11. Basic Information:

1.1. Désirée Number: HU0101-02
   Twinning Number: HU/2001/IB/FI/01
1.2. Project Title: Development of the Financing System of the Health Care
1.2. Sector: Public Finance
1.4. Location: Hungary

2. Objectives:

2.1. Overall Objective

The overall objective of the project is to enhance government budgetary control in relation to health care financing.

2.2. Project purpose

The purposes of the project are as follows:

- Increase the transparency of the financial management of the health care system and the reliability of health insurance contributions.
- Establish a functioning and EU-conform National Health account.

2.3. Accession Partnership and NPAA priority

The medium-term objectives concerning the proposed project are laid down in chapter 3 of the Accession Partnership that, among the short term priorities includes “3.2: … complete restructuring of public finances including reform of the health care system”

The project is also in line with the need to consider and respect the basic characteristics of Community public health responsibilities when identifying and planning integration activities. In this context the National Programme for the Adoption of Acquis Communaute includes “…the fact that health care issues form part of national competencies, but questions related to the level of health care, as well as to its reform as part of the overall public finance reform has a relevance in the accession process.”

(Section 5.2. Employment and Social Affairs, chapter 10. Public Health.)

The project is also relevant to Chapter 2 of the Acquis, Free Movement of Persons, which is directly influenced by the co-ordination of the social security systems of the Member States. The NPAA addresses the issue as follows:

“The accomplishment of the free movement of persons – including the free movement of workers – within the territory of the EU is conditioned, among others, to the well-functioning co-ordination of the social security systems of the Member States, moreover to the provision of social security benefits of migrant workers, fully in pursuance of Article 42 of the Treaty of Rome, and additionally of Council Regulations 1408/71/EEC and 574/72/EEC.”

(Section 1.5. Free Movement of Persons, Chapter 2. Social security co-ordination of migrant workers.)

The Joint Assessment of the Economic Policy Priorities of the Republic of Hungary (6th of April,) defines health care reform as a priority, as well, under Chapter 3.1.1.

The 2000 Regular Report from the Commission on Hungary’s progress toward accession pointed out the process of the Hungarian health care reform in Chapter 13.: “The reform of the public health care system was pursued during 1999-2000. A package of strategic papers in key areas on the reform of the health care sector was presented to government.”
2.4. Contribution to the National Plan: Not applicable.

2.5. Cross Border Impact: Not applicable.

3. Description

3.1. Background and Justification

Problems of the Hungarian health care financing system occur from the fact that the financial management is not transparent. Two main causes are identified (1) the incomes and the expenditures are registered and managed separately, (2) patient -routes can not be followed. Therefore (1) the collection and spending of funds has to be harmonized, and (2) patient insurance cards should be introduced to complete the existing medical profession cards system. From the introduction of the patient insurance cards proposed to be applied in a managed care system it is expected, that patient routes will be closely followed, consequently hospital admissions will be reduced by 40 %, and total costs of management will be reduced by 20 % (this later figure is an internationally accepted efficiency ratio).

The health care financing processes can be followed closely. However the difficulties of measuring the cost-efficiency, revealing of the real processes and the lack of financing feed back control cause considerable problems. These decrease the efficiency of the financial management in the health care sector leaving space to corruption.

The project covers public finance issues and concerns to the financial aspects of the national health care and definitely fits to the overall health care reform plan expressed in the “Health Care” part of the “Government Programme 1998”. The connection between the project and the overall restructuring process of the health care sector is detailed in the Annex 4/a.

The information strategy of the National Health Insurance Fund has been issued, aiming a cost-efficient health insurance system. That document serves as a basis for establishing the integrated financial system of the health insurance, and for the activities planned in this project, for which a preparatory study has been prepared.

International and professional organisations are continuously criticising the Hungarian system, e.g. OECD’s 1999-2000 Annual Review on Hungary clearly recommends “for the Ministry of Finance to collect health-related taxes and monitor spending” in Figure 26. Chapter 187. At the present, the available data on health expenditures are not properly adequate for the analysis and planning of the health care processes. The major problem is not only the lack of certain information but in many cases the low reliability level of the data as well as the great number of partial and inconsistent of them. The transparency of money flows should be increased.

