

APPLICATION OF ECONOMIC-FINANCIAL EXPERTISE IN THE HEALTH CARE SYSTEM OF THE REPUBLIC OF MOLDOVA

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ABSTRACT

Any economic stress in itself carries a particular risk, since it creates problems in different areas, influencing individual incomes/expenditures, as well as incomes/expenditures in the healthcare sector. The imbalance in the healthcare system can be understood as an unexpected phenomenon that occurs outside of the healthcare system but leads to negative consequences of access to resources in the healthcare system; in terms of access to medical services. The healthcare system in the Republic of Moldova is perceived as unproductive, which diminishes its prioritization. Therefore, the healthcare system is poorly funded, with few efficient regulations, which made it extremely sensitive during times of crisis, being unpredictable for new challenges. The authors consider that a method of anticipating the crisis in the healthcare system could be the application of economic and financial expertise.

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Introduction. Under the current economic and financial crisis, which is manifested in all countries of the world, including in Moldova, the economic and financial expertise (hereinafter referred to as - EEF) is becoming more and more valuable and requested. Unfortunately, the EEF is not applied in the Republic of Moldova, which puts both the applicant and the beneficiary in difficulty, so in most cases, the expertise is conducted outside the country. The need for expertise stems from the difficult financial situations faced by the media institutions worldwide and nationally, as well as from poor accounting management, non-compliance with the legal provisions, lack of trained staff in the medical system on the accounting financial side, the failure of auditing commissions, as well as the formal activity of the boards of directors, etc.

In Oxford thesauri, the concept of «expert» is explained as follows: «a competent person in a certain field, appointed by a state body or stakeholders to conduct an expertise» [6].

The expert, from the author's point of view, is a high-level specialist who studies a problem or a situation. However, the meaning and content of the concept of «expert» is much more extensive.

Some scholars in the Republic of Moldova identify expertise as a means of proof provided by a specialist in the reference field, in a controversial, disputable or non-litigious situation. Thus, Professor Gheorghe Avornic considers that the «expertise is the operation of one or more experts in order to ascertain some facts, to control, to examine, to measure, to evaluate certain things, or a means of evidence disposed

or requested by the competent body in civil, criminal or contravention matter, by a specialist who through his knowledge and experience has to clarify the various aspects necessary to solve certain causes.” It is also argued promptly that expertise is a means of proving, stating, evaluating, clarifying or proving on the basis of scientific research the objective truth about a particular fact, circumstance, problem, situation, cause or dispute [1]. That is why, in the situation of aggravation of the economic and financial crisis in the Republic of Moldova, the development and use of economic and financial expertise is a priority for both the healthcare system and its employees.

We have to mention that the expertise, as a means of proof, has an old tradition, since some limited aspects of some of the forms of expertise can be found in ancient times. Thus, the oldest data relates to the medical expertise that was found in all peoples, in the sense that the doctors and nurses were consulted as specialists in the course of the criminal proceedings.

In 2001 Boulescu Mircea in his paper defines accounting expertise as «a means of proof, confirmation, evaluation, clarification or proof, based on the scientific specialty research of the objective truth about a certain fact, circumstance, problem, situation, cause or litigation », but Mecu I. understands by the accounting expertise «the task given to an accountant to control the records, accounts and supporting documents of an economic agent in order to provide interested parties with the necessary data or to provide the required information to the court in order to make an informed ruling on a lawsuit or appeal which has been brought to its attention «[2].

Taking into account the provisions of the Judicial Expert Nomenclature, the purpose of the economic and financial expertise consists in: studying and verifying the correctness of reflecting in the accounting data the unique requirements and the mechanism for regulating accounting and financial reporting, as well as the economic and financial relations between the parties to the dispute (case), establishes the claims and debts, investigates the acts of the economic agent in contradiction with the administrative acts of the State Tax Service regarding the correctness of tax returns, other payments [4].

