

The Post-Crisis Healthcare System: Effects of the Economic Crisis in Romania

Marta Christina SUCIU

Bucharest Academy de Economic Studies
suciuchristina@yahoo.com

Cristian Adrian STAN

“Titu Maiorescu” University, Bucharest
cristi1.stan@yahoo.com

Luciana PICIORUȘ

Bucharest Academy de Economic Studies
lusianapiciorus@yahoo.co.uk

Cosmin Ionuț IMBRIȘCĂ

Bucharest Academy de Economic Studies
imbrisca_c@yahoo.com

Abstract. *The economic crisis is still on the lips of economic and political analysts from nations around the world, even more so in places where its effects continue to make themselves felt. Romania is among these troubled countries, having to deal with not just the aftermath but also signs of a possible relapse. This paper begins with a brief presentation of the economic crisis, focusing on the national specificities along with its EU member status and their effects on the evolution of the situation. Following that, the more important elements of the presented situation are identified and individually analyzed, with the purpose of identifying useful information for any possible future crisis. The final purpose of the paper is to determine the trajectory of a future crisis by taking into account inefficient management of the economic system and the strategies used to safeguard the economy, which have up until now failed to properly deal with the situation. In order to properly achieve this purpose, the analysis will attempt to identify the impact of the crisis on the healthcare system and its post-crisis configuration as well as the steps taken at the administrative level. The results of this interdisciplinary research are meant to be used as a source for a future expansion of the study and to bring attention to certain areas that can show a possible recurrence in the future.*

Keywords: healthcare system; economic crisis; Romania; medical malpractice; public health system.

JEL Codes: I11, I18, A12.

REL Code: 13J.

I. Introduction

Romania faced its first serious economic downturn since the fall of communism in 2009, however it can be said that the first signs were visible since 2008, when the growth of the first three trimesters was followed by a significant drop as a result of the global economic slowdown.

A brief history of Romania's economic situation since the fall of communism shows a country reshaping itself, reorienting towards services, restructuring its industrial activities. An effect of this was the growth of unemployment as a result of numerous industrial sectors, such as cars, steel or chemistry, shut down. However, overall, before the crisis, a growth pattern was present in the economy with the GDP rising on average by 6% per year⁽¹⁾, some of the leading factors for this were its status as a member of the EU since 2007, economic reforms as well as a high level of foreign investments, growth in consumption and easier access to credit.

In 2009 important economic sectors were affected, at first the construction sector as a result of the fall of the real estate market, followed by areas such as insurance, banking and the financial market in general. Consumption went down and the GDP followed. The fall was even worse starting 2010 which created room for speculation about a different crisis to hit Romania in 2012 when it will be a lot more fragile with a high level of unemployment and inflation that had already reached 8.5% by May, a level much higher than the average in the EU.

However, on top of all of this one must also add the disorganized administrative decisions, chaotic legislative system and the ever changing tax system, which were only marginally helped by decision meant to help the economic sector (among the better known being the 2009 "Prima Casa" program with the purpose of helping the troubled real estate market or the program the Mihail Kogalniceanu (2011)⁽²⁾, program through which the Government would guarantee up to 80% of the value of credits taken by small and medium enterprises (SME) and finance up to 50% of the interest). The image is completed by the results obtained by the country in terms of access to financing, infrastructure, tax level, bureaucracy, political instability and corruption, which led to the country getting reaching the 77th out of 78 places in The Global Competitiveness Report in 2010-2011⁽³⁾.

For this reason our interdisciplinary study focuses on certain problems that can work as warning signs for a future crisis: significant migration of qualified personnel, overburdening and exhaustion of local employees, and, because the papers focus is on the health system, the number of specialists working in the field and the number of malpractice cases. 2012 is an important

year for Romania as it can either stop its economic fall or it can face itself with an even more severe crisis than the one in 2009-2010, the latter perspective being supported by statistics that show a period of economic slowdown across Europe.

