



State Comptroller and Ombudsman  
Annual Report 70B | 2020

Ministry of Health

# **The Ministry of Health's Mixed Status as a Regulator and as the Owner of Government Hospitals**

Abstract





# The Ministry of Health's Mixed Status as a Regulator and as the Owner of Government Hospitals

## Abstract

### Background

The hospitalization system in Israel includes 27 general hospitals - some owned by the Ministry of Health, some owned by Clalit Health Services and some independent public hospitals. The Ministry of Health serves as a regulator of the health system, including in regard to economic regulation, and simultaneously it also owns 24 government hospitals (general, geriatric and psychiatric). It therefore operates under many hats - as a regulator, as an operator and as an owner, and even as an insurer in various health fields. Public committees have previously examined the issue of the Ministry's mixed status and many hats, and have determined that this fact has negative effects and suggested ways to segregate its duties.

In August 2015 and August 2016, government decisions were made to establish a division of the Ministry of Health, which will be responsible for the government medical centers, and the division's areas of activity and powers, and the management tools used by it were defined.

### Key figures

approx. **50%**

Of the general hospital beds in Israel are owned by the Ministry of Health

**11**

General-government hospitals (out of 24 government hospitals, including psychiatric and geriatric ones)

**22.7** NIS billion (net)

Scope of revenue of general hospitals (government, HMO owned and public-independent) in Israel in 2017

NIS **28** billion

Scope of expenditures of general hospitals (government, HMO owned and public-independent) in Israel in 2017

NIS **600** million

Total decrease in the net income of HMO's from 2014 to 2018, owing to the differences between their income and their expenses, due to gaps between a hospitalization day price and the health care cost index

An increase of **27%**

Within five years (in the years 2011 to 2016), in the amount of radiotherapy treatments, from NIS 450 million to NIS 570 million (gross)

NIS **1.8** billion

The financial volume of cardiac catheterization activity in 2018, which is approx. 6% of the total gross hospital revenue for the year (NIS 28.5 billion)


approx. **50%**

The difference between the price of therapeutic heart catheterization according to the Ministry of Health's price list (NIS 39,300) and the price of therapeutic heart catheterization according to the pricing of Clalit (NIS 18,600)

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## Audit Actions

 From March to October 2019, the State Comptroller's Office examined aspects of the Ministry of Health's mixed status as a regulator and as the owner of 24 government hospitals, of which the 11 general government hospitals were examined. Among the issues examined: the cancellation of the decision to establish an authority for government medical centers and the establishment of a Government Medical Centers Division in the Ministry of Health; the effect of the Ministry of Health's mixed status on financial and pricing aspects in the health system.

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## The Situation Reflected in the Audit Findings

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-  The dual role of the Ministry of Health as health regulator but also owner of about half of the general hospital beds in Israel creates an inherent tension between its ongoing activity through its hospitals which affects their revenues and its being involved in the process for updating the statewide pricing of medical procedures and services by virtue of its status as regulator.
  -  The period from 2014 to 2018 saw a shortfall of approximately NIS 600 million being formed between the HMOs' revenues under the health basket and their paid expenses according to the tariff for a day's hospitalization. This stems from the differences in rate of change between the hospitalization day price index and the health care cost index, and it negatively affects the HMOs' financial status.
  -  The frequency with which the Price Committee is convened is unregulated. The audit revealed that from 2016 to 2018, the Price Committee rarely convened to price new medical procedures and update prices. It is possible that this is due to a disagreement between the Ministry of Finance, according to which an update to the prices of radiotherapy is necessary, and the Ministry of Health, which has not take action to promote such an update to the pricing.
  -  Although the price of cardiac catheterization according to the Ministry of Health's price list is twice as high as the price of cardiac catheterization according to Clalit's pricing (about 39,000 compared to 19,000), the Price Committee did not discuss the need to update the catheterization prices. In other areas as well, such as eating disorders and treatments in oncology orthopedics, there has been a delay in updating the pricing.
  -  In 2017, government hospital deficits totaled NIS 1,550 billion. It was found that until 2017, despite the budgetary assistance provided to cover their deficits, the Finance and Health Ministries did not require them to become more efficient.









The Health Ministry's Hospitalization System Supervision Division has analyzed the efficiency measures to compare the condition of all general hospitals.