The deeper understanding of changes in the national health care as well as better planning and accountability require a more comprehensive statistical system integrating data on expenditures and financing of the health care system as well as indicators for resource use and outcome measurement. The development of the National Health Account (NHA) is based - to a great extent - on the adaptation of the concepts and common guidelines developed by OECD and Eurostat. A feasibility study on the implementation of the NHA has been already prepared by the Hungarian Central Statistical Office (HCSO) and the preparatory work covers the conceptual framework of the National Health Account, the detailed classifications, the rules for accounting, adapting international classifications and methods (OECD and EUROSTAT guidelines) and the Hungarian Meta Database (description of the database under international method).

3.2. Linked Activities

There have been a large number of Phare programmes addressed at restructuring public finances, but the development of health care finances has not yet been the subject of Phare assistance. Similarly, Phare funded projects in the field of employment and social affairs have not extended to financial aspects.
The ongoing twinning programme HU-IB-CO-01 (Preparation for the implementation of Council regulation No. 1408/71 - Social security of migrant Workers) is aimed at preparing a study on health care costs to analyse the weak spots in the gathering of health care statistics and the making of calculations and to organise a workshop on the basis of the results of the research to discuss the strategy for future policies in that field.

3.3. Results

The project will help developing an integrated financial health insurance system and establishing the National Health Account at the Hungarian Central Statistical Office. More specifically, the following results will be accomplished.

3.3.1. Integrated Financial Health Insurance System

- Study on an integrated central health insurance database built on the information systems of the Hungarian Tax and Financial Administration and the National Health Insurance Fund (NHIF).
- Development of a software for integrating contribution and health insurance data and installation of a server for the common database.
- Pilot introduction of electronic health insurance cards.
- Trained experts for operating the new system.

3.3.2. Establishment of the National Health Account at the Hungarian Central Statistical Office

- Elaboration of the National Health Account database thorough mapping of existent data sources and identification of the databases from which the National Health Account will import data, through:
  - study on the methods of migrating existing data into the new structure of the National Health Account,
  - elaboration and installation of a software to connect the data sources located at different institutions of public administration and the National Health Account Database, located at the Central Statistical Office and
  - working out health finance modelling methods based on the National Health Account in order to predict future alternatives of health expenditures and their macro-economic implications.
- Making proposals concerning the next phases for the further development of the National Health Account.
- Training for the experts of the Hungarian Central Statistical Office.

3.4. Activities

Project activities include the preparation and implementation of one twinning arrangement, a technical assistance framework contract for the creation of the NHA database. The IT development consists of one hardware supply international open tender, and a software contract with restricted international tender as specified in the following. Funds allocated for these purposes are estimates, which cannot be exceeded by the project.

3.4.1. Twinning

The PAA will spend 12 months in Hungary working together with the expert staff of the Ministry of Finance and assist directly to the experts of the beneficiary institutions: MoH, NHIF, Tax Office and HCSO.

Guaranteed results (benchmarks) of the twinning program:

- Operational integrated information system on health insurance contribution and expenses.
- Establishment of the EU conform reporting system on health care financing.
- Review and support for the implementation of the EU health care financing practices with advice at the relevant institutions.
Health care information database installed and operational.

Responsibilities of the PAA:

The PAA will
• be responsible for the overall supervision and monitoring of the implementation of the project,
• assist in managing the project administration,
• coordinate and supervise the assistance of the short- and medium-term experts,
• organise and coordinate the training programmes,
• keep permanent contact with the national project leader,
• be in liaison with the responsible Phare unit in the Commission and
• provide professional support in developing the related areas:
  - studying the Hungarian health insurance system and giving proposals for the development considering the EU tendencies,
  - advisory activity for better transparency of the financing system of the health insurance funds (contributions – expenditures),
  - offering methods for the budgetary planning and evaluation of the health care expenditures,
  - participation and advising in the technical implementation of the IT investment part,
  - participation in the establishment of the NHA.

It is mandatory that the PAA:
• should have sound theoretical and practical experience related to health care economics and reporting methods,
• should have experience in health care financing and insurance,
• should have leadership experience and
• must be fluent in English.

Short- and medium-term experts

Areas not directly covered by the PAA can be taken over short- and medium-term experts within the limits of the budget as stated in section 5 of the present fiche. The concrete assignments will be subject to the preparation of the technical Covenant and the recommendations of the twinning partner(s).

