GOVERNANCE OF HEALTH CARE SYSTEMS IN THE ERA OF INCREASED INTERNATIONAL INTEGRATION

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Abstract
Governance of a health care system in conditions of intensified international integration requires acquiring new knowledge, innovations, more cooperation and introduction of new methods and strategies of development that will enable it to adjust to the turbulent and changing environment. The main purpose of this paper is to analyze the challenges concerning governance of health care systems in a period when international relations and interdependence are constantly being intensified through the processes of regionalization and globalization. Special attention was given to the issue of Croatian health care system governance after joining the European Union (EU). Potential effects that the EU membership will have on health care system governance, as well as the need of adaptation to the new EU regulations are analyzed with the purpose of bringing conclusions and prospective course of action for health care governance and reforms. Functioning within the EU framework might result in convergence to the EU standards but it will surely require different approach to governance and organization. Thus, when Croatia joins the EU it will face new rules and priorities in accordance with the current European health strategy and this will affect the governance and overall functioning of the national health care system.

Keywords: governance, health care system, regionalization, EU, Croatia.

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1. INTRODUCTION

Governance and functioning of any system in a contemporary environment cannot be explained without taking into consideration the intensified processes of regional economic integrating and, on the other hand, the process of globalization. The concept of globalization and opening to the world assumes that every country is connected to other countries, deepening of those relations and building mutual collaboration. Globalization means the convergence of economic, political and cultural systems (Kabamba, 2008). It may be characterized by many accomplishments of the world economy: from regional trade agreements proliferation to the acceptance of international standards.

Opposite to the globalization, a new trend of regionalization has emerged in the last few decades. In certain sensitive areas regional initiative may be more or less successful then the activities on multilateral level. It also offers countries an opportunity to retain their autonomy over political processes on different levels. The growth in the number of regional trade blocs represents one of the most significant trends in international relations in the past years. The possibility that liberalization on regional level will bring better results for the total global welfare than liberalization on the global level, can not be excluded. Finally, it could be said that regionalization is halfway between a national state and the world that is not ready to become one (Nye, 1968).

Both trends of globalization and regionalization affect functioning, governance and different strategies of a country. Governance of a health care system, which is an important part of a country’s economic and social system, under the terms of intensified international integration and connectedness requires new methods and strategies that will enable it to adjust to the turbulent
and changing environment. There are differences in the quality, safety and equality among health care systems of different countries. The objective of all these systems is to increase the effectiveness and quality of health care and improve allocation so as to achieve an added value (Fraser et al, 2008).

To decide what authority, or what sector, has the central role within a health care system is a potential challenge to its functioning and governance. Health care systems depend on a wider economic environment in which they function. The health care system personnel, institutions and funds necessarily reflect structural characteristics of the national economy (Saltman, 1997). It has become evident that the more developed a certain country is in terms of higher income per capita, the more it earmarks for health care (Maxwell, 1981). Finding funds is among most serious issues of health care system's functioning. An increase in health care system expenditures may be explained through an increased demand resulting from an altered way of living, larger number of retired people and longer lifespan. Moreover, it can be concluded that demographic changes are potentially the biggest challenge to the performance of health care systems. Simultaneously with the decline in fertility rates (in developed countries) and longer life expectancy, the number of inhabitants decreases, whereas the number of elderly people increases. That demand for health services disproportionally goes up with the age is a generally known fact.

Although competition and free market are considered to be foundations for effective allocation of resources and maximisation of well-being, ample literature deals with studies on the reasons of failure of the market mechanism in the health care system. There are several market imperfections appearing in the health care. Firstly, externalities occur frequently in the course of health service consumption, e.g. when treating contagious diseases and when performing immunisation. In the presence of such externalities, the consumption defined by market forces is socially sub-optimal and state intervention is required. Besides, certain activities such as research and development have features of public goods (Smith, 2008).

