

MANAGEMENT CONTROL IN HEALTH AGENCY OF THE
CITY COUNCIL:
TRANSLATING STRATEGY INTO EFFECTIVE
PERFORMANCE

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Translating Strategy into Effective Performance

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ABSTRACT

The paper subject concerns to highly important question: how to attain successful strategy implementation. Many Strategic Plans of high quality failed over the lack of organizational capacity to control and implement them. In this paper an application study on adopting Management Control in Health Agency of the Yevpatoria City Council is undertaken and an Information Plan is developed.

It appeared that to develop Information Plan of good quality we have to revise many things in our organizations and redesign business processes.

Introducing managed market tools in Municipal Health System goes along with decentralization of responsibilities and authorities of key players on municipal health market. To provide health services of high quality at reasonable cost this trend should be supplemented with centralization of Management Control. To achieve this objective we should use all Levers of Control: Boundary System and Risk Management, Belief System and Control Environment, Interactive Control System, and Diagnostic Control System.

Organizational goals can be achievable only if they translate into measurable variables. Using Strategic Mapping and Balanced Scorecard we can define Critical Success Factors and key Performance Indicators, which guide us to effective strategy implementation. They are the core of our Information System that has to be built as an effective driver for achieving strategic goals.

Information Management Policies should flow from Strategic Policies and result in Application Infrastructure tailored for specific organization – Health Agency in our case. Crucially important for introducing Information Plan into the organization is a well thought-out Information Project Plan and a project team thoroughly composed.

To give recommendations the paper examines legislation of Ukraine, pertinent literature, surveys, statistical and financial data. Unfortunately, the cost accounting data concerning Health Care Facilities couldn't be used for limited reliability or its absence.

CONTENTS

PREFACE	1
CHAPTER 1: DESCRIPTION OF THE ORGANIZATION	2
CHAPTER 2: STRATEGY	3
2.1 Vision, Mission and Strategic Objectives of Public Health Agency	3
2.1.1 Strategic Vision of Municipal Health Protection System.....	3
2.1.2. Mission of Public Health Agency	4
2.1.3. Strategic Goals for Public Health Agency of The City Council	4
2.2. The Base Strategy.....	4
2.3. The Strategy of Growth.....	5
2.4. Medical Service Life Cycle Analysis.....	6
2.5. Customer Life Circle Analysis	7
2.6. Policies and Operating Principles.....	7
CHAPTER 3: RISK ANALYSIS.....	8
3.1. Risk Identification	8
3.2. Risk Ranking	10
3.1. Risk Mitigation.....	12
CHAPTER 4: PLANNING AND CONTROL SYSTEM.....	14
4.1. Boundary System	14
4.2. Belief System and Control Environment.....	15
4.3. Interactive Control System.....	17
4.4. Diagnostic Control System.....	18
CHAPTER 5: STEERING AND TRANSLATION OF THE STRATEGY	20
CHAPTER 6. INFORMATION PLAN	25
6.1 Introduction	25
6.2 Management Summary.....	26
6.3 Starting-Points on Policies	27
6.4 Development on CSF and Steering Variables.....	28
6.5 Evaluation of “As Is” Situation.....	29
6.6 Blueprint of Application Infrastructure.....	30
6.7 Blueprint of the Information.....	32
6.8 Conclusions and recommendations	32
CHAPTER 7. REFLECTION	33
GLOSSARY	36

LIST OF FIGURES

FIGURE 1: THE BASE STRATEGY FOR MUNICIPAL HEALTH CARE FACILITIES	5
FIGURE 2. THE STRATEGY OF GROWTH FOR MUNICIPAL HEALTH CARE FACILITIES.....	6
FIGURE 3: STRATEGIC MAP OF HEALTH AGENCY OF THE CITY COUNCIL	22
FIGURE 4: BALANCED SCORECARD FOR HEALTH AGENCY OF THE CITY COUNCIL.....	23
FIGURE 5: CONTEXT OF INFORMATIONAL MANAGEMENT IN HEALTH AGENCY	26
FIGURE 6: APPLICATION INFRASTRUCTURE AND INFORMATION MOVING IN MUNICIPAL HEALTH SYSTEM	31
FIGURE 7: LEVELS OF INFORMATION IN MUNICIPAL HEALTH SYSTEM.....	32

LIST OF TABLES

TABLE1: RISKS IDENTIFIED WITH BRAINSTORMING AND QUESTIONNAIRES	9
TABLE 2: RISKS REVEALED WITH SCENARIO-BASED RISK IDENTIFICATION	10
TABLE 3: RISK RANKING CATEGORIES	11
TABLE 4: RISK MEASUREMENT AND RANKING	11
TABLE 5: MEASURES FOR RISK MITIGATION.....	12
TABLE 6: STRATEGIC INITIATIVES AND PERFORMANCE INDICATORS FOR HEALTH AGENCY ...	24
TABLE 7: RELATION BETWEEN MUNICIPAL HEALTH SYSTEM'S STRATEGY AND INFORMATION MANAGEMENT POLICIES.....	27
TABLE 8: SWOT ANALYSIS OF "AS IS" SITUATION	29

PREFACE

Health Agency of Yevpatoria City Council has recently developed its Strategy. As I work at this organization I currently feel the lack of effective tools to implement the Strategic Plan. Almost one year has passed, but some operational goals are still not reflected in our activity.

Yevpatoria city have been the partner of EU Project “Health Financing and Management in Ukraine” and are now striving to implement specific software developed under the project supervision. However we clearly understand that this software is intended to project’s pilot districts, which are rural areas and don’t fit to our circumstances and conditions. So we have to decide on the right solutions: what information we want to trace and how to shape our Information System.

Since the experience of using Management Control tools at the local level of the National Health System in Ukraine is limited, the paper recommendations may be also useful to health institutions of local government for controlling their activities.

In application study reflected in the paper the pertinent literature, Ukrainian legislation and local regulations, as well as statistics concerning activities of the Health Agency and municipal medical facilities are used. The structure of the study is based on recommendations presented in Kiev by Ms Franca Vossen at the Seminar of Newport Business Academy on Management Control & Management Information in November the 15-18th, 2006.

