



EUROPEAN POLICY BRIEF



ASSPRO CEE 2007

Collaborative Focused Research Project
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Informal patient payments for health care services: policy challenges and solutions

Preliminary findings of ASSPRO CEE 2007, an EU-funded project assessing efficiency and impact of patient payment policies in Bulgaria, Hungary, Lithuania, Poland, Romania and Ukraine.

Ongoing project

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INTRODUCTION

Why informal patient payments are bad for our health?

Informal patient payments negatively affect the functioning of the health care system and pose a threat to public health. They distort the system in several ways, jeopardising efficiency, equity and quality of health care provision. The most serious risk associated with informal patient payments is that those who cannot afford them may postpone or forego medical treatment.

While informal patient payments are mainly associated with health care provision in former socialist countries, they are reported in other countries as well, including prosperous countries in Europe.

A culturally embedded phenomenon, the practice of paying for health care informally presents policymakers with a considerable challenge. The persistence of the practice is often attributed to limited resources for health care provision in the country in question. Criticism of the practice is sometimes rejected as failing to accept diverging cultural perceptions and normative trends.

To discourage the practice of informal patient payments, policymakers are advised to consider a mix of strategies. Priority should be given to strengthening control and accountability in the health care sector.

Governments may need to invest more in their health care systems to assure adequate levels of care and access. Prevalence of corruption and public attitudes are crucial factors that must be taken into account when implementing corrective strategies.

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KEY OBSERVATIONS

How pervasive are informal patient payments?

Informal patient payments are mainly associated with health care provision in former-socialist countries. Nevertheless, unofficial payments for health care services are reported in some other countries as well [Euro Health Consumer index 2008, 2009].

Informal payments are made to both medical staff in hospitals and physicians in policlinics. These payments are mainly reported for services included in a country's basic health care package, but services outside the basic package are also affected.

Informal payments are sometimes made because of patients gratitude for services provided, but such payments also result from the misuse of market power by health care providers.

By and large, informal payments are observed in all patient groups irrespective of the socio-economic status of the patients.

What portion of health care expenditure do informal payments represent?

The measurement of informal patient payments is a challenging task since these payments are a multi-face phenomenon with different features even within a single country (i.e. in the frame of the same health care system, regulations and traditions).

Nevertheless, empirical evidence indicates that informal patient payments can represent a significant part of the income of the health care providers. In some instances, physicians may earn as much as a full additional salary from informal payments.

These payments can also represent a significant part of the total health care expenditure. For example, informal health care expenditure constitutes about 1.5-4.6% of the total health expenditure in Hungary, about 3.6% in Bulgaria and about 0.3-0.5% in Poland.

Although the level and incidence of informal payments are difficult to compare across countries, these payments are substantial in terms of both scope and scale, and should not be neglected.

Types of informal patient payments reported in empirical research

Who initiates the informal payment?	Patients (expression of gratitude) Provider (demanded by a provider)
What is the nature of informal payment?	Payments in cash Payments in kind (gifts) Payments in a form of services
When is informal payment made?	Before/during treatment (mostly in cash) After treatment (mostly gifts)
Who receives the informal payment?	General practitioners Medical specialists: - Surgeons - Dentists - Obstetrics-gynaecologists Other medical staff: - Nurses - Emergency staff Health care institutions ¹
What is the purpose of the informal payment?	Expression of gratitude Fee for service Fee for commodity Fee for access Fee for quick access Fee for better quality Fee for psychological comfort
What is the amount of informal payment?	It varies but most commonly: - up to 30% of monthly income - higher than 80% of monthly income
How is the informal payment perceived?	Tradition/gratitude Complementary to low official physicians' salaries Illegal behaviour Corruption

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¹ quasi-official payments when the patient receives a kind of receipt.

How do informal patient payments affect the health care system?

Informal patient payments affect health care provision in a very complex and interrelated manner. In the case of informal patient payments, the providers of health care services are compensated individually, irrespective of the value of health care provision to the society. Thus, the role of health policy and priorities set by policymakers are undermined by the existence of these payments. The informal cash-flow goes directly from the patients to medical staff in publicly funded health care facilities and remains unregistered. In view of this, informal patient payments can become a major impediment for reforms because they hinder the estimation of future funding requirements of the health care sector.