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## Main Audit Recommendations

-  The State Comptroller's Office recommends that the Ministry of Health clarify the role of the Government Medical Centers Division with regard to the separation between its regulation functions and its management and supervision of the medical centers. It is also appropriate that it instructs the Division to take action to fulfill this role and that it conducts a regular, periodic examination of the Division's meeting of this objective.
-  There is a dispute between the Ministries of Health and Finance regarding the mechanism for updating the health care cost index. It is appropriate that, in accordance with the High Court of Justice ruling, the Ministries work to formulate a mechanism for resolving disputes between them, whether by bringing the issue to the government or in another method.
-  The Ministry of Health must complete the process of receiving the data necessary in order to update the pricing of radiotherapy treatments. The Price Committee must return to convene regularly, notwithstanding the dispute regarding the update of radiotherapy prices, and must hold discussions on the issue of tariff updates regularly.
-  The Ministry of Health must review the pricing of cardiac catheterization as soon as possible and present the need to update it before the Price Committee if necessary.
-  It is recommended that the Division of Government Medical Centers initiate and promote a systematic review program of tariffs for all government hospital medical services.
-  It is appropriate that the Ministry of Health consider setting conditions for allocating aid budgets to both governmental and public-independent hospitals, in a way that will incentivize them to become more efficient.

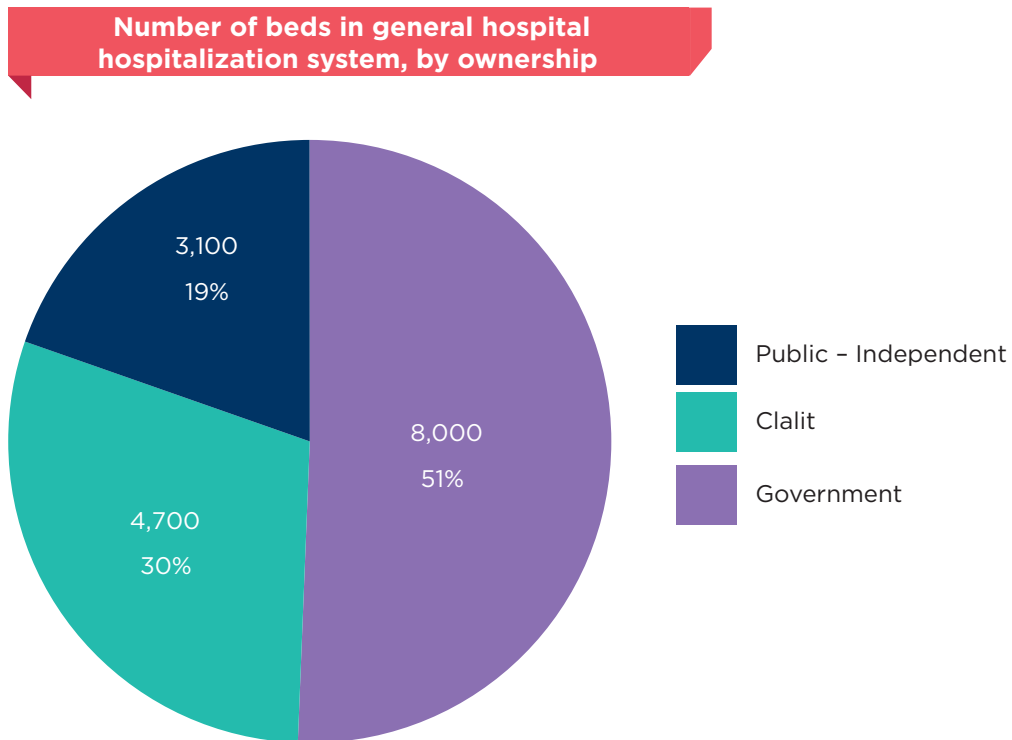


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## Summary

This report deals with the many hats of the Ministry of Health as a health system regulator and as the owner of the 24 government hospitals. The situation that emerges from the report highlights the inherent tension in the Ministry of Health, even after the establishment of the Government Medical Centers Division. In order to address the issue, it is appropriate for the Ministry of Health to instruct the Division to take action to fulfill its mission of establishing a separation between its regulatory functions and its functions in the fields of hospital management and supervision. This will allow the Ministry to make decisions based on substantive and objective considerations for the benefit of the entire health system and for the benefit of the public as a whole, improve public health, and give rise to efficient and effective conduct of all hospitals.



Source: Hospitalization System Supervision Division, General Public Hospitals: Draft Financial Reporting 2017 for Public Comments (June 2019).