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National monitoring frameworks for public social spending

Hungary

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**ESPN Thematic Report on
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for public social spending**

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Summary

Monitoring frameworks for public social spending in Hungary are limited, and there is no centrally delegated mandate/responsibility for such an undertaking. Monitoring of overall public social spending relies predominantly on the obligations of the European system of integrated social protection statistics (ESSPROS) and the Classification of the Functions of Government (COFOG). Monitoring activities are performed by various public bodies, such as the Central Statistical Office (*Központi Statisztikai Hivatal*, KSH), the Hungarian State Treasury (*Magyar Államkincstár*, MÁK), the National Bank of Hungary (*Magyar Nemzeti Bank*, MNB) and the National Health Insurance Fund of Hungary (*Nemzeti Egészségbiztosítási Alapkezelő*, NEAK). Monitoring activities are fragmented, and agencies reporting on social protection expenditure follow their own routine of collecting and processing information. There are no ongoing discussions or planned reforms to change this.

As strengths of the present system, one could identify the fact that the revenue and expenditure of the Pension Insurance Fund (PIF) and the Health Insurance Fund (HIF) are published monthly, with a two-month delay. The source distinguishes between pensions, cash benefits paid by HIF (such as sick pay, insurance-based family benefits, disability and rehabilitation provisions) and health care in kind (curative and palliative care, subsidies for medicines and medical devices). Further details on healthcare services by type of intervention (including primary care, outpatient care, hospital care, home nursing care and other smaller categories) are available on the homepage of HIF (with a similar time lag). MÁK (the Treasury) releases information on the monthly balances of social security funds. The healthcare section of the KSH contains tables on expenditure, broken down by the source of the funding and, within that, by function. Public expenditure on curative and palliative services and prevention is detailed further, according to the accounting structure of the healthcare administration. The social protection tables of the KSH break down expenditure by ESSPROS function, in terms of purchasing power standards (PPS) per capita and as a percentage of GDP, and by type (means tested vs non-means tested and cash vs in kind). Data on family benefits are disaggregated by benefit type. The tables also cover public spending on sick pay, pensions by benefit type (old-age, survivor's, disability) and old-age pensions as a percentage of the average wage. KSH's main social protection tables are updated twice a year. Specific tables providing annual data on various services and benefits are updated yearly, within eight months of the end of the reference period. The tables that contain monthly updates on childcare and family benefits, sick pay and newly established pensions follow the reference period, with a lag of six to eight weeks.

As a weakness of the system, it should be mentioned that Hungary has no all-encompassing framework aimed at monitoring the efficiency and effectiveness of public social expenditure. Effectiveness or efficiency indicators are published sporadically. Disproportionately more information is available about the inputs (such as benefits, services and service providers) than about the outputs (that is, the effects on recipients and beneficiaries). That would require analysis based on individual data, which are increasingly becoming available to the administration, but are not publicly accessible.

Several sources of information are available, on which a comprehensive system could be built to monitor the effectiveness and efficiency of social spending. The efforts of the social insurance authorities to digitalise the processes and create a paper-free administration have resulted in databases that are increasingly becoming data warehouses, which would allow faster and more thorough monitoring. For the time being, though, only a fraction of this potential has been mobilised. Access to data warehouses and to the results of the analysis they serve is strictly limited.

1 Country-specific monitoring frameworks for public social spending

1.1 Country-specific dedicated monitoring framework(s)

Hungary does not have a general framework for monitoring public social expenditure, and there is no institution or agency with a specific mandate for such an activity. Monitoring activities are performed by various public bodies, such as the Central Statistical Office (*Központi Statisztikai Hivatal*, KSH), the Hungarian State Treasury (*Magyar Államkincstár*, MÁK), the National Bank of Hungary (*Magyar Nemzeti Bank*, MNB) and the National Health Insurance Fund of Hungary (*Nemzeti Egészségbiztosítási Alapkezelő*, NEAK).

KSH regularly updates its data tables on various fields of social and economic statistics; one of those is devoted to health care and another to social protection.

The focus of the **healthcare** section is the state of health of the population and healthcare provision. Data on expenditure are available for the period 2003-2019, broken down by the source of funding (government, voluntary healthcare finance, households) and, within that, by function (curative and rehabilitative hospital services, outpatient services, long-term care, supplementary services, medicine, medical devices, prevention). Public expenditure on curative services and on prevention is detailed further for the years 2000-2020, according to the accounting structure of the healthcare administration: spending on general practitioners, child nursing care (*védőnői szolgálat*), dental care, patient transport, emergency services, outpatient care, CT and MRI services, dialysis, home nursing care and hospital care.

