



## **FINANCIAL MANAGEMENT AND ITS RELATION TO PLANING THE FUNDING FOR THE HEALTHCARE INSTITUTIONS AND THE QUALITY OF THE OFFERED HEALTHCARE SERVICE**

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### **Abstract**

The healthcare institutions are the ones that bear everyday responsibility for population's health hence their resource procurement and financial means should be of the highest priority when it comes to the national policies and interests.

The financial management of the healthcare institutions has to continuously optimize the costs while ensuring the funds necessary for their operations.

The article presents the results of pilot inquiry- based survey among the managers of the various healthcare institutions' levels, concerning their opinion on planning the resources for funding the healthcare institutions, the quality of the offered healthcare service and the shortage of financial resources.

Based on the assessment of the presented data, we arrived to the conclusion that the present healthcare system of Bulgaria seems to be insufficiently prepared to satisfy its present and future needs. Bearing in mind the speed and amount of the forecasted demographic and epidemiological transitions, the main healthcare system inefficiencies and the future economic situation of the country that is full of challenges, the Bulgarian healthcare system should undergo significant reforms.

**Keywords:** Financial management, healthcare service, financial resources, evaluation, healthcare institution.

### **INTRODUCTION**

Healthcare is a complex system that includes activities of management, financing and provision of health services aimed at improving the health status of the country's population. The modern health system is based on the principles of solidarity, choice and efficiency in spending the system's resources and, by its very nature, has both social and economic characteristics.

Experts have long noticed that there is no clear evidence of higher social effectiveness in spending more resources. There is no direct link between the volume of ever more expensive medical activity and the end result of it, reflected in the public health indicators. The issue is the effective use of healthcare resources, depending on the quality of the organization and the financial management of the health structure.

Thus, efficiency as one of the key words in health management is becoming increasingly important, especially in the present times of hospital restructuring and chronic resource shortages.



The hospital sector is a key element of the health system. Hospitals are focused on the most advanced and specialized medical care, and they are highly expected to provide vital medical services. Hospital care has an important psychological significance, it is an embodiment of the unity of modern medical science and practice (Dimitrov, 2014).

Along with the main function of treating patients, hospitals also perform a number of other functions - consultative assistance, promotional and prophylactic functions, social function, economic function. All of their functions are interconnected and the absence of any of them can interfere with the others (Delcheva, Balabanova, Tsoleva, 2016; Davidov, 2004).

The goals of the financial institutions from a financial point of view can also be seen as conflicting with regard to their social purpose - on the one hand, they have to achieve a positive financial result in order to continue their activity, on the other hand, the success of the healthcare facility must be measured by how effective and efficient it is to meet the needs of hospital care users (Davidov, 2004).

Finding a balance in the activity of the hospitals, combining high humane functions with economic ones related to the existence and development of their activities is a challenge both for health care managers and for those involved in health strategy and policy formation (Grudeva-Popova, 2007).

This article aims to analyze the opinion of medical specialists holding leadership positions regarding the planning and the amount of funding for the healthcare facilities, the way of their management, the quality of the offered health care, the opportunities and the initiative of the management to attract additional revenue and the impact of the current regulatory framework to improve financial performance and healthcare.

## **METHODOLOGY**

A pilot study was conducted, involving 95 people - health specialists, who hold leading positions in different hospitals on the territory of the Republic of Bulgaria. The study was conducted between July 2017 and March 2018. The selection is random - there is no particular selection of the respondents, which gives grounds for claiming representation of the results. Quantification is done with a statistical suite of application programs, SPSS, and the interpretation method is consistent with the theoretical material adapted to the suite of programs.

The task of the study is to define some problems in the hospital sector, especially those related to its financial condition and stability.

## **RESULTS AND DISCUSSION**

20.3% of the respondents are men, 79.7% are women. The largest is the relative share of respondents in the age group from 51 to 60 years - 31.3%, and in the group from 41 to 50 years - 29.7%. Only 9.4% of the respondents are up to 30 years of age. Regarding the place of work - 82.8% work in the cities, 15.6% - in the capital and 1.6% - in the villages. 75% of the respondents have medical education and 25% - economical. 56.3% have acquired specialty - psychiatry specialists are predominant; other specialties include: pediatrics; infectious diseases; Obstetrics and Gynecology; urology; rheumatology; cardiology and others.

