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Auditing Healthcare Funds: Recent Findings

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Abstract: *Auditing – in all its forms – is of particular importance to ensure efficient, transparent and accountable management of health funds and to ensure the provision of quality medical services to patients. The authors, through the present work, reveal - based on the study of specialized literature and reports issued by some specialized institutions - that both internal and external public audit is intended to prevent fraud, thus protecting resources and ensuring the provision of medical services of quality for patients, but also to help identify errors in the funds management process, so that they can be properly corrected and thus ensure an efficient management of resources intended for health insurance in Romania. Equally important is the fact that the audit contributes to increasing transparency in the use of health funds, improving the performance of the health system and ensuring compliance with the rules and regulations in force regarding the management of health funds, so as to avoid unnecessary expenses and ensure the provision of quality medical services. The structure of this paper includes, following this introductory part (1): Management of health insurance funds and ensuring the financing of medical services in Romania (2); Findings of the external public audit regarding the management of health insurance funds (3) and Conclusions (4).*

Keywords: *effective management; enforcement of health and financial legislation; internal/ external public audit.*

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1. INTRODUCTION

The funds intended for health insurance in Romania mostly come from the Romanian taxpayer, who is charged by law with the payment of certain sums of money, at regular time intervals. They are collected by the National Fiscal Administration Agency and are used to finance the health system.

There are also other sources of financing the health system, such as taxes on medical products, taxes on tobacco and alcoholic beverages or financing from European funds. From an institutional perspective, the National Health Insurance House (CNAS) plays a vital role in ensuring the financing and functioning of the national health system and aims to improve the health status of citizens (Doboş, 2008; Constantinescu, 2007; Vlădescu, 2004).

Control of public health funds is very important in Romania for several reasons. First, ensuring public health is an essential component of developing a healthy and prosperous society. This control ensures to a high degree the efficient use of resources and their fair distribution, so that all citizens can benefit from quality medical services. Secondly, the expenses in the field of health are appreciably high - respectively 73.8 billion lei in 2021, being borne in different proportions by the CNAS and the Ministry of Health (Figure 1) - and it is expected that they will continue to increase.

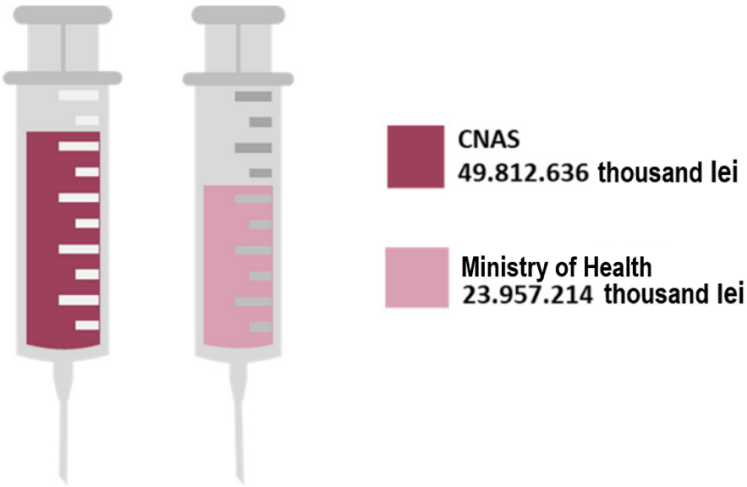


Figure 1. Expenditures made from public funds for financing the health sector (CCR, 2022)

In this context, the control of public health funds becomes essential to prevent fraud and abuse and to ensure transparency and financial accountability in the use of these funds. In addition, an adequate control of them can contribute to improving the quality of medical services and access to them. By monitoring and controlling health sector expenditures and evaluating their effectiveness, problems affecting the health system can be identified and remedied, and measures can be taken to improve health services for citizens.

Therefore, control of public health funds is essential for ensuring a fair and efficient distribution of resources, preventing fraud and abuse, improving the quality of medical services and access to them, and ultimately for building a healthy society.