Short term advisors are expected to cover the following areas:
• Advising in the elaboration of the database of the health care contribution and expenditures in the MoF (Tax Office), Ministry of Health (MoH) and NHIF.
• Assistance in the launching of the pilot programme on electronic health insurance cards.
• Assistance in working out health finance modelling methods based on the National Health Account.
• Advising on proposals concerning the next phases for the further development of the National Health Account at the HCSO.
• Implementing of training programmes:
  - on the health financing and health insurance system for the experts of the MoF, MoH, NHIF, and participants in the pilot project,
  - on the NHA for the experts of the Hungarian Central Statistical Office and the experts providing the data sources,
  - study tours to introduce the efficient operation of the health care financing models in two member state countries.

Operating environment

The Ministry of Finance will be the counterpart and the co-ordinator for the twinning program. The Hungarian Central Statistical Office will be the co-operating partner.

3.4.2 Database creation
As the establishment of the database for the National Health Account is of outstanding importance, a service framework contract is foreseen in the value of 0.2 ME.

The data sources should be linked to the NHA system, in the sense that continuous data transfer on regular basis is assured. The established database must comply with the EUROSTAT requirements

3.4.3. IT development

3.4.3.1. Software development will be implemented under one service contract with the following two lots

- development of a software for the integrated Financial health insurance system
- software for the National Health Account

3.4.3.2. The IT supply will comprise mostly hardware for an integrated financial health insurance system including the following:

- server for the central database and
- electronic patient identification cards and terminals at the medical service places in the pilot program.

The pilot program is planned to build on the participants of the Managed-Care Programme (MCP) that means almost 200,000 people and more than 100 medical service places. The MCP and the pilot test of this project will run completely separately. This project will only use the same people and medical service places which are involved in the MCP.

The MCP is described in more detailed in Annex 5./b.

4. Institutional Framework

The Ministry of Finance will co-ordinate the project. The contact person will be Ms. Katalin Csorba, phone: (36 1) 327-2771, fax: (36 1) 327-2787.

Further beneficiaries are the following:

- Ministry of Health. The contact person will be Mr László Hevesi phone: (36 1) 322-3100, fax: (36 1) 302-0924.
- National Health Insurance Fund. The contact person will be Mrs. Éva Donka Verebes, phone: (36 1) 350-1458, fax: (36 1) 350-1611.
- The Central Statistical Office. The contact person will be dr. Gabriella Vukovich, phone: (36 1) 345-6024, fax: (36 1) 212-5675.
- Prime Minister’s Office, Office of the Government Commissioner for Information and Communication Technology The contact person will Mr Gábor Kleinheincz Phone: (36 1)441-2593

The representative of the Ministry of Health was involved in the project co-ordination. Although the professional control of the NHIF was transferred to the Ministry of Health, the budgetary planning and the financial control of the NHIF is still the responsibility of the Ministry of Finance.

The Ministry of Finance is responsible for the regulation of public finances and as such is regulating the contributions and preparing the budget of the health care.

The Ministry of Health is responsible for the professional supervision of the health maintenance organisations (HMO-s). Professional control of the NHIF was recently transferred to the Ministry of Health, however the budgetary planning and the financial control of the NHIF is still the responsibility of the Ministry of Finance.
NHIF is the only insurance institution in Hungary on national level, operating based on contracts with the medical service supplier.

The Central Statistical Office is the only responsible institution in Hungary for statistics, the counterpart of EUROSTAT.

5. Detailed budget

<table>
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<tr>
<th>Task</th>
<th>Phare Support</th>
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<th>Institution</th>
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<th>National Cofinancing</th>
<th>IF</th>
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The total amount of the twinning covenant will be € 0.7 million of Phare support. The Government will allocate 0.05 million € co-financing contribution from the national budget to cover the necessary counterpart costs generated by the implementation of the project.

The project will be jointly co-financed between Phare and Government resources. The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national amount is also binding and has to be applied to the final contract price”.

Budget plan for the IT development (Phare support in € Million):

<table>
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<th>Phare</th>
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</thead>
<tbody>
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<td>Central hardware</td>
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<td>Validation places</td>
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<tr>
<td><strong>Total</strong></td>
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More detailed budget and indicative equipment list see in Annex 6.