Nearly half of the surveyed healthcare professionals hold a leading position in a municipal medical establishment - 52%, about 24.7% occupy such a position in a private medical institution and 16.4% in a university medical institution. 6.9% of the respondents have marked the "other" option, which includes the National Center for Public Health and Analysis, the Ministry of Health, the National Health Insurance Fund and others. The average length of service of the respondents as managers in the healthcare system is 18.5 years.

The analysis of the responses related to the planning of resources for the financing of medical institutions confirms the public opinion about the chronic shortage of resources, the negative evaluation being reduced to the problem of the planning of the resources for the financing of medical institutions. None of the respondents evaluated the planning of hospital resources as "excellent". Only 15.6% of the respondents believe that the planning of resources is "good", and the share of those who define the planning of resources as "poor" and "satisfactory" is distributed equally for the two responses – 42.2% (Figure 1).

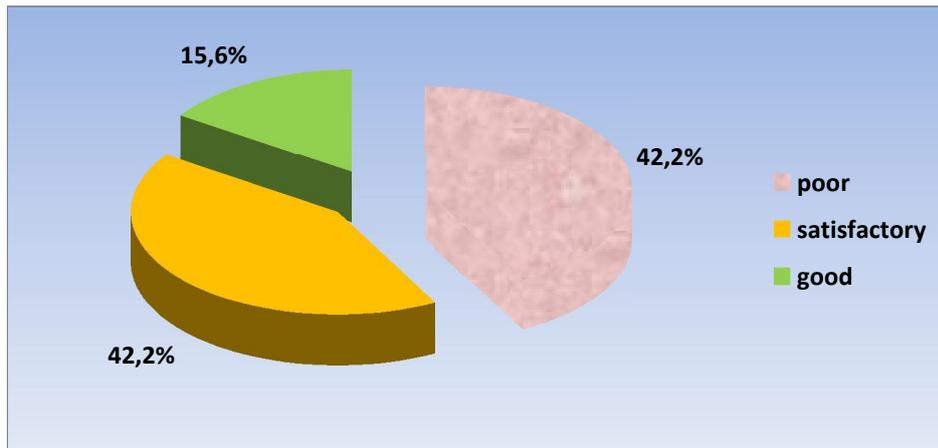


Figure 1: Opinion of the respondents regarding the planning of resources for the financing the medical institutions

The transformation of hospitals into commercial companies is one of the key moments in the ongoing health reform in Bulgaria. Through the reform, hospitals have changed their status and become independent economic actors in the health services market - they produce and offer their own product on the healthcare services market - a package of medical services, their relationships with other market actors are built on a contractual basis, the results of their activity are measured by the effective delivery of their product and the costs they have incurred, and the hospital management independently forms the revenue and expenditure side of their activity. Hospitals have been given the opportunity to search for and attract resources, optimize spending, form a product program, initiate and efficiently manage resources (Grudeva- Popova, 2007; Zlatanova, Petrova-Gotova, 2013).

This highlights the issue of their effective financial management.

The opinion of the participants in the study on the financial management of medical institutions is sought in this aspect. The majority of respondents - 59.4% - determine the financial management of the hospital as "good" and 10.9% as "excellent". A negative evaluation was given by 29.7% of the respondents, who described the financial management as "poor".

The predominantly positive evaluation of financial management means that despite the difficulties and limitations, healthcare managers are able to manage their resources well.