If we refer to the features of the economic and financial expertise, we state [5]:

- The EEF has as object the investigation of facts or situations of economic, financial, management or patrimonial nature;
- It includes within its scope of action the economic activity of an economic agent for the problems and objectives established by the judicial body or by the legal person requesting it;
- Investigates the facts and circumstances based on the information provided by the economic record and its material supports;
- Interprets the evidence data and formulates opinions on the issues investigated on the basis of the laws and normative acts regulating the respective field of activity;
- Draws conclusions on the basis of the findings made, which serve as a means of proof for the judicial body that ordered the expertise or as a means of substantiating a decision by the legal person who requested the carrying out of the accountancy expertise;
- Analyzes the causes that determined the deviations from legal norms of economic and financial character, deciphers economic and financial relations between the litigants, characterizes the situation of the economic agent concerned in relation to the law and normative acts which govern the investigated field, and establishes links of causality and responsibility.

An effective financial planning will allow determining the directions that lead to changes, so the following aspects need to be taken into account:

- research of the internal and external environment (including inflation rate)
- identification and specification of strategic and operational objectives
- determination of the real needs of the institution, taking into account the fixed objectives
- study of the financial health of the medical institution
- correlation of the objectives with available funds
- systematization of the information and elaboration of the financial plan (income and expenditure estimate).

We draw attention to the fact that through the financial planning tools, the institution sets out the ways and means of achieving the established objectives. Financial planning is a continuous process that starts from the current situation of the institution. Financial planning plays a crucial role in ensuring the continuity of the medical institution’s activity, as well as anticipating unpleasant situations and taking optimal decisions.

Further, in Fig. 1 we will propose a set of financial tools for use by medical institutions.



Fig. 1. The set of financial tools specific to medical institutions
Source: adapted by authors according to [7]

Financial planning in medical institutions is the core tool in the manager's kit, which allows the calculation of limited needs and resources to meet the expected goals. The annual budget determines the financial costs of carrying out the activities of the medical institution on each source of funding, which ensures the quality of the planning and the efficiency of the allocation of available resources.

Financial forecasting is a process that offers to the top management the ability to predict events, uncertain situations that may arise in the future on systems and processes where internal control is insufficient.

It is important to point out that planning and forecasting are different and must be applied consecutively, without being confused. Planning is usually done annually and the forecast for a longer period (3-5 years).

The next tool is performance monitoring, because it incorporates several economic and financial indicators which allow monitoring the financial situation of the medical institutions. Performance monitoring per institution and per employee is a way of assessing the level of achieving the tasks, attributions and the fulfillment of the operational and strategic objectives.

Strategic planning is a systematic process on the basis of which the institutions plan their future actions and anticipate some financial costs. Therefore, the strategic plan, which guides the institutions towards sustainable development, is developed.

Economic and financial expertise is the last tool in the kit, which plays a crucial role for the other tools. But at the moment it is practically a very little known tool and even unused in the institutions of the Republic of Moldova. Therefore, we intend to determine the role, place and methodology of conducting economic and financial expertise in the healthcare system of the Republic of Moldova.

The healthcare system is a system where you need to invest continually and its efficiency can only be evaluated by the population's health. It is known that in times of crisis, the number of people predisposed to illness (morbidity) increases significantly. Currently, the expenditure on the healthcare system is at a very low level compared to other developing countries. Therefore, in Fig. 2, it is analyzed the share of expenditures for healthcare in GDP, in dynamics for the years 1998 - 2016, based on data from the National Bureau of Statistics of Moldova.

Health expenditures in the period 1998 - 2016 amounted to 4.6% on average, but the most significant share was registered during 2009 (6.4%). The economic recession of the country will have a significant effect both on population's health and on social expenses. Let us not forget, however, that for the Republic of Moldova, as a developing country, it is extremely important to make investments in the healthcare and social system, to maintain the stability and security of the country and to accelerate the recovery of the economic situation. The biggest challenge facing the world in general and the Republic of Moldova in particular is to prevent an economic crisis from becoming a social and health crisis.