The **social protection** tables break down expenditure by ESSPROS function in terms of purchasing power standards (PPS) per capita and as a percentage of GDP (1999-2019), and by type, such as means tested vs non-means tested and cash vs in kind (1999-2019). Data on family benefits are disaggregated by benefit type (1995-2020); social cash benefits are disaggregated by benefit type (2000-2020). Data on sick leave (number of working days on sick leave, the average daily number of people on sick leave, the amount paid for sick leave) are available for 1996-2020.). The tables also cover public spending on sick pay disaggregated by type (for industrial accidents and occupational diseases and child-nursing sick-pay (1990-2020), pensions by benefit type, such as old-age, survivor's, disability (2000-2021), and old-age pensions as a percentage of the average wage (2000-2020).

The tables are accessible on the main webpage of KSH, in both Hungarian and English.

The website of **MÁK**, the Treasury, releases information on the monthly balances of social security funds. Old-age pensions and survivor's benefits are paid by the Pension Insurance Fund (PIF), whereas disability pensions, childcare allowances and sickness benefits (including benefits for accidents) are paid from the Health Insurance Fund (HIF). The two funds used to have their own separate frameworks. However, the frameworks monitoring cash benefits were merged in 2016 and integrated into MÁK in 2017. The monthly balances cover public expenditure on pensions, cash benefits paid by HIF (such as the infant care allowance (*csecsemőgondozási díj*, CSED), sick pay, childcare allowance (*gyermekgondozási díj*, GYED), disability and rehabilitation benefits) and benefits in kind, also financed by HIF, such as spending on curative and preventive care, medicines and medical devices.

MÁK also operates the **National Social Information System** (*Országos Szociális Információs Rendszer*, OSZIR), an IT system with a modular structure. Some of its modules contain data on administrative processes, such as licensing and the establishment of eligibility, but others can be applied in monitoring expenditure. The New System of Pension Payment (*Nyugdíjfolyósítás Új Rendszere*, NYUFUR) contains information on **benefit payments**. The process-generated data used to be published annually by the then-separate pension administration in the Pensioners Statistics (*Állománystatisztikai adatok*). That publication provided the distributions by benefit type, gender, age group, year of

retirement and amount of benefit, but it was discontinued when the pension administration was integrated into MÁK (the last release was in 2017). The insurance-based cash benefits financed by HIF (CSED, GYED, sick pay) were mentioned above. **Universal cash benefits** (such as family allowance (*családi pótlék*), childcare leave (GYES) and the maternity allowance (*anyasági támogatás*)) are monitored by the Lifecourse Support Data System (*Támogatási Életút Bázis Adatok, TÉBA*). The **use of in-kind social services** – such as social catering, including meals-on-wheels services, home care, day care for seniors, people with disabilities and homeless persons, nursery care for children and homes for the elderly – is monitored through the Central Electronic Register of Beneficiaries (*Központi Elektronikus Nyilvántartás a Szolgáltatást Igénybevevőkről, KENYSZI*). It allows for those services specified by Act 3/1993 on Social Administration and Social Services to be tracked in terms of day-to-day capacity and by case. KENYSZI is maintained to monitor budget funding and is the primary source of monitoring, analysis and policy planning in the field of in-kind services. The Cash and In-Kind Benefits System (*Pénzbeli és Természetbeni Ellátások Rendszere, PTR*) contains data on **decentralised social services and benefits**. The PTR offers a framework for monitoring regular child protection benefits, municipal allowances and cash and in-kind benefits (e.g. employment substitution allowance) that are assessed and paid by the district office.

The monitoring capacity of these OSZIR modules is used by MÁK and, on request, by ministries and government agencies. However, availability for other parties is limited.

The **NEAK** website gives detailed information on public healthcare expenditure on curative and preventive care (and within that, on outpatient and hospital care) by territorial unit (including postcode level) and service type, applying indicators of healthcare finance such as diagnosis-related groups and case-mix indices, and the codes of the International Classification of Procedures in Medicine (in the case of outpatient services). The site also provides detailed monthly data (with a two-month delay) on case numbers and healthcare expenditure separately for essential services (including general practitioners) and specialist services, as well as data on subsidies for medicines and medical devices. The case numbers are assigned to case costs, and so the site can be used to monitor public spending.

Data on healthcare investments are published annually on the website of the National Directorate General for Hospitals (*Országos Kórházi Főigazgatóság, OKFŐ*).

MNB publishes quarterly data on its website on the voluntary supplementary pension and voluntary supplementary health funds. Data are available on the number of members, membership fees and other revenue, accumulated reserves, portfolios and the services provided. The same site also contains information on the remaining mandatory pension funds.

