

Enhancing the Macedonian Health System through Implementation of the Public-Private Partnership Model

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Abstract

The research involves determination of the extent to which the public-private partnership model can contribute to the improvement and enhancement of the healthcare services in Macedonia. To achieve this purpose, the research embraces comprehension of the common advantages and disadvantages of this model, encompassed with a case study of the public-private partnership in the specialised-consultative health protection for the health activity-dialysis, together with other efforts to ensure high quality health protection. It also reflects the attitudes of the public authorities and private sector entities regarding the significance of the public-private partnership model, consideration of the advantages and disadvantages before entering public-private partnerships and the ways public-private partnerships affect the employees and employments.

The study outlines planned and realised efforts to implement this model to ensure better and more efficient healthcare system.

Generally, the results from the survey and the outlined case study present this model as a good solution for many healthcare challenges, since public-private partnerships offer different services to the citizens that neither the public nor the private sector could separately achieve. The public-private

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partnership model leads to new employment opportunities according to the opinion of the public authorities, while the private sector entities consider that public-private partnerships increase the responsibility of the employees in such partnership in comparison to the public sector. The outlined case study is an example of successful public-private partnership model in the field of healthcare and can serve as motivation for further implementation of this model to ensure better, enhanced and modern health system.

Key words: public-private partnership; concession; public authority; private sector entity; healthcare;

1. Introduction

Concessions and public-private partnerships have often been the focus of many analysis, theories, discussions, and treated in many national legislations. Vasiljevic (2012) discusses that the most frequent effects of the public-private partnerships provide the public sector with resources, especially with financial sources and expertise, and therefore decrease the pressure on the public sector's budget. Kekenovski (2010) advocated the view that imperfect information and imperfect competences are peculiarities of the health system.

There are several differences between the standard competitive and the medical markets, according to the following criteria:

1. **Number of vendors-** Standard competitive markets have many vendors, while there is a limited number of hospitals outside the bigger cities;
2. **Profit-** Standard competitive markets maximise their profits, but many hospitals do not achieve profit;
3. **Information-** Well- informed customers are typical for the standard competitive markets, while speaking of medical markets, there are many customers that lack enough information.
4. **Customers' payments-** Customers' direct payments are features of standard competitive markets, while the patients cover just a part of the expenses.

Since the state and the insurance companies compensate the costs to the most of the non-profit health organisations, these organisations are not

profit oriented and therefore not concerned about price regulations or profit increase. Contrary to those, private hospitals are profit oriented, efficiency motivated and therefore gained higher reputation than the state hospitals (Kekenovski 2010, pp.193-198).

There are several reasons for the rise of the health care costs. First, changes in population or increased number of older and urban population produce demand for expensive tertiary health care. Changes in disease patterns are also important, which means the more patients suffer chronic diseases, the more expensive medication they need. There are expensive improvements of treatments and diagnoses, thus saving and improving the quality of life of the patients.

Having in mind the increased expenses, there is a belief that public-private partnerships will produce efficient and improved health care services that will lead to relief from the increased costs. To achieve this, other activities are required such as ensuring better risk sharing mechanisms, engagement of the governments in defining the structure of the health system, strategic planning for both of the partners to prosper from the partnership (Mitchell, n.d.).

2. Description of the methodology

The research involved multi-method approach, combining survey and case study method. Secondary data including both raw data and published summaries is also important part of the research (Saunders, Lewis & Thornhill, 1997). The case study analysis captures the economic implications of the outlined public-private partnership, especially emphasising the beneficial outcomes for the patients.

A postal self-administered questionnaire helped to assess the attitudes of the public authorities and economic operators towards the public-private partnerships in general, determination of the advantages and disadvantages before entering any contract awarding procedure and the opinion regarding the effects of the public-private partnership model on the employees and employment. The questionnaire consists of closed questions offering a number of alternative answers. It was posted to the respondents together with a covering letter. (Saunders, Lewis & Thornhill, 1997)

3. Advantages and disadvantages of public-private partnerships

Although public-private partnerships provide many advantages, they are not flawless. That is why determination of the advantages and disadvantages related to the implementation of public-private partnership model is a subject of interest of many authors. Ilic (2012) gives an exhaustive overview of many advantages and disadvantages that are typical for public-private partnerships.

The list of the most crucial advantages of the public-private partnerships embraces:

- efficiency and better quality in the process of construction and offering the necessary services by the private partner compared to those that the public partner would offer;
- strengthening the public sector;
- faster implementation;
- decreasing the project costs;
- better motivation for accomplishment;
- better quality of the service;
- additional convenience for the citizens;
- ability to decrease the budgetary deficit and the public debt.