That is why we consider the resuscitation of the health system as urgent, because all the actions, the reforms undertaken so far in the system were chaotic, lacking logic, consecutive order and continuity, which led to the necessity of resuscitation of the entire system. We are also of the opinion that, with little money, the healthcare system could be reformed. It is important that both the government and the people realize that health is not for free, but it is worth the quality of the medical services. The disastrous condition of the healthcare system in Moldova is based on the indifference of the actors involved in managing this system over the years. Of course, the time has come for the system to be adapted to the current requirements, but

for this we need human, financial and technical resources and, last but not least, the courage to face the resistance of the system to change.

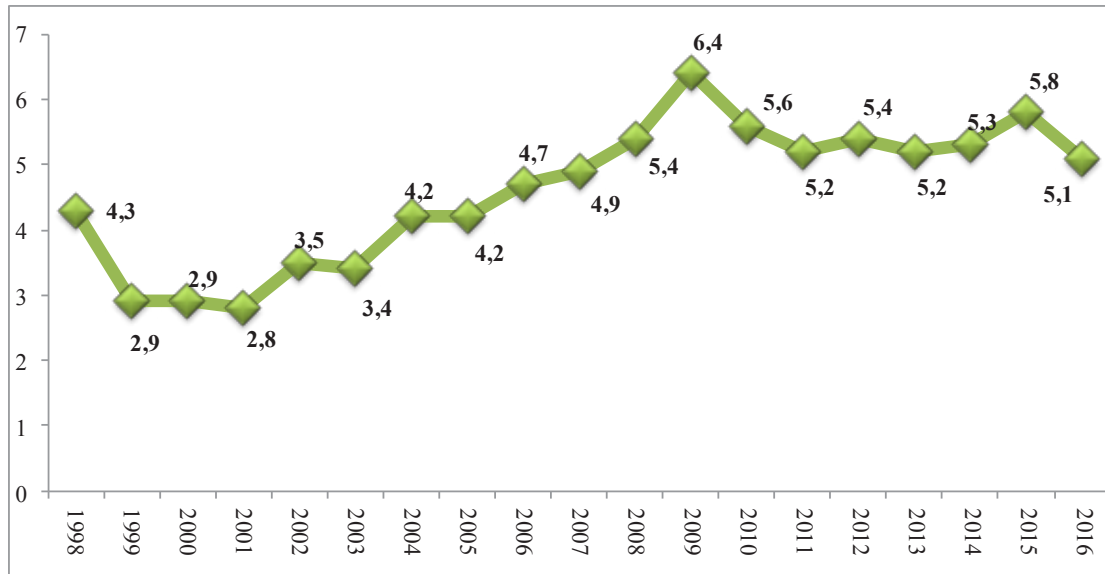


Fig. 2. Share of expenditures for healthcare in GDP, in dynamics (years 1998 – 2016), %

Source: developed by authors based on data of the National Bureau of Statistics [3]

In the opinion of the authors, resuscitation of the current healthcare system would be possible by:

- Implementation of the public internal financial control system, especially the risk management and documentation of operational processes at system and institutional level.
- Strengthening the internal audit, or better said, the diagnosis based on internal audit reports to address issues as a matter of priority, with emphasis on the elements:
 - Situation, what is it? – indicates the weak point!
 - Criterion, what it should be? – specifies on the basis of which standards this conclusion has been reached!
 - Effect, what happened or could happen? – indicates the consequences of the audit findings!
 - Cause, why has the deviation from the criteria occurred? – explains why this happened!

Thus, on the basis of the audit reports, it will be possible to highlight the neuralgic points of the medical institutions, and subsequently of the healthcare system.

- Use of economic and financial expertise. In times of crisis, the role of the economic and financial expertise is advancing.