In order to increase efficiency without sacrificing either equality or quality when it comes to the use of health resources in the following four areas: (a) financial liability of patients, (b) public purchase, (c) health care governance, (d) competitiveness among providers; the below listed political activities are suggested (Cremer et al, 2007):

- controlled increase in the sharing of expenses with patients
- increase in the competition for contracts with hospitals
- better vertical coordination and integration of health service contracts
- ex ante competition of providers for groups of patients.

The main purpose of this paper is to analyze the challenges concerning governance of health care systems in a period when international relations and interdependence are constantly being intensified through the processes of regionalization and globalization. Special attention was given to the issue of Croatian health care system governance after joining the largest regional integration in Europe, namely the European Union (EU). Potential effects that the EU membership will have on health care system's governance as well as the need of adaptation to the new EU regulations are analyzed with the purpose of bringing conclusions and prospective course of action for health care governance and reforms. The paper consists of four parts. The first part is the introduction and it describes perspectives of a health care system development in a globalized and regionalized environment. The second part deals with new trends and challenges in health care system governance as well as with analyzing the need of measuring health care system output, while the third part describes the issue of governance of Croatian health care system after joining the European Union. The fourth is the conclusion.

2. NECESSARY CHANGES IN HEALTH CARE SYSTEM GOVERNANCE

2.1 Principles of good governance
Considering numerous new challenges that countries and their governments encounter, there have been some changes as to the form of governance, which are related to health care as well.
Some of the changes include contextual drivers such as interdependence, complexity, co-production and new governance dynamics described through diffusion, democratization and shared value (Kickbusch and Gleicher, 2012). The existing models of governance have become inappropriate for addressing system-related shocks or for managing globalization fairly.

Adherence to the principles of good governance as well as willingness and ability to introduce new governance approaches will depend largely on the strength of democratic institutions. The role of the state is interpreted differently by various political parties and this factor is of great relevance to health, in particular from the aspect of ensuring equity and health. It can be said that in the current conditions of constant changes, the governance process is determined by trends in the distribution of power and authority. Nye and Kamarck (2002) indicate that governance diffusion is realised simultaneously in several directions in response to incongruence between government capacity and complex challenges (Figure 1).

Figure 1: Governance in the 21st century


Uncertainty is recognised as a key problem in decision-making processes. Nine features of governance and decision-making processes required in the 21st century may be discerned (Government of Northern Ireland, 1999):

- forward looking: a long-term view based on statistical trends and informed predictions of the probable impact of the policy,
- outward looking: taking account of the national and international situation and communicating policy effectively,
- innovativeness and creativity: questioning the established methods and encouraging new ideas,
- using evidence: using the best available evidence from a range of sources and involving stakeholders at an early stage,
- inclusiveness: taking account of the impact of the policy on the needs of everyone directly or indirectly affected,
- joined-up: looking beyond institutional boundaries and orientations to the government’s strategic objectives; establishing the ethical and legal basis for policy-making,
- evaluation: including systematic evaluation of early outcomes into policy-making,
- reviewing: keeping established policy under review to ensure that it continues to address the problems for which it was designed,
- learning lessons: learning from experience of what works and what doesn’t.

There are two new approaches to governance which include multilevel governance and multiple stakeholders. The first approach is known as the whole-of-government approach, whereas
the other one is known as the whole-of-society approach (Kickbusch and Gleicher, 2012). The whole-of-government approach represents diffusion of governance vertically across the levels of government and arenas of governance and horizontally throughout sectors. This approach is considered appropriate for solving problems within the government. The whole-of-government activities are multilevel, from local to global, and involve groups outside the government. The whole-of-government approach is often used to address a perceived lack of command and control of power with respect to an issue or overall goals by using a new organisational design and reorganisation.

The aim of the whole-of-society approach is to extend the whole-of-government approach by placing additional emphasis on the roles of the private sector and civil society, as well as politically active participants. This approach implies new, increased capacity for communication and collaboration within complex, networked settings and highlights the role of the media and new forms of communication. Each participant must invest resources and competence into the strategy. The whole-of-society approach goes beyond institutions since it influences and mobilises local and global culture and mass media, rural and urban communities and all relevant sectors, such as the education, transport, environment, etc.