Although informal patient payments might contribute to the funding of health care, it is recognised that their effect on efficiency is negative. In particular, the existence of informal patient payments can hold back the attempts of policymakers to reduce the cost of health care provision. In fact, these payments might introduce incentives for providing less cost-effective services if patients are willing or accept to pay informally. It is likely that the practice of informal patient payments can lead to a resource allocation that is different from the social optimum.

What impact do these payments have on the way social resources are allocated?

In the case of informal patient payments, resources are not allocated based on the benefits to the society. Services are not consumed by those who would benefit most, but rather by those who are able to pay or are easily forced into paying.

Informal patient payments rarely contribute to any significant quality improvements in health care. Usually, health care providers are not interested in reinvesting these payments in the public health care system (e.g. purchasing new medical equipment) but are more likely to invest them in their own private practices if at all. In the long-run, this leads to better quality of services provided in the private sector, even when provided by the same physician. Thus, public health care provision remains under-funded even when informal patient payments are widely spread.

How do informal payment practices affect lower income groups?

The burden of informal patient payment is not distributed equally within different socio-economic groups.

The most adverse effect of informal patient payments concerns equity. When informal patient payments are established as a practice, patients who cannot afford to pay informally either avoid or delay seeking treatment. Frequently, they use personal savings, take out loans and sell assets to cover these payments. The ultimate effect is the same as referring patients to the private health care sector.

In some instances, patients with very low earnings are found to pay informally about six times more than those in high-income groups in relation to their income.

Therefore, informal patient payments are highly regressive even when compared to formal patient fees.

What options do policymakers have for deterring informal patient payments? And what are their drawbacks?

POLICY OPTIONS

Several strategies are available to policymakers for dealing with informal patient payments:

Punitive measures

Penalties can be imposed on those who receive/request informal payments. One of the basic characteristics of the environment where informal payments are prevalent is a weak regulatory system. Strengthening the control and accountability in the health care sector will be essential for dealing with corruption. However, if the financing of the health care system is insufficient, it is hard to expect that imposing sanctions to providers would be an effective measure for dealing with informal patient payments. Among other things, imposing sanctions could be one of the driving forces for shifting providers from public to private sector. The government should continue to invest in the improvement of health care quality and access to health care services.

Higher salaries for health care workers

The income of physicians and medical staff could be increased. Informal patient payments often supplement the low salaries of physicians and medical staff in the public sector. However, the simultaneous increase in the income level of physicians and medical staff is a rather challenging task since it depends on the overall economic growth in the country. An alternative is to implement a provider payment mechanism that will allow for a more fair compensation for service provision (e.g. based on quality and professional skills) rather than a uniform central payment scale for physicians and medical staff. This, however, should be combined with a significant increase in the incomes of providers who offer good services, to assure the acceptance of this new provider payment mechanism by the medical lobby.

Introduction of formal patient charges

It is assumed that patients who pay informally would be in favour of introducing official charges for public health care services. Yet, there is an overall concern that official charges do not have the ability to eliminate the informal ones, and that their introduction would result in a mixture of formal and informal payments by the patients. Moreover, vulnerable population groups who are exempted from formal charges might continue to pay informally. This could result in a failure of the exemption mechanism that accompanies the official charges and could create public opposition towards these changes. It is necessary to assure that formal charges replace informal payments immediately after their introduction.

Development of private sector alternatives

The effect of informal patient payments is similar to shifting the patients to the private sector. Therefore, the development of the private sector could help to formalise the informal payments. In particular, patients could be offered the option to use health care services included in the basic health care package but provided by private health care providers.

This could result in a direct competition for patients and some physicians might decide to be involved in both sectors. Lower or no official charges in the public sector compared to the private sector might stimulate the use of public health care services. However, better quality of services provided in the private sector, even when provided by the same physician (if dual-practice exists), might shift patients to the private sector.

A strategic policy mix is advisable.