6. Implementation Arrangements

6.1. Implementing Agency

The Implementing Agency of the project is the Central Finance and Contracting Unit (CFCU). The CFCU will be the Contracting Authority and in that capacity will issue and evaluate tenders, conclude contracts and authorise the treasury to make contractually related payments. The CFCU will also endorse twinning Covenants as appropriate. The Director General of the CFCU will act as PAO of the project. Her contacts are:

PAO: Ms. Judit Rózsa, director of CFCU
Ministry of Finance
H-1052 Budapest, Deák Ferenc utca 5,
Phone: (36 1) 327-3652
The SPOs will be responsible for the technical part of the project in terms of design, evaluation follow up and monitoring. Her contacts are as follows:

SPO: Ms. Ágnes Vargha, 
Assistant State Secretary 
Ministry of Finance 
H-1051 Budapest, József nádor tér 2-4. 
Phone: (36 1) 327-2131 
Fax: (36 1) 266-0190

The project will be supervised by a Steering Committee consisting of delegates of the Ministry of Finance, Central Statistical Office, National Health Insurance Fund, the Ministry of Health and the Office of the Government Commissioner for ICT. The representative of the EU Delegation will be involved as observer.

The Public Finance Monitoring Committee of the Joint Monitoring Committee is responsible for monitoring the project

6.2. Twinning

The Twinning project leader from the Government side will be designated in the Ministry of Finance which has an overall co-ordinating role. The twinning experts will assist the following beneficiary institutions:

- Ministry of Finance’s Department of Social Public Expenditures  
  Contact person: Dr. Anna Szikszai Bérces, phone: (36 1) 327-2105, fax: (36 1) 327-2741.
- National Health Insurance Fund  
  Contact person: Ms. Éva Donka Verebes, phone: (36 1) 350-1458, fax: (36 1) 350-1611.
- Hungarian Central Statistical Office  
  Contact person: Ms. Éva Gárdos, phone: (36 1) 345-6890, fax: (36 1) 345-6678.
- Ministry of Health  
  Contact person: Mr László Hevesi, phone: (36 1) 332-3100, fax: (36 1) 302-0924.
- Prime Minister’s Office, Office of the Government Commissioner for ICT  
  Contact person: Mr Gábor Kleinheinecz Phone: (36 1) 441-2593

The Contracting Authority of the twinning components will be the CFCU, headed by Ms. Judit Rózsa, whose address is given in section 6.1 above.

6.3. Non-standard Aspects

The Practical Guide to Phare, ISPA and SAPARD contract procedures and the Twinning Manual will be strictly followed. One restricted international service contract in a value of 1.6 M Euro and one service framework contract in a value of 0.2 M Euro will be implemented.

6.4. Contracts

The program shall be implemented through one twinning arrangement with a value of €0.75 million, one service (framework) contract with a value of €0.2 million. The IT development will consist of two components adding up to of €6.2 million: a service contract with restricted international tender procedure for the software (3.2 M Euro, co-financed between Phare and the Government), and one supply contract of international open tender procedure for the hardware (3 M Euro, co-financed between Phare and the Government).

7. Implementation Schedule
### Table: Project Milestones

<table>
<thead>
<tr>
<th>Contract</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>FWC-Service contract (NHA database creation)</td>
<td>November 2001</td>
<td>February 2002</td>
<td>December 2002</td>
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</table>

### 8. Equal Opportunities

Equal participation of men and women during the implementation and operation of the project will be assured.

### 9. Environment

Not applicable.

### 10. Rates of Return

Not applicable.

### 11. Investment Criteria

Not applicable

### 12. Conditionality and Sequencing

#### 12.1 Conditionalities

- The beneficiaries will provide the necessary working environment for PAAs including appropriate office facilities.
- Full technical specification will be available by Mid April 2001 and full tender dossier by the time the Financing Memorandum will be signed.

#### 12.2 Sequencing

The Steering Committee (as described under 4.) has been established the 26 January 2001. As it is indicated in the project plan the main milestones of the project are:

- Preparation of project process: up to May 2001
- Specification of tasks: preparation of TORs, TSS, up to August 2001
- Tendering: from April 2001 up to October 2001
- Implementation: from 2002 January on
- Pilot project: May 2002 - May 2004
- Completion of project May 2004
Annexes to Project Fiche

1. Logical framework matrix
2. Detailed Implementation Chart
3. Contracting and Disbursement Schedule
4. List of relevant Laws and Regulations
5. Reference to relevant Government Strategic plans and studies
   5/a. Connection between the project and the overall health care reform
   5/b. Managed-Care Programme
6. Indicative equipment list
<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR Development of the Financing System of Health Care</th>
<th>Programme name and number</th>
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<tbody>
<tr>
<td>Total budget : 7 MEUR</td>
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</table>

### Overall objective
Enhance government budgetary control in relation to health care financing.

### Objectively verifiable indicators
Budget plan nearly matches actual data

### Sources of Verification
Annual reports by Ministry of Finance and Hungarian Central Statistical Office

### Project purpose

- Increase transparency of the health care income and expenditures and the reliability of health insurance contributions.
- Establish a functioning and EU-conform National Health Account

### Objectively verifiable indicators

- Increase collection of health contributions
- Hungarian health care statistics are of equal or better quality than in comparable Member States.

