



Can medical practitioners rely on a predictable and fair remuneration?

Evaluation of the remuneration system of State- owned Limited Liability Company “Pauls Stradiņš Clinical University Hospital”

Rīga 2020

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Audit report

Can medical practitioners rely on a predictable and fair remuneration? Evaluation of the remuneration system of State-owned Limited Liability Company "Pauls Stradiņš Clinical University Hospital".

Compliance audit "Has the remuneration of medical practitioners increased? Evaluation of the remuneration system of State-owned Limited Liability Company "Pauls Stradiņš Clinical University Hospital"

The audit was performed based on the audit schedule No 2.4.1-31/2019 of the Third Audit Department of the State Audit Office of 5 August 2019.

The audit report was approved under decision No 2.4.1.-31/2019 of the Third Audit Department of the State Audit Office of 22 October 2020.

The cover design includes a photo from the website <http://depositphotos.com>.

Dear Reader,

Remuneration of medical practitioners is the key item of expenditure of medical institutions (hospitals). In addition, decisions made by healthcare practitioners in diagnosing, examining, and treating patients, prescribing diagnostic tests, medications, or treatment procedures to patients, also affect the use of other hospital resources. Recognising the special role of medical practitioners in hospital, one should strive for establishing a remuneration system that would motivate physicians to work productively in accordance with the needs of patients and to take care of the outcome of the treatment process. At the same time, this remuneration system must be easy to administer and control the costs.

The audit aimed at assessing the remuneration system in one of the largest medical institutions in Latvia, namely, the Pauls Stradiņš Clinical University Hospital, to find out whether the remuneration system established by the hospital was efficient, fair, transparent, and understandable so that employees were motivated and tried their best in achieving the overall goals of the hospital. Moreover, the audit assessed whether the goals set by the Ministry of Health for increasing the remuneration of medical practitioners involved in the provision of state-paid healthcare services were being achieved.

Studies show that many countries have different remuneration systems for hospital carers (e.g. fixed pay, fee-for-service, blended pay consisting of fixed pay and bonuses for service and/or results achieved) and each of those systems has its disadvantages and advantages. So, there is no perfect system in the world yet.

Also in Latvia, the Ministry of Health, as a healthcare policy maker in cooperation with professional organisations of medical practitioners, employers in the sector, university lecturers, public administration development

policy makers, has developed a new remuneration model for medical practitioners. One plans to approve the model in several medical institutions by autumn 2020 (Cēsis Clinic, Riga East Clinical University Hospital, and Pauls Stradiņš Clinical University Hospital).

We hope that our audit report will be useful both for the management of Pauls Stradiņš Clinical University Hospital when perfecting the remuneration system in the hospital, for the Ministry of Health when planning and implementing sustainable reforms in the remuneration system of medical practitioners, and for the legislative power when providing a steady and reasonable financial flow for implementing the reform.

We extend our gratitude for cooperation to our key audited entity, Pauls Stradiņš Clinical University Hospital, and the Ministry of Health as the leading public administration institution in the healthcare sector and hospitals that provided the necessary information to auditors, Riga East Clinical University Hospital Ltd, Vidzeme Hospital Ltd, Liepāja Regional Hospital Ltd, Jēkabpils Regional Hospital Ltd, Madona Hospital Ltd, Dobele Town and Region Hospital Ltd, and Association of Balvi and Gulbene Hospitals. We also thank the other institutions that provided the necessary support to the auditors, that is, the representatives of Trade Union "LVSADA P.Stradiņa KUS aroorganizācija", the State Revenue Service, and the National Health Service.