II. The Romanian healthcare system: past and future

The health system has always been a sensible topic in Romania because for years on end it has been underfinanced and under bad management, if not downright corrupts. This has had as a result a weakening of the system making it unable to react to present demands. However, as the economic situation made a turn for the worse, the overall pressure on the system grew even further. In the following a brief analysis of the healthcare system will be presented.

At present it is a very centralized with most of the important decision being the sole responsibility of the Health Minister. Resource allocation is mostly discretionary without clear criteria that are based on any national or international facts. Without these elements to base a decision it is virtually impossible for it they have a strong foundation.

At a central level there are also no clear guidelines with the sole purpose of improving quality, patient safety and risk management and, despite the fact that these should be monitored constantly, they usually have a secondary role.

One of the steps taken in an attempt to alleviate these problems was the creation of the National Health Insurance Agency (CNAS). However, this failed in its purpose and finally was put under the control of the Health Minister and the Finance Minister.

The organizational problem was exacerbated by incomplete and incoherent legislation. Law no. 95 of 2006 controls all the activity in the health sector and, even if it was confusing in terms of responsibilities ever since its beginning, it was modified further starting from that year sometimes changing critical aspects in its design. This situation led to further delay in establishing and secondary legislation that was required in order to put into force some elements of the law with the end result being that even now some it is not complete and enforced.

When discussing the organization of the health system, one must also take into consideration the fact that it is very hospital centric. At the moment Romania has one of the highest rates of hospital admittance in the world; this is the result of the faulty organization during the communist period when it was virtually impossible to get high quality services outside of a hospital. At the same time, due to the high costs associated with hospital treatments, reorganization was virtually impossible because hospitals make up more than 50% of the allocated health budget which has had as a result a locked-in system that cannot change due to the fact that there aren't enough resources for this to happen. In turn this leads to

underdevelopment outside of hospitals which again forces patients to go to a hospital for any kind of treatment thus creating a vicious circle.

Financing has always been a big issue for the health system. Because before 1990 it was a non-productive system it had a very low priority which led to funding not only being lower than the European average but also the average of other communist countries for a long period of time. The situation improved following 1990 but not by much.

At the present moment financing is insured through several means:

- National Health Insurance Fund (FNUAS);
- Local budget;
- Its own income;
- External credit;
- External nonrefundable funds;
- Other collected taxes.

Out of all these FNUAS represents 75% of all the available funds. FNUAS is gather from the monthly salary contributions from both employees and employers. This system was sustainable for a long time however the number of employees dropped from 9 million in 2000 to roughly 5 million in 2007 and this contribution had to sustain the same roughly 20 million people.

Funding allocation is in itself a problem because the criteria that are used are not public and there are a significant number of neclarities at the level of local authorities in terms of responsibility. The lack of procedures has had as a result the subjective direct allocation of resources. This in turn has led to certain absurd situations where considerable investments are made and expensive equipment is bought only for it to not be used because it is not necessary or because nobody followed through and allocated funding for employee trainings and so nobody actually knows how to use it.

Private insurance is itself troublesome. The main purpose for it was to allow access to above average medical services and so alleviate the pressure put on the public system. However it was impossible for this area to properly develop because, even though referenced in the legal system, there are no clear regulations for it.

However, the most important problem present in the Romanian healthcare system has to do with people. They are the key to the system and yet there is no clear politics formulated in terms of human resources. This aggravates the issue by adding problems with motivation or staff retention finally leading to serious imbalances.

A first problem has to do with salaries. International practice is in favor of the idea that a medic should have an average salary that is that of the average salary for that economy, however in Romania a specialist doctor earns between 1.5 and

2 average salaries. There are also significant differences in the same specialization, therefore the final before tax average salary in the health system was 86% compared to the national average. This situation was made even more difficult by the 25% salary reduction operated across the board for public workers.