The first chapter describes Public Health Agency of The City Council as a Public authority’s entity. Strategic vision, mission, goals, and policies of Health Agency are determined in the second chapter. In the third chapter Risk Analysis is undertaken. In the fourth chapter you will find analysis on Levers of Control in the organization and recommendation how to amend organizational planning and control system. The fifth chapter determines critical success factors and key performance indicators based on Strategic Mapping and Balanced Scorecard. The sixth chapter represents Information Plan of the organization and recommendations on its implementation. The final chapter contains reflections on my own role in improving Management Control in my organization. Also I portrayed here the perspective of my personal growth during working on the paper.

I have tried to avoid abbreviations. However few the most widespread abbreviations are used. Where they are used first time I give the full words expansion just before the abbreviation.

Glossary and Bibliography conclude the paper. I hope it will be of use for readers.

CHAPTER 1: DESCRIPTION OF THE ORGANIZATION

Public Health Agency of the Yevpatoria City Council is a specific body created according to article 1 of the Law of Ukraine "About local governance in Ukraine"¹.

According to Civil Code of Ukraine Public Health Agency of The City Council is a body of public authority², which purpose is not profit earning. Strategic planning in Public Sector significantly differs from that of profitable organizations. John M. Bryson in the book "Strategic Planning for Public and Nonprofit Organization" distinguishes the rational-deductive approach to planning and decision-making, inherent to profitable organizations, and political-inductive model, which is inherent to the majority of state and non-profit organizations, to organizational networks and communities³.

Public Health Agency of the City Council is a subject of Public Law and it should not be identified with municipal and private medical health facilities, which provide medical services to the population. They are independent legal units and subjects of economic activities⁴. Together with other auxiliary establishments (a chemist's network, City Sanitary Anti-Epidemic Station, Health Care facilities) Public Health Agency of The City Council form The Public Health System in Yevpatoria city. All participants of the system have their own interests, which may differ.

According to The Regulations⁵, approved by The City Council, Public Health Agency is an executive body of The City Council. Public Health Agency according to its responsibilities coordinates activities of community's and private health enterprises and facilities to protect and strengthen health of the city population by arranging medical services, preventing diseases, spreading healthy way of life. The Health Agency is staffed by 7 persons.

Public Health Agency takes part in development of municipal social-economic programs, other targeted programs in accordance with authorities of local government in Ukraine. It develops recommendations for City Budget allocations to Public Health services, distributes funds to Community's health facilities and supervises their budgetary and quality performance.

The municipal enterprises and facilities of Public Health based on municipal property are individual economic subjects. They receive the status as legal entities from the time of state registration and carry out the activity for State Policy implementation in the field of health protection. Public Health Agency of the City Council has a stewardship function with respect to municipal enterprises, facilities, and municipal property transferred them for operative and economic management.

The list of municipal institutions of community's property includes:

1. City's Territorial Medical Association (City's TMA).
2. Children's Territorial Medical Association (Children's TMA).
3. Emergency Ambulance Station.
4. Maternity Home.
5. Stomatologic Polyclinic.
6. City Hospital #2 (mental hospital).
7. Community's Enterprises "Panacea".

¹ Закон України "Про місцеве самоврядування в Україні" <<http://www.nau.kiev.ua/cgi-bin/nauonlu.exe?search+guest>> (23.12.2006)

² Е.О.Харитонов, ed., Гражданский Кодекс Украины: Комментарий (Харьков: «Одиссей», 2004), 258.

³ John M. Bryson, Strategic Planning for Public and Nonprofit Organization. (New York: John Wiley & Sons, 1995. Translated in Ukrainian, Львів: Літопис, 2004) p. 30-31.

⁴ Н.А.Саниахметова, ed., Хозяйственный Кодекс Украины: Комментарий (Харьков: «Одиссей», 2004), 142

⁵ N.N., Решение городского совета №24-16/15 «Об утверждении положения об управлении здравоохранения городского совета» (Евпатория: н.п., 26.11.2003), unpaginated.

8. City Centre for Healthy Life-Style.
9. Centralized Motor Vehicle Service.
10. Information Analytical Centre.
11. Medical Ambulance at Novoozerne district.
12. Medical Ambulance at Zaozerne district.
13. Medical Ambulance at Mirny district.

City's TMA includes a city polyclinic, a city hospital and a medical ambulance station at the district Ismail-bej. Children's TMA includes a children's polyclinic, an ophthalmologic centre, a hospital that contains children's and infectious beds.

Stomatologic Polyclinic and Community's Enterprises "Panacea" has already reorganized from budgetary establishments into municipal enterprises and now are autonomous entities and subjects of market.

Medical ambulance at districts of Novoozerne, Mirny, and Zaozerne are financed by local district governments, but methodically they are subordinate to Public Health Agency.

CHAPTER 2: STRATEGY

2.1 Vision, Mission and Strategic Objectives of Public Health Agency

It is necessary to note, that municipal Health Care facilities and Public Health Agency of The City Council perform as a part of integrated National Public Health System of Ukraine. For this reason the first step of strategic planning - definition of vision, mission, functions, and objectives - is for the municipal or state organization one of the most difficult because it demands to consider an array of questions related to social obligations, functions, purposes, problems, reform directions of National Health Systems of various countries, as well as Ukraine.

2.1.1 Strategic Vision of Municipal Health Protection System

The modern phase of world health systems development is named as "new universalism"⁶. This phase is featured by providing high-quality basic volume of medical services to each citizen, determined with criteria of cost-efficiency and social acceptability. Such approach demands a precise choice of priorities among all possibilities, rationing medical services. The emphasis is made on demand - "money follow the patient". And now almost all various national health systems existing in the world is converging to "new universalism". Health Care more and more is guided by demand, responding to expectations of the population, protecting the poor people, introducing fair financing of medical services.

Despite of distinctions in approaches, the basic trends of modern health systems concern with introducing managed market of medical services and using various tools for service purchasing to increase efficiency and eliminate market failure⁷. Such approaches are characteristics for obligatory medical insurance systems, as well as for budgetary systems. There is no exception in trends in Ukraine. In Road-map of the

⁶ N.N., World Health Report 2000, Health Systems: Improving Performance (Geneva: World Health Organization, 2000), p.15

⁷ Josep Figueras, Ray Robinson and Elke Jakubowski, Purchasing to improve health systems performance (New York: Open University Press, 2005), pp.4 and 102.

Health Ministry of Ukraine all managed market features are present⁸.

On the grounds of modern trends analysis, taking into account that City Health Protection System is a part of the National Health System, we may formulate the Strategic Vision for the City Health Protection System as follows:

The system ensures Essential Health Care of high quality and availability for all the people, providing medical services directed on effective treatment of diseases, as well as on their prevention. Using the managed health care market model, the system meets the expectations of citizens about a proper quality of medical care, promotes high quality of life, financial protection against illnesses.