That is why the authors designed the work in the following structure: Introduction (1); Management of health insurance funds and ensuring the financing of medical services in Romania (2); Revenues and expenses related to the Single National Social Health Insurance Fund (2.1) Internal control of the National Health Insurance House: control, anti-fraud and public audit activity. Recent results (2.2); Findings of the external public audit regarding the management of health insurance funds (3) and Conclusions (4).

2. MANAGEMENT OF HEALTH INSURANCE FUNDS AND ENSURING THE FINANCING OF MEDICAL SERVICES IN ROMANIA

CNAS is the central public institution in Romania, responsible for managing health insurance funds and ensuring the financing of medical services for all insured citizens (RP, 2006). The main role of CNAS is to ensure equitable access to quality medical services for all citizens who contribute to the national health insurance system. CNAS finances medical services from funds collected through health insurance contributions, as well as from other public funding sources.

In addition, CNAS - beyond the fact that it has to collaborate with medical service providers and public authorities to improve the quality and accessibility of medical services, but also to promote prevention and education in the field of health - has the responsibility to monitor and control expenses in the health system, as well as to ensure their transparency and efficiency.

II.1. REVENUES AND EXPENSES RELATED TO THE SINGLE NATIONAL SOCIAL HEALTH INSURANCE FUND (FNUASS)

In this section, we refer only to a few elements of the execution of the 2021 FNUASS budget (CNAS, 2022). Thus, starting with income - we show that in accordance with the provisions of art. 265, para. (1) and (2) from Law no. 95/2006 regarding health reform (RP, 2006), FNUASS is formed from: (i) contributions of natural persons; (ii) the amounts distributed to the fund from the insurance contribution for work, according to art. 220^6 para. (4) letter d) of the Fiscal Code (RP, 2015); (iii) subsidies from the state budget; (iv) interest, donations, sponsorships, income obtained from the exploitation of the assets of CNAS and insurance companies or other income; (v) amounts from the Ministry of Health's own revenues.

According to art. 156 of the Fiscal Code (RP, 2015), the social health insurance contribution rate is 10% and is owed by natural persons who are employees or for whom there is an obligation to pay the social health insurance contribution. In 2021, in accordance with the provisions of art. 220^6 para. (6) from Law no. 227/2015 regarding the Fiscal Code (RP, 2015), from the labor insurance contribution collected to the state budget, a share of 22% was distributed monthly, until the end of the current month - being FNUASS income intended for the payment of medical leaves.

The FNUASS budget - including the two additions through rectification (with the amount of 2.604 billion lei according to Government Emergency Ordinance (EOG) no. 97/2021 and with the amount of 2.55 billion lei according to GEO no. 122/2021), is presented according to Table 1.

Table 1. The FNUASS budget for 2021 (thousand lei) (CNAS, 2022)

Indicators	Budget credits - year 2021, according to Law 15/2021	Influences according GEO 97/2021	Influences according GEO 122/202	Amounts used from the surplus the previous year for making expenses	Budget credits updated - year 2021
TOTAL INCOME, from which:	44,824,361	2,604,003	2,550,000	97	9,978,364
Health income	42,024,361	1,804,003	2,350,000	0	46,178,364
Income from social assistance	2,800,000	800,000	200,000	0	3,800,000
Foreign Funds Revenue Grants	2,285	0	0	97	2,382
EXPENSES-TOTAL, from which:	44,826,646	2,604,003	2,550,000	0	49,980,649
Health expenses	41,941,108	1,800,000	2,350,000	0	46,091,108
Insurance expenses and social assistance	2,800	800,000	200,000	0	3,800,000
External funds Grants	85,538	4,003	0	0	89,541

At art. 271 para. (1) lit. a) and para. (2) from Law no. 95/2006 (RP, 2006), it is stipulated that "the sums collected under the conditions of art. 265 para. (2) is used to pay the costs of medical services, medicines, sanitary materials and medical devices", including those stipulated in international agreements related to health, to which Romania is a party. Also, this amount is used to pay sick leaves.