Some of the disadvantages are as follows:

- slow preparation of individual projects;
- lack of administrative capacity for reporting and maintenance of active relationship with the private partner during the process of defining the contractual obligations, as well as monitoring of the performance of the contract;
- prioritising the economic indicators of the partnership, while neglecting the social and ecological advantages;
- negative financial impact in case of breaking up the partnership;
- possibility of unexpected risk transfer from the private to the public partner.

One of the disadvantages with very negative impact on macro level is the long lasting period of these partnerships. That is why the obligatory expenditures rise, and because of this, a hidden debt occurs (Ilic, 2012).

Given the advantages and disadvantages of the public-private partnerships in general, this study also intends to reveal the gains of both

partners that result from the implementation of specific public-private partnerships in health.

The first and most tangible benefit is the financial benefit. "This might take the form of increasing resources (for example as direct payment for service delivery) or through reductions in cost (for example contracting for food service in a hospital). In either case, each of the partners sees a long or short term financial gain that will come about from the partnership" (Mitchell n.d., p.7).

On the other hand, despite the financial gain, there are many non-financial benefits."In the case of the private sector, the reasons may range from publicity for philanthropy, legitimacy in terms of working with respected organisations, research that they can use in the future for product development, or enhancement of brand or corporate image or name recognition through donation programs" (Mitchell n.d., p.9).

4. Modernisation and improvement of the healthcare services

In 2007, the Government and the prevalent Minister of health suggested implementation of this model in the health system as the only solution for modernisation of this sector for the patients' benefit. According to this model, the equipment invested by the private partner should stay in proprietorship of the public partner (Marjanovik, 2007).

In 2012, the Ministry of health launched a public call for awarding concessions for performing healthcare activities in the field of gynaecology on primary level in 73 Macedonian municipalities. According to the estimations, this model would produce 364 new employment opportunities in the Republic of Macedonia and therefore decrease the amount of unemployed doctors (Vlada na Republika Makedonija, 2012).

The Ministry also launched a public call for awarding another 76 concessions for performing healthcare activities in the field of gynaecology and ability for additional 152 employment opportunities, and 359 concessions for providing dental health services and ability for additional 718 employments. The intention was to strengthen the healthcare services on primary level (V.Ma, 2012).

The Government adopted a Decision for launching a procedure for awarding of three concessions for carrying out healthcare services on secondary level in the field of surgery, eye surgery and neurology (Pocnuva koncesioniranjeto vo zdravstvoto).

One of the most significant public-private partnership projects in the healthcare area, beginning from the 15th of February 2014, is the public-private partnership in the specialised-consultative health protection for the health activity-dialysis. It refers to the dialysis centres, which were part of the public health institutions where treatments were performed to the insured persons with chronic kidney insufficiency, and transformed into private legal entities in accordance with the license agreements for carrying out this health activity.

During the second phase the private health institutions “SISTINA NEFROPLUS” in Kavadarci and SISTINA NEFROPLUS EDEN” in Gostivar have obtained the license agreements.

The organisational units included in “SISTINA NEFROPLUS” are the former dialysis centers from the public health institutions, as it follows:

1. Kavadarci- the Public Hospital Kavadarci;
2. Prilep-the Public Hospital Prilep;
3. Bitola- the Public Hospital Bitola;
4. Veles- the Public Hospital Veles;
5. Ohrid- the Public Hospital Ohrid.

The organisational units included in “SISTINA NEFROPLUS EDEN” are the former dialysis centres from the public health institutions as it follows:

1. Gostivar- the Public Hospital Gostivar;
2. Tetovo-the Public Hospital Tetovo;
3. Debar-the Public Hospital Debar;
4. Struga-the Public Hospital Struga;
5. Kicevo-the Public Hospital Kicevo.

The licensed health organisations have concluded agreements with the Health Insurance Fund of Macedonia for regulation of the execution and payment of this type of health services. The total compensation is determined with the Decision adopted by the Board of the Fund, depending on the Fund’s budget including all the necessary expenses, as the expenses for medications, medical and other kind of consumed material in pursuit of providing the required healthcare service.

The total agreed compensation for SISTINA NEFROPLUS determined for the period from the 1st of March until the 31st December 2014 was 152.154 618 Denars ensuring the necessary treatments for around 230 insured persons. The agreed compensation for SISTINA NEFROPLUS

EDEN determined for the period from the 1st of March until the 31st December 2014 was 133.711.634 Denars ensuring the necessary treatments for around 203 insured persons.