2.1.2. Mission of Public Health Agency

Now we may proceed to considering strategic vision and mission for Public Health Agency of The City Council.

We can define its mission according to the role in National Health system and duties legislatively assigned to it. According to Health Ministry regulations municipal health system is responsible for the essential care – Primary and Secondary.

Providing accessible free-of-charge essential medical services of high quality for all city dwellers, implementing various national, regional and municipal programs for diseases prevention, using tools of managed health care market to improve quality of medical services and efficiency of resource allocation.

2.1.3. Strategic Goals for Public Health Agency of The City Council

Drawing from strategic vision of the City Health Protection System and mission of Public Health Agency, it is possible to formulate the following strategic goals for Public Health Agency of The City Council:

1. To create new pattern of Health Care management and financing in the city using managed health care market tools. They include autonomization of Health Care facilities (reorganization budgetary facilities into communal non-commercial enterprises), purchase-provider split, and contractual arrangement between Health Agency (purchaser) and Health Care facilities (providers).
2. To use effectively scarce resource of Public sector providing high-quality *basic* volume of medical services to each citizen.
3. To implement cost retaining tools for effective resource use.
4. To implement effective quality management system for improvement of population health and patients' satisfaction.
5. To provide integrated Health Care to citizens including all levels of National Health System – Primary, Secondary and Tertiary Care.

2.2. The Base Strategy

Regarding Porter's five strategies we have to see that focused strategies do not comply with the strategic vision of the future and mission considered in Chapter 1. According to legislation and social obligation Public Health Agency have to provide available and accessible medical aid to all the citizens.

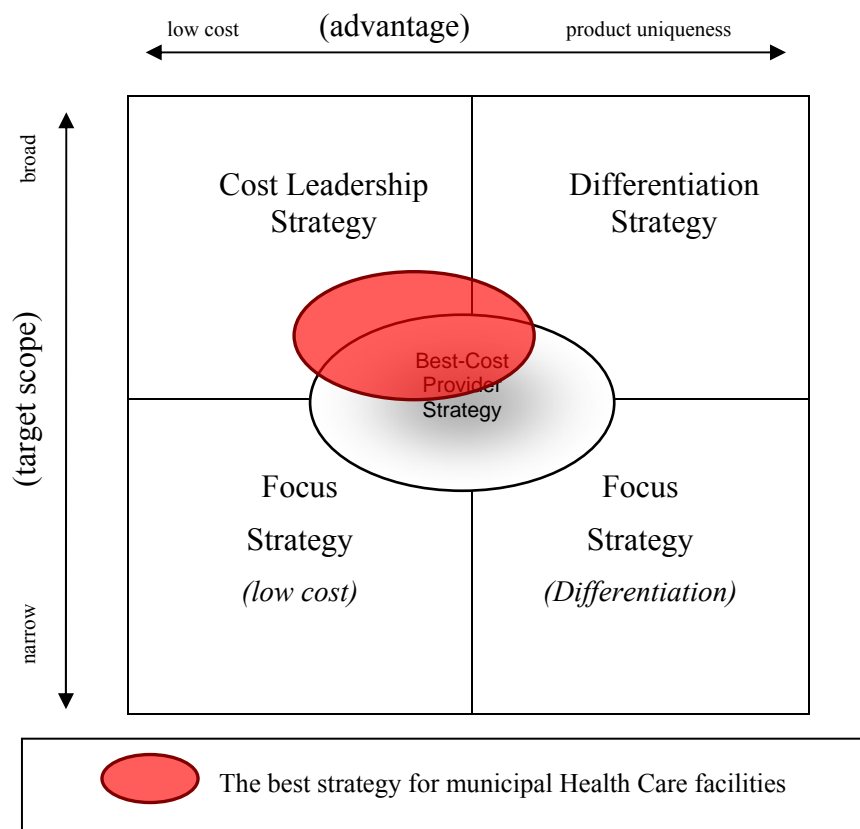
⁸ N.N., Національний план дій на виконання Указу Президента України від 06.12.2005 № 1694/2005 "Про невідкладні заходи щодо реформування системи охорони здоров'я" (Дорожня карта реформування системи охорони здоров'я), n.d. <<http://www.moz.gov.ua/ua/main/docs/?docID=4974>> (23.06.2006), unpaginated.

Opportunity to apply strategy of differentiation is rather limited regarding State regulations. The State has given citizens the constitutional guarantees on qualitative and accessible medical aid. So the State performs an active regulation policy⁹, determining the list of basic medical services for free delivering at state and municipal Health Care institutions.

Thus, we can choose the option for Municipal Health Care market from remaining strategies: the Cost Leadership Strategy and the Best-Cost Provider Strategy. The first strategy in low competition conditions of local market almost undoubtedly will turn to quality reduction of medical services¹⁰.

Use of the hybrid strategy approach – achieving optimum low costs at limited differentiation is the most favorable – as it's shown at Figure 9 with red oval¹¹.

Figure 1: The Base Strategy for Municipal Health Care Facilities



2.3. The Strategy of Growth

The market of medical services in the city performs rather as an isolated formation where external competitors almost are not present, as well as there is no opportunity to establish new markets. Therefore the goal of Public Health Agency of The City Council incurs introduction of the managed Health Care market, where the

⁹ Valery Lekhan, Volodymir Rudyi, Health care systems in transition: Ukraine. (Copenhagen: WHO Regional Office for Europe on behalf of the European Observatory on Health Systems and Policies, 2004) p.26.

¹⁰ Arthur A. Thompson, Jr., A.J. Strickland III, Strategic Management: Concept and Cases (New York: McGraw-Hill Companies, Inc., 2001). Translated in Russian, Москва: Вильямс, 2003), p.166.

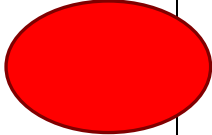
¹¹ Arthur A. Thompson, Jr., A.J. Strickland III, Strategic Management: Concept and Cases (New York: McGraw-Hill Companies, Inc., 2001). Translated in Russian, Москва: Вильямс, 2003), p.183.

purchaser of medical services is the Agency, and providers – municipal and private medical institutions. It can be possible in the case of converting some budgetary municipal medical facilities into autonomous enterprises. This strategy is justified in the field of Primary Care, where the rivalry is the most beneficial. It's possible that later changing legislation will lead to transfer of purchase function from Public Health Agency to a sickness fund.