2.2 Governance for health

Governance concerns how governments and other social organisations interact, how they relate to citizens and how decisions are taken in a complex world (Graham et al, 2003). Governance, functioning and the development perspective of health care systems depend on various factors and trends in the global environment. Decentralization, contracting, improving health and efficiency are some of the factors that need to be included in new governance models. Moreover, the organisation and effective functioning of the health care system of a certain country is considered to be a key element of a wider sustainable development strategy.

The general aim is to reach good governance, but the question is what good governance is. In the context of maintaining health and well-being, good governance has two important features: (a) relation between values and (b) role of guiding value systems for ethical governance. The World Health Organization stresses, as often as not, the importance of value systems and points out four interlinking concepts which constitute the value framework of good governance for health: (a) health as a human rights, (b) health as a component of well-being, (c) health as a global public good, and (d) health as social justice (Kickbusch and Gleicher, 2012). In addition to being good, governance is also supposed to be smart. Wilke (2007) described the smart governance concept as an ensemble of principles, factors and capacities that constitute a form of governance able to cope with the conditions and exigencies of the knowledge society (Figure 2).

Figure 2: Smart governance for health and well-being

Although it is necessary to adapt the form of governance so that it may become governance for health, the role of the government is still crucial. The number of new mechanisms and approaches to governance for health has grown exponentially at all levels and there is a trend of creating new forms of collaboration, inciting democracy and multilevel accountability for health. The dichotomy between government-centred approaches and those society-centred is somewhat false because in most cases, the two sides collaborate. Capable, expert and informed ministries and other public bodies are still crucial for the creation of conditions designed to enable well-being and sustainable health. What is necessary to change is the method of their performance. In terms of this, ministries of health and other public bodies play an important role in good governance for health, which they may realise by engaging in transformational leadership within the government, which presupposes (Kickbusch and Gleicher, 2012):

- creating the environment to send the message that changes are required and that it is necessary to move away from territorial identity
- taking positions on health in the cabinet and initiating cross-departmental cooperation supported by the Ministry of health
- using their authority to reach out to other stakeholders for joint initiatives, set the framework for micro-decisions which direct society- and government-oriented policies
- encouraging exchanges of opinions with citizens and community-based action groups to understand people’s concerns and needs.

The key principle of performance is placing health and well-being in the centre of a development strategy and all the approaches irrespective of whether they are society-oriented or government-oriented. If we take into consideration the complexity of the health care system, it may be stated that successfulness of its performance depends on the quality of governance and managing various relations among numerous actors within the system.

2.3 Measuring of the health care system outcomes

Good governance is, among other things, based on the availability of quality information. Moreover, data are crucial in the health care system if all the system's functions are to be fulfilled and the population's health improved. They are necessary in all processes of the health care system, particularly in the course of making decisions and ensuring stakeholders' liability. Despite the great potential of outcome measurement systems in contemporary health care systems, there are still certain hindrances and disputes regarding the method of their most efficient use. Health care systems are still in an early stage of measuring their outcomes and there is plenty of space to increase the efficiency. Levels of applications of particular types of IT are different, and more industrialised countries have generally more computerised health care systems than less developed ones (Ash and Bates, 2005).