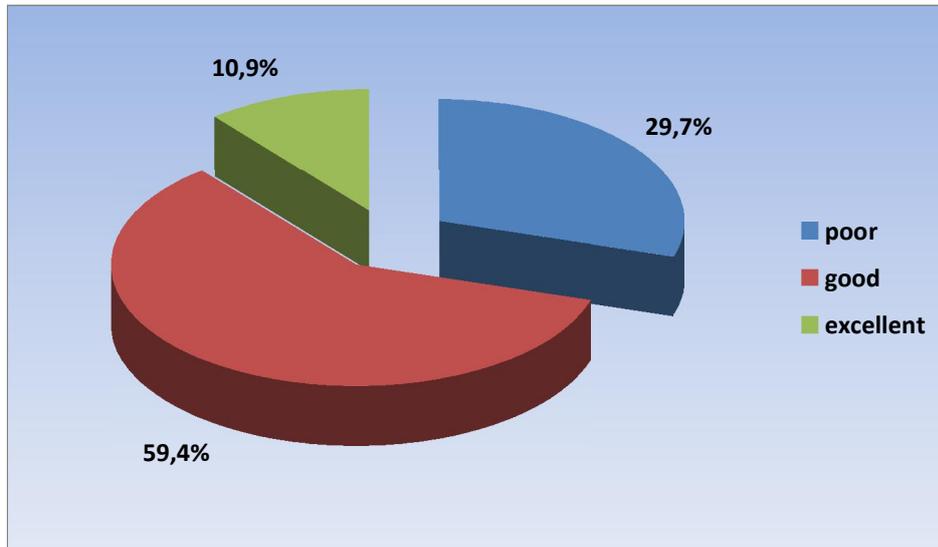


Figure 2: Evaluation of the financial management of medical institutions

Health care reforms have changed the regulatory framework. As with any other national economy and health sector, the effectiveness of the activities is directly dependent on the current legal rules, which must reflect the real relations in the sector, impose the necessary constraints and provide opportunities for development. An important condition for the achievement of the objectives of the reform in the Bulgarian healthcare system is the synchronization between the legal norms in a given normative act as well as between the different laws relevant to the regulation in the sector (Health, 2014; Konarev, 2013).

In this connection, we were interested in whether the legal framework gave hospitals the optimal opportunities to attract and spend resources in order to achieve good financial result and quality health care. More than half of the medical professionals involved in the study believe that it only partially allows for attracting and spending resources to achieve good financial result and quality health care, and 39% are convinced that it does not contribute to a good financial and health outcomes. Only 9% of the respondents respond positively and believe that the regulatory framework allows for increased financial and health outcomes. The high relative share of respondents who gave a rather negative evaluation shows that the current regulatory conditions are more restrictive than contributing to improving hospital activity. This is undoubtedly associated with the long period of health care reforms and the lack of a coherent policy for its development.

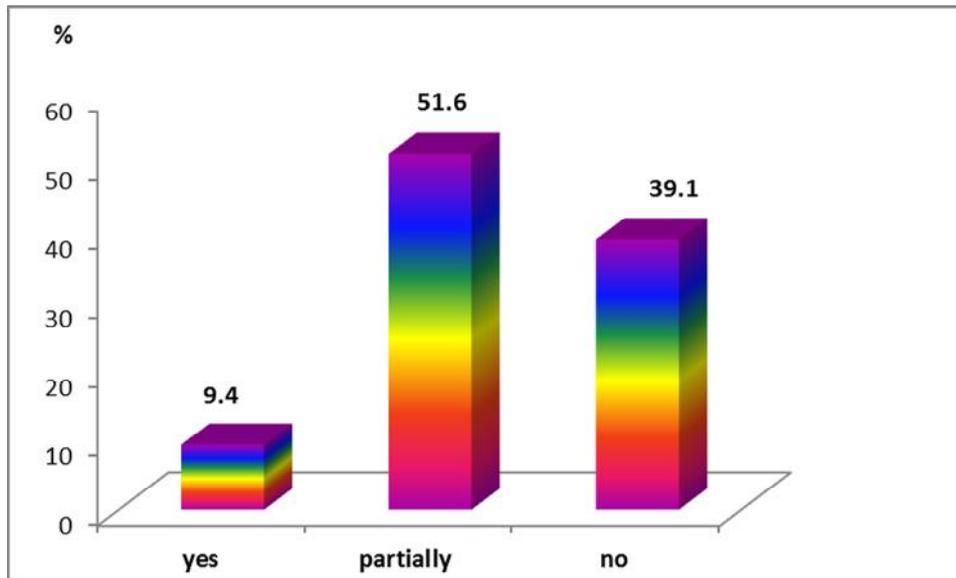


Figure 3: Opinion of respondents regarding the legal framework in the healthcare system

The issue of quality in the healthcare sector is becoming more and more important and is constantly sharpening as a result of the rapid development of medical science and practice, as well as the growing health culture of patients who have more and more demanding expectations about the medical care they receive (National Center of Public Health and Analyses, 2005).

The quality of the health service is influenced by a number of external and internal factors, such as government health policy, current standards, availability of patents and licenses, medical technologies, technical and organizational factors in the health care facility, a number of psychological and social factors, and last but not least, the financial capacity of the health organization. A number of tools - medical standards, clinical pathways, accreditation, and others - have been introduced to ensure quality (Zafirova, 1999).