Respectfully
Ms Inga Vārava
Department Director



Summary

Main conclusions

The audit findings lead us to the conclusion that the remuneration system is not fair in State-owned Limited Liability Company “Pauls Stradiņš Clinical University Hospital” (hereinafter referred to as the Hospital), and its salary determination principles are not understandable and transparent because:

- For the same duties specified in the job descriptions, there are significant differences between the remuneration of medical practitioners performing work of comparable amount and complexity, with the average monthly salary differing up to three times. After the salary increase in 2018 and 2019, the significant differences in salaries existing before have increased even more, thus not promoting the equalisation of the remuneration of physicians in the sector;
- The total amount of remuneration for senior medical practitioners is significantly affected not by the basic salary, which accounts for 23–80% of the total salary, but by bonuses and other elements of remuneration, whose distribution mechanism is untraceable;
- The principles of formation of variable remuneration are not unified and differ for each division, therefore it ranges from 0.4% to 70% of the total remuneration of employees;
- The organisation of work and remuneration in the Hospital differs not only among divisions but also within one division;
- The procedure for financing healthcare services implemented by the Ministry of Health complicates the work of the Hospital, as the amount of financing is not predictable in the long run, hence the Hospital cannot plan the workload of employees in time and develop a rigid remuneration policy.

Auditors understand that the salaries of medical practitioners may vary depending on the professional experience, specialty, work complexity, and working conditions of each physician. Therefore, the auditors consider that the solutions proposed by the new model of remuneration of medical practitioners developed by the Ministry of Health, such as introduction of full-time equivalent (amount of work to be performed by a medical practitioner during normal working hours) and limitation of variable element of remuneration

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(defining it at 30% of total salary) could improve the organization of work in medical institutions, improve internal fairness, and facilitate the resolution of problems in the sector.

However, a long-term predictable, stable, and sufficient flow of funding is a crucial precondition for the streamlining of the remuneration system in the Hospital.

Remuneration arrangements in State-owned Limited Liability Company “Pauls Stradiņš Clinical University Hospital”

The remuneration system has developed historically in the Hospital. It is not based on a single system, namely, a procedure for determining salaries that is comprehensible and uniform to all employees and defines clear basic principles of salary formation, including the proportions of variable and fixed parts of salaries, but many orders on remuneration regulate it which are updated from time to time. Improving the remuneration system is one of the main goals and tasks of the Hospital’s management. Although work on the elaboration of a new remuneration system at the Hospital started already in 2017, the system is still being developed and the new Remuneration Regulation is also under development.

The Hospital mentions the lack of money as the major obstacle to the arrangement of the remuneration system, as the improvement of the system would be possible only given that the Hospital’s remuneration budget would be increased significantly for several years in a row. Redistributing the existing budget “in favour” of some position or a hospital division would reduce the salaries of other staff and divisions, thus worsening the situation of the staff, which could potentially lead to resistance from the Hospital employees and their trade union.

State funding for the services provided by the Hospital is the primary source of funding for the remuneration budget of the Hospital, as the majority of the Hospital’s revenue comes from state-paid healthcare services provided by the Hospital, for example, up to 86% in 2018 and 2019.

The National Health Service calculates the funding to be allocated to the Hospital according to the planned types of healthcare services and the number of patients annually, however, the planned number of patients and, consequently, the amount of funding, is changed significantly compared to previous years. For example, the number of patients and funding for inpatient healthcare services planned has increased by 9.5% and 16.8% respectively in November 2019 compared to November 2018. In addition, the planned number of patients and the financial amount for the Hospital are changed several times a year, including in the second half of the year. For example, the number of patients planned for November 2019 and the state budget funding for inpatient healthcare services have increased by 3.5% and 7.1% accordingly if compared to March 2019.

The auditors consider that the increase in the amount of funding and state-paid services for the Hospital is to be positively assessed, yet the planning of the unpredictable amount of state-paid healthcare services and the procedure for financing cause several problems:

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- ❖ First of all, it affects the Hospital's purposeful development and financial planning adversely. In a situation where predicting the extent of healthcare services to be provided within the framework of "public procurement" in the long run is impossible, one cannot plan the increase in availability and capacity of the Hospital's services in due time, for example, to plan the filling of vacancies with new specialists (nurses and physicians) systematically by attracting them to work in the Hospital already during their studies.
- ❖ Secondly, the procedure for granting such funding limits the possibilities of the Hospital's management to review the proportions of the elements included in the salary by increasing the guaranteed element of the salary, that is, the monthly salary. To ensure the fulfilment of the contract with the National Health Service, for example in the second half of the year, when the "public procurement" is increased, the Hospital must have tools to stimulate more intensive performance of specific jobs or more working if necessary for the common treatment and financial targets of the Hospital be met in a given period.

