

Conclusions and recommendations of the National Audit Office

Local government's financial data and cost-effectiveness indicators in the steering of health and social services

The audit examined the production of financial data on health and social services provided by municipalities and joint municipal authorities and their utilization in measuring the cost-effectiveness of healthcare and social welfare and in expert assessments by the Finnish Institute for Health and Welfare. Expert assessments are a key tool in the steering of the health and social service system.

The financial data of municipalities and joint municipal authorities are used in the cost-effectiveness indicators of healthcare and social welfare. The indicators are utilized by the Finnish Institute for Health and Welfare, the Ministry of Social Affairs and Health, and the Ministry of Finance. The Finnish Institute for Health and Welfare uses the indicators in its expert assessments, and the Ministry of Social Affairs and Health uses them in the steering of the services. The Ministry of Social Affairs and Health uses the indicators to assess, for example, the equal implementation of health and social services and the adequacy of the level of funding. Municipalities and joint municipal authorities are obliged to report their financial data regularly to the authorities. The act on the submission and reporting of data was renewed at the beginning of 2020. As a result of the reform, the responsibility for collecting the data is will be transferred from Statistics Finland to the State Treasury as from the financial year 2021. The municipalities and joint municipal authorities will report their financial data for 2021 according to the reformed procedure for the first time.

The Government proposal (HE 241/2020 vp) on the health and social services reform of Prime Minister Sanna Marin's Government was brought before Parliament at the end of 2020. When the audit was conducted, the municipalities and joint municipal authorities were testing the new financial reporting method. The audit is therefore exceptionally topical as its target is still under preparation.

The overall steering of the database of healthcare and social welfare should be clarified

The database of healthcare and social welfare that is used in the steering of the finances is compiled through several channels. The process is also developed from different directions. For this reason, there is a risk that the database becomes fragmented and the process is not coordinated as a whole. The whole is steered by various actors: there is both regional steering and steering by organizations under the Ministry of Finance and the Ministry of Social Affairs and Health. The responsibility for the overall steering of the process lies with the Ministry of Finance and the Ministry of Social Affairs and Health.

At present, the database for the steering is being developed mainly in various projects. However, the development of knowledge-based management requires a long-term approach. If development takes place only in projects, overall management may become more difficult. In addition, knowledge and skills may not be transferred or may be lost between projects.

The legislation concerning the production and reporting of financial data provides a good foundation for the data production. The responsibilities of data producers and collectors, as well as the division of labour, are clear, and cooperation seems to be working well.

Financial data producers should pay attention to the quality of data

Administrative resources have been tight in the early phases of the reform of the production of financial data. The reporting changes have increased the work done in municipalities, and the necessary resources have not been fully available. Based on the audit, data producers' lack of resources and time, as well as their competence gaps, are a problem in terms of data quality. Clarity of instructions and communications, well-defined responsibilities, guidance for system suppliers, and effective cooperation networks play an important role in the implementation of the reform. They are also a prerequisite for the quality of information. If data are not reported in a uniform manner, their comparability and usability will suffer.

The reform of the automation of financial reporting should be monitored closely in order to ensure its functionality. At the State Treasury, the actual change phase is yet to come. At the initial phase of the reform, the expertise of all producers of financial data has not been sufficiently high, and routines have not been established. As the contents of the data collected from municipalities and joint municipal authorities will change in the reform, it cannot yet be compared with previous years' data during the first year. In the early stages of the reform of financial reporting, particular attention should be paid to the quality of financial data.

The so-called unitemized service categories used in the reporting have been found to pose a challenge as regards the allocation of costs to services. Unitemized data do not indicate what service category the cost originates from. Allocating costs on the basis of an estimate may undermine the usability of financial data on social and health care. Based on the audit, the use of unitemized service categories increases the risk that expert assessments and decision-making are based on incorrect data. Unitemized service categories are likely to be removed if the health and social services reform is implemented.

The recording of patient and client information, and the related instructions and guidance, should be improved

An overall picture of the services and expenses of different wellbeing services counties is essential for the financial steering of healthcare and social welfare. A comparable database is needed for effective national steering. The current

database is still defective in this respect, and data are obtained with a delay of several months. In the future, automated data collection will improve the timeliness of the data. However, it is possible to make observations on the health and social service system by means of the cost effectiveness indicators and cost indicators used in expert assessments, even though the assessments cannot yet be used comprehensively in the overall steering of finances and activities, as the service system reform is still under way.

Based on the audit, it can be concluded that an up-to-date database on the costs and operations of healthcare and social welfare still requires further development and national guidance. From the perspective of steering, new legislation on the health and social service system is also needed. The recording of patient and client information in healthcare and social welfare, as well as the related instructions and guidance, should be improved. This is important as the operational data on client and patient work serve as the basis for calculations of central government transfers to local government and for expert assessments.

Recommendations of the National Audit Office

The Ministry of Finance and the Ministry of Social Affairs and Health should

1. ensure that the financial data production process of municipalities, joint municipal authorities, and the wellbeing services counties that may be established is steered as a whole.

The State Treasury should

2. continue to manually check the financial data during the transition period of the reform in order to ensure the quality of the data,
3. ensure that the guidelines for the reporting of financial data meet the needs of the actors and are clear and easily accessible.

The Finnish Institute for Health and Welfare should

4. through its development work, ensure a comprehensive, up-to-date, and reliable database on the costs and activities of healthcare and social welfare.