



# Informal payment for health care: Evidence from Hungary

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## Abstract

While there is a growing body of evidence that informal payments for health care are widespread and enduring in the former communist countries of Central and Eastern Europe and Central Asia, evidence on the scale of the phenomenon is not only limited, but what is available is often conflicting. Hungary exemplifies this controversy, as the available literature provides conflicting figures, differing by an order of magnitude among various surveys, with a similarly large difference between survey findings and expert estimates.

This study advances understanding of the methodological issues involved in researching informal payments by providing a systematic analysis of the methodology of available empirical research and official statistics on the scale of informal payments in Hungary. The paper explores the potential sources of differences, to assess the scope to reduce the differences between various estimates and to define the upper and lower boundaries within which the true magnitude of informal payments can be expected to lie.

Our analysis suggests that in 2001 the overall magnitude of informal payments lay between 16.2 and 50.9 billion HUF (€ 64.8–€ 203.6 million, US\$ 77.1–242.4 million), which amounted to 1.5–4.6% of total health expenditures in Hungary. Looked at this way, informal payments do not seem to be an important source of health care financing. However, as informal payments are unequally distributed among health workers, with the bulk of the money going to physicians, with some not taking any informal payments, family doctors and some specialists may have earned between 60 and 236% of their net official income from this source in 2001.

This suggests that it is not the overall amount of informal payment that makes it a policy concern, but the consequences of its unequal distribution among health workers. What is remarkable about informal payments in Hungary is that a relatively small amount of money can keep the system running, which gives rise to the hypothesis that, in certain cases, it is the hope of substantial informal payments in the future that motivates physicians to remain in the system. This is a difficult challenge for policy-makers as it would require a much larger amount of money to achieve equilibrium under any formal alternative.

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## 1. Introduction

There is increasing interest in informal payments for health care in the context of transition economies [1–9], and a growing body of evidence suggests that

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the phenomenon is widespread and enduring, not only in former communist countries of Central and Eastern Europe (CEE) and the former Soviet Union. It can also be found in many other middle income and developing countries [10–13], and seems to exist, although is under-researched, in high income countries of Western Europe [14].

There is no generally accepted definition of informal payments, but its most common form in Hungary is that patients give money to doctors for services that they would be entitled to receive free of charge in the frame of publicly financed health care. The origin of the phenomenon has long been debated. Some linked the emergence of informal payment to the shortage created by the highly centralized, state-socialist health care system, while others saw it as a benign cultural phenomenon, a tradition of gift giving as a way to express one's gratitude for being cured from illness. What is clear is that despite recent health care reform – which was brought about by the collapse of the communist dictatorship and which transformed the integrated model of health care into a social insurance funded, purchaser provider split system with new payment methods including capitation in primary care, fee-for-service in the outpatient specialist care sector and DRGs in acute inpatient care – informal payments have not disappeared from the Hungarian health sector. It must be noted though that the current system is still predominantly publicly financed and provided and the health workforce has not seen a dramatic improvement in salaries, which had been deliberately kept low by the leadership of the Communist Party [15–17].

Whether informal payments deserve the attention of policy-makers thus crucially depends on the validity of the two competing theories about their origin (i.e. are the majority of informal payments culturally motivated gifts, or are they payments to ensure high quality care) [7,16]. Nevertheless, a third consideration applies. If the overall magnitude of such payments as well as the actual amounts involved in individual transactions are negligible, it is immaterial, for policy purposes whether informal payments are 'donations' or 'fee-for-service' [18].

The scant available evidence on the scale of the phenomenon suggests that in certain countries, such as Georgia, Azerbaijan and the Russian Federation, informal payments are the most important source of health care financing [5, pp. 16–19], but the situation is

less clear in the more developed CEE countries, such as the Czech Republic, Poland, Slovakia, or Hungary. The difficulties of measuring and comparing informal payments in and across countries are primarily methodological, attributed to the absence of a generally accepted definition as well as to the challenges of finding the most appropriate method for capturing the true extent and magnitude of a phenomenon that is generally informal and often illegal, or at least whose legality is unclear [5].

Hungary is a good example of this, as the available survey findings and official statistics are inconsistent, with an order of magnitude difference between different survey estimates and between empirical data and expert estimates [18]. For instance a 'hidden economy' study of the Hungarian Central Statistical Office (HCSO) estimated informal payments at about 3 billion HUF (approximately € 12 million, US\$ 14 million) in 1997 [19], while another study estimated a total of 33 billion HUF (approximately € 132 million, US\$ 157 million)<sup>1</sup> in 1998 [20].

This paper aims to resolve this conflict by assessing the scale of payments in two steps. First we attempt to clarify the order of magnitude of informal payments in Hungary, using available official statistics and surveys, assessing critically the findings in relation to the methods used to collect these data. Then we examine the distribution of informal payments on the basis of findings from previous surveys. We consider knowledge of the distribution of informal payments crucial to assess their impact on the system. As Chawla et al. [3] have reported, the overall sum accounted for by informal payment in a year was estimated to be only 10% of the gross salaries of all hospital personnel in Poland in 1994, but equivalent to twice the annual salary of physicians alone.

We will thus compare the income from informal payments with the official salary of physicians, first by establishing the best estimate of its overall magnitude, and second by modelling a plausible distribution among health workers and within them, physicians.

## 2. Methods

To assess the overall magnitude of informal payments we have carried out a systematic review

<sup>1</sup> Exchange rates used 1 € = 250 HUF, 1 US\$ = 210 HUF.

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