The Yearbook of Welfare Statistics (*Szociális Statisztikai Évkönyv*) is published annually by the KSH at the end of each calendar year. It contains data on the previous year, in both Hungarian and English. The tables are mostly broken down by benefit or service type, regional details (typically at the NUTS3 level) and the characteristics of service providers. If at all, beneficiaries are classified by gender, settlement type and (sometimes) age group.

The Yearbook of Healthcare Statistics (*Egészségügyi Statisztikai Évkönyv*) used to be published annually by the KSH. It painted a comprehensive picture of the operation of national health care, medicine supply, long-term care and numerous other related fields. Health economic data and some key international indicators were also presented. However, its publication has been discontinued. There was some overlap between the KSH Yearbook and the Statistical Yearbook of NEAK, the national health fund. The latter is still published, but the KSH Yearbook has been replaced by the Healthcare Panorama (*Egészségügyi helyzetkép*).

Indicators of sustainable development are presented on the website of the KSH as well as annual evaluations of them (the most recent being KSH 2021b). Another regular, comprehensive publication is Hungary in Numbers (KSH 2021c), which targets the wider public.

1.2 Separate monitoring framework(s) linked to schemes provided by employers

Except for one single occupational pension provider of marginal importance, there are no social insurance schemes organised by employers. This provider is supervised by the National Bank, but the resulting data are not covered by the MNB's monitoring framework.

1.3 Distinction between current expenditure and capital expenditure

Current expenditure and capital expenditure are separated in the National Accounts. Publicly available statistics on public social spending totally ignore capital expenditure. As mentioned above, data on healthcare investments are available on the OKFŐ website.

1.4 Type of monitoring: level and outcomes

Information is scarce on such outcomes as coverage rates, poverty reduction, inequality mitigation, health improvements, effects on fertility and activation capacity.

The KSH focuses on aggregate spending and per capita levels, but outcomes such as pension coverage (number of recipients, including beneficiaries of all pensions and pension-like payments, as a percentage of the total population) and the overall replacement rate (average benefit as a percentage of the average net wage) are also regularly released. In addition, an annual publication by KSH – The Quality of Life of Households – contains data on poverty and inequalities (for further details, see Section 2).

The public MÁK data contain only aggregates by benefit type, but administrative datasets can be (and are) used for more detailed analysis of the outcomes. The results of this monitoring activity are not published.

NEAK data are typically broken down by type of intervention or provision. One outcome type of information on health care published by NEAK deals with waiting lists (average waiting time in days) for various interventions.

Social Portal, a public website that was taken over by the National Institute for Social Policy (*Nemzeti Szociálpolitikai Intézet*) in 2021, used to provide monthly information on waiting lists in social care. However, it was discontinued in 2019.

MNB data are limited to the number of members of voluntary funds, membership fees, portfolios and assets. They do not provide outcome information.

1.5 Level of granularity of public social spending

The KSH data on public health are published annually and give social expenditure in nominal terms. Social protection expenses broken down by function are given in terms of purchasing power (PPS/capita) and as a percentage of GDP (aggregate figures). Data broken down by type are provided in nominal terms. Per capita benefits are available for social cash benefits and pensions.

The MÁK tables contain nominal budgetary information in broad categories.

NEAK releases information on case numbers and case costs, in accordance with the accounting structure of the healthcare administration (see the categories in Section 1.1).

The MNB data on voluntary funds contain financial information at the sector level (separately for pension funds and health funds).

1.6 Breakdown of public social spending

The discontinued Statistical Yearbook of the pension administration and the annual release of Pensioners' Statistics (available for 1997-2017) included details by benefit type, age group, gender and the amount of benefit, in various combinations. The KSH publishes only

one table of Pensioners' Statistics: beneficiaries categorised by gender and benefit brackets.

The KSH Yearbook of Welfare Statistics and the NEAK Statistical Yearbook contain data by age group for several benefits or services, such as the number of persons entitled to healthcare services, sick-pay recipients, patient turnover at general practitioners, recipients of day care, residents of residential homes, and average earnings of beneficiaries of infant-care allowance and childcare allowance.

1.7 Timing and public accessibility of data

The MÁK tables on revenue and expenditure of the Pension Insurance Fund and the Health Insurance Fund are published monthly in nominal terms (with a two-month delay).¹ The tables of this monthly publication differentiate between pensions, cash benefits by HIF (such as sick pay, insurance-based family benefits, disability and rehabilitation provisions) and health care in kind (curative and palliative care, subsidies for medicines and medical devices).

Further details on healthcare services by type of intervention (including primary care, outpatient care, hospital care, home nursing care and other smaller categories) are available (with a similar time lag) on the homepage of NEAK.