Table 1

Year	Doctors		Dentists		Pharmacists		Nurses	
	RO	UE	RO	UE	RO	UE	RO	UE
1995	1.77	3.13	0.27	0.57	0.12	0.68	4.31	7.32
1996	1.81	3.19	0.26	0.58	0.11	0.71	4.41	7.40
1997	1.79	3.23	0.24	0.59	0.8	0.71	4.06	7.40
1998	1.84	3.26	0.24	0.60	0.7	0.72	4.09	7.47
1999	1.91	3.31	0.23	0.60	0.7	0.73	4.04	7.52
2000	1.89	3.37	0.22	0.60	0.7	0.75	4.02	7.60
2001	1.89	3.40	0.23	0.61	0.7	0.77	4.03	7.67
2002	1.91	3.43	0.22	0.62	0.6	0.78	4.18	7.79
2003	1.96	3.19	0.23	0.60	0.6	0.76	3.99	6.90
2004	1.98	3.21	0.23	0.61	0.6	0.72	4.01	6.94
2005	1.95	3.18	0.22	0.61	0.5		3.72	7.00

Source: “*Un sistem sanitar centrat pe nevoile cetateanului*”, Presidential Commission for the analysis and politics formulation in the area of public healthcare in Romania Report, 2008, p. 53.

As can be seen from the above table, Romania is well below the European average since 2005. This situation has become even worse now that Romania is a member of the EU and as a result medics have received the right to practice their profession abroad which has led to an exodus of qualified personnel, especially younger people or highly qualified ones. The same report shows that of all the specializations the one that will be affected the most is general practician because the average age is between 45 and 55 years with very few young practitioners. In the long run this will make access to basic services even harder which will in turn increase the pressure on other institutions, along with their costs.

III. Medical malpractice issue in Romania

As shown in the previous chapters it is inevitable not to discuss the economic crisis when talking about the healthcare system. And so, from the serious issues dealing with under financing and bad management, we reach another very delicate topic that shows the situation the system finds itself in: medical malpractice and the rising number of court cases dealing with this problem.

Medical malpractice represents an error done while exercising a medical procession, thus leading to a loss for the patient, implicating the civil responsibility of the medical personnel involved as well as the supplier of medical, sanitary or

pharmaceutical products⁽⁴⁾. More than that it is vital to analyze the economic effects of medical malpractice, especially in the context of financial issues raised by the post-crisis economic situation. The parties affected by these changing conditions are numerous, with the most important ones being: patients, medical personnel in general, medical institutions, insurance companies (under the current malpractice legislation, the professional civil liability insurances are mandatory for doctors), law makers and the health system as a whole.

III.1. Empirical study: objectives and methodology

The aim of this study is to create a basis for future research on the topic of medical malpractice in the context of the post-crisis economic changes as well as the steps to be taken, by outlining a direction for a general national strategy with the purpose of curbing the rising number of medical malpractice cases. The main reason for this is the significant social impact associated with such a large number of medical malpractice cases and the proper way to deal with them, no matter the chosen method, but also because the medical system as it is already affected by the consequences of a severe crisis (closing of numerous medical centers and hospitals, rising number of emigrating doctors) and now it is even further destabilized.

Also, one must take into account that while the economic implications of the present situation are very important, at the moment there is no clear quantitative analysis of the situation for Romania. As a result of this, the research will focus on the major issues that weaken the system and favor malpractice, as well as possible solutions, taking into account financial limitations.

The methodology first involved a thorough document analysis of specialty research conducted in Romania, the literature being quite limited at the moment, as well as studies in other countries. An important requirement in doing this was selecting an interdisciplinary team and selecting the proper tools.

The research was carried out by using two questionnaires, one for doctors and one for patients. Both were built by starting by reviewing specific available literature with some of the items being used directly but most being adapted or purpose built, in accordance with the purpose of the study. This instrument was chosen based on cost and data collection criteria. The retrieval and answer validation rate was of approximately 80%. The doctors involved had various specialties: psychiatry, dentistry, forensics, dental medicine, with a balanced distribution between public (43%) and private (53%) medical institutions. Because the data gather was used for another two different studies with a broader scope concerning the entire medical system, in this paper we will analyze the information that is directly linked with the medical malpractice situation in Romania and its economic implications and medical emigration, an important element that will have an impact on the future evolution.

