association called "Mother Teresa" (1).

The up-coming post-war period (after the armed conflict had ended in 1999), saw some overall progress in Kosovo regarding the public health care. However, looking at the overall picture, its consolidation even today is still far-off from reaching the right track. The actual indicators show that Kosovo's health sector is continuously perceived as the most discouraging link within the region, not to say that the state of operational system is perceived amongst the worst in Eastern Europe.

Throughout the last decade there have been continuous joint efforts from local and international expert representatives acting in Kosovo to improve the situation; this mainly through a series of strategic plans as to find a way out from such a dire state in which healthcare sector of Kosovo had found itself in. However, so far, all these efforts have been in vain (1,2).

### *The reasons why Kosovo has failed to date to establish a sound financial system for its public healthcare*

In actual terms, Kosovo has managed to establish, at least partly, a legislative base relating to its public healthcare. However, the gaps within the current legislation are not perceived as the main cause regarding sector reform delays; the lacks of implementation of legislative rights, as well as the unwillingness to introduce a proper system of accountability are currently perceived as major obstacles. Furthermore, it should be noted the absence of the healthcare insurance (still to be introduced), also counts for another important element which has not been taken seriously, which proves once more that Kosovo healthcare services are still to achieve a desirable standard level requirements. Last but not least, on top of the lack of a sufficient financial support from the government, the healthcare system in Kosovo has not yet managed to find a genuine mechanism for a coordinated control of healthcare expenditure. In principle, all Kosovo citizens enjoy the right to utilize public healthcare services, which is also foreseen by the national law. Amongst other issues, this also emphasizes that all citizens of Kosovo have the right to access the entire spectrum of health services provided by the public healthcare institutions. However, the reality differs from the moment when the citizen approaches to receive services offered by these same public institutions. Often from the first contact, the citizen is obliged to make multiple payments from his own pocket. According to economic experts, as well as relying on various studies conducted by the World Bank, in average, Kosovo's citizens pay out of their pockets roughly 50% of the total costs for health services they receive from public healthcare institutions. A similar uncontrolled situation also prevails in relation to the unregulated and uncontrolled pharmaceutical drug trade

market, where medicines are offered without a prescription, action which is strictly prohibited according to the existing national legislation.

The lack of institutional solidarity within the healthcare system of Kosovo, lack of the law implementation and poor strategic policies and corruption, further result in the loss of an already deficient budget allocated for the public healthcare sector, putting an even heavier burden for those with the lower incomes (3,4).

## Methods

In this study we mainly used analytical and descriptive methods; to a certain extent, also a comparative method. The current Kosovo national legislation on funding and finance management had also been analyzed. Budgetary reports and books compiled over the years by the Ministries of Health and Economy have been further used as a main source of information. Professional books and

research works by the Institute for Research Development ('Ri-invest') and various internet reports have also been consulted.

### *The statistical data and economic indicators*

Kosovo is a small, new and fragile country, with a territory of 10,877 km<sup>2</sup>. It has the youngest population in Europe (53% of the population are below the age of 25), with an average life expectancy of 68.8. On ethnical terms, 90% of Kosovo population is of Albanian origin, while the other 10% are representatives of other communities, mainly Serbs, Roma and Turks. Kosovo has a GDP of about 6,600€ per capita, characterized with a very slow economic growth (around 3% in 2006, and nearly 4% in 2014). With a rate of unemployment reaching up to 45%, it is considered to be the poorest country in Europe. To date, the revenues from customs remain the main income for Kosovo budget, approximately representing 64% of Kosovo total budget incomes.

**Table 1. Economic indicators**

| Indicators                    | Statistics               | Classification in comparison with other countries of the world |
|-------------------------------|--------------------------|--|
| GDP                           | 11,970,000,000 \$ (2010) | 144  |
| GDP – real growth rate        | 4% (2010)                | 97   |
| GDP – per capita              | \$ 6,600 (2010)          | 134  |
| Working power                 | 310,000 (2009)           | 163  |
| Unemployment rate             | 45% (2009)               | 188  |
| Population below poverty line | 30% (2010)               |  |
| Inflation rate                | 3.5% (2010)              | 117  |

### *The financing of the health system in Kosovo and its sources*

Investments in the public health care sector in Kosovo are very low, this primarily as the result of a modest Kosovo state budget, but also as a consequence of its non-priority treatment by the changing governments of Kosovo since 2001. In actual terms, we have the case where Ministry of Economy and Finance (MEF) does the allocation of the budget to public healthcare sector institutions, thus limiting the involvement from the Ministry of Health mainly in relation to secondary (regional

hospitals) and tertiary (University Clinical Centre) healthcare public sector institutions. What's more, Ministry of Health only enjoys minimal autonomy regarding budget decisions in relation to those healthcare institutions. In regard to the budget execution and monitoring, the institutional accountability also is usually very poor.