### Sources of Verification

- Reports by the Ministry of Health and Ministry of Finance
- Commission Regular Reports

### Assumptions
- Continued commitment to the governmental strategy concerning the health care financing system
- System used as planned by all involved

### Results

- Study on an integrated health insurance database
- Operational on-line integrated information system on health insurance.
- Pilot model of the electronic health insurance cards.
- Trained experts to operate the new system.
- National Health Account at the Hungarian Central Statistical Office established.
- Training of the Central Statistical Office experts

### Objectively verifiable indicators

- All twinning arrangements and training services completed in time and at the right level of quality and quantity, trained staff able to handle the new systems.
- Software and hardware components delivered, installed and functioning
- Operational system during the pilot test.

### Sources of Verification

- Twinning reports
- Progress reports
- Documents of acceptance of the IT system.
- Pilot test reports.

### Assumptions

- Differences concerning approach and motivation of the actors in the Hungarian health care financing system can be overcome.
- National co-finance available when required.

### Activities

- Improve information network and connections.
- Training for staff in MoF, MoH, NHIF and HCSO.
- Advising in health care financing issues.
- Advising in statistical methods.

### Means

- Twinning covenant (one PAA and short term experts).
- Service tender for NHA database creation
- international restricted tender procedure for the software.
- Purchase of IT equipment.

### Assumptions

- Trained staff can be retained for work in the required positions.
- Effective cooperation among the participating institutions.

### Preconditions

- Technical ability for the data transfer of the participant institutions.
## Detailed Implementation Chart

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<td>Twinning</td>
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<td>FWC Service contract</td>
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<td>IT supply</td>
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D: Design
T: Tendering and contracting
I: Implementation
### CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

(€ Million)

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</tr>
</tbody>
</table>

*) Only for the Phare funded components of the project.
List of Relevant Laws and Regulations

Hungarian National Programme for the Adoption of the Acquis.
Government decision No. 2064/2000 on the principles of development of financial system of the public finances and on the establishment of new organisational structure of Treasury system.
Act LXXXIII. of 1997 on the services of the compulsory health insurance complemented with the implementary government decision No. 217/1997 (XII.1.).
Act XX. of 1996 on the identity methods and use of identity codes introduced for personal identity member.
Government decree No. 75/1999 (V.21.) on the temporary rules of the operation, authority and tasks of central bodies of social insurance.
Reference to relevant Government Strategic plans and studies

1. Feasibility study for the establishment of the National Health Account

The study was prepared by the National Health Account Team of the Hungarian Central Statistical Office in 1999. The study can be found in the HCSO.

Summary

- The establishment of a solid ground for health policy, the utilisation of the public funds in a transparent manner that can be monitored by the decision makers responsible for the budget, as well as by the citizens, and also the presentation of data to the international agencies, equally call for a reliable, comparable system of data concerning the macro level developments of the Hungarian health care system (e.g. the evolution and utilisation of the financial and real resources). The data and the methods that are currently available, are unable to meet these requirements.

- Endeavours have started at the international level, under the auspices of the OECD, the Eurostat, the WHO as well as the World Bank which intend to develop internationally accepted, consistent principles and standardised methods for accounting health expenditures. “System of Health Accounts Version 1.0” was issued by the OECD in 2000, and member states are encouraged to put it into practice.

- The Central Statistical Office plans to develop the National Health Accounts in Hungary. The successful implementation needs first of all co-operation between the interested Hungarian organisations, raising financial support and to develop connections to the ongoing international efforts. In 1999, the CSO established the NHA Team, and the team elaborated a Feasibility Study for the project aimed at the implementation of the first phase of NHA.

Major tasks of the development of the NHA:

Development of the conceptual framework of the NHA

Main tasks: elaboration of basic terms, classification, "table families", evaluation criteria and other accounting rules (based on the OECD guidelines) and working out the Meta Database.