At the same time the opportunity to use competitive tools in the field of specialized services and hospitals are considerably limited as it was shown above. So Ansoff's strategy of growth is possible for applying only to low-specialized kinds of services. Taking into consideration abovementioned service regulation by State and social obligations it's impossible to develop new market and wide range of new products and services.

Taking into account the specified facts, the optimal strategy of growth for Primary and Secondary Health Care facilities is the market penetration and limited introduction of some new medical services¹².

Figure 2. The Strategy of Growth for Municipal Health Care Facilities

	Existing Product	New Product
Existing Market	Market Penetration 	Product Development
New Market	Market Development	Diversification

2.4. Medical Service Life Cycle Analysis

Whereas private health care sector in the city doesn't play significant role, we will limit the research only to Public sector. Choosing specific medical services for Public facilities are determined mainly by legislative duties and socially significant values rather than their market appeal. Analyzing opportunities for introduction of new services it's necessary to take into account considerable State regulation. The State is now preparing special qualifiers¹³ of medical services and programs of guaranteed medical care that imposes some restrictions on medical facilities in a choice of new medical services. The State policy concerns to prompt cost rise of medical technologies, especially in hospitals. Other criteria for introducing new services and technologies in

¹² N.N., Ansoff Matrix, 2004. <[http://www.quickmba.com/strategy/Ansoff Matrix.htm](http://www.quickmba.com/strategy/Ansoff%20Matrix.htm)> (04/15/2006)

¹³ N.N., Національний план дій на виконання Указу Президента України від 06.12.2005 № 1694/2005 "Про невідкладні заходи щодо реформування системи охорони здоров'я" (Дорожня карта реформування системи охорони здоров'я), n.d. <<http://www.moz.gov.ua/ua/main/docs/?docID=4974>> (23.06.2006), unpaginated.

Public sector are conformity with principals of evidence based medicine and cost-effectiveness¹⁴.

On the other hand, some features of Public Health Care as its high vertical integration (integrated medical care) and factors inherent to the health service market (informational asymmetry, supplier-induced demand) may facilitate quick introduction of new modern services approved by higher level of medical care (Tertiary Care).

Conclusions:

1. Integration of municipal knowledge management system with university clinics and research centers (Tertiary Care) is highly favourable for introducing new services and modern medical technologies. It can significantly lower implementation cost and time for new services.
2. High vertical integration of various levels of Health Care within the framework of the National Health System allows providing Health Care of high quality by using abilities of clinical centers, medical universities, and expert systems of highest levels.

2.5. Customer Life Circle Analysis

Legislation and social obligations of Public Health Agency and municipal Health Care institutions of public sector exclude an opportunity for consumer selection. Nevertheless, inside municipal health system different players may fight for customers. And this is completely justified and complies with the mission of Public Health Agency. It is known from experience of Western Europe countries that at Primary Care level more than 90 % of patients begin and finish treatment¹⁵. Moreover the preventive feature of Primary Care allows providing effective strategy for cost containment at high quality of services. The most beneficial strategies may include capitation method for General Practitioner waging¹⁶ and creating steady relations with consumers¹⁷.

Cost calculation Maximum fast consideration of complaints, polls and sociological researches, and other proactive marketing tools of a client-guided organization are necessary to implement.

Conclusion: Thus, further development of Primary Care is a priority goal that can improve market performing in Health Care and responsiveness of the whole system.

2.6. Policies and Operating Principles

Taking into account abovementioned consideration we should make the following conclusions:

1. Further development of the integrated Health Care including referral, knowledge, and technological interaction between different levels within the National Health System are highly beneficial. Stable long-term partnership can promote quick introduction of new technologies in municipal Health Care facilities at low cost.
2. It is reasonably for municipal Health Care system to narrow activity and concentrate its resources to Primary and Secondary Care.

¹⁴ Надія Солоненко, Економіка охорони здоров'я. Навчальний посібник (Київ, Видавництво НАДУ, 2005), 127.

¹⁵ В.Н.Лехан, ред., Организация первичной медико-санитарной помощи на принципах семейной медицины (Київ: Електронная книга на CD-ROM диске, 2004), unpaginated.

¹⁶ В.Н.Лехан, ред., Организация первичной медико-санитарной помощи на принципах семейной медицины (Київ: Електронная книга на CD-ROM диске, 2004), unpaginated.

¹⁷ Philip Kotler, Marketing Management (New Jersey: Prentice Hall, 2000. Translated in Russian, Санкт-Петербург, Питер, 2000), p. 72.

3. Managed Health Care Market tools are mainly applicable to Primary Care. This approach will provide high quality medical services and effective utilization of resources. Reorganizing some out-patient budgetary facilities into municipal autonomous enterprises can create competitors for municipal Health Care market.
4. To increase personnel motivation it would be helpful to introduce capitation payment for Primary Care practitioners. The precondition of capitation method is autonomous enterprise status of Health Care facilities.
5. To eliminate health market failure it is necessary to introduce purchase function of the Public Health Agency. Using Public Program Performance Budgeting Methodology Public Health Agency can form orders to purchase health services on behalf of the population and introduce contractual arrangements with Health Care facilities.
6. To provide cost containment and quality management of the specialized care and hospitals it is necessary to use such innovative approaches as:
 - Computer system of Management Control administrated by Public Health Agency of The City Council will allow tracing service costs and value chains, as well as quality of hospital services.
 - Contracting and financing hospitals through global budget.
 - Further developing knowledge management system.
7. Modern management technologies may not be realized without municipal network computer system of Management Control. This system should be centralized and administered by Public Health Agency of The City Council.
8. Applying the hybrid strategy approach of optimum low costs at the limited differentiation is impossible without careful value chain analysis. So far this analysis hasn't been performing regularly. Nevertheless introduction of computer management accounting systems makes it possible to perform the analysis continuously.
9. Population ageing and new technology results to increasing cost of medical service. These trends lead to necessity of health service rationing that means to develop basic volume of essential medical services. The Health Care Agency on behalf of population will purchase them to provide their availability and quality to all citizens.

CHAPTER 3: RISK ANALYSIS

3.1. Risk Identification

To identify risks for implementing Health Care Agency's Strategy two methods are used in the paper¹⁸:

1. Questionnaire and brainstorming Risk Identification based on taxonomy (or without taxonomy).
2. Scenario-based Risk Identification.