Although the Hospital has pointed to the negative impact of external circumstances beyond the Hospital's control on the streamlining and improvement of the remuneration system, the Hospital has taken steps in 2018 and 2019 to improve the remuneration organization and reduce fragmentation thereof to retain existing staff, provide a competitive base salary, increase the total remuneration of each employee, and to attract new employees by filling a part of the vacancies. Nevertheless, the auditors conclude that there are no significant structural improvements made because the Hospital's remuneration system is still complicated and non-transparent, and the payroll calculation process is complicated and labour-intensive.

The audit findings show that the organisation of work and remuneration in the Hospital still differs not only among its divisions, but even within one division. Therefore, the range between the lowest and highest limits of salaries of employees is very broad including even for one position in one division of the Hospital.

The average remuneration of certified physicians, dentists, and functional specialist physicians of the Hospital was 2,886 euros for one workload in the first half of 2019. However, the actual amount of remuneration of the Hospital's senior medical staff is heterogeneous. According to the auditors' estimates, only half of the 521 employees included in the sample earned 2,804 euros per month per workload, while the other half had a lower salary in the first half of 2019. For example, the average monthly salary per workload was 5,187 euros and 1,696 euros respectively for two physicians [RA] whereas the average monthly salary per workload was 1,616 euros for one physician [RA].

The Hospital provides both inpatient and outpatient services. State-paid healthcare services are financed in accordance with the contracts concluded between the National Health Service and the Hospital for the types of services separately, for example, for the provision and payment of inpatient healthcare services, for the provision and payment of secondary outpatient healthcare services.

The audit has revealed that the work of some physicians at the inpatient and outpatient units is mutually integrated, namely, both types of work are performed within normal working hours (40 hours per week) whereas the salary is calculated for both working at inpatient unit and outpatient unit. Thus, the total remuneration of those Hospital employees consists not only of inpatient work, but also

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of bonuses and fee-for-service in the outpatient unit calculated as per the amount of work actually performed during normal working hours, not recording how many hours that work actually took. Therefore, taking into account the hours worked by employees, the average salary of two employees of the same qualifications even within the same unit is not comparable and those employees who work more hours, including nights and holidays, do not always receive higher remuneration.

For example, for two physicians with the same occupational classification code of one ward in a unit, who worked 1,223 and 877 hours respectively, the average monthly salary was 3,494.61 euros and 5,485.03 euros, respectively, and the average hourly salary was 17.14 euros and 37.53 euros in the six months of 2019. The audit found that the salaries of the two physicians were constituted differently, both in terms of different elements and amounts of remuneration, such as hourly salaries, paid overtime and holiday and night bonuses at 61.8% and 22% respectively while the payment for state-paid outpatient services was 0.1% and 46% of the total salary, accordingly.

The management of the Hospital believes that such a system is justified because the workload of medical practitioners is different and uneven according to a physician's experience, work experience, professional competences and skills, and his or her recognition and reputation in the society. The work organisation of the Hospital follows the principle "the more work a doctor does during working hours, the more he or she receives", which gives physicians the opportunity to earn money. Still, the auditors consider that the number of various elements of remuneration applied with different calculation procedures and amounts and the absence of clearly defined requirements for the scope of duties to be performed during normal working hours cast doubt on the transparency and fairness of the remuneration system.