Recommendations and/or studies are needed in the following issues:

- functional classification (including: adequacy between the existing data and the NHA structure),
- delimitation between the social and the health care services, method of taking over information from social statistics,
- delimitation between the prevention and health protection within and outside health care,
- management by NHA of investments and depreciation,
- method of registration of the health care expenditures of enterprises,
- method of registration of private insurance,
- determination of NHA base tables (and supplementary tables),
- concept of the analyses that can be performed on the NHA basis,
- connections of NHA to the statistical systems of CSO.

Establishment of the NHA Database

IT conditions necessary for the development of the NHA database

- unification of the great volume of data originating from different databases, and their transformation, organisation into a new structure
- to make the sender database suitable for transferring data requested by NHA; and elaboration of the appropriate receiver partition in the IT system of CSO, as well as the elaboration of the appropriate integrator and data retrieval modules.
- enabling the multi-dimensional processing requested by NHA in a "user-friendly" manner
- continuous development possibility
integration into the IT system of CSO.

Task related to the establishment of the NHA database

- elaboration of the database concept (module contents) for NHA,
- liaising with the IT developments underway in the area of public administration,
- drafting recommendations regarding the amendment of certain partial issues of the data collections currently performed in the OSAP frames,
- going on with the mapping of the data available (NHA data sources),
- establishment of the IT conditions necessary for the establishment of NHA database (software development),
- de facto establishment of the database

NHA calculations (pilot tables)
The elaboration of the conceptual framework, the establishment of the database and the compilation of the pilot tables are performed in co-ordination with each other as an iterative procedure.

Survey of the health care expenditures of the households
The CSO plans to implement a supplementary module connected to the household survey, in 2001.

Elaboration of health financing modelling methods
Development of health financing modelling methods would be of great importance first of all from the point of view of analysis and planning. For example, to study the relationship between economic indicators and health expenditures; factors influencing health care demand and health care supply; the impact of economic conditions on health policy and to evaluate the consequences of different health policy options, etc.

Action Plan for the Twinning
Establishment of the NHA Database:
- elaboration of the database concept for NHA in cooperation with the Hungarian NHA Team
- development of a software to connect the data sources located at different institutions of public administration and the National Health Account database, to be located at the CSO
- installation of the software for the NHA at the CSO and the ´data-senders’
- training for the Hungarian experts.

The development of the database should be performed in co-operation with the activities by the Hungarian NHA Team (described in the Feasibility Study).

Identify and provide specific technical assistance to the Hungarian NHA team concerning the tasks other than development of database and modelling (described in the Feasibility Study).

The English version of the NHA feasibility study was sent to the Commission on January 2001.

2. Pre-feasibility Study for the Development of the Financing System of the Health Care

For establishing the health insurance component of the proposed project of the Ministry of Finance a feasibility study has been prepared by the consultant firm that has been involved in the IT strategy for the NHIF (Insurance Technology Ltd., H-1031 Budapest, Monostorri u. 10.). The study was finalized by 8th of January, 2001.

Summary
- Analysis of the institutional background and conditions.
- Clarification of the planned arrangements.
- Detailed action plan and timing.
- Cost breakdown for the project, including the pilot test.
- Necessary resources.
- Organisation structure of the project implementation.
- Project risk analysis.
- Assumptions for the quality assurance.

The project must fit in the process of the development of the health care financing, as a whole and be in accordance with the previous reform initiations particularly the IT Strategy of the NHIF.
The English version was sent to the commission on January 2001.

3. **IT strategy for the National Health Insurance Fund**

Preparatory study on the health insurance developments is being prepared in line with the **information strategy for the National Health Insurance Fund**. The study will assess the planned activities, schedule for implementation and risks of the present project. The study was made by the NHIF in cooperation with outside experts (Insurance Technology Ltd., H-1031 Budapest, Monostori u. 10.)

The information strategy of the National Health Insurance Fund (NHIF) was issued in the 1st of June 2000. The document aims at a cost-efficient health insurance system. It serves as a basis for establishing the integrated financial system of the health insurance, defines the main objectives and tasks for the period of 2000-2003 and gives proposals to support them by improving the IT system of the NHIF.

The main objectives laid down in the strategy are as follows:
- Systems and procedures to support the medical and financial aspects.
- Cost-efficient health services.
- Establishing the background for operating as an insurance institute.
- More effective information system on the health insurance obligations and possibilities for the clients.
- Increased transparency of the operations of the NHIF.
- The completion of the Institutional Data Mine project in order to compare the different control data.
- The introduction of an integrated financial system.
- Electronic data flow between the NHIF and the medical service providers.
- Preparation of the health insurance system and the health insurance management organisation for the EU requirements.