The health institution is responsible for providing full, quality, effective and on time health service in accordance with the specific regulations. The package of health services includes not only the treatments and the obligatory diagnostic examinations, but also the travelling expenses to the centres and back. The Health Insurance Fund of Macedonia has determined the reference price in amount of 5.400 Denars, which is in force since January 2014. The Fund pledges for the improvement of the quality of the treatment services through observation and control of the quality through implementation of European indicators available to the Fund (Fond za zdravstveno osiguruvanje na Makedonija, 2014).

The Ministry of health attempted an establishment of public-private partnership for construction of two multi-storey parking places at the Clinical Centre "Mother Theresa" together with a helipad. The private partner should invest EUR 21.300.000 and the public partner should keep the ownership over the objects during the validity of the contract, or 35 years (Vo Klinicki centar ke se gradat dve katni garazi).

However, after two unsuccessful and annulled tendering procedures, the Government decided to sell the parcels of land intended for construction of the parking places. The buyer will be obliged to construct the parking places and therefore solve the parking issues (E.A., 2016).

5. Survey results

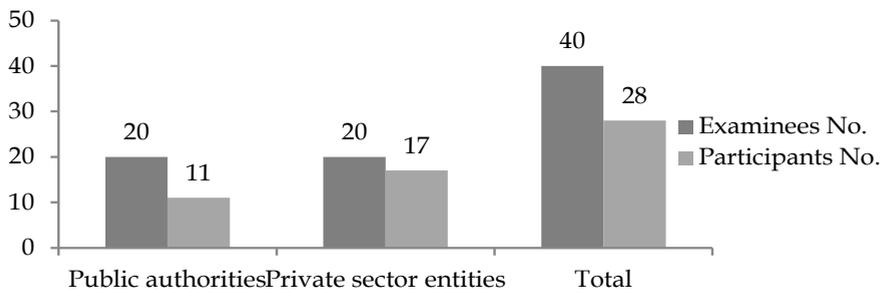
There are two groups of participants in our study: public authorities and private sector entities. The number of examinees in each group was 20, while the total number was 40. The total number of the participants who responded the submitted questionnaire is 28. Therefore, there are 11 participants representing the public authorities and 17 participants representing the private sector entities.

Table 1: Number of participants

| | Examinees | | Participants | |
|-------------------------|-----------|-----|--------------|----|
| | No. | % | No. | % |
| Public authorities | 20 | 100 | 11 | 55 |
| Private sector entities | 20 | 100 | 17 | 85 |
| Total | 40 | 100 | 28 | 70 |

Source: Authors' own calculations

Figure 1: Number of participants



Source: Authors' own calculations

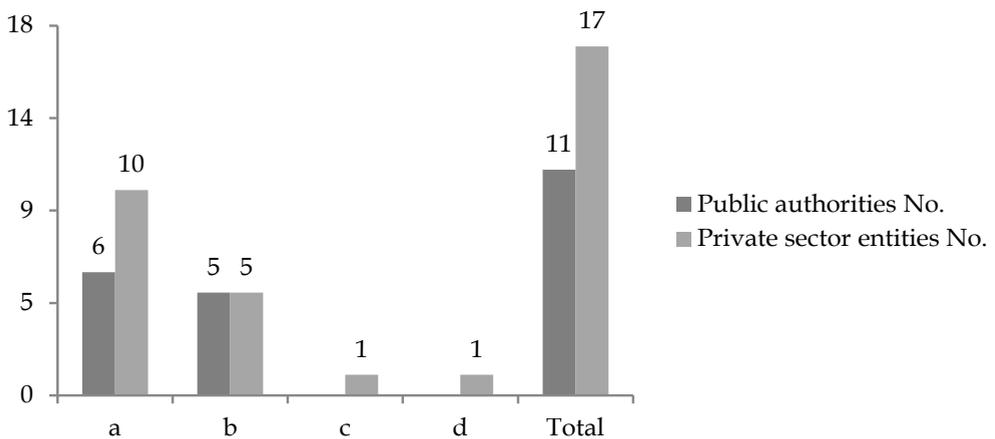
Table 2: Distribution of the opinions on the following statement: “Public-private partnerships offer different services to the citizens, that neither the public nor the private sector could separately achieve, and enable presentation of the private sector to the wider market and help increasing the profit.”