- Reorganization of inefficient hospitals. Most hospitals in the Republic of Moldova require renovations because the infrastructure is outdated. But considering that hospitals are large, they also consume more resources, especially the support services, so we consider it would be more efficient to reorganize them by consolidating a common management and funding based on recorded performance.

- Results-based remuneration. The remuneration of the physicians based on performance should start from changing the provisions of employment agreements, namely stipulating in agreements that if the doctor achieves performance then the agreement is maintained if it is not terminated. At the same time, it would be advisable to discontinue the practice of concluding agreements of indefinite duration. Doctor's remuneration, depending on performance, will allow his selection by the patients based on results (number of surgeries, complexity of interventions, etc.), so the doctor will be paid better. Performance-based remuneration will motivate the doctor both in quality and quantity.

- Determination of the correct and up-to-date average costs for each case handled. Year-to-year the real cost revisions is postponed, actual for the treated cases.

- Hierarchy of hospitals based on the stars. In our opinion, the hospitals in the Republic of Moldova could be classified by star rating, depending on the results of the accreditation and the recorded performances. In the healthcare system there could be a star rating from 1 to 5. 5 star hospitals are the ones that provide better, more complex, more qualitative and more efficient services, therefore they could use the copayment system, compared to those at the levels 1, 2, 3 and 4. At the same time, the co-payments paid by each individual beneficiary need to be formalized in order to accumulate financial resources in the hospital's budget.

- Automation of the healthcare system. This measure is an urgent one for the healthcare system under the current conditions; because the computerization of the healthcare system would generate money savings and its correct management (ex. avoidance of duplication of some analyzes, consultations, etc.).

- Revision of pricing policies for medicines. Hospitals of the Republic of Moldova pay annually huge amounts to producers and distributors for the supply of medicines. Therefore, public money is consciously directed to the private sector that is to say to the producers and distributors of medicines. This situation requires a revision of the pricing mechanism for medicines in order to provide the medical institutions with medicines in a transparent, economical and efficient way.

- Applying the fiscal austerity measure for medical institutions. According to the data submitted by the Institute of Mother and the Child, the institution annually supports expenses in the article contributions to the budget, including compulsory insurance premiums of about 15% of the hospital budget. It's a high percentage, even more than it is allocated to the article drugs. Reducing tax expenditures for medical institutions will give them the chance to allocate money for the medical act, prioritize spending by reallocating available resources to priority items, optimally allocating resources between recurring expenditures and capital investments, improving planning and reporting mechanisms, and increasing transparency of use of public money. At the same time, it is necessary to adjust the tariffs for public healthcare services up to the cost recovery level in order to avoid further accumulation of arrears related to the energy resource providers and to ensure an adequate level of investment in this sector.

Of the total healthcare resources from the National Public Budget (NPB), the highest expenditures are registered for fixed costs and only an insignificant share remains for medical treatment – i.e., treatment of patients, procurement of medicines, reagents and consumables, endowment with appliances, food, etc. In this context, we come up with the proposal to create the austerity budget at the level of the medical institutions, in order to cover the expenses necessary for the proper functioning of the medical act.

At the same time, we propose the implementation of the analysis of the hospital diagnosis (hereinafter - AHD) in the life of the medical institutions. The analysis of the hospital diagnosis aims at assessing the health status, identifying the existing problems and providing recommendations for resolution. AHD will be done in three stages (Fig. 3):

Stage 1: Planning the diagnosis. It is the stage where documents and information about the main systems within a medical institution are collected, and namely: the medical act, organization of internal management and control, human resources management, financial resources management, accounting system, infrastructure, documents' circulation, information systems, internal security and physical protection, legal assistance, operational systems, public procurement, etc.

Stage 2: Research of documents and information gathered. It is the most significant stage because it allows the evaluator to know and understand the activity of the institution being diagnosed. It also identifies the existing problems within the institution.