The strategy has laid down the importance of the financial measurement of the medical services that should make the expenditures more transparent and the introduction of the intelligent health insurance card. The statements, proposals and the activity plan of the information strategy serve as a basis for the activities planned in the 2001 Phare project proposal concerning the Development of the Financing System of the Health Care.

The English translation of the most relevant parts of the study was sent to the Commission on January 2001.
Development of the Financing System of the Health Care
HU01XX

Connection between the project and the overall health care reform

How the project fits to the overall reform in the health care sector

According to the “Government programme 1998” the present government has started and continued the overall reform of the health care sector.

The reform programme is based on the experiences and results of the restructuring process of the health care sector. Its wider objective is increasing the efficacy and efficiency of the health care services by strengthening of preventive view on an intersectoral basis. Among the hardest problems the reform tries to find the solution for the long-term stability of pharmaceutical subsidies. The budget law accepted by the Parliament for the 2001-2002 years has already given more space to set up professional priorities such as reorganizing the financing system and easing the wage problems of the sector. As a very successful pilot project, the intersectorally controlled “managed care project” would be developed.

It is well known that the overall life expectancy of any country is influenced by many factors. Comparing the Hungarian data with the more developed countries these seem very unfavourable, however Hungary spends a relatively high share of his GDP for the functioning of the health care sector. As one of the objectives of the project we want to reach real correct, detailed and useful information from the health care sector for planning a purposeful resource allocation. According to our theory, a more efficient budgetary allocation should result in rising funds.

The privatisation in health care is getting more space. Among the results of the last two years we have to mention the total privatisation of general practices. The privatisation process of more diagnostic and therapeutical fields has continued as well as their connections to other non-privatised capacities. The stabile and adequate financing incentives have been encouraging for other investors, so the total investment to the sector is growing. The government should support this process in the future, but at the same time keep the responsibility of local governments in the medical service.

Although Hungary should maintain for all of his citizens a mandatory based and relatively broad spectrum of health care services, there is a well-defined need for the economic way of looking at the operational mechanism of the sector. Because of the interest in purposefulness costs, avoiding the uncontrollable expenses and managing an efficient appropriation, the government should define clearly the interest and the possibilities both of the supply and the demand sides, at the same time distinguishing them better than before. The clear definition of roles and responsibilities among the main stakeholders (as the Ministry of Finance MoF, Ministry of Health MoH and the National Health Insurance Fund NHIF) belongs to the reform concept. It seems the only way to keep on those traditional values as mutuality, solidarity and social equity in solving the health related problems.

The basic element of on overall health care reform is working out an optimal financing system, including the control, planning and regulation of the health taxation, expenditures and accounts. One of the basic objectives of the project should be the elaboration of the information integration of the above subsystems that should assure the possibility of the increased economical transparency in the medical field.

As it is known, from the 1st of January, 2001. the National Health Insurance Fund is controlled and supervised by the Ministry of Health. It was asked by the Commission if the new status of NHIF would influence the future of the project, or cause any change in responsibilities.

As mentioned above, the change as a part of the reform was made in order to increase the NHIF’s functional efficiency and efficacy and let it work as a real insurance company. From financial aspects the responsibility of contracting mechanism with elected care-givers should stay at the NHIF (supervised by the MoH) as well as working out the priority order of financiable DRG-s (Disease Related Groups).

However we have to emphasize that because of the major role in preparing the central budget, all responsibilities in the preparation of the health care budget and the regulation of health contributions remains at the MoF. Through the supervising the Hungarian Tax and Financial Control Office (APEH) the MoF has the responsibility in controlling of collection of health contributions.
The project should help to establish an integrated information system based on the database of APEH and will be linked to the NHIF database on health care services.

Since the NHIF has been regular member of the steering committee, it is obvious that the role of the MoH should continue to increase further. Focusing on the wider objective of the project, the leading interest and responsibility of the MoF among the other participants is beyond doubt.

Public finance aspects

One of our principal objectives is working out a professional operation network, promoting efficiency in the health care system, in the interest of long-term financial sustainability of the sector. In order to achieve this well-defined reform steps are needed. Throughout the whole process attention has to be paid to the actual economic background to keep the health care costs within the bounds of economic potential of Hungary. For the development of health care sector further capital investment is needed.