Given the potential weaknesses of each of the above options, a mixture of strategies is advisable for dealing with the problem of informal patient payments.

However, the successful implementation of these strategies and the possibility to circumvent their weaknesses depend on the particular setting and the overall conditions in the country. The prevalence of corruption in the society is crucial. Dealing with corruption at all social levels will be a precondition for dealing with informal patient payments.

ATTITUDES OF KEY ACTORS

How do different actors in the health system view informal patient payments and possible remedies?

The attitudes of the health care actors will play a crucial role in determining whether informal patient payments persist. Here is a summary of their views:

Consumers

While consumers are generally interested in solving the problem of informal patient payments, they often accept these payments as a means of gaining more attention, better quality and quicker access to health care.

Information campaigns among health care consumers are needed to change their attitude towards informal payments. Also, patients need to be well informed about the size of the official fees that they are obliged to pay for health care service *prior* to the use of these services. Patients are often unable to make a distinction between formal and informal payments, especially if they do not know the exact size of the formal charge. Also, there is a need of a formalised channel for filing complains by patients who are asked to pay informally for health care services. The procedure for filing such complains should be easy and simple.

Health care providers

Health professionals are often reluctant to comply with strategies for dealing with informal patient payments and attempt to maintain the “status quo”.

They might even try to sabotage measures aimed at eliminating informal payments (e.g. creating unnecessary delays for patients). The power of the medical lobby will play a key role in eliminating informal patient payments.

Thus, mechanisms to improve integrity and ethics in health care provision will be essential. It is necessary to develop professional code of conduct for physicians and other health professionals related to medical and non-medical activities. The main objective of such codes should be to ban the request or acceptance of any informal payment (either in cash or in kind), including gratitude payments and gifts.

Policymakers

Informal patient payments are not always seen as a negative phenomenon by policymakers, especially in countries with very low fiscal capacities and insufficient financing of the public health care sector. In these countries, informal patient payments could be the only factor that maintains the survival of the public health care system and keeps physicians working in public health care institutions (e.g. hospitals). Thus, policymakers might address informal patient payments since they are of an unethical nature, but they might decide to neglect these payments in their decisions since they do not have an alternative for filling in the gaps in the public health care budgets.

Due to the non-transparent nature of the informal patient payments, health authorities might even deny the existence of bribes in the health care system.

Under such circumstances, solutions to the problem of informal patient payments would not be a priority. Changes in the attitude of policymakers toward informal patient payments will be essential.

POLICY RECOMMENDATIONS

National level

- Strengthen control and accountability in the health care sector and create a system of penalties for those who receive/request informal payments.
- Continue to invest in the improvement of health care quality and access to health care services, and assure adequate funding for the normal functioning of the public health care system.
- Implement a provider payment mechanism that allows for an adequate and fairer compensation for service provision (depending on quality and professional skills). Avoid creating a uniform central payment scale for physicians and medical staff.
- Introduce official/formal patient charges with an adequate exemption and fee reduction mechanism for those who cannot pay or who use health care frequently.
- Find instruments to assure that formal charges replace informal payments immediately after their introduction to avoid the double financial burden to patients and failures of the exemption mechanism.
- Provide incentives for the development of a private sector that leads to direct competition between public and private providers, but prohibit dual-practice by physicians.
- Launch information campaigns targeting health care consumers, providers and policymakers in order to mobilise opposition against informal patient payments.
- Create a transparent system of official patient charges and assure that information about official charges and free-of-charge services is available and easily accessible to patients prior to service use.
- Create a simple and easily accessible system for filing complains by patients who are asked to pay informally for health care services.
- Deal with the prevalence of corruption at all social levels.

European level

- Encourage countries to improve governance and accountability in their health care sectors and urge them to create a transparent system of monitoring and control with regard to both health care use and payments for health care services.
- Develop professional code of conduct related to medical and non-medical activities of physicians and other health professionals at European level, where the request or acceptance of any informal payment (either in cash or in kind) is banned. This ban should extend to gratitude payments.
- Establish instruments to increase awareness among European patients, physicians and policymakers about the negative

effects of informal patient payments. Promote patients rights, particularly the right of access to health care services of adequate quality with no informal charges or gratitude payments.