Risks Identified with Brainstorming and Questionnaires are presented at the Table 1.

¹⁸Thomas L. Barton, William G. Shenkir, Paul L. Walker, Making Enterprise Risk Management Pay Off: How Leading Companies Implement Risk Management (New Jersey: Prentice Hall, 2002. Translated in Russian, Москва-Киев: издательство «Вильямс», 2003) pp.20-21.

Table1: Risks Identified with Brainstorming and Questionnaires

	Internal Risks	External Risks
Organizational level	<ul style="list-style-type: none"> ◦ Health Agency are a “ruling board” for municipal health care facilities and purchaser of medical services at the same time. ◦ Weak control environment. ◦ Decentralization that go along with the imperfect control system and weak information system can result in poor Municipal Health System performance. ◦ Insufficient qualification of personnel. 	<ul style="list-style-type: none"> ◦ Absence of the political support for health care reforming at the city top management level and the City Council. ◦ Impossibility to continue execution of reform programs because of curtailment of financing. ◦ Inconsistency in conducting reforms at the State level. Tardy development of the necessary legislation by State. ◦ Conflict between centralized planning and management health care system at the regional level and local authorities’ activities to reform and decentralize the system.
Operational level	<ul style="list-style-type: none"> ◦ Low salary for medical personnel (compared with the salary in other businesses). ◦ The gray market for medical services does distort organizational culture and weaken the effectiveness of financial personnel motivation. ◦ Impossibility of succession planning owing to employee turnover in the key areas. ◦ Unwillingness of personnel to work with computerized information systems. ◦ Increase in the administrative expenditures, related to the introduction of Managed Market tools (needs for cost accounting, marketing activities, etc.) ◦ Emergency shutdown of computerized information system without back-up restoring. 	<ul style="list-style-type: none"> ◦ Absence of unified State tariffs for medical services and methods for cost accounting. ◦ Absence of the comparative data on costing health services. ◦ Absence of the State register of medical services.

Scenario-based Risk Identification consider the Ukrainian experience of local Municipal Health System reforming and implementing computerized management accounting system in Komsomolsk city of Poltava oblast and in the pilot regions collaborating with EU Project “Health Financing and Management in Ukraine”. They include two rural districts: Zolochev district of Kharkov oblast and Popelnja district of Zitomir oblast. Risk sources (external and internal) are investigated at entitywide and operational levels in relationship to organizational objectives and presented at the

Table 2¹⁹.

Table 2: Risks revealed with Scenario-based Risk Identification

	Internal Risks	External Risks
Organizational level	<ul style="list-style-type: none"> ◦ Managed Health Market for Secondary Care services failed to establish because of limited number of providers and weak rivalry environment. 	<ul style="list-style-type: none"> ◦ The reorganization of budgetary facilities into municipal noncommercial enterprises in some cases leads to the problems with tax authorities. Sometimes they refuse to give non-profitable status for reorganized enterprises.
Operational level	<ul style="list-style-type: none"> ◦ Deficiency in the experienced personnel for the effective introduction of computerized Information System. ◦ The majority of general practitioners still cannot carry out surgical, gynaecological and other services, which they must manage accordingly to job specifications 	<ul style="list-style-type: none"> ◦ Rapid introduction of general practice - family medicine can lead to scarcity of qualified general practitioners

After risk identification we have to rank them and then to develop measure to mitigate risks. The next paragraph presents risk ranking.

3.2. Risk Ranking

As a result of the risks ranking they are divided into four categories (criteria for every category are determined at the Table 3). The results of risk ranking are represented at the Table 4. From the total of 22 only nine risks require developing specific controlling measures. However some of the risks, which fall into third category, also require attention and consideration for planning of business- processes and development of operational model. These factors will be taken into account during the strategic mapping in the fifth chapter.

¹⁹Internal Control Management and Evaluation Tool: Internal Control Standards United States General Accounting Office, August 2001 <<http://www.gao.gov>> (12/15/2006) pp. 23-30.

Table 3: Risk Ranking Categories²⁰

Risk Category	Risk Rank	Description
I Unacceptable	(11-16)	Should be mitigated with engineering and/or administrative controls to a risk ranking of III or less within a specified period such as six months
II Undesirable	(7-10)	Should be mitigated with engineering and/or administrative controls to a risk ranking of III or less within a specified period such as 12 months
III Acceptable with controls	(4-6)	Should be verified that procedures or controls are in place
IV Acceptable as is	(1-3)	No mitigation required

Table 4: Risk Measurement and Ranking

	Identified Risks	Frequency	Consequences	Risk rank	Category
1.	Managed Health Market for Secondary Care services failed to establish because of limited number of providers and weak rivalry environment.	4	4	16	I
2.	Insufficient qualification of personnel.	4	3	12	I
3.	The gray market for medical services does distort organizational culture and weaken the effectiveness of financial personnel motivation.	4	3	12	I
4.	Impossibility of succession planning owing to employee turnover in the key areas	3	3	9	II
5.	The majority of general practitioners still cannot carry out surgical, gynaecological and other services, which they must manage accordingly to job specifications	4	2	8	II
6.	Rapid introduction of general practice - family medicine can lead to scarcity of qualified general practitioners	4	2	8	II
7.	Absence of the political support for health care reforming at the city top management level and the City Council.	2	4	8	II
8.	Impossibility to continue execution of reform programs because of curtailment of financing.	2	4	8	II

²⁰. ioMosaic Corporation, Designing an Effective Risk Matrix, An ioMosaic Corporation Whitepaper, 2002 <www.iomosaic.com> (12/10/2006)

9.	Low salary for medical personnel (compared with the salary in other businesses).	4	2	8	II
10.	The reorganization of budgetary facilities into municipal noncommercial enterprises in some cases leads to the problems with tax authorities. Sometimes they refuse to give non-profitable status for reorganized enterprises.	2	3	6	III
11.	Deficiency in the experienced personnel for the effective introduction of computerized Information System	3	2	6	III
12.	Health Agency are a “ruling board” for municipal health care facilities and purchaser of medical services at the same time.	3	2	6	III
13.	Weak control environment.	2	3	6	III
14.	Decentralization that go along with the imperfect control system and weak information system can result in poor Municipal Health System performance.	2	3	6	III
15.	Inconsistency in conducting reforms at the State level. Tardy development of the necessary legislation by State	2	3	6	III
16.	Conflict between centralized planning and management health care system at the regional level and local authorities’ activities to reform and decentralize the system.	3	2	6	III
17.	Unwillingness of personnel to work with computerized information systems.	2	3	6	III
18.	Increase in the administrative expenditures, related to the introduction of Managed Market tools (needs for cost accounting, marketing activities, etc.)	4	1	4	III
19.	Emergency shutdown of computerized information system without back-up restoring.	1	4	4	III
20.	Absence of unified State tariffs for medical services and methods for cost accounting.	2	1	2	IV
21.	Absence of the comparative data on costing health services.	1	2	2	IV
22.	Absence of the State register of medical services.	1	1	1	IV

