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SUMMARY

of the Audit on the Utilisation of the Funds Provided for the Operation of Hospital Care (13012)

Objective and scope of the audit

The State Audit Office of Hungary (SAO) assessed twenty hospitals, focusing on whether in the period between 2009 and the first six months of 2012 operating expenditures were ensured by revenues and liabilities were covered by funds. The objective of the audit was to evaluate which factors contributed to the changes in the hospitals' financial situation and how, whether equilibrium was ensured in their financial management, whether there were internal measures aimed at establishing equilibrium and whether the recommendations of earlier SAO audits on hospital operation were utilised.

In the case of hospitals, the SAO analysed financial equilibrium using an accrual-based procedure, the so-called CLF method. As part of this method, we analysed revenues and expenditures generated during operation and accumulation activities as well as their balances in a consistent manner, separately from one another.

Main findings

The financial equilibrium of the audited hospitals was not ensured in 2009; aggregate expenditures exceeded total revenues by HUF 10.3 billion. The financial equilibrium improved in 2010 and 2011, with the difference between revenues and expenditures increasing from a deficit of HUF 3.4 billion in 2010 to a surplus of HUF 1.9 billion in 2011. This improvement was the result of the increase in performance-based grants from the National Health Insurance Fund, measures aimed at increasing own revenues and decreasing expenditures, as well as consolidation grants. All this, however, was insufficient to establish the equilibrium of financial management and to uphold it in the long-term at all audited hospitals. Financial equilibrium was not ensured in the case of any of the 20 hospitals in 2009, 18 in 2010 and 10 in 2011.

Between 2009 and 2011, the amount of revenues, primarily provided by the National Health Insurance Fund to finance the operation of audited hospitals increased steadily, at the same time, however, the funding of hospital care, excluding the inflation effect, dropped by 6%.

The operating expenditures of audited hospitals also increased continuously. The aggregate amount of personnel expenditures and the contributions imposed on employers, however, decreased; primarily as the result of staff reduction and the freezing of recruitment. The failure to replace missing medical and health-professional staff improved the financial situation of hospitals, at the same time, however, represented a risk in healthcare provision. Material expenditures (e.g. procurement of pharmaceuticals, expenditures related to hospital operation) increased, despite audited hospitals taking austerity measures in order to decrease expenditures.

Of the 20 hospitals audited, 18 in 2009, 16 in 2010 and none in 2011 had sufficient funds for investments and renovations. The funding received from the National Health Insurance Fund did not contain funding for the replacement of instruments. The SAO found that hospitals financed developments using operating revenues, endangering the safety of operation, at the same time, however, failed to replace instruments corresponding to amortisation.

Hospitals applied different accounting methods and various economic approaches to book economic events. It is for this reason that their revenues, expenditures and coverage amounts differ in terms of content. The actual expenditures of the various healthcare services are unknown as the prime costs of these may be taken into account by hospitals independent of their local expenditures, and in an amount equivalent to the amount of social security financing based on average cost-intensity and standard fees. This allows hospitals, on the basis of statutes, to become exempt from prime cost calculation obligations, prime cost determination and the continuous monitoring of prime cost development.

More than half of the liabilities of audited hospitals were trade payables. In order to reduce overdue debts, the hospitals received consolidation grants from the Hungarian State. As a result, the total amount of overdue trade payables of the audited institutions decreased from HUF 8.4 billion in 2009 to HUF 7.8 billion in 2011, however, by the first half of 2012 increased again to HUF 8.1 billion. The consolidation grant improved the financial situation of the given year only, while it failed to eliminate the reason for and the reproduction of this deficit. The liquidity problems and payment delays remained.

In spite of the recommendation made by the SAO during its earlier audit and the mandate provided by the Act on the Services of the Compulsory Health Insurance System, the rules pertaining to other amenities available as part of healthcare provision were not defined in detail by the competent Minister.

Recommendations

The SAO recommended the Minister of Human Resources to initiate the elimination of exemption from prime cost calculation obligations in the case of human healthcare services, as well as issuing operator measures that would ensure the determination of the prime cost of services offered by hospitals regardless of their form of operation and according to a consistent and comparable calculation method. Furthermore, the SAO also recommended the Minister to define the rules pertaining to other amenities available as part of healthcare provision. Due to the lack of financial equilibrium of operation in 2011, we recommended that the heads of the five hospitals concerned assessed the opportunities of increasing revenues and reducing expenditures, prepared action plans to establish and maintain financial equilibrium of operation and supervised the implementation of this plan.