



**STATE AUDIT  
OFFICE OF HUNGARY**

# Privatisation of Medical Services

Audit Experiences 2006

by Edit Székely & Viktor Salamin

Prague, 2008 november

---

## Main Questions of the Audit

- Does privatisation of specialised medical services comply with the goals of health policy?
  - Has the quality of health care improved in consequence of the evolving processes?
  - Was the property of the central and local governments adequately utilised?
-

---

## Can developments in health care considered as privatisation?

- In its original sense privatisation postulates the transfer of government–owned assets to private hands.
- This is not characteristic for privatisation of the Hungarian health care – it is more a ‘functional’ privatisation that one can witness.
- Even economists’ opinions differ a lot concerning the essence of privatisation of health care.
- During the audit several different patterns of privatisation were analysed,
- but the term ‘privatisation’ appears only once in the SAO report: namely – in its title.

---

## What has been audited?

- Only the outsourcing/privatisation of professional (medical care and nursing) functions have been controlled.
- The outsourcing of no other accompanying functions (catering, laundry, security surveillance) was dwelt upon.

---

## Patterns of privatisation under review

- Operational contracting of whole institutions (hospitals, out-patient polyclinics)
- Outsourcing of individual specialised tasks in the form of direct contracts with the National Health Insurance Fund (OEP)
- Outsourcing of individual specialised tasks subcontracted by the institutions
- Provision of doctors'/nurses' services in the framework of contracting

# 1. Does privatisation comply with the goals of health policy?

- There are no goals adopted concerning privatisation in health policy – there is nothing to comply with.
- Developments are spontaneous, they follow mostly the interests of entrepreneurs.
- Sometimes spontaneous developments contradict other objectives of health policy: they increase regional inequalities, lead to the creation of an institutional structure of low efficiency.
- In the pursuit of a sector-neutral financing, the National Health Insurance Fund finances various services in a way that does not ensure genuine and transparent competition.
- Does privatisation of specialised health care services comply with the goals of health policy?

---

## Some background information on health policy

- In the period under review two laws were adopted in order to ‘canalise’ privatisation of health care.
  - The law of 2001 was overruled by the act adopted in 2003.
  - The law of 2003 was repealed by the Court of Constitution.
  - Both laws contained important factors of guarantee: special property elements devoted to health care, compulsory contractual and property guarantees.
-

---

## 2. Has the quality of treatment improved as a result of the evolving and/or completed processes?

- Deterioration of quality is a cause of repudiation – it is an universal condition of contracts.
- Nevertheless, contracts do not contain measurable criteria (indicators) concerning the quality of services,
- thus the owner cannot measure and prove deterioration of quality, so its evaluation may become arbitrary; it is difficult to terminate the contract.
- The most frequent reason of privatisation is the need for outside capital, in order to alleviate the delapidation of buildings, the outdatedness of equipment,
- A basic criteria of investment in properties and equipment was that they should improve the quality of services.
- 54 % of contracts envisaged real estate investments, 92 % included investment in equipment.
- Patient satisfaction surveys did not reveal significant differences in the satisfaction of clients of privatised and non-privatised polyclinics.

### 3. Have the properties of central/local governments been adequately utilised?

- An outright sale of assets occurs only rarely.
- The real value traded in the course of privatisation is the financing obligation of the National Health Care Fund, thus, even if the properties remain government-owned, they do not offer real guarantees.
- Privatisation usually did not include tendering; or if it did, there was no genuine competition among the bidders.
- Sub-contracting and operational contracting was usually initiated by the later service provider.
- It was the ‘small hospitals’ (dialysis and laboratory stations) unable to reap the benefits of the economies of scale which were privatised.

## Provision of doctors'/nurses' services in the framework of contracting

- Its aim:
  - An ostensible observation of the directive regulating the working time of those employed in health care
  - Additional incentives – institutions financed according to their output ensured the individual interestedness of their employees in providing (and invoicing...) the biggest possible quantities of services



Thank you for your  
attention!