3.1. Risk Mitigation

Tolerable risks should be properly monitored and controlled (Table 4,#10-22). Below in the Table 5 measures for risk mitigation of unacceptable and undesirable risks are presented. Activities to mitigate risks fall into some categories: elimination, turning into opportunities, transferring, reducing, avoidance, prevention²¹.

Table 5: Measures for Risk Mitigation

	Risks	Measures
1.	Managed Health Market for Secondary Care services failed to establish because of limited number of providers and weak rivalry environment.	In these case to provide quality management of hospital care and cost-effectiveness Public Health Agency has to apply some non-market and quasi-market tools, the most actual of which represent the following:

²¹ Jeffrey K.Pinto, ed., Project Management Handbook (San-Francisco: Jossey-Bass Publishes, 1998. Translated in Russian, Санкт-Петербург: «Питер», 2004) pp.172-173.

		<ul style="list-style-type: none"> ◦ Using new computer information technologies, establishing the united municipal medical system of management accounting for cost-effectiveness control and quality management. ◦ Improving municipal knowledge management system. ◦ Introduction of modern schemes for hospital financing using global budget.
2.	Insufficient qualification of personnel.	Learning and recruiting policies. Competence management.
3.	The gray market for medical services does distort organizational culture and weaken the effectiveness of financial personnel motivation.	It's expected that cost accounting and transparent pricing in conjunction with managed market tools and quality management will reduced gray market in Health Care.
4.	Impossibility of succession planning owing to employee turnover in the key areas	Identification of crucially important competencies and job places. Than we should increase their attractiveness with balanced set of rewards.
5.	The majority of general practitioners still cannot carry out surgical, gynecological and other services, which they must manage accordingly to job specifications	<ul style="list-style-type: none"> ◦ Step-by-step approach to training general practitioners. It would be helpful to provide for additional incentives in the cases if general practitioners widen the scope of their activities. ◦ Gradual cutting down of physicians, who deliver ambulatory specialized medical care. It should take quite a long time.
6.	Rapid introduction of general practice - family medicine can lead to scarcity of qualified general practitioners	Gradual partial replacement of ambulatory physician-specialists by general practitioner. During transition time it would be reasonable to save Primary Care physicians – therapists and pediatricians.
7.	Absence of the political support for health care reforming at the city top management level and the City Council.	<ul style="list-style-type: none"> ◦ Wide Public awareness of the content of Health Care reforms. ◦ Public participation in decision-making. ◦ Involving top officials in decision-making.
8.	Impossibility to continue execution of reform programs because of curtailment of financing.	One of the most important preconditions for Health Care reforms is strong political support. As money go from the local budget, so a good deal of policies should be directed to attain such a support.
9.	Low salary for medical personnel (compared with the salary in other businesses).	Using balanced set of rewards: intrinsic and extrinsic ²² . Work enrichment.

Measures for risk mitigation will be taken into account while developing business model, strategic mapping, and control system. They are presented in the forth and fifth chapters.

²² Antony A. Atkinson, Rajiv D. Banker, Robert S. Kaplan, S. Mark Young, *Management Accounting* (New Jersey: Prentice Hall, 2001. Translated in Russian: Москва-Киев: Издательский дом «Вильямс», 2007), p.613.

CHAPTER 4: PLANNING AND CONTROL SYSTEM

During 2005-2006 years Health Agency of the City Council developed Health Strategic Plan for Municipal Health System. Plan was developed under broad Public Participation. All main stakeholders took part in plan development; the process was widely highlighted in mass-media and among employees. However the next step needs to be done. Now community Health Care facilities and enterprises are developing their own strategic plans so that citywide plan cascades to organizational and operational levels.

Since 2006 Health Agency of the City Council has begun to introduce Program Performance Budgeting as a tool to implement strategy and use effectively resources allocated. All activities of the municipal Health System are divided into a set of measurable objectives, which are evaluated with performance indicators.

Below I will investigate the main domains how strategy implementation is and should be controlled by Health Agency. Gaps in properly organized control are identified and pertinent recommendations are made. Since the scope of planning and control system is highly diverse, most of considerations in this chapter concerns topics where Health Agency has to amend its activities. Topics where Health Agency has established internal control properly are omitted for conciseness.

The structure of the chapter relates to Simons's levers of control²³. Standards of internal control for US federal public authorities²⁴ helped to shape all the levers specifically to Health Agency of the City Council.

4.1. Boundary System

To use effectively the Boundary System in Health Agency of the City Council we should develop Risk Management Plan. The most significant components of the plan are presented below.

Risk identification is carried out using three methods:

1. Objectives-based Risk Identification.
2. Taxonomy-based Risk Identification.
3. Scenario-based Risk Identification.

Objectives-based risk identification takes place any time when analysis is undertaken to prepare performance reviews on specific topics for discussions at the diverse business meetings. In Health Agency there are such regular business meetings named Public Health Council and Management Personnel Thematic Consultations. They are yearly planned: during the year they are performed every month – totally 24. At the meetings management personnel and employees discusses various topics concerning with strategic objectives, health policies in different areas of medical services, management and financing, effective use of resources. The decisions and final documents of the meetings are widely spread among employees of medical facilities.

Taxonomy-based risk identification is based on questionnaires that are fulfilled by employees and compiled. This kind of risk identification should take place on the regularly basis especially for investigating operational risks. Information Analytical Centre has to develop appropriate taxonomy bases on strategy, business model, and risks identified from other sources.

²³ Robert Simons, Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal (Boston: Harvard Business School Press, 1995) pp. 6-9.

²⁴ Internal Control Management and Evaluation Tool: Internal Control Standards United States General Accounting Office, August 2001 <<http://www.gao.gov>> (12/15/2006)

Scenario-based risk identification takes place at the planning cycle and as new evidences become available.