Also, two databases were constructed using information available from the Bucharest Medical College (CMB), a legal non-governmental entity organization, with professional responsibilities, and whose membership is required in order to have a medical practice in Bucharest⁽⁵⁾. The data was selected and grouped in accordance with certain criteria: medical specialty, professional and teaching degree, medical act, official conclusions, specialists opinion on file and sanction; this was done for the 2008-2010 period. The second database was created from official records from the National Insurance and Reinsurance Union (UNSAR)⁽⁶⁾. For the same period 2008-2010, the medical malpractice insurance contracts were also analyzed.

III.2. Major deficiencies in the Romanian medical malpractice system

Before presenting the identified issues after the data analysis, we will first present the general characteristics of the medical malpractice mechanism.

In order to file a complaint against a medical professional, the plaintiff has three methods at his disposal:

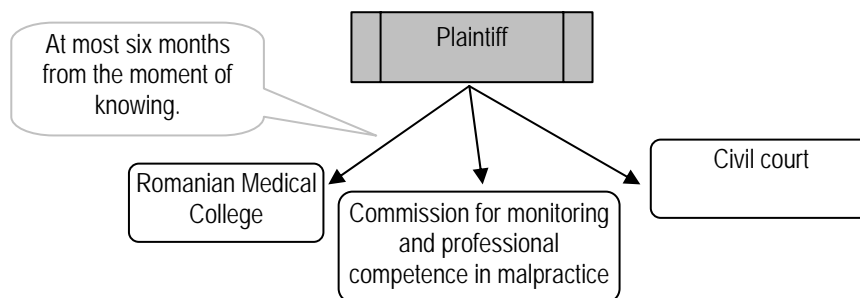


Figure 1. Medical malpractice system in Romania. Filing a complaint against a doctor

In Romania, the legislation to deal with medical malpractice cases has only recently put into place during the 2010 reform; however, key juridical doctrine is still missing. In this situation the only real beneficiaries are insurance companies, medical personnel being forced to have malpractice insurance, with patients and doctors being on the losing end. Compensations are rare and the procedure doesn't take into account the parties involved. As a result, for the duration of the trial important resources are squandered. The fact that the system is centered around court decision involves significantly higher costs. From a practical perspective, the insurance company only rarely intervenes and is actually involved in the trial.

a) The main causes of the crisis affecting the Romanian healthcare system

It is imperative to know the opinion of those active in the healthcare system, be it public or private. As such we asked them to choose one of the following:

1. Insufficient knowledge on the part of the doctor
2. The absence of proper technical equipment
3. Insufficient medication
4. Bad hospital management
5. Inefficient management of the system as a whole
6. Payment system for medical services is slow and creates blockages
7. The annual sums allocated yearly from the state budget are insufficient

b) Medical personnel emigration

In order to properly evaluate this issue, the questionnaire contains several questions for medical practitioners as well as for consumers. These are based on the statistics made available by CMB concerning the situation of medical personnel leaving the Romanian healthcare system.

Of these we draw attention to the following:

**MGR 1. Do you believe that medical emigration as a phenomenon is?
(single answer)**

Normal	Favorable for Romania	Favorable for the EU	Can be overcome	CANNOT be overcome
1	2	3	4	5

MGR2. Would you leave Romania?

1. Yes 2. No

What is the main reason for your decision?

c) Economic implications for the present malpractice system

One final aspect that needs to be taken into consideration when evaluating the economic system by looking at the medical system is the way it deals with malpractice. Even though at the present moment there are no broad studies in this field, there must be a reference point. This is true not only for those directly involved: doctors, patients, but also for society who must also take into consideration the long term costs and implications.

IV. Conclusions and future research

a) The main causes of the crisis affecting the Romanian healthcare system

The main causes picked by the 104 answerers are: the annual sums allocated yearly from the state budget are insufficient (23%), payment system for medical services (21%), the absence of proper technical equipment (21%), and inefficient leadership for the system as a whole (13%).

