



## Health Reform Monitor

# The role of the European Structural and Investment Funds in Financing Health System in Lithuania: Experience from 2007 to 2013 funding period and implications for the future<sup>☆,☆☆</sup>



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## ABSTRACT

European Structural and Investment Funds (ESIF) are a major source of investments in the newer EU member states. In Lithuania's health sector, the amount for the 2007–2013 funding period reached more than €400 million. In this paper we aim to (i) identify the key areas in the health sector which were supported by ESIF, (ii) determine the extent to which ESIF assisted the implementation of the ongoing health system reform; and (iii) assess whether the use of funds has led to expected improvements in healthcare. We review the national strategic documents and legislation, and perform calculations to determine funding allocations by specific area, based on the available data. We analyse changes according to a set of selected indicators. We find that implementation of programmes funded by the ESIF lacks formal evaluation. Existing evidence suggests that some improvement has been achieved by 2013. However, there are persisting challenges, including failure to reach a broad agreement on selection of health and healthcare indicators, lack of transparency in allocations, and absence of coherent assessment measures of healthcare quality and accessibility.

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## 1. Background

In Lithuania, as well as in other member states which joined the EU after 2004, European Structural and Investment Funds (ESIF) became a major source of financing [1]. In 2007–2013, the scale of ESIF support in Lithuania amounted to almost a quarter of the country's national annual budget, exceeding €7 billion [2]. The EU structural and investment assistance was then allocated in accordance with the national EU Structural Assistance Strategy under three major operational programmes: Economic Growth, Development of Human Resource, and Promotion of Cohesion [3]. Ten national ministries, including the Ministry of Finance, are in charge of administering the ESIF funds' allocations in the country. A major

part of the ESIF allocations within the health sector was conducted under Promotion of Cohesion programme and administered by the Ministry of Health [4]. The funds were then allocated to five distinct areas:

- Reduction of morbidity and mortality due to cardiovascular diseases (CVDs);
- Early diagnostics and appropriate treatment of cancers;
- Reduction of mortality due to traumas and other external causes of death;
- Optimization of infrastructure of mental health care services;
- Continuity of the health care system reform, which included the development of outpatient care, optimization of inpatient care, and improvements in public health.

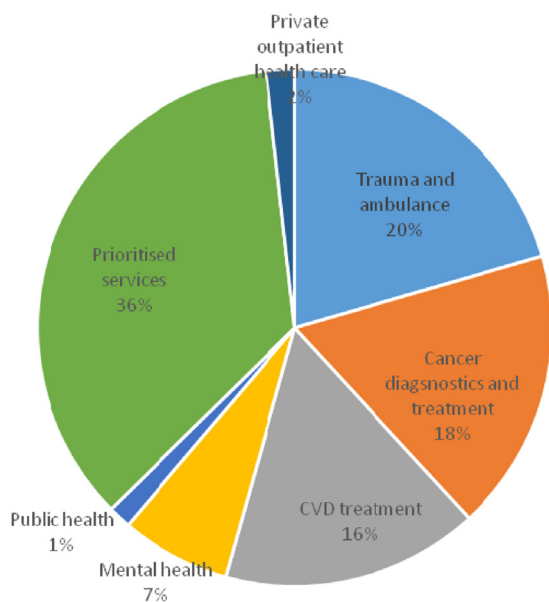
According to the situation analysis performed prior to the funding allocation for health sector, Lithuania was facing a number of challenges, including a lack of progress in increasing life expectancy, high levels of risk behaviours and health hazards (e.g. alcohol consumption, drug addiction, traffic accidents), imbalance in the use of inpatient and outpatient services, as well as the lack of administrative capacity. However, these were not explicitly linked with the allocation areas named above. In addition, there also was

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**Fig. 1.** ESIF allocations administered by the Ministry of Health to health providers, by areas of service (%).

Source: authors' calculations based on the data from the detailed ESIF statistics [5].

no single national strategy on how to implement the ESIF funding in 2007–2013.

In this paper, we review national strategic documents and legislation, and perform calculations to quantify the scale of funding allocations in specific areas, based on the available data. We analyse changes according to a set of indicators selected by the Ministry of Health, where appropriate. We aim to (i) identify the key services in the health sector which were supported by ESIF, (ii) determine the extent to which ESIF assisted the implementation of the ongoing health system reform; and (iii) assess whether the use of funds has led to expected improvements in healthcare.