In addition, the Hospital has not defined the maximum allowable proportion of the basic salary and the variable part of the total salary. For example, two physicians [RA] of the Hospital [RA] (hourly rate of 7.247 and 7.39 euros, respectively) worked for 907 and 844 working hours in the first half of 2019, and their average monthly salary was 2,048 and 2,505 euros, respectively. The diversity of salary constituents probably can explain the differences in salaries, for example, the share of variable remuneration in the total remuneration of these physicians was 35% and 5%, respectively whereas the fee for outpatient services in total remuneration was 0% and 33.5%, respectively. In their turn, physicians from another ward of the same center [RA] (hourly rate ranging from 7.39 to 8.001 euros), with an average of 860 hours worked per half-year, had an average monthly salary of more than 5,000 euros, including a variable share of 60%, while the share of fee for state-paid and paid outpatient services in the total salary was 7% on average.

A similar situation is observed in the principles of formation of the actual remuneration of nurses and nursing assistants/ hospital attendants. The audit found that the determining factor why the actual salary of nurses of one specialty differed in one division (ward) of the Hospital was not the number of hours worked, but the elements of salary and their amount such as the fee for state-paid outpatient services, variable part of the remuneration, etc. For example, for two [RA] nurses who were employed full-time and worked for 896 and 847 hours, respectively, in the first half of 2019, with a certain type of pay, that is, for the hours actually worked according to the set hourly rate of 5.413 euros, the actual average hourly salary was 9.82 and 16.57 euros respectively.

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The Hospital's remuneration structure, which consists of both inpatient and fee-for-service and other elements of the remuneration, such as salaries for full-time work, fee for complicated oncology surgeries, and state-paid outpatient services, for working in the day hospital, a variable part of remuneration, or other special benefits evidence the complexity and fragmentation of the remuneration calculation model.

Aiming to reduce the fragmentation of salaries, the Hospital revised and reduced the number of basic salary rates for physicians based on the division into invasive and non-invasive profiles in 2018. However, the changes introduced various exceptions and derogations from the new system by introducing new, higher basic rates for a number of medical posts, different job descriptions for other medical posts and different pay principles with higher basic salaries, as well as ratios or additional fees were established.

In addition, a different methodology for calculating remuneration has been approved by order of several divisions of the Hospital. For example, the remuneration methodology of the divisions of the Ophthalmology Clinic and the Institute of Diagnostic Radiology follows the principles of piecework; similar principles were applied to the Latvian Transplantation Center (until 1 January 2019) and the Radiation Therapy Cabinet of the Oncology Clinic (until 1 January 2020).

During the audit, the management of the Hospital has pointed out to the auditors the significance of observing the principle of fairness in the development of the Hospital's remuneration system. A fair remuneration system, according to the Hospital's management, is a system where those in the same position have the opportunity to earn equal pay by performing work of the same (or comparable) type, amount, and intensity. However, the auditors consider that the remuneration system set up by the Hospital does not operate according to uniform principles that apply to all hospital staff, as not all staff are able to perform various additional duties at the same time during normal working hours, which are better paid as well, and receive remuneration. The auditors point out that the job descriptions at the Hospital are general and do not define the scope of work to be performed within one job clearly.

Taking into account the above, the audit has concluded that the principles of equality have not been observed in the planning process of work responsibilities and tasks in the Hospital by enabling performers of the same position to do equivalent work and receive equal pay.

For example, 59.9% of the salaries of the top medical practitioners of the [RA] division of the Hospital consisted of the following elements of the fee in the first half of 2019: salary in full-time work, overtime, night work and work on public holidays, as well as bonuses for the work associated with special risk. However, a random assessment of the remuneration calculated for six physicians [RA] showed that the share of those remuneration elements in the physicians' remuneration varied between 23% and 80%. Differences arise because the diversity of remuneration elements and their unequal distribution among employees affect the totals salary significantly such as the fees for state-paid outpatient services, the fee for paid services and the payment of the variable element of remuneration. The auditors note that a common standard job description has been established for all Hospital [RA] physicians [RA] setting out general job responsibilities without providing for a different division of tasks and functions.

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The auditors consider that when the Hospital wishes to maintain the current remuneration system and ensure that employees recognise it fair at the same time, it requires ensuring transparent and equal planning of daily work and division of work responsibilities of the employees by determining the amount of full workload and responsibilities carried out therein, thus creating the preconditions so that each employee with the experience and qualifications necessary for the performance of official duties can perform equivalent work and receive appropriate remuneration for it.