- Promote research on the measurement of corruption in the health care sector in general and on informal patient payments in Europe in particular. This research should combine quantitative and qualitative research methods from a broad range of fields related to socio-economic science and humanities.
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RESEARCH PARAMETERS

Regional focus

ASSPRO CEE 2007 focuses on six Central and Eastern European countries:

- Hungary and Poland
(economically advanced Central European countries)
- Lithuania
(economically advanced former Soviet republic)
- Bulgaria and Romania
(less advanced countries from Eastern Europe)
- Ukraine
(less advanced former Soviet republic)

Other Central and Eastern European countries (e.g. Albania, Serbia and the Russian Federation) are also involved.

Objectives of the research

ASSPRO CEE 2007 aims to assess patient payment policies in Central and Eastern European countries and to evaluate their efficiency, equity and quality effects.

The project addresses the need for improved indicators for evaluating patient payment policy at European level. It also addresses the need of micro-level data from Central and Eastern Europe on health care payments and consumption.

By providing information on formal and informal patient payments - as well as on the willingness and ability of consumers to pay for health care services - ASSPRO CEE 2007 is expected to enable a rational policy choice regarding the design of patient payment policies, specifically in Central and Eastern European countries.

The project also aims to create a research network focused on the analysis of the Central and Eastern European health care systems, and to train young researchers from these countries.

Scientific approach/ Methodology

ASSPRO CEE 2007 relies on research methods from a broad range of fields related to socio-economic science and humanities. In particular, the project applies quantitative techniques (such as modelling, trend analysis, revealed and stated preference methods) combined with qualitative data to study micro and macro outcomes of patient payment policies.

PROJECT IDENTITY

Coordinator

MAASTRICHT UNIVERSITY; The Netherlands

Project coordinator:

Dr. Milena Pavlova; e-mail: m.pavlova@beoz.unimaas.nl

Scientific coordinators:

Prof.Dr. Wim Groot; e-mail: w.groot@beoz.unimaas.nl

Prof.Dr. Frits van Merode; e-mail: f.vanmerode@facburfdgw.unimaas.nl

Consortium

- MEDICAL UNIVERSITY OF VARNA; Bulgaria
Dr. Emanuela Moutafova; e-mail: dep_hcm@abv.bg
- CENTER FOR PUBLIC AFFAIRS STUDIES FOUNDATION; Hungary
Dr. Laszlo Gulacsi; e-mail: laszlo.gulacsi@uni-corvinus.hu
- PUBLIC ENTERPRISE "MTVC"; Lithuania
Dr. Liubove Murauskiene; e-mail: murauskiene@mtvc.lt
- UNIWERSYTET JAGIELLONSKI COLLEGIUM MEDICUM; Poland
Prof.Dr. Stanislaw Golinowska; e-mail: stellag@onet.pl
- SCOALA NATIONALA DE SANATATE PUBLICA SI MANAGEMENT SANITAR; Romania
Ms. Constanta Mihaescu Pintia; e-mail: cmpintia@snspsms.ro
- SHKOLA OHORONY ZDOROVIA; Ukraine
Dr. Irena Griga; e-mail: griga@ukma.kiev.ua

EC contact

Halina Walasek; e-mail: Halina.WALASEK@ec.europa.eu

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Website

www.assprocee2007.com

Further reading

For details see the project website: www.assprocee2007.com

Related website

Cordis SSH : <http://cordis.europa.eu/fp7/ssh/>

Europa SSH : <http://ec.europa.eu/research/social-sciences/>

For more information

Dr. Milena Pavlova (project coordinator)

Department of Health Organisation, Policy and Economics (BEOZ)
CAPHRI; Maastricht University Medical Center
Faculty of Health, Medicine and Life Sciences; Maastricht University
P.O. Box 616, 6200 MD Maastricht; The Netherlands
tel.: +31-43-3881705; fax: +31-43-3670960
e-mail: m.pavlova@beoz.unimaas.nl