The doctors opinions on this topic are more focused: inefficient leadership for the system as a whole (74%) and the annual sums allocated yearly from the state budget are insufficient (19%).

b) Medical personnel emigration

Concerning migration, the main reason for it is that of better salaries, most of the answerers believe that a medical should have a higher pay, especially in the public system, and medics themselves consider that pay should be higher in both kinds of medical systems:

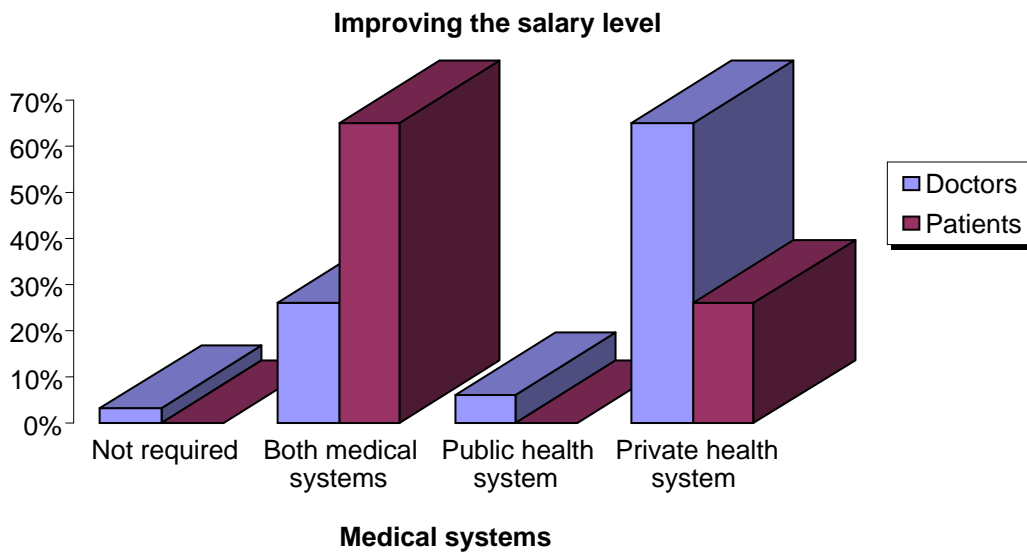


Figure 2. *Improving the salary level*

The study also showed similar issues as those brought forth by the Romanian Medical College which are: the absence of job openings, small salaries and difficult work conditions which have led to a massive medical migration. In the first eight months of 2011, 1.700 doctors have solicited conformity certificates in order to be able to practice abroad.

One must also mention that Romania was already facing personnel deficit since 2008 and, at 1.9, now has the lowest number of doctors per 1,000 people in Europe. This is also due to the fact that the government only gives roughly 6% of the annual GDP compared to the 8% European average.

Also, beyond social costs, there is also a financial cost represented by the amounts spent by the state on the training of future doctors: according to estimations, a medicine student cost around RON 8,000 per year, amount that has to be multiplied with the six years of faculty that is RON 48,000. Afterwards, there are three to five years as resident doctor, period that requires other RON 21,000 per year. Finally, a specialist doctor costs the Romanian state EUR 30,000. One step further, based on the official statistics of the Romanian College of Doctors, 20,000 doctors * EUR 30,000 = EUR 600

million is the concluding figure for ten years of medical training. However, there are European and non-European countries that benefit from Romanian doctors' expertise as they decide to emigrate abroad where, despite the economic crisis, it has chosen to invest especially in research and medicine.

In this context we analyzed the general opinion concerning the healthcare system in Romania. In the as of the general population (patients), there is a strong dissociation, statistically significant (Chi-square test, $p=0.023$), between their opinion concerning public and private healthcare systems in favor of private (Figure 3).