For example, in 2021, of the total expenses incurred by CNAS from the FNUASS budget (CCR, 2022), over two thirds represent costs related to materials and services of a medical nature, such as pharmaceutical products, drugs for the treatment of chronic diseases, medical services of hemodialysis, medical devices and equipment, ambulatory medical services, nursing and emergency services (Figure 2).

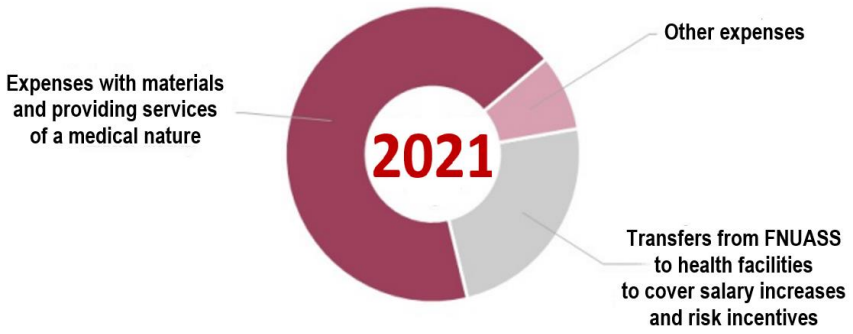


Figure 2. Structure of expenses incurred by CNAS (2021) from the FNUASS budget (CCR, 2022)

II.2. INTERNAL CONTROL OF THE NATIONAL HEALTH INSURANCE HOUSE: CONTROL, ANTI-FRAUD AND PUBLIC AUDIT ACTIVITY. RECENT RESULTS

The control, anti-fraud and internal public audit activity is carried out at the level of the General Directorate of Control and Anti-fraud within the CNAS, the basis of this activity being the orders of the president of the institution (RP, 2006; RG, 2006). The actions carried out aim at the good financial management of FNUASS as well as protecting the interests of the insured.

In 2021, 12 control actions were carried out at health insurance companies, as well as 23 control actions at providers of medical services, medicines and medical devices (CNAS, 2022). The control of the suppliers in question - carried out by the territorial CAS (9,593 actions) - resulted in the recovery of amounts illegally collected by them of over 16,622 million lei.

Regarding the exercise of the internal public audit, as a "functionally independent and objective, assurance and advisory activity, designed to add value and improve the activities of the public entity" (RP, 2002), at the CNAS level, various public audit missions take place continuously internal. In 2021, the mission with the theme "Evaluation of the corruption prevention system" was carried out. Within it, three preventive measures of maximum importance were addressed - conflicts of interest; incompatibilities; prohibitions after termination of employment in public institutions.

Regarding the follow-up of the implementation of the recommendations formulated by the internal public audit, during the year 2021, 241 recommendations were followed up. Thus, it was found that 183 recommendations were implemented, and 58 were not implemented, with final deadlines in the course of 2022).

3. FINDINGS OF THE EXTERNAL PUBLIC AUDIT REGARDING THE MANAGEMENT OF HEALTH INSURANCE FUNDS

CNAS is annually subject to an external public audit by the Romanian Court of Accounts (Bostan, 2010; RP, 1992). The findings are among the most diverse, from illegal settlement of medical services, drugs and medical devices, erroneous registration of some debts in the accounting records, illegal payments of salaries and increases or allowances, etc.

In Table 2 we show some deviations from the economic and financial legislation that took place in the budget exercise of 2021 at the CNAS, in relation to the management of the FNUASS.