The audit revealed that the remuneration of medical practitioners is formed from various elements of remuneration with different calculation procedures historically in each Hospital division, therefore the average salary of employees in the Hospital divisions is significantly different.

In addition, several divisions of the Hospital (for instance, the Latvian Cardiology Center until 2018, the Cardiac Surgery Centre, and the Vascular Surgery Centre until 2020) had special bonuses previously, which were financed from the tariff of the respective service set by the state. Those bonuses accounted for a significant proportion of the total remuneration of the staff in those divisions. For example, an additional salary as a percentage of the state tariff for manipulations for four physicians [RA] of [RA] was defined, thus additional salaries for eight physicians [RA] were calculated in the amount of 80,310 euros, 1,708 euros per month on average per medical practitioner in the first half of 2019.

The National Health Service determines amount of funding planned for the Hospital for the payment of outpatient healthcare services provided by indicating the types of services, the number and amount of episodes/ examinations. In 2017, the planned financing in day hospitals was 16.7 million euros and the planned number of patients per year was 24,310.

There were 61.2% of the total funding planned for day hospitals of the Hospital or 10.2 million euros provided for two types of services in day hospitals - coronary angiography and coronary angioplasty in 2017. The planned number of patients is 7,008 or 28.8% of the total planned number of patients. The funding for the invasive radiology service performed at the day hospital of the Vascular Surgery Centre was 1.5 million euros or 9.2% of the total planned funding for day hospitals in 2017 and the planned patients were 442 or 1.8% of the total planned number of patients. The planned funding for the other day hospitals at the Hospital, except for the divisions of the Ophthalmology Clinic, was 2.5 million euros per 9,209 patients.

The audit has discovered that the average monthly salary of the top medical staff of the Hospital's divisions for working in a day hospital was 137 euros in 2017. However, the procedure for calculating the salary for work in a day hospital of the Hospital's division differed and the fee did not form a significant part of the total remuneration for the employees of all the units of the Hospital.

example, employees of the Vascular Surgery Centre for working at day hospital and employees of the Latvian Cardiology Centre for working at day hospital of invasive cardiology have been defined a percentage of the state tariff for invasive radiology manipulations and for coronary angiography and angioplasty performed in the day hospital. Therefore, for example, the [RA] average monthly salary for day hospital work for [RA] physicians increased from 1,511 euros in 2017 to 3,544 euros in 2019.

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In view of the above, one can conclude that the tariffs set in the country once in certain service programs enabled the Hospital to set higher salaries for specialists involved in the provision of these services, thus promoting the pay gap between specialists in various fields of treatment, and the impact thereof remains to date. According to the auditors, this is a consequence of a selective approach to tariff revision, for which the Ministry of Health and also the National Health Service should be responsible. In addition, a selective approach to the financing of certain health services continues.

For implementing improvements in the treatment of cancer patients and the availability of surgical treatment, a premium of 410.51 euros has been set in the country since 2017 for performing complicated primary cancer surgery on a patient with a newly diagnosed oncological disease after the adoption of medical consultation tactics.

The auditors do not question the need to increase public funding for the health sector, including improving the availability of surgical treatment for cancer patients. However, the auditors consider that granting such bonuses promotes fragmentation of the remuneration system of medical practitioners even more, increasing proportion of bonuses in the total salary, and complexity of calculating remuneration, which poses risks to the fairness of the system set up. This is also confirmed by the findings of this audit:

- ❖ When determining the amount of the bonuses for medical practitioners performing complicated surgeries, the Hospital divided it mathematically, without taking into account the degree of complexity of the surgeries and the time that the medical practitioners spent. Hence, the auditors conclude that it poses the risk that the employees performing the work of same (or comparable) type, amount, and intensity do not receive the same remuneration.
- ❖ The Hospital has set a different percentage distribution of this benefit in the divisions, thus creating a pay gap for the work done. For example, physicians- urologists (main doer with or without an assistant) were calculated a salary of 6,418.91 euros for 42 complicated oncological surgeries performed in May 2019, while physicians of the Surgery Clinic (main doer) were entitled to 4932.36 euros for 54 complicated oncological surgeries performed in May 2019.
- ❖ According to the Hospital's explanation, the bonus for certain employees for the work actually performed may cause a split in a particular clinic or division, as there will be employees who will seek to perform exactly those surgeries. In their turn, employees who do not have such an opportunity must perform other no less important and complicated surgeries, for which no additional payment is made. Therefore, for reducing the dissatisfaction among physicians at the Surgery Clinic that a bonus was introduced for complicated oncological surgeries, but not for other complicated surgeries and promoting the readiness of physicians to perform other complicated surgeries as well, the clinic changed the terms of payment for complicated oncological surgeries by transferring a part of money from each surgery to the common salary fund and distributing it among the physicians of the Surgery Clinic who perform other complicated surgeries.

The management of the Hospital is aware that establishing a transparent and fair remuneration system is one of its primary tasks by setting common principles for remuneration formation in all divisions

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of the Hospital, reasonable remuneration within one position/level (group), while taking into account the complexity and intensity of position/ division.

The Hospital launched a gradual review of the remuneration system aiming to reduce the fragmentation of remuneration in the Hospital's divisions, safeguard a competitive basic salary, and increase the total salary of each employee. However, the Hospital considers that it needs a tool that can stimulate execution of certain types of work in the interests of workload and quality assurance. Therefore, the Hospital intends to stipulate a variable part of remuneration in all medical divisions, whose amount would depend on the fulfillment of the division's goals in the specific period and individual contribution of each employee to those goals and whose share would not exceed 40% of total salary.

At the same time, the management of the Hospital is aware that it cannot reduce the salaries of employees and the amount of financial resources intended for salaries for the divisions, where it was once set higher. Therefore, the introduction of such changes is possible only on the condition that the Hospital's remuneration budget would be increased significantly for several years in a row.

The auditors have discovered that the Hospital started to introduce the remuneration element "a variable part of remuneration" gradually starting from 2018 by combining the existing salary elements of separate divisions and allocating specific financial funds to those divisions that did not have such elements starting from 2019.

Although the audit found that employees had the opportunity to receive a variable part of remuneration in addition to the basic salary in almost all hospital divisions depending on the employee's contribution to the division's goals and continuity of work process, the auditors consider that the policy of variable remuneration part implemented by the Hospital does not facilitate internal fairness and motivating all the employees, and that it might lead to employee dissatisfaction and misunderstanding about the nature of the variable part of remuneration and its link with the achievement of the goals set for the divisions, as the grounds for its formation contain contradictions and do not rely on the same principles for all divisions:

- ❖ The total monthly basic amount (maximum amount) of the variable remuneration component allocated to the Hospital divisions differs significantly, as the historical amount of bonuses in each individual division influences it. Thus, the basic amount of the variable part of the remuneration was determined according to the total amount of those bonuses for the divisions, whose employees were granted bonuses before 2018, for example, for performing manipulations in the day hospital, etc., whereas for the divisions, where there no bonuses like that or they were small, one channelled a specific amount of money for the creation of that variable part of the remuneration, taking into account the total number of workloads in the division concerned.
- ❖ The proportion has remained the same even after the introduction of the new system in the Hospital divisions, where additional remuneration or remuneration for the work performed in the day hospital accounted for a significant proportion of the total remuneration of the employees even before the introduction of the variable part of the remuneration by changing only the name of remuneration elements to "variable part of remuneration";