Stage 3: Develop the conclusions and recommendations of the diagnosis. On the basis of the first two stages, the evaluator highlights the problems identified and proposes solution recommendations in order to redress the institutional situation.

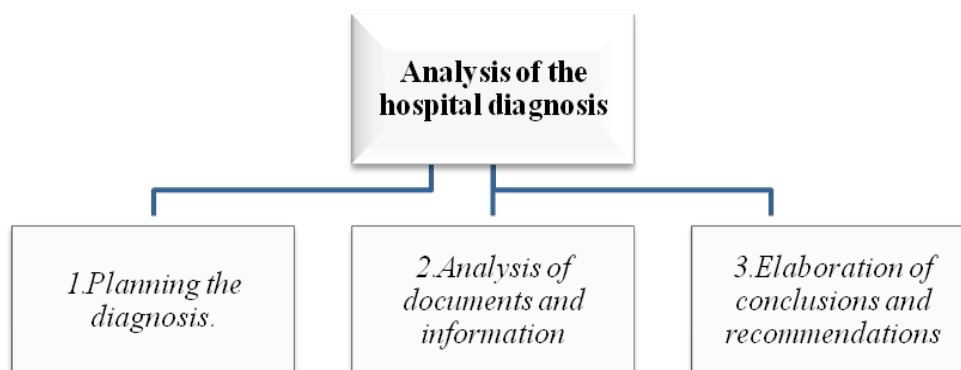


Figure 3. Analysis of the hospital diagnosis
Source: compiled by authors

Therefore, the financial planning of the medical institutions during the economic and financial crisis, in the opinion of the authors, is extremely important for several reasons. Having a healthy planning, we can firmly state that the institution has a future, because under the current conditions, when the country's budget is limited, hospitals are put to a situation of reducing and subsequently prioritizing all kinds of expenses that they will incur.

In the authors' view, expertise is a powerful and effective tool used to take effective decisions. That's why, in perspective, expertise represents the future because specifically they will prevent the emergence of economic-financial crises, the materialization of risks and financial shocks. Therefore, the Institute of Mother and the Child's data will be used as a research base.

Currently there are no tools that would identify the causes that would generate risks, shocks and economic and financial crises. Therefore, in order to remedy these new gaps we propose the implementation of complex expertise with the internal audit, the risk officer, the censor and the treasurer.

This would be possible to implement both nationally and institutionally. In both cases there will only be benefits.

But for the beginning it is necessary to evaluate:

- the ability to develop expertise, analysis, diagnosis and other tools;
- the quality of the decisions taken or to be taken;
- resource efficiency;
- division of duties and responsibilities;
- continuity of activity.

We believe that the role of expertise is found in several elements: expertise in economic and financial risks, identifying new methods and ways of mitigating risks, monitoring the financial stability of the entity and, of course, intervening with performing tools in the right moment. We must not forget that expertise is more of a form of knowledge dissemination that influences the behavior of actors involved in institutional systems and processes by providing them with tools to prevent risks, crises and financial shocks.

If we refer to the purpose of economic and financial expertise in the healthcare system, then we have Table 1.

Table 1. The purpose of economic and financial expertise in the healthcare system

Economic expertise	Financial expertise
Ensure compliance of budgets with market economy principles	Evaluating financial expenses for the elaboration of new budgets
Coordination of budget with economic legislation	Budget coordination with financial legislation
Addressing economic deficits and forecasting the negative economic consequences of the budget	Reporting financial deficits and forecasting the negative financial consequences of the budget
Relief of the positive and negative aspects of the budget, emphasizing the economic, social and other advantages	

Source: compiled by authors

Research results. We specify that the lack of economic and financial expertise on the institutional budget may generate risks of diminishing the revenues to the national public budget from compulsory health insurance premiums. Thus, we recommend to the Ministry of Health and Public Healthcare Institutions to submit the budget to the economic and financial expertise in order to eliminate a negative impact that could influence the budget of the medical institution, the Ministry of Health, Labor and Social Protection and the National Public Budget.