| | Public authorities | | Private sector entities | |
|-------|--------------------|-------|-------------------------|-------|
| | No. | % | No. | % |
| a | 6 | 54.55 | 10 | 58.82 |
| b | 5 | 45.45 | 5 | 29.42 |
| c | | | 1 | 5.88 |
| d | | | 1 | 5.88 |
| Total | 11 | 100 | 17 | 100 |

a - Agree; **b** - Tend to agree; **c** - Tend to disagree; **d** - Disagree

Source: Authors’ own calculations

Figure 2: Distribution of the opinions on the following statement: “Public-private partnerships offer different services to the citizens, that neither the public nor the private sector could separately achieve, and enable presentation of the private sector to the wider market and help increasing the profit.”



a - Agree; **b** - Tend to agree; **c** - Tend to disagree; **d** - Disagree

Source: Authors' own calculations

Most of the participants that took part in the survey agree that public-private partnerships offer different services to the citizens, that neither the public nor the private sector could separately achieve and enable presentation of the private sector to the wider market and help increasing the profit. There is only one participant from the second group, or the private sector entities that tends to disagree and another one from the same group that disagrees with this statement.

None of the participants from the first group, or the public authorities tends to disagree, or disagrees with this statement.

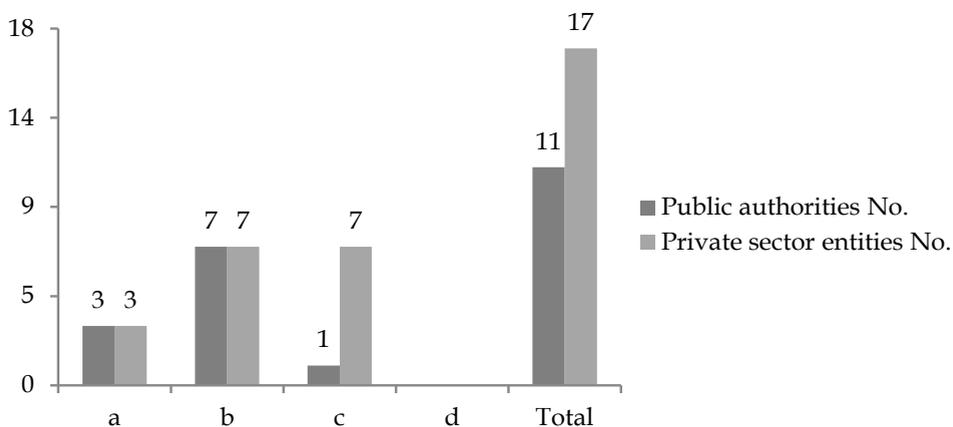
Table 3: Distribution of the attitudes toward consideration of the advantages and disadvantages before entering a public-private partnership

| | Public authorities | | Private sector entities | |
|-------|--------------------|-------|-------------------------|-------|
| | No. | % | No. | % |
| a | 3 | 27.27 | 3 | 17.64 |
| b | 7 | 63.64 | 7 | 41.18 |
| c | 1 | 9.09 | 7 | 41.18 |
| d | | | | |
| Total | 11 | 100 | 17 | 100 |

- a. All the advantages and disadvantages have been considered
- b. Most of the advantages and disadvantages have been considered
- c. The advantages and disadvantages have been partly considered
- d. The advantages and disadvantages have not been considered

Source: Authors' own calculations

Figure 3: Distribution of the attitudes toward consideration of the advantages and disadvantages before entering a public-private partnership



All the advantages and disadvantages have been considered

a. Most of the advantages and disadvantages have been considered

b. The advantages and disadvantages have been partly considered

c. The advantages and disadvantages have not been considered

Source: Authors' own calculations

Most of the participants representing the first group consider most of the advantages and disadvantages before entering a public-private partnership. This is common for most of the participants from the second group where an equal number of participants partly consider the advantages and disadvantages before entering a public-private partnership. Significantly less participants from the first group partly consider the advantages and disadvantages before entering a public-private partnership.