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- ❖ The Hospital has taken a different approach to the percentage distribution of the total amount of the variable part of remuneration to the job categories in the different divisions. For example, the financial amount of the variable part of remuneration of the [RA] employees was determined based on the distribution principles regulated by the manager, while the financial amount of the variable part of remuneration in other divisions was determined based on the number of workloads in each function group;
- ❖ The condition that the variable part of remuneration is not granted for the time when the employee is not working, for example, during an annual leave, is not always observed, which indicates a lack of internal control in the execution of the orders of the Hospital's management;
- ❖ The share of variable part of remuneration for top medical staff in the total salary was even more than 70% in some divisions of the Hospital, such as the Oral and Maxillofacial Surgery Centre, the Latvian Cardiology Centre, and the Anaesthesiology and Intensive Care Clinic, in the first half of 2019. Consequently, the auditors doubt that all the divisions of the Hospital will be able to meet the Hospital's target of 40% taking into account the specifics of their work and the amount of funding provided for the provision of the variable part of remuneration;
- ❖ The audit found that the range of the share of variable part of remuneration in the total remuneration of Hospital employees was broad varying from 0.4% to 70%. According to the auditors' estimates, the share of the variable part of remuneration in the total salary does not reach 3% for 19% of physicians in several divisions of the Hospital, such as the Women and Child Health Clinic, the Surgery Clinic, and the Emergency Medicine Centre. Therefore, there is a risk that employees may not be motivated enough to achieve the goals set by the Hospital in high-quality and effective patient diagnosis and treatment, as well as to meet the criteria set by the divisions like performance of planned workload, executing the budget of medicines and disposables, average duration of patient treatment, etc.

Despite the Hospital's view that the successful implementation of a variable remuneration element policy based on the same principles for all divisions would promote internal fairness and increase employee motivation, the representatives of Hospital's trade union have pointed out to the auditors that unclear procedures for calculating the variable part of remuneration, which do not create a healthy environment for raising employee satisfaction, arranging the working environment, and tackling problems in the sector.

Criteria for the distribution of state funding for increasing the salaries of healthcare workers

Aiming to reduce the shortage of human resources in the sector, the healthcare reform plan envisages an annual increase in the salaries of healthcare workers. The Cabinet of Ministers has increased the lowest monthly salaries for healthcare employees and provided funding for it in 2018, 2019, and 2020. For example, the lowest monthly salary rate has increased by 20% for all categories of medical practitioners in 2019 if compared to 2018. Consequently, the average salary of medical practitioners included in the tariff of healthcare services has also increased.

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The distribution of the state budget funding allocated for the increase of remuneration is left to the discretion of the medical institutions themselves. However, the Cabinet of Ministers has determined that the allocated funding should be directed to the increase of the lowest salary for medical practitioners who are involved in the provision of state-paid healthcare services. Hence, when concluding contracts for the provision of state-paid services, the National Health Service has provided for the condition - to direct funding for increasing salaries that do not exceed four average monthly salaries of employees in the national economy (4,012 euros) in 2019 and three average monthly salaries of employees in the national economy (3,228 euros) in 2020.

Principles of distribution of additional funding allocated for the salaries at the state-owned limited liability company "Pauls Stradiņš Clinical University Hospital"

The Cabinet of Ministers decided on the allocation of additional funding to increase the remuneration of medical practitioners on 18 December 2018 by envisaging the increase of the lowest monthly salary rate of medical practitioners as of 1 January 2019 in the legal framework. In its turn, the National Health Service notified the Hospital of the planned amount of funds for the payment of inpatient healthcare services only at the beginning of February 2019. Taking into account the complicated remuneration structure of the Hospital, voluminous calculations, and the large number of employees, the remuneration of medical practitioners at the Hospital was increased only from 1 February 2019. The auditors consider that the allocation of funding for the last-minute increase in remuneration made it difficult for the Hospital's management to decide on the distribution of funding and limited the coordination of the decisions with the staff and their representative trade unions to raise the awareness of the staff on the targets of the Hospital's management regarding the streamlining of the remuneration system as well as criteria for the allocation of the remuneration-comprising elements and calculation procedures thereof.