The results of the conducted study show that more than half of the surveyed healthcare professionals consider that the quality of hospital care provided in the hospital they work in is "good" - 57.8%, while 7.8% define it as "excellent".

Since they represent 2/3 of the respondents, it can be summarized that the majority of healthcare professionals are positively assessing the quality of the health service. The share of respondents who have defined the quality of the health service as "satisfactory" is 28.1%, and as "poor" – only 6.3%.

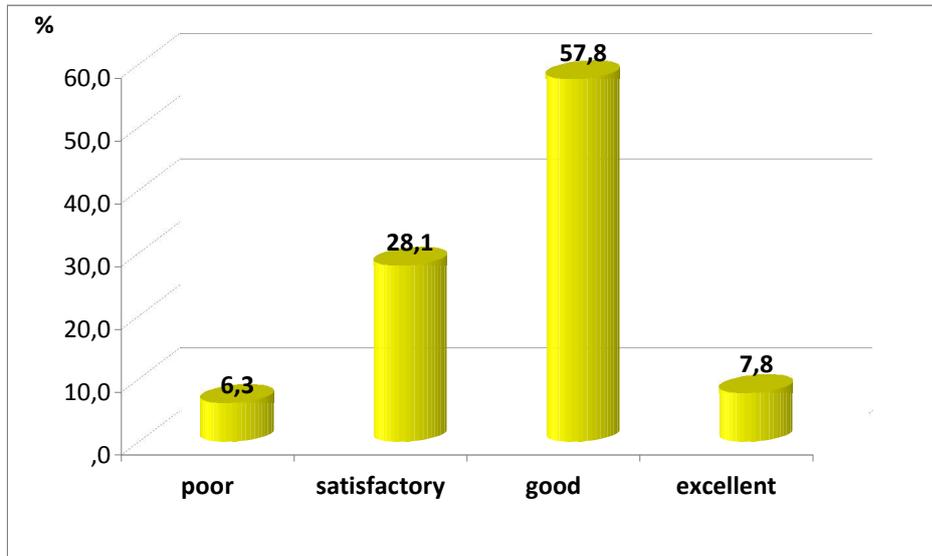


Figure 4: Opinion of respondents regarding the quality of the offered health service

After the transformation of hospitals into commercial companies, the responsibility for the successes and failures of the institution entrusted to them was transferred to hospital managers. The increasing public expectations for the quality of medical services, the rising healthcare costs, the emergence of competitive relationships in the industry, and in particular, the chronic shortage of resources in the sector require the use of elements, ideas and tools from the field of entrepreneurship, and the effective hospital management is a tremendous challenge to their managers (Gladilov , Delcheva, 2009; Spiridonov, 2010).

The next question we have raised in our survey shows the respondents' opinion regarding the link between the shortage of financial resources in the healthcare facility and its management.

The analysis of the results shows that according to 45.3% of the respondents there is a "partial" link between the insufficient financial resources and the management of the medical institution. According to 37.5%, the shortage is not related to the management, and 17.2% believe that the reason for the insufficient resources is precisely the poor management.