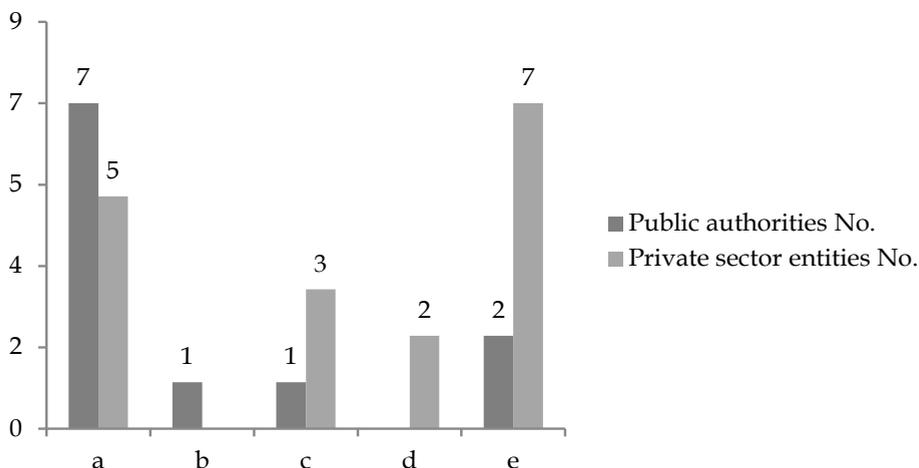
Table 4: Distribution of the opinions on the ways the public-private partnerships affect the employees

| | Public authorities | | Private sector entities | |
|-------|--------------------|-------|-------------------------|-------|
| | No. | % | No. | % |
| a | 7 | 63.64 | 5 | 29.41 |
| b | 1 | 9.09 | | |
| c | 1 | 9.09 | 3 | 17.65 |
| d | | | 2 | 11.76 |
| e | 2 | 18.18 | 7 | 41.18 |
| Total | 11 | 100 | 17 | 100 |

- a. The constitution of the public-private partnership leads to new employments.
- b. The working conditions have been improved and the worker's satisfaction has increased.
- c. Constitution of the public-private partnership leads to deployment of some of the employees.
- d. Opportunity for additional employee trainings.
- e. Increased responsibility of the people employed in the public-private partnership compared to those of the public sector.

Source: Authors' own calculations

Figure 4: Distribution of the opinions on the ways the public-private partnerships affect the employees



- The constitution of the public-private partnership leads to new employments.
- The working conditions have been improved and the worker's satisfaction has increased.
- Constitution of the public-private partnership leads to deployment of some of the employees.
- Opportunity for additional employee trainings.
- Increased responsibility of the people employed in the public-private partnership compared to those of the public sector.

Source: Authors' own calculations

As the table and the figure present, there are 7 or 63.64 % of the total number of the participants representing the public authorities (11) and 5 or 29.41% of the total number of the participants representing the private sector entities (17) that believe that the constitution of the public-private partnership leads to new employments. Only one or 9.09% of the participants representing the public authorities assumes that the working conditions have improved and the worker's satisfaction has increased.

In addition, 9.09% of the participants representing the public authorities and 3 or 17.65% of the participants representing the private sector entities

believe that the constitution of the public-private partnerships leads to deployment of some of the employees.

None of the participants representing the first group considers that public-private partnerships produce an opportunity for additional employee trainings, but contrary to this, 2 or 11.76% of the participants representing the second group believe that the constitution of public-private partnership produces such opportunity.

At last, 2 or 18.18% of the total number of the participants representing the public authorities and 7 or 41.18% of the total number of the participants representing the private sector entities assume that the constitution of the public-private partnerships increases the responsibility of the people employed in the public-private partnership compared to those of the public sector.

6. Conclusion

The general opinion shared by the public authorities and private sector entities is that public-private partnerships offer different services to the citizens, that neither the public nor the private sector could separately achieve, and enable presentation of the private sector to the wider market and help increasing the profit.

Consideration of the expected advantages and disadvantages of each public-private partnership is necessary for most of the participants representing both of the groups before entering a public-private partnership.

Most of the public authorities assert that constitution of the public-private partnerships leads to new employments. Significantly, fewer participants representing the private sector entities share this opinion.

On the other hand, most of the participants representing the private sector entities proclaim that public-private partnerships increase the responsibility of the people employed in the public-private partnership compared to those of the public sector.

Speaking of the importance of the public-private partnership model in the healthcare system, it is more than obvious that it has very important contribution to modernisation, enhancement and improvement of the healthcare activities and can ensure an available, on time, efficient and most important economic approach to a better and more convenient healthcare services.

At last, the successful public-private partnership model should create some major benefits of having one, such as to:

1. provide a greater efficiency of getting tasks and requirements completed;
2. reduce the spending of taxpayer money;
3. provide improved compliance with government regulations, needs and requirements in regards to the environment and workplace;
4. improve the quality of services and products." (Celluci 2011, p.67)

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