Table 2. Deviations from the economic-financial legislation revealed by the Court of Accounts of Romania to the CNAS (CCR, 2022)

Deviations from financial rules	**Detailing the deviations from the financial-accounting normative framework**
As part of the contracts concluded by the county health insurance companies with the providers of medical services and pharmaceutical products, medical services, medicines and medical devices in the amount of 4,034.7 thousand lei were illegally validated and settled from the FNUASS	• Prescriptions and medical services for hospitalized patients during the same period under continuous hospitalization regime (1.318 million lei); • Medical services, medicines and medical devices for people who were listed as deceased on the date of the provision of these services, the release of medicines and medical devices (0.79 million lei); • Medical prescriptions under the compensation regime for people who did not have the status of unemployment allowance beneficiaries (0.68 million lei); • Medical prescriptions with compensation of 90% of the reference price of medicines, in the case of persons who did not fall into the category of pensioners entitled to their settlement (0.54 million lei); • Medical prescriptions, in the compensation regime of 20%, 50%, 90% and 100% of the reference price of the medicines, in the case of some persons from the insured category "Social aid beneficiaries", without these persons meeting the legal conditions on the date of issuing medical prescriptions (0.47 million lei); • Prescriptions of medicines with compensation of 100% of the reference price of medicines for people who did not fall into the "Veterans" or "Persons with disabilities" category (0.22 million lei).
Additional payments of 1,087 thousand lei - for vaccination, validated and settled illegally	• The amount of 1,063 million lei was additionally paid to family doctors based on the statements issued by them; • The amount of 0.024 million lei represented double payment related to scheduling and vaccination services performed in 2021.
Illegal payments	• In the period 2019-2021, illegal payments were made in the amount of 2.8 million lei through the erroneous inclusion of the food allowance in the basis for calculating the holiday allowance; • Five days of additional rest were granted, without proof of the existence of special conditions (harmful, difficult or dangerous) established by the territorial state inspectorates for labor protection based on the determinations made by the specialized staff of the Ministry of Health, with the approval of the Ministry of Labour; • An increase of 75% was granted, in the amount of 6.03 million lei, for particularly dangerous conditions - epidemiological risk determined by the spread of SARS-CoV-2, given that the employees of some hospital units were assigned to non-COVID wards.
Other deviations from legislation	• In 2021, CNAS erroneously recorded in the accounting records debts in the amount of 697.42 million lei, related to sickness and maternity benefits granted to Romanian insured persons on the territory of another EU/EEA/Swiss Confederation member state.

In the first year of the massive manifestation of the Covid-19 Pandemic, it was found by the Court of Accounts (Bostan et al., 2022; CCR, 2021) that CNAS did not verify the reality of the amounts transferred from the FNUASS budget for the payment of financial influences determined by salary increases granted to personnel employed in health facilities.

Thus, it was found that improper payments were made in the amount of 10.66 billion lei at the level of territorial health insurance companies, as a result of the requests of the health units, without verifying their legality and regularity based on supporting documents. In addition, situations were discovered where higher amounts than the legal and actual

ones were established, recorded and claimed, as a result of the erroneous inclusion of sick leaves and risk incentives already covered in the FNUASS.

Obviously, CNAS has - from the Court of Accounts of Romania - measures to recover the amounts paid illegally, which are being implemented.

4. CONCLUSIONS

Periodically, both internal and external public audits show the existence of several deficiencies in the management of funds intended for health insurance in Romania - non-compliance with rules and regulations, lack of rigorous budget planning, inadequate control of purchases -, in the context in which we have to do with the underfunding of the system in question. Funds are often spent inefficiently, so that some hospitals are overburdened, while others are underutilized.

Moreover, as it emerged from the content of the audit reports we referred to, the expenses are often unjustified and do not focus on the most urgent needs of the health system.

The introduction of appropriate financial audit and control measures could reduce unnecessary expenditure and ensure better use of available resources. These measures should be applied both at the level of health institutions and at the level of public authorities managing health funds, proving in practice that the audit and rigorous control of health funds can significantly contribute to remedying certain deficiencies and more efficient and responsible management of health resources.

Also, the implementation of effective performance monitoring and evaluation systems is intended to better support the identification and remediation of health system problems, requiring the consideration of performance indicators - such as waiting time, occupancy rate bed, service accessibility, patient satisfaction, etc.

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