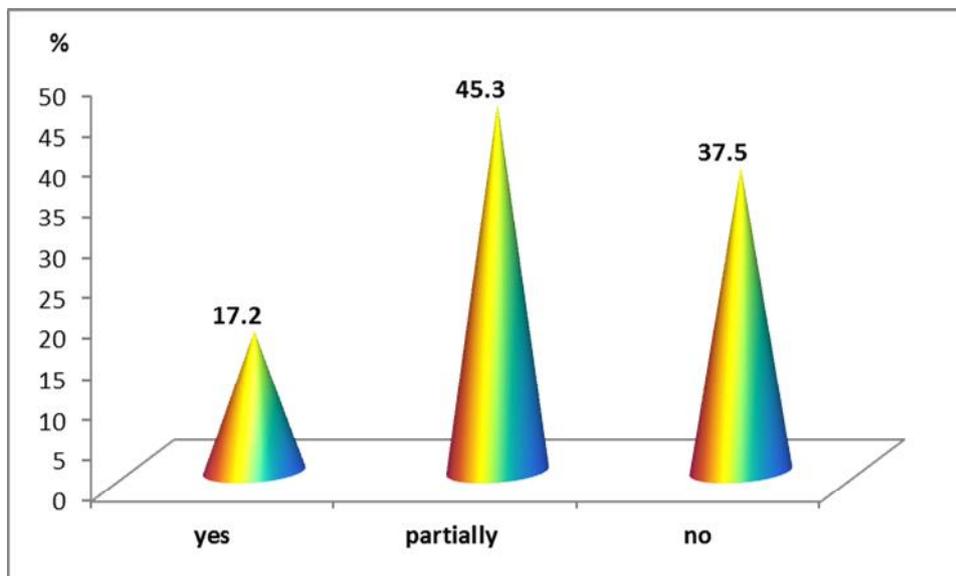


Figure 5: Opinion of respondents regarding the link between the shortage of financial resources in the medical institution and its management

Under market conditions, the improvement of the revenues of businesses largely depends on the sense of initiative of their management.

The main sources of income for hospitals include contracts with the National Health Insurance Fund, funds from the Ministry of Health budget, contracts with voluntary health insurance companies, clinical trials, EU funds programs, contracts with institutions, companies and corporate bodies for the payment of health care activities in the hospital care of their employees, funds from the Republican and municipal budgets, rental of equipment, premises and areas, donations and other sources. Whilst some of the listed sources of income are more difficult and slow to respond, despite the efforts of hospital management to increase them, there are opportunities for additional sources of funds that depend on their search initiative (Yaneva, 2011; Yaneva, Petrova- Gotova, Lazarova, 2016).

To the question of whether hospital management may be more proactive in seeking additional sources of income more than half of the respondents share the opinion that it could make more efforts and be more proactive in seeking additional revenue, nearly 36% think it could be more proactive, and only 3.1% said it could not be more proactive in seeking additional income.

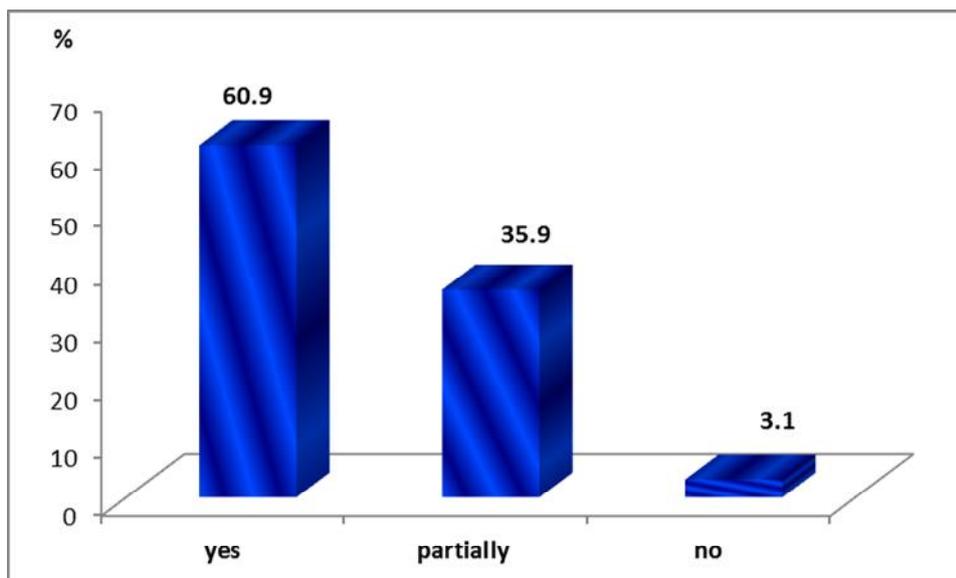


Figure 6: Opinion of respondents on the role of Healthcare Management in seeking additional sources of income

## CONCLUSION

Based on the assessment of the presented data, we arrived to the conclusion that the present healthcare system of Bulgaria seems to be insufficiently prepared to satisfy its present and future needs. Bearing in mind the speed and amount of the forecasted demographic and epidemiological transitions, the main healthcare system inefficiencies and the future economic situation of the country that is full of challenges, the Bulgarian healthcare system should undergo significant reforms.

The analysis of the financial management of health care institutions shows that despite the increase in budget funds in recent years, they are experiencing a serious shortage of financial resources related to the increase in their costs for the main products and services - fuels and energy, medicines,



insurance, etc., as well as with the financial motivation of the employees. There are insufficient funds for capital expenditures to ensure the timely maintenance and modernization of their base.

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