According to the financial statements of the Hospital, the total expenses for staff remuneration have increased by 23% in 2018 if compared to 2017, while they have increased by approximately 18% in 2019 if compared to 2018. The remuneration of the Hospital's medical practitioners has also been increased in the first half of 2019, including by increasing the basic rates and basic salaries for both physicians, nurses, and para-professional staff. In addition, the lowest basic rate set for the Hospital's medical practitioners without the bonus for length of service exceeds the amount of the lowest monthly salary set for healthcare workers in the country. For example, the basic salary per workload approved by the Hospital for certified nurses without the bonus for length of service ranged from 815 euros to 879 euros in 2019 while the lowest basic rate set in the country was 714 euros.

Although there has been an increase in remuneration for all categories of medical practitioners, there is a trend to adjust the unequal remuneration model that has developed in the Hospital over time, the auditors point out that the already significant gap between the lower and upper limits of staff remuneration has exacerbated even further after salary increases. For example, the difference in the average hourly salary of a sampled physician [RA] and physician [RA] has increased from 35.07 euros to 59.48 euros or by 70% in 2019 if compared to 2017. The reason for that is the procedure for the organisation of work and remuneration established in the Hospital, when services can be provided within the normal working hours, wherefore additional remuneration is calculated without separate accounting of working time.

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In addition, the audit discovered that the Hospital had also increased monthly salaries for those medical practitioners whose monthly salary for one workload already exceeded 4,012 euros in 2019. Thus, the additional funding has not been used in accordance with the purpose of its allocation - to increase the lowest salary for medical practitioners by earmarking the funds to medical practitioners with the lowest salary primarily.

Changes in remuneration in the sampled hospitals between 1 January 2018 and 30 June 2019

To get an idea of the increase in the remuneration of medical practitioners in addition to the amount of allocated funding and criteria in other Latvian medical institutions, information on the calculated salaries of 50 medical practitioners and medical para-professionals in seven hospitals of different levels in 2017, 2018, and the first half of 2019 has been compiled during the audit.

The audit findings allow concluding that the hourly rate or monthly salary (basic salary) set for medical practitioners in all surveyed hospitals has been increased.

However, taking into account the different approaches of hospitals to the work organization of medical staff and the different types of remuneration applied, such as monthly salary, hourly rate, piecework salary, bonuses and the fact that the total monthly remuneration of medical practitioners in hospitals is multi-component, the auditors could not obtain assurance without detailed checks on the remuneration structure, the basic principles for determining it and the recording of working time in the sampled hospitals, whether:

- ❖ The funding allocated by the state in hospitals were used to increase the lowest salaries for medical practitioners who were involved in the provision of state-paid healthcare services;
- ❖ The hospitals observed the condition of the National Health Service that the salaries of medical practitioners whose monthly salaries exceeded 4,012 euros per workload would not be increased in 2019.

Major recommendations

Based on the findings of the compliance audit, the Hospital has been provided with five recommendations for the organization and improvement of the work organization and remuneration of medical practitioners by calling on the Hospital to assess the average hourly value of remuneration by setting the upper and lower remuneration intervals, to review the basic principles for calculating a variable part of remuneration and take measures to reduce the share of the variable part of remuneration in the total remuneration, as well as to review and determine the amount of duties to be performed by an employee during the main working hours within the workload.

The State Audit Office expects that the implementation of the provided recommendations will:

- ✓ Facilitate the arrangement of the working environment of the Hospital and progress towards equalization of salaries of medical practitioners by achieving remuneration of the Hospital's staff that matches the labour market and is internally fair;

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- ✓ Introduce a unified and comprehensible remuneration system based on common principles with an optimal ratio of the basic salary and the variable part of remuneration;
- ✓ Meet the principles of equality in the process of planning duties and tasks by enabling performers of the same position with the same qualifications to do equivalent work and receive equal pay.

As the Ministry of Health has developed a new remuneration model for healthcare workers to ensure fair, competitive, transparent, flexible, and targeted remuneration for medical practitioners, and several medical institutions have already begun to approbate it, the State Audit Office calls on the Ministry of Health to promote industry awareness about the need to streamline the existing remuneration system for medical practitioners to achieve industry support for the introduction of a new remuneration model for medical practitioners.