It should be noted that National Health System of Ukraine is integrated system. So risk identification and mitigation are also part of other levels of Health System activities. We can use the pertinent data generated by higher levels of the System related to risks identified, as well as risk-scenarios and best practices.

Also the following cases are the triggers for risk identification process in the organization:

- Hiring of new personnel to occupy key positions or high personnel turnover in any particular area.
- Introduction of new or changing information systems; risks involved in training employees to use the new systems and to accept the changes.
- Risks presented by rapid growth and expansion or rapid downsizing; the effects on systems capabilities and revised strategic plans, goals, and objectives.
- Risks involved when introducing major new technological developments and applications; and incorporating them into the operating processes.
- Production or provision of new outputs or services.

As to risk ranking the vast field for further working exists. Currently there isn't any risk ranking activity in Health Agency. So the next measures have to be made:

1. To establish criteria for determining low, medium, and high risks.
2. Risk evaluation needs to be done after every risk identification according to procedures presented in the Chapter 3.

Specific control activities in Health Agency are currently decided upon to manage or mitigate specific risks, and their implementation is monitored. But they ought to be made for each activity level and based on risk ranking.

Health Agency should define personnel responsibilities related to risk management. Information Analytical Centre has an important role in this kind of control activity.

Conclusions: Formal risk management plan doesn't exist in the Health Agency, although many procedures concerning risk management are in place. So we should define risk management processes in the organization and use them routinely. Risk management approaches outlined above will be of use.

4.2. Belief System and Control Environment

The codes for employees in Municipal Health System are formally established, but they are not comprehensive and lack to address issues such as improper payments, appropriate use of resources, conflicts of interest, political activities of employees, acceptance of gifts or donations, and use of due professional care. The codes should be revised and acknowledged by signature from all employees.

Management fosters and encourages organizational culture that emphasizes the importance of integrity and ethical values through oral communications in meetings, via one-on-one discussions, and by example in day-to-day activities. Any intervention or overriding of internal control is fully documented as to reasons and specific actions taken.

The Agency performs various kinds of communication with outer stakeholders. It use such procedures as Public Participation in decision-making and Public Discussions, Public hearings, and Public Informing on a regularly basis. In 2006 a Public Council was established as a tool for feedback and counseling with Public. The Public Council also

has controlling functions. The agency has formally organized process for dealing with inner stakeholders' claims and concerns in a timely and appropriate manner.

Formal job descriptions or other means of identifying and defining specific tasks required for job positions have been established and are up-to-dating regularly. Every employee has yearly personal development plan. Realistic and achievable goals for every employee are set. Plans fulfillment and goals achievement are yearly evaluated.

Personnel management activities use approaches of Competence management. Although many its approaches are in place in Municipal Health System we should strengthen the role of personnel departments and use pertinent IT-solutions to make Competence-management more effective. Here we have to mention about attestation of medical staff to meet professional requirements. This activity is performed by higher level of Health Authorities (regional level). Management creates supportive environment for employees. Nevertheless the use of performance-based management is limited and often formal.

Statistical data are easily available for all personnel, but financial and budgetary information needed to fully understand the operations and financial conditions of Health System are limited. Insufficient skills of the most personnel in common financial understanding widen this gap.

The organizational structure of Health Care facilities is routinely revised given the nature of its operations. Considerations and factors to balance the degree of centralization versus decentralization are discussed and clearly articulated.

Appropriate and clear internal reporting relationships have been established to provide effectively managers and employees with information they need to carry out their responsibilities and perform their jobs.

Every year Information Analytical Centre performs internal auditing of Health System. Under supervision of Information Analytical Centre the specific commission consisted of a comprehensive set of experts-auditors investigates all aspects of all municipal Health Care facilities and enterprises.

All levels of management and employees use the results (information, analyses, appraisals, recommendations, and counsel to management) of commission's work to develop the measures for performance improvement.

Conclusions:

- 1. The codes of ethical behavior should be revised to be comprehensive and acknowledged by signature from all employees.*
- 2. Performance-based management approaches should be used more widely. For every employee specific performance indicators have to be developed and monitored.*
- 3. Financial and budgetary information needed to fully understand the operations and financial conditions of Municipal Health System should to be more available. Personnel training for better understanding financial performance data and its interrelation with Public Health are critically important.*
- 4. All Health Care facilities and enterprises should define key competencies for every job place according to organizational mission and strategic goals. Personnel services of Municipal Health System could use the specific software²⁵ with database containing all key competencies for job places and employees' preferences and achievements. Also personnel s should take part in yearly appraisal interviews and job assessment to give recommendations on the rational*

²⁵ Vivek Agrawal, James M. Manyika, and John E. Richards. "Matching people and jobs" The McKinsey Quarterly Special Edition: Organization (2003)

career and development for the employee taking into account the results of assessment and employee's preferences.

4.3. Interactive Control System

Nowadays the most significant competitive advantage of organizations for strategic development and operational control improvement is the creativity of its personnel. Therefore investment in human capital now should be the cornerstones of every policy²⁶.

Interactive control systems are used to stimulate and expand organizational learning and guide the emergence of new ideas and strategies. It provides that a chosen strategy remains appropriate to the business reality and overall objectives. So we have to attract creative human capital to enhance quality of strategic planning. Some tools and techniques are very useful in this concern.

Health Agency strongly supports policies of employee participation in decision-making. As an example we can refer to Strategic Planning that took place during 2005-2006. All internal stakeholders, as well as external, participated in this process. Strategic plan will be revised periodically, again under broad stakeholder participation.

The next step includes auditing and discussions on the implementation and monitoring of Strategic Plan. Health Agency use diverse interactive tools:

1. Above-mentioned Public Health Council and Management Personnel Thematic Consultations, which are held monthly with managers and employees.
2. Conferences for employees on innovations, changes in technologies and supplier strategy.
3. "Management school". These are monthly seminars for administrative staff on the most important topics related to managerial activities.
4. Working meetings to inform employees about organizational strategy and policies, performance, and results. Employees here also provide feed-back to management.

As the goal to develop information management control system is now crucially important for Health Agency, it would be highly useful to delegate authorities to employees for development of some system's components.

The next area of Interactive Control System concerns to management information. Municipal Health System operates with an array of statistical information. Although this statistics are easily available, it reflects mostly medical issues and so isn't comprehensive. Indicators for quality of service are not tied to financial and performance indicators. Cost accounting data are very scares not only for employees, but also for management.