It is crucial to determine what is to be found out by using outcome measurement systems and to use the obtained information for proper purposes. The basic objective of each health care system is to improve health. For this very reason, the majority of measurement instruments refer to population health data such as mortality, birth rate and similar. Furthermore, for better governance and functioning of a health care system, data on clinical outcomes are essential since they are the standard for measuring health care effectiveness. However, performance outcome measurement is not always appropriate. The outcome-oriented approach may be expensive and time-consuming, and data may be obtained too late, which undermines preventive actions. There exist various health status indicators, but they all have both advantages and disadvantages. Most frequently applied health status indicators may be classified into six categories: (a) raw mortality and longevity indicators, (b) indicators of mortality that could have been avoided in the presence of timely and effective health care, (c) mortality indicators adjusted for the prevalence of diseases, disability or for quality of life, (d) indicators of the volume of health care services, (e) survival rate after specific diseases, (f) other health related indicators, such as the number of sick-leaves and public satisfaction with the health care system, etc. (OECD, 2010).
In addition to measuring outcomes, it is necessary to point out health impact assessment, which has become a standard technique and tool in the decision-making process with the aim to simplify selection among several options and to envisage possible impacts of different decisions on health (Kemm and Perry, 2007). Health impact assessment is actually a combination of procedures, methods and tools, by which a policy, a programme or a project may be judged as to its potential effects on the population’s health and the distribution of these effects (Kemm, 2007). Besides, measuring the health impact involves all potential health care system stakeholders affected by the decisions that have been made. This method is also useful for inciting cooperation between various stakeholders and for raising health awareness in the community and among decision-makers. Generally, it is considered that there are five stages of health impact assessment: (a) screening, (b) scoping, (c) assessment of impacts, (d) reporting to decision-makers, and (e) monitoring the consequences of implementation (Kemm, 2007).

Productivity is among most difficult health care features to measure. Productivity and efficiency are two different concepts. Sometimes they are distinguished according to what is measured. Figure 3 shows the difference between productivity and efficiency. Let us imagine two organisations (P1 and P2) which use a single input to produce a single type of output. As may be seen, the P1 organisation has a higher level of productivity, i.e. a higher ratio of output to input. Furthermore, technical efficiency is measured in relation to the production function implying the amount of output that can be produced at different levels of input on the assumption of diminishing marginal productivity (which implies diminishing of outputs with the use of each additional unit of input). Consequently, the other organisation, P2, is operating at the limit of its production capacity and achieves a lower level of productivity but is producing the maximum level of output that is technically feasible given its input levels, which means that it is technically more efficient than P1. On the other hand, P1 stands for inefficient production.

**Figure 3: Difference between productivity and efficiency**

![Figure 3: Difference between productivity and efficiency](image)


Although multiple goals are among the features of health care services, a limited number of goals focused on individual segments are most often singled out within the system, which requires complex political decisions and, therefore, progress fails to occur in many fields (Busse and Wismar, 2002). International comparisons of health care systems enable governments to obtain a valuable insight into health care policies of other countries and to revise their own policies and methods of collecting and allocating resources (Figure 4). In order to upgrade the health care system, it is necessary to use and implant international comparisons into the outcome measurement system and integrate business data into the decision-making process. A comparative analysis is useful in different stages of the business cycle of the Ministry of Health and may result in better implementation of strategic information for the purpose of improving performance and outcomes.
3. GOVERNANCE OF THE CROATIAN HEALTH CARE SYSTEM AND IMPLICATIONS OF JOINING THE EUROPEAN UNION

As mentioned, regionalism has become a significant mechanism that mitigates tensions between the pressures of globalization and the need for more local control. Regional agreements widely differ one from another, but they have all a common objective: to lower trade barriers among their member states and enhance economic growth, development and reduce poverty. There are opinions that participation in a regional integration is a step towards easier inclusion into the global flows. The EU is the largest regional integration in Europe but it has global influence. Joining the EU will have various implications for Croatia and its economic, social and political system.

The key principle of EU governance is solidarity. In line with this principle, the EU supports the development of social services for all residents of its member states and the realisation of the “European social model”. In 2000, EU member states articulated their social model in the Charter of fundamental rights of the European Union. As for health, the Charter claims that everyone is entitled to access preventive health care and medical treatment under the conditions established by national laws and practices.

Although all EU member states have their own health care systems and policies, these are directly affected by the rules and objectives of the EU. There are three distinguishable categories of EU measures (Hatzoupolos, 2009). The first category comprises the acknowledged measures for achieving free movement of workers, free provision of services, and free establishment of institutions. The second category refers to the measures that seek to ensure free movement of goods, especially pharmaceuticals and medical devices. The third category includes the measures that arise from other areas of EU policy, which can be directly related to health.