The other sources listed in Section 1.1 provide yearly expenditure data, although the main social protection tables of KSH on services and provisions are updated twice a year. Specific tables providing annual data on various services and benefits are updated annually, within eight months of the end of the reference period. The three tables containing monthly updates on beneficiaries of childcare and family benefits, sick pay and newly established pensions follow the reference period, with a delay of six to eight weeks.

1.8 Subnational frameworks

The KSH Yearbook of Welfare Statistics contains information on beneficiaries (but not expenditure) by region, at the second and third levels of the Nomenclature of Territorial Units for Statistics (NUTS2 and NUTS3).

The PTR module of the administrative data system of MÁK collects information on decentralised social services and benefits provided by local government. In the past, these decentralised schemes were recorded separately, and it was difficult to gain up-to-date and comparable information about them. Since 2014, a general platform has been used for the administration of such services, and the data generated through the administrative processes have been stored by MÁK. These data are not publicly available.

The NEAK website gives detailed information on public healthcare expenditure on curative and palliative care (and within that, on outpatient and hospital care) by territorial unit (including postcode level).

The MNB monitoring framework does not contain regional data.

¹ http://www.allamkincstar.gov.hu/hu/koltsegvetesi-informaciok/koltsegvetes_merleg_4/225/

2 Reporting/review tools for public social spending

Hungary has no all-encompassing framework to monitor the efficiency and effectiveness of public social expenditure, and there is neither any ongoing discussion nor any planned reform to alter this. There is also no concept of effectiveness as being the achievement of social objectives through specific policy measures. The country does not maintain any research centres, institutes, think tanks (or any equivalent) that specialise in systematically and comprehensively analysing, monitoring and evaluating social policy. Existing centres usually lack core funding and rely on special-purpose funds that do not enable the regularity needed for consistent monitoring. Programmes, proposals and reforms often lack any proper assessment of resources and potential outcomes. Background calculations and preparations are frequently short on transparency.

As mentioned above, public data sources are primarily based on mandatory reporting by agencies, service providers and employers, and provide aggregate data. Effectiveness or efficiency indicators (or their information base) are published only sporadically and do not go beyond the COFOG/ESPROSS obligations. Disproportionately more is available about services and service providers than about recipients and beneficiaries. The latter would require analysis based on individual data, which are increasingly becoming available to the administration, but are not publicly accessible.

An annual KSH publication – The Quality of Life of Households (see the latest, KSH 2021a) – contains data on the most recent trends in poverty. It presents the change in the rates of those at risk of poverty or social exclusion (AROPE) not only for the whole population, but also for several groups (by household type, ethnicity) and inequality measures; but it is not directly linked to spending.

Another KSH publication – Pensions and Other Benefits – includes information on coverage, the income-replacement potential of pensions, average benefits by gender and type of benefit, as well as new entries also by gender and type. This book is not published every year.

The State Audit Office (ÁSZ), 'the guardian of public funds ... evaluates and analyses the use of public money'.² However, its analyses are primarily related to the budget, and only occasionally include any direct mention of social protection expenditure (e.g. ÁSZ 2020, with reference to the pension scheme). Although at times reports do focus on issues such as poverty (e.g. during the COVID-19 pandemic, ÁSZ 2021), the link to social spending is indirect.

In the past, efforts were made to create comprehensive systems to monitor efficiency, but these were later discontinued. Between 2013 and 2016, a working group was tasked with monitoring the efficiency of the healthcare system: it developed a complex indicator system and produced a comprehensive report of over a thousand pages (ÁÉEK 2016). This was to have been the first in a series, but the exercise has not been continued.

Albeit with a significant delay, individual-level data are released for academic research. The Economic and Regional Studies Research Centre (*Közgazdaság- és Regionális Tudományi Kutatóközpont*, KRTK) maintains the Merged Administrative Panel Dataset (*Kapcsolt Államigazgatási Panel Adatgyűjtemény*), which matches individual-level data from the health and pension administrations, the tax authority, and the employment and education offices. The most recent update, soon to be available to the general research community, takes us to 2017. It could be added that there are further limitations on access to individual-level data. For example, the common elements of the European Union Statistics on Income and Living Conditions (EU-SILC) survey are supplemented with additional questions, including on ethnicity. This significantly enriches the survey, providing regular structured information on the situation of the Roma minority. However, academic researchers usually gain access to the EU-SILC micro-data from Eurostat, rather than from

² <https://www.asz.hu/en/about-us>

KSH, and the Eurostat database includes only the common part of the survey, not the additional questions. This could be improved if KSH were to improve access to its database for academic research or if Eurostat requested the full database of the EU-SILC survey, and not just the common elements.

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