



Weekly Briefing

Slovenia Economy briefing:
Latest developments in economy in Slovenia
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Latest developments in economy in Slovenia

One government after another, corruption and overspending in public health care system remains one of the main issues for the sustainability of the expenses in public sector. Situation is especially problematic in the big health care institutions, especially the main hospitals where several corruption scandals have occurred in the past year alone. A discovery of a wide spread bribe system in early August and the following police investigation of the coronary stents purchases on October 11 uncover the most extreme details in a wider array of corruption practices in Slovenian health care system.

History and background

Due to many different reasons, corruptive practices in health care system are a frequent occurrence and are also seen as one of the biggest challenges for every consecutive government in the Republic of Slovenia. Health care reform has been on the agenda of several previous governments with very limited success. The last attempt was made by the Minister of Health Milojka Kolar Celarc and the government of Prime Minister Miro Cerar in July 2017. The draft law which among other changes also abolished the two tier system of two levels of health insurance was criticized especially by a group of medical doctors, led by Danijel Bešič Loredan and his movement »Forward Together«. The reason for the failure of the proposed law, however, was not the criticism from the medical practitioners, but the resignation of Prime Minister Cerar in mid- March, which came before the new law could be voted for in the parliament. Despite the promises to do so, not much has been done in the mandate of the previous government to address the problem of corruptive practices in health care system. According to the 2017 National Commission for the Prevention of Corruption opinion, the main corruption risks in Slovenia still fall into five main categories:

- Waiting lists
- Conflict of interest in employment
- Protection of individuals who report the irregularities
- Illegal reception of gifts and bribes
- Purchasing and use of medical equipment, medical and technical utensils and medicaments.

Out of the first three, most often discussed are the long waiting lists, a serious problem in Slovenian health care system. They are in general much beyond the standards in EU and are too long even for the treatment of some life-threatening conditions. Several attempts have been made to solve this issue. The last two, the e-appointments system in 2017 and the sanctions applied for the general practitioners if they issue unnecessary redirections to the secondary specialist level, were not successful in solving this problem. The issue of the waiting lists was especially exposed in media in October 2016, when police discovered an illegal network which arranged the shorter waiting time for individually by moving them upwards on the official waiting lists for medical exams, operations etc. The system included several medical doctors in the University Medical Centre Ljubljana and Institute of Oncology. The media scandal was aggravated by the fact that several of the accused of bribing the doctors were also members of the police force. Eventually the key person of the network was also identified, an employee in the University Medical Centre technical staff. In exchange for enabling the patients to get a quicker examination, surgery or other exemptions from the waiting list system, he demanded large sums of money and other favors, while some of the medical staff also got a share of the bribes. Only in August 2018 a charge was issued against him by the state prosecutor.

In the beginning of August this year, the Office of the Specialized State Prosecutor issues a charge in the District Court of Ljubljana against 15 individuals and one legal entity. This number included eight medical doctors,

their family members, pharmacists and commercialists, ten of which were working in hospitals. The charge against them was accusing them of illegally receiving gifts and was related to the irregularities in public tender practices of acquisition of medical supplies and medicines. The charges also included falsification of legal documents, destruction of documents, money laundering etc. The recipients of bribes are accused of accepting extremely large sums, of and more than 100,000 euros each. The investigations, apart from cash, also found gold bars. The cash was most probably received in both cash and bank transaction to bank accounts abroad, in Croatia, Austria and Germany.

The issue of purchasing the medical equipment and materials through the public tenders and via other ways was especially problematized by the Court of Audit of the Republic of Slovenia, which issued a report in the January 2018 on these processes within the University Medical Centre of Ljubljana in 2014/5. They assessed the purchase systems and discovered a number of irregularities. They identified the violations of the Public Procurement Act in the purchase of almost 70,000,000 worth of medical material and approx. 120,000 euros of medical equipment which was done without the obligatory public tender. The material which was then provided by the suppliers was not paid according to the contract prices, which effectively made the University Medical Centre to overpay the supplies by more than 10,000 euros. The identification of the University Medical Centre issues was only part of the larger attempt to uncover hidden corruption mechanism in public health care system, which made it financially unstable and unsustainable.

Irregularities in the purchases of coronary stents

On the morning of October 11 the police conducted a series of investigations in the homes of several individuals and in several Slovenian hospitals. They targeted individuals on key positions in the procedures for the purchase of coronary stents. The irregularities related to these purchases were already criticized by several individuals and institutions. Most thoroughly, this

issue was analyzed by the group of research journalists of the TV Slovenia (ekstravisor.rtv slo.si) which also focused on the year 2015. They analyzed data from five public hospitals that make these operations – University Medical Centre Ljubljana, University Medical Centre Maribor, General Hospital Celje, General Hospital Nova Gorica and General Hospital Izola. In 2015 they together implanted more than 6000 coronary stents of different manufacturers, standards and prices. They analyzed the purchase price and the standard (quality) of the implanted stents in those hospitals and compared them to international standards. What they discovered was worrying. Comparatively, two general hospitals in Maribor and Celje, were using the lower quality stents while paying more for them. They also discovered two other serious irregularities. First, that in almost all of the cases, the Public Procurement Act was violated. Stents were bought without a public procurement procedure or the quantities, time span or prices exceeded those in the contract, if there was one. Second, the prices which the hospitals paid for the coronary stents, were worryingly high. They compared the prices with those in Finland or Sweden, where the stents are bought without intermediaries, and the costs were several times lower. Even the University Medical Centre Ljubljana, where the overpayment was the lowest, still overpaid the coronary stents by 35%. The general hospitals in Nova Gorica and Izola overpaid by 111% and 55% respectively, while the highest price purchases brought University Hospital Maribor and General Hospital Celje both to around 220% overpayment compared to Swedish and Finnish prices. The comparatively low overpayment of University Medical Centre Ljubljana is, according to the analysis, due to the fact, that it was in 2015 when one of the main dubious suppliers had to withdraw after losing the procurement tender. They calculated that with all these irregularities, the national health care budget lost 1,2 million euros only solely in 2015.

The irregularities in the procurement of the medical supplies, more precisely the coronary stents, became a topic again with the October 11 police action. The investigation focused on the top employees in three hospitals

(Ljubljana, Maribor and Celje); in relation to the previous report of the National Investigation Bureau. The individuals in these hospitals are accused of receiving gifts and bribes in relation to the procedures of public procurement of medical materials. The group includes ten individuals and two legal entities, with the penalty of deprivation of liberty or a detention order of three months up to five years. In the name of two suppliers of medical material and equipment one of the individuals organized the giving of illegal gifts (travels, royalties, and donations, participations at semi-fictional congresses for the doctors and the families, cash) to several doctors and one commercialist. As speculated in media, these two firms might be Vasc-Med and Animus, who together got more than 4 million revenues by supplying the main hospitals in Slovenia. The illegal bonus is estimated at around 100,000 euros. It was also discovered that several of the protagonists of the stent purchasing were also involved in the network with their own medical supplies companies. The main companies are also accused of cartel coordination previous to their participation in the public tenders.

Conclusion

The first months of the new Slovenian government and especially the passing of the new national budget reopened the most problematic issues of public spending, most notorious of those being in the sector of health care. The corruption in the health care sector is recently being addressed in a series of investigations. Despite the lengthy court procedures, which might go on for several years, the immediate impact of these discoveries will undoubtedly be the inclusion of some rigorous health care system reform in the short-term programme of the new Minister of Health and at least an attempt to prevent further corruptive practices in the health sector.