The so-called primary public healthcare service level budget is allocated to the municipal healthcare departments from the MEF, this according to the so called grand schemes consistent with Kosovo municipalities' annual financial plans, primarily

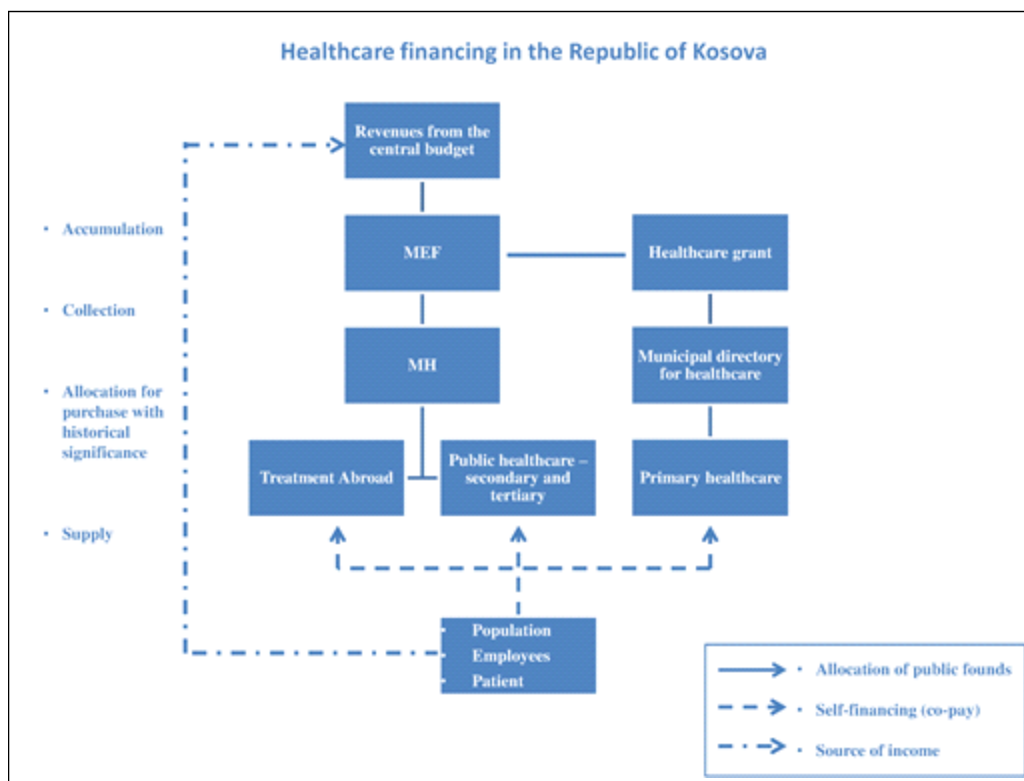
approved by the municipal assemblies, to be incorporated afterwards within the overall Kosovo budget planning. Giving to the fact that municipalities are overseen / monitored by the Ministry of Public Administration (MPA), the actual competencies in regard to the primary healthcare service budget allocation by Ministry of Health are considered trivial. On such circumstances, we can discern a common missing link regarding control and accountability and what's more, all of this

detriments consolidation of a unique and integrated healthcare financial system (5-7).

### **Budget expenditure categories**

Three quarters of the healthcare budget comes from the centrally allocated overall budget of Kosovo, this as to cover for the following three categories; salaries and wages, goods and services and capital investments (mainly for secondary and tertiary levels when it comes to the healthcare public services) (7).

**Figure 1. Financing of the healthcare system in Kosovo**



### **Additional sources of funding for public healthcare**

Besides the funding from the Kosovo consolidated budget, the healthcare sector in Kosovo receives additional sources of financing, such as:

- Revenues from healthcare institutions (participation from patients, revenues from the premises, parking, medical certificates, post-specialist studies etc.);

- Revenues from donors, and;
- Payments from patients.

According to World Bank figures for 2007, payments from patients for healthcare services in Kosovo were 76.4 million Euros in total. These data show that in Kosovo, speaking in total figures, roughly 50% of the healthcare expenditure comes from the patient's personal budget. According to the economy experts, this is only to prove once more

the lack of solidarity and commitment in regard to the Kosovo healthcare system from those who represent it.

In most countries of the world, the share of health costs are quite substantial, although in general terms, the expenditure does not differ much and mainly absorbs between 5%-15% of Gross

Domestic Products. In Kosovo, despite the fact that general state budget has been marking a modest increase over the years, contrary to the world trends, healthcare budget went decreasing over the time. The table below provides an overview of Kosovo government expenditures on public healthcare services over years (8-14).