Besides continuing privatisation as a possible solution, steps should be taken driving back the corruption and black market in the health care sector. As an indirect objective of the project the “gratitude payment” - estimated to about 40 Billion Forints, 160 Million euro per year, as about 10% of the operation costs of health care system - should be reinvested to the legal economy.

According to the programme of the project the government should increase the health contributions and the efficiency of medical services by linking the mandatory health insurance and the availability of revenues from the compulsory health expenditures by following the patient–routes. Without these steps it would be hard to plan the further development of the Hungarian health insurance system and the establishment of voluntary, privatised health insurance system.

The project is supported by the most powerful governmental authorities and accepted as significant part of an overall health care reform. It can be regarded as a politically independent effective programme. Although its clear objective is developing the health care financing, it can however have positive effects on the transparency and planning of the health care system.

Timetable of the health care reform measures related to the Phare project implementation:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Main Objectives</th>
<th>Document</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government health care reform programme</td>
<td>Restructuring in order to increase efficiency and transparency</td>
<td>Government programme 1998</td>
<td>Medium and long term</td>
</tr>
<tr>
<td>2. Sector strategy in the health care</td>
<td>Increase life expectancy, restructuring process, strengthening preventive view,</td>
<td>Strategic documents</td>
<td>Long term</td>
</tr>
<tr>
<td>3. Financial system reorganizing measures in the health care</td>
<td>Professional priorities</td>
<td>Budget law 2001-2002</td>
<td>Short term</td>
</tr>
<tr>
<td>4. Managed-Care Programme</td>
<td>Improving health care services, follow patient routes and financial inputs through an accounting framework</td>
<td>MoF- NHIF, included also in the budget law of 2001-2002</td>
<td>Short term</td>
</tr>
<tr>
<td>5. Development of EU conform health statistics</td>
<td>Establishing the NHA</td>
<td>NPAA</td>
<td>Short term</td>
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<tr>
<td>6. Development of the budgetary planning and implementation</td>
<td>Increase transparency and reliability of health care incomes and expenses, reduce the share of health care expenses</td>
<td>Budget law 2001-2002</td>
<td>Short term</td>
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<tr>
<td>7. Development of the NHIF</td>
<td>Increasing efficiency of health care financing</td>
<td>NHIF strategies, i.e. strategy for informatics</td>
<td>Medium and long term</td>
</tr>
<tr>
<td>8. Present Phare Project</td>
<td>Adding EU TA into the implementation of measures 3-7, assistance in the pilot investments on central and local level</td>
<td>Project fiche 2001 Project feasibility plan</td>
<td>Short term</td>
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</table>
The Hungarian Managed-Care Programme started in July 1999, by the Ministry of Finance, Ministry of Health and the National Health Insurance Fund. The initial purpose of the programme was to gain experience in running managed-care systems and to evaluate the extent to which the organisational structure succeeded in improving the care received and the health status of the participating patients.

The patients are required to have regular check-ups and changes in conditions had to be reported. Each MC group is paid a lump sum per patient. An accounting framework was created for the participating groups and monthly statements were prepared on the basis of their reported activity.

Almost 200,000 people and more than 100 medical service places are involved in the Managed-Care Programme that is expected to extend to at least 300,000 people in 2001.

The MCP is considered by the “OECD Survey on Hungary 2000” (page 147.) as an important effort to find more efficient mechanisms for delivering health care services.

An intersectoral committee formed by the representatives of the Ministry of Health, the Ministry of Finance and the National Health Insurance Fund supervises the Managed-Care Programme.

The basic rules of the MCP are set up in the following laws:

- Government decree No. 43/1999 (III.3.) on the detailed rules of the health services financed from the health insurance fund.
Indicative equipment list

The pilot system is going to be installed at 5 hospitals, 20 ambulatory cares and 100 general practitioners chosen from the Managed-Care Programme.

- Validation place: at each hospital and ambulatory care and in public places.
- POS: one POS at each general practitioner, 10-12 POS’s at each ambulatory care and hospital.

The equipments in the IT Development:

<table>
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<th>MEASURE</th>
<th>TOTAL (million euro)</th>
<th>PHARE (million euro)</th>
<th>CONFINANCING (million euro)</th>
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<td>SOFTWARE DEVELOPMENT</td>
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<td>Tax Office-Software development for personal registration</td>
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<td>HARDWARE DEVELOPMENT</td>
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<td>Local hardware</td>
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<td>Validation places (25)</td>
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<td>Patient cards (200.000)</td>
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