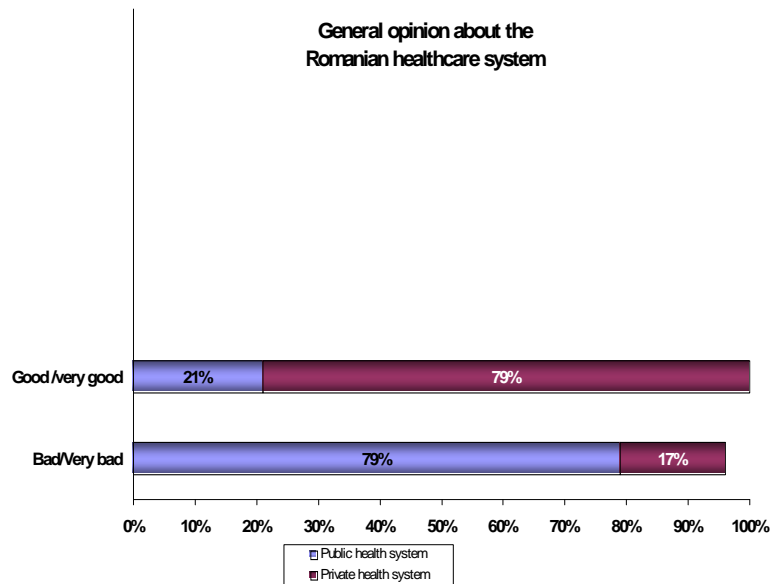


Figure 3. General opinion about the Romanian healthcare system

The bad opinion about the public system, respectively the good opinion about the private one, is generalized among the respondents and does not differ depending on age, gender, education or income. Two clear components can be identified: a direct component, based on the direct interaction of the person with private services (51% of respondents have used, in the past three years, private healthcare services) and an indirect component, an opinion based on external information (although 49% didn't use any private healthcare services in the past 3 years, 86% have a favorable opinion of the private system).

As a basis for future research, we propose the realization of a national interdisciplinary study on the topic of medical malpractice and its impact on the Romanian economic system. This scientific endeavor can have practical implications once it is transformed into reality, by identifying and evaluating

the parties involved: medical system, patient, insurer, legislator, lawyers. Also this information must be made accessible to professionals working in different fields who might also take an interest in this topic. The justification for this initiative is given by the need for clear legislative proposals with the final purpose of harmonizing the Romanian legislation with that in use at a European level and at the same time encouraging the use of alternative solutions in doctor-patient litigation, to the extent that the law allows: mediations, arbitrage in order to reduce both personal expenses and the burden on the health and economic system as a whole.

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Notes

- (1) See Cotetiu, R., Năsui, V., Prof. Ph.D. Eng., ‘*Analysis of the evolution of Romanian economy before economic crisis*’, ISSN 1224-3264, 2010, pp. 13-18 SCIENTIFIC BULLETIN, Serie C, Volume XXIV, Fascicle: Mechanics, Tribology, Machine Manufacturing Technology.
- (2) For more information concerning this program see the Agency for Implementing Projects and Programs for SMUs’ webpage at: <http://www.aippimm.ro/articol/programe/7.-programul-mihail-kogalniceanu-pentru-intreprinderi-mici-si-mijlocii/programul-mihail-kogalniceanu-pentru-intreprinderile-mici-si-mijlocii/>.
- (3) For a detailed analysis of the indicators see, The Global Competitiveness Report 2010–2011’, at: http://www.adevarul.ro/actualitate/Raportul-competitivitatii-mondiale_ADVFIL20110922_0001.pdf.
- (4) An exhaustive presentation in a technical and detailed manner on the topic of medical malpractice in the Romanian system as well as other systems: French, American, etc., as well as information concerning criminal, civil and deontological responsibility can be found in professor Phd. Cristian Stan’s book “*Malpraxisul Medical*”, Edit. Etna, Bucharest, 2009.
- (5) There is also a Romanian Medical College, created by the Law no 74/1995 from the 6th of June 1995 concerning the medical profession <http://www.cmr.ro>.
- (6) UNASR was constituted as a professional organization for the insurance market in 1994 at the initiative of 13 companies. It oversees representation, administration, defending professional interests, economic and social interests of its members when dealing with other entities, private or public in Romania or abroad.

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