As mentioned, although formulating and implementing health care policies is still a task for national policies, the development of the internal EU market and the performance of the EU institutions (in particular the European Court of Justice) have transformed the legal environment so much so that health systems now employ people, purchase goods, finance services, and organize themselves (Montanari and Nelson, 2010).

Cooperation between member states is recommended, and countries can improve governance of their health care system using the best practice experiences. New model of governance within the EU implies, among other things, the development and application of new health technologies, improvement of the system of monitoring and responding to health threats, introduc-
tion of regulations related to tobacco, alcohol, mental health and other social and economic issues that may potentially affect human health. Significant reforms that are currently being implemented in the Croatian health care system, such as the financial recovery of hospitals or reorganizing public procurement, are also affected by the EU rules and managing those reforms will have to be adapted to the new regional concept. The hospital sector is of great importance in the Croatian health care sector. However, governance of hospitals was not adequate and today, those institutions face serious managerial, financial and other problems. To be more exact, current problems of the hospital sector in Croatia include, among others, slow accreditation of hospitals, lack of professional staff, the threat of the brain drain, unequal distribution of hospitals, excessive dependence on hospitals in the city of Zagreb, lack of hospital governance by local authorities (Ostojić, Bilas, Franc, 2013). Consequently, financial recovery of hospitals will be performed and it is currently one of the largest reform initiatives in Croatian health care sector. Financial recovery assumes government paying for all of hospital debts accumulated by the 31st December 2012, which are the result of ample factors, among others, inadequate governance and mismanagement. Therefore, it is of great importance to ensure quality management of hospitals and other health institutions, which will have necessary know how, competences and education.

In general, up to this moment Croatia has succeeded in harmonizing national regulations with EU regulations in the area of health, in particular as regards: cross-border health care, regulated professions, prices of medicinal products and their inclusion in the Essential and Co-Pay medicines lists of the Croatian Health Insurance Institute, medical devices, blood, tissues and cells, and environmental protection (noise, chemicals and biocide preparations, food, and radiations) and from this point of view, health sector is considered to be ready to join the EU (Ostojić, Bilas and Franc, 2012).

It can be concluded that functioning within the EU framework might result in adaptation to the EU standards but it will require different approach to governance. When Croatia joins the EU, it will face new regulations and priorities in accordance with the current European health strategy and this will affect governance and functioning of the national health care system. Certain national governance bodies will be abolished and new regional institutions and regulations will be introduced. It is of utmost importance to define clear objectives and priorities in health care and to organize the functioning of the health care system in a way that will enable those national objectives to be achieved, having in mind national resources and regional rules and policies.

4. CONCLUSION

Today, there are numerous challenges regarding governance and development of health care systems: from an ageing population and a consequential growth of demand for health services, low fertility rates, reduced number of active insured persons, growth of chronic diseases, growth of health care service provision in a situation of less available funds due to financial crisis, the need to pursue technological innovation and achievements, investment in research and development, the need for the quality of services provided to increase, possibilities of labour migrations, patient mobility, to the potential for developing health tourism.

The development of policies that would support individual efforts and investments of the community into the health care sector and encourage laws on health protection and safety is of utmost importance. In terms of this it is necessary to ensure supervision over public procurement, plan the health care at the local level that is coordinated with national and regional plans, conduct strategic planning and governance, study household needs and include them in planning of the health care system, set up national and local committees for control of the health care, conduct food inspections and other activities influencing the people’s health.

In addition to the national perspective, when defining its governance objectives and direction of health care development, Croatia must take account of the EU guidelines and decisions listed in the main health care strategic documents. Moreover, governance will undoubtedly be affected by the fact that functioning in a regional integration and more widely, in a global environment
intensifies the need to cooperate, integrate, adjust to international trends and adopt innovations, new knowledge and skills, while simultaneously satisfying national needs.

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