## 2. Funding allocation and policy implementation

In 2007–2013 the total allocation to the health sector reached almost €423 million (more than a quarter of annual public expenditure on health), with 66% of the total support being brought under the mandate of the Ministry of Health (Table 1). The Ministry of Economy was responsible for 14% of the total funding through the investments in renovation of buildings. A further input of 10% came from the Ministry of Labour and Social Security. Major portion of funding support (80%) was directed to health service providers to modernize health infrastructure. Training and e-health were other two areas, with 8% and 6% of the funding, respectively.

In total €280 million administrated by the Ministry of Health has been allocated to health providers. The money were directed towards 12 packages of investments to improve service provision based on the five areas identified in Operational Programme.

Fig. 1 shows that services prioritized in the ongoing healthcare reform, which include day care, outpatient rehabilitation, nursing and terminal care, received 36% of the total funding (€100 mln), followed by treatment of injuries and ambulance (€58 mln), cancer diagnostics and treatment (€49 mln), treatment of CVDs (€45 mln), mental health services (€19 mln), outpatient services delivered by private specialists (€5 mln) and public health activities – according to institutional designation to public health bureaus (€4 mln).

Furthermore, investments for expanding the services prioritized in healthcare reforms reached the largest number of public healthcare providers – 110; an average amount per provider varied from

around €100 thousand (public health) to over €3 million (trauma and ambulance services as well as cancer treatment). Analysis of the funding allocation data shows that major hospitals received substantially larger investments by participating in larger number of projects (six to eight), while smaller providers typically undertook one or two projects. In total, 332 health service providers received ESIF support, a number which considerably exceeds the planned allocation for 110 health providers. In addition, 2.2 million patients potentially benefitted from the ESIF in 2007–2013 [6].

At the same time, there were substantial variations in average allocation per patient across different services. The highest spending per patient was for the development of infrastructure for treatment of cancer (around €9 thousand), often involving the procurement of expensive modern equipment. At the same time, mental health services also attracted high spending, particularly day-care and crisis centres (around €2 thousand per patient).

Another area of ESIF financing (€43 million) was aimed to support professional medical training and improve administrative capacity of the Ministry of Health staff. Of these, €34 million from the Ministry of Social Security and Labour, as well as the Ministry of Education were spent largely on training for medical professionals, and €10 million from the Ministry of Internal Affairs were allocated for improvement of public administration functions (Table 1).

Two other areas of expenditure, exceeding €87 million in total, should also be considered as further investments in the health sector. These are subsidies for E-health projects carried out under the responsibility of the Ministry of Internal Affairs, and investments in renovation of healthcare facilities seeking to reduce energy consumption, administered by the Ministry of Economy. Through the latter, around 80 public healthcare facilities received an average of €760 thousand for building renovations. €10 million were allocated by the Ministry of Social Security and Labour to the integrated social and health care initiatives on treatment and rehabilitation of drug users. A further small amount (totaling €200 thousand) was allocated towards the health sector evaluation programmes and projects.

According to the investigation conducted by the Public Health Innovation and Research in Europe (PHIRE), Lithuania was one of the two EU member states (together with Estonia) who reported active use of the ESIF for public health research, with six projects approved in 2007–2013 [7], with some of the finding being reported as used for research in “administrative capacity and efficient public administration” [8].

## 3. Outcomes and impact

There is a lack of sound impact evaluation of investments to health sector from the ESIF, partially due to absence of meaningful indicators, but also for other reasons, discussed below. The situation analysis [4] produced a peculiar selection of indicators to establish and monitor the areas of the main health and healthcare concern (Table 2). At baseline in 2004 there were substantial unfavourable differences between Lithuania and the EU averages in terms of both health outcomes and healthcare service indicators [9]. By the end of the assessment period in 2013 improvements have been achieved in reducing the number of hospitals, while gaps in the number of hospital beds and health expenditure between Lithuania and the EU average remained wide. However, a lack of coherence between the established output indicators and the target values should be noted. Improvements of provider infrastructure for cancer, CVDs and mental health did not and could plausibly not result in immediate reduction of general mortality, or increasing life expectancy, therefore it is not possible to infer a direct link between these investments and measures selected. Furthermore, two other indicators were used to monitor ESIF implementation

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