**Table 2. Fiscal context – government expenditure on healthcare, timeframe 2005-2011 (in millions)**

| Year | Expenditures from centrally allocated budget (in thousands) | Grant expenditures | Total governmental expenditures | Total % of GDP expenditure | The total governmental expenditure as % of Kosovo consolidated budget | Total expenditure per capita in Euro |
|------|---|--------------------|---------------------------------|----------------------------|---|--------------------------------------|
| 2005 | 71.400  | 17.600             | 89.000                          | 3.00                       | 12.79   | 44.52                                |
| 2006 | 68.300  | 17.800             | 86.100                          | 2.75                       | 12.30   | 42.35                                |
| 2007 | 70.100  | 18.700             | 88.800                          | 2.61                       | 12.38   | 42.96                                |
| 2008 | 57.900  | 23.000             | 80.900                          | 2.15                       | 6.74  | 38.49                                |
| 2009 | 66.200  | 23.000             | 89.200                          | 2.23                       | 8.04  | 41.72                                |
| 2010 | 70.400  | 23.200             | 93.600                          | 2.11                       | 8.03  | 43.05                                |
| 2011 | 73.900  | 23.400             | 97.300                          | 2.00                       | 8.21  | 44.01                                |

### ***Role of the healthcare insurance in Kosovo and its importance relating to the healthcare cost coverage for low-income citizens***

For the past 25 years or since 1990, Kosovo health insurance does not represents a basic right guaranteed by law for its citizens. Although the legal basis for regulating the right has been clearly specified within the Constitution of Kosovo (Article 51.2), which states that: “Providing basic social insurance for unemployment, illness, disability and old age shall be regulated by law” (15), very little has been done in this regard to date.

In post-war Kosovo, no analytical correlations have ever been made in relation to those who pay individual taxes and those who enjoy the actual benefits. What is more, the budget allocation has no connection to the performances, contributions and actual needs, but rather it is based on the expenditures per capita and political priorities. Current mechanisms of financing the healthcare in Kosovo have the advantage of the lower administrative cost, but additional professional is needed

in order to introduce a modern healthcare insurance system. Moreover, there seems to be lacking the genuine initiative to create a modern and transparent system for better functioning of public finances. Finally, in Kosovo, the healthcare tax reserves are still nonexistent (16).

### ***The attitude of the government in relation to the healthcare insurance policy and financial implications for creating its legal base***

The government of Kosovo considers that by introducing a legal base on healthcare insurance can “significantly” affect the economy. Furthermore, it does not foresee a significant growth in the number of sector jobs in the future – particularly within the next three to five years. The current number of employees is in proximity of 200,000, whereas, according to the estimates from the Government of Kosovo, unemployment rate is approximately 40%. Therefore the government came out with the following statement: “unemployment will determine that the collection of health contributions

*from active employees will not be able to ensure consistency of Insurance". The Government of Kosovo has been further conducting a study on the impact of the healthcare insurance Law in the country's economy and this was assessed as: "possible law with budgetary implications, which will be followed by a high degree of uncertainty and instability".*

***How serious have been government efforts in creating a sustainable healthcare financial system in Kosovo?***

We shall begin by claiming that; it is a well known fact that during the early stages of the post war period in Kosovo, there was a significant incitement for the establishment and development of the public healthcare system. However, over the years, it could be further observed that the intensity of that initial excitement began to decline. As such, these so-called constant delays by the government shall be more realistically perceived as incompetence, in discord and letting down primarily the vulnerable layer of the society. Furthermore, in such state, the situation is incomparable when it comes to the developed European countries.

The reasons for discrepancies may be manifold, but the actual failure to create a sustainable healthcare funding system, was mainly because of the continuous delays regarding the approval and implementation of a sound legal base for the establishment and functioning of the health insurance found. Moreover, the same attitudes continue to remain and nourish the same unfavourable conditions which brought public healthcare of Kosovo into current status, seen by many as one of the most important pillars for the functioning of modern

society and a state, to be treated with deserved respect and priority.

**Recommendations**

A more serious approach from the government regarding development and consolidation of the public healthcare sector in Kosovo, shall involve the following several consecutive steps, which are ranked on the basis of the priorities:

- Establishment of a structure of professionally capable and motivated leaders throughout the public healthcare institutions, starting with the Ministry of Health and stretching all the way to the municipal levels;
- Persistence on the implementation of the existing laws, at the same time, elaborating further on amending the existing laws;
- Creating a proper system of monitoring, accountability and institutional transparency;
- To achieve more accurate estimates on total revenues from the healthcare and to further explore the possibilities for additional revenues;
- To explore all possibilities for introducing the healthcare insurance, initially, even throughout a very simple scheme;
- Administrative decentralization of responsibilities to the regional hospitals, by giving them a large autonomy, in which case, the Ministry of Health would have to deal primarily with making, implementing and monitoring of the policies and legislative frameworks;
- Solidarity between all three operational levels (primary, secondary, tertiary) within the current structure of the public healthcare system, as well as bringing them to jointly operate within a unified state system.

**Conflicts of interest:** None declared.

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