The actual method, proposed by the authors, for conducting economic and financial expertise in the healthcare system of the Republic of Moldova consists of several stages, namely:

Stage I. Expertise of budget with real needs. It will be evaluated and appreciated how the global budget (real institutional needs) is formed in order to ensure the medical act, the infrastructure development and the provision of the medical equipment.

Stage II. Expertise of approved budget. The research will focus on the amounts approved for each expenditure item, approved for the medical act. The structural analysis on income and expense items, with improvement solutions.

Stage III. Expertise of deficit budget. Analysis of the causes that have led to the formation of the deficit, highlighting the differences between the actual budget required and the approved budget. Coordination of budget deficit with spending items and prioritization of actual spending.

Stage IV. Expertise of actual spending items. Analyzing the actual costs incurred by each profile and subdivision individually to conclude about real and arguable financial issues and needs.

Stage V. Expertise of internal audit reports. Interpreting audit recommendations and assessing their level of implementation, as well as counterbalancing with the findings and opinions of the financial expert.

Expertise of the economic and financial situations of the public health care institutions will be possible through the following tools: diagnosis, analysis, coordination, counterbalance, prognosis, research, interpretation, the use of mathematical methods of finding and synthesis, application of precedent situations, verification, examination, finding, proposal.

In this connection, in our opinion, it is necessary to implement and develop economic expertise in the healthcare system in order to avoid insolvencies or bankruptcies of hospitals. Under the current economic and financial crisis, it is imperative to develop economic expertise services, both judicial and extrajudicial.

The method proposed by the authors is implemented in practice at the Institute of Mother and Child from the Republic of Moldova, which is confirmed by the implementation documents and the innovator certificates.

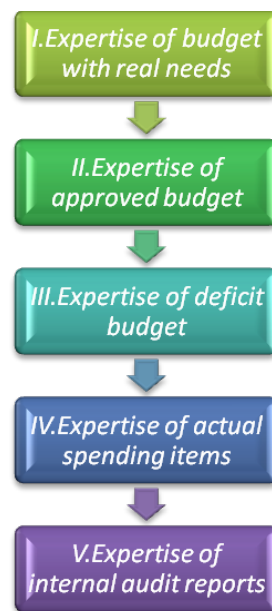


Fig. 4. The method of conducting economic and financial expertise in medical institutions in Moldova

Conclusions.

1. In our opinion it is necessary to implement and develop economic expertise in the healthcare system in order to avoid insolvencies or bankruptcies of hospitals. Under the current economic and financial crisis, the application of economic and financial expertise in medical institutions in Moldova is strictly necessary.

2. The authors consider it appropriate to implement in the medical institutions of the Republic of Moldova the diagnostic analysis of the hospital, which allows to assess the financial health of the hospital, to highlight the problems on the most significant systems, and to provide the recommendations for settlement.

3. The role of economic and financial expertise in the healthcare system is highlighted in the context of anticipating an economic and financial crisis. Applying economic and financial expertise to medical institutions, by determining the methodology for conducting expert assessments, budget expertise especially the austerity budget, and assessing the economic and financial situation of the medical institution, focusing on its liquidity and solvency. Method, which we recommend to be used in the economic and financial system of all medical institutions in the country.

4. The expertise of the economic and financial situation of the medical institutions will ensure the prevention of crisis situations, aiming at optimizing the financial flow and establishing the indications for the profound diagnosis of the health status of the medical institutions, as well as the efficiency of the entire healthcare system.

5. Researching the financial health condition of the medical institutions, the authors have proposed the argumentation of the need to use economic-financial expertise together with internal audit, risk management, censor and treasurer, at both system and institutional levels. At the same time, the authors have managed to develop a unique method for conducting economic and financial expertise for medical institutions, taking into account the specifics of this field.

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