Health Agency has multiply channels for upstream and downstream information. Alternative channels supplement the usual channels related to line-managers and functional structures. The Agency has so called "institution of city experts" who are its nonpermanent staff. They are specialists, who work in Health Care facilities and represent key expertise in different areas of Municipal Health System. Health Agency is one of few Agencies that have its own web-cite. The web-cite has interactive forum.

One more crucially important field for Health Agency is building environment for Knowledge Management. We should encourage collaboration among departments, facilities and employees. This can be achieved by teamwork in joint projects. Thorough

²⁶ Lee G. Bolman, Terrence E. Deal, Reframing Organizations: Artistry, Choice, and Leadership (San Francisco: John Willey & Sons, 2003. Translated in Russian, Санкт-Петербург: Стокгольмская школа экономики в Санкт-Петербурге, 2005) p. 152.

documentation and sharing of information with colleagues should be one of the most important project results. Another supportive environment tools for Knowledge Management are "networks of creation"²⁷ (or "creation nets") and "communities of practice"²⁸. These nets have to be supported inside Municipal Health System, as well as outside to acquire new knowledge.

To use Knowledge Management effectively it's important to define what areas of knowledge are essential for Municipal Health System²⁹. Health Agency usually plans trainings and seminars, literature acquisition, and sharing knowledge. The problem now is that knowledge in Health Care economics is scarce.

Conclusions:

- 1. Health Agency has to delegate authorities to employees for developing some information management control system's components.*
- 2. Health Agency should routinely monitor cost accounting data to make them available for management and employees. Interrelation between indicators for quality of service and financial and performance indicators should be established.*
- 3. Health Agency has to correct knowledge management policies to support knowledge in Health Care economics.*
- 4. Health Agency should encourage collaboration among employees and sharing information with colleagues. This can be achieved by teamwork in joint projects and supporting social nets³⁰ inside and outside Municipal Health System.*

4.4. Diagnostic Control System

Diagnostic control system represents the traditional approach of measuring progress toward goals³¹. So its scope includes a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, and the production of records and documentation. It should be supplemented by mechanisms to ensure the prompt resolution of findings from audits and other reviews.

Many years National Health System of the Soviet Union and then Ukraine was highly centralized. Now the system experiences dramatic reforming³² and we can see positive and negative sides of centralizations. We may forecast coinciding the direction of reforming the National System with the notion "centralized control and decentralized responsibilities"³³.

Health Ministry of Ukraine has set the most important rating indicators, which reflect health status and quality of Public Health Care in different regions. The differences between regions are monitored and analyzed. The regions in turn have set

²⁷ John Seely Brown and John Hagel III. "Creation nets: Getting the most from open innovation" The McKinsey Quarterly, no. 2 (2006)

²⁸ Eric Lesser, Laurence Prusak, eds. Creating value with knowledge: Insights from IBM Institute for Business Value. (N.p.: Oxford University Press, Inc. 2004. Translated in Russian, Москва: «Альпина Бизнес Букс», 2006) p.119.

²⁹ Karen Giannetto, Anne Wheeler, Knowledge Management Toolkit (n.p.: Gower Publishing Limited, 2000. Translated in Russian, Москва: Добрая книга, 2005) p.34.

³⁰ Eric Lesser, and Laurence Prusak, eds. Creating value with knowledge: Insights from IBM Institute for Business Value (n.p.: Oxford University Press, Inc. 2004. Translated in Russian, Москва: «Альпина Бизнес Букс», 2006) p.64.

³¹ Robert Simons "Control in an Age of Empowerment" Harvard Business Review: OnPoint Enhanced Edition (2000)

³² N.N., Національний план дій на виконання Указу Президента України від 06.12.2005 № 1694/2005 "Про невідкладні заходи щодо реформування системи охорони здоров'я" (Дорожня карта реформування системи охорони здоров'я), n.d. <<http://www.moz.gov.ua/ua/main/docs/?docID=4974>> (23.06.2006), unpaginated.

³³ Antony A. Atkinson, Rajiv D. Banker, Robert S. Kaplan, S. Mark Young, Management Accounting (New Jersey: Prentice Hall, 2001. Translated in Russian: Москва-Киев: Издательский дом «Вильямс», 2007), p.40.

their own specific indicators. These sets of indicators are one of significant centralized control tools for cities and rural districts. Also Health Ministry widely discusses best practices and establishes various standards. Standards related to operational control are pertinent to the theme of this article. All Health Care facilities every three years must be accredited to meet standards³⁴ of operational control. According to requirements the main processes and activities of Health Care facilities have to meet standards and be properly documented.

However serious drawback of National Health System is lack of reliable data on medical services costing, tariffs, and inventory of medical services³⁵.

As we may see the two last abovementioned Ministry's approaches refer to such methods of control as Benchmarking³⁶ and Administrative Organization³⁷, which in that way are present in the Municipal Health System. But some important things need to be done.

The most important measures should take into account Health Agency's specific strategy and include the following:

1. We have to choose appropriate partners for Benchmarking with similar strategy and set constant interactions.
2. We should establish the team for Benchmarking evaluation, which will be defining the gap and planning the actions.
3. The scope of information for Benchmarking should be significantly widened to include financial, human resources, and operational performance data.
4. Performance Measures and Indicators should be revised to adapt to current specific strategy and established throughout the organization at the entitywide activity, and individual level. Balanced Scorecard cascaded for each level is crucially important tool for translation strategy into effective performance. These aspects will be discussed in the next chapter.

These measures should be reflected in Program Performance Budgeting that is now introducing in Health Agency. Program Performance Budgeting allows us to connect goals, objectives, and operations at all levels, as well as to link incentives to goal achievements.

Although activity monitoring in Health Agency is also present, its contents refer to centralized approaches and are tuned by Health Ministry. The monitoring strategy of Health Agency has to include identification of critical operational and mission support systems that need special review and evaluation. So it would be appropriate to develop specific plan for periodic evaluation of control activities for critical operational and mission support systems.

Some of the most valuable monitoring criteria (additional to abovementioned) are the next:

- Monitoring should be continuous over time and include not only financial, but as well non-financial areas including quality of performance.
- Operating reports are integrated or reconciled with financial and budgetary reporting system data.

³⁴ Наказ МОЗ України від 20.01.2001 № 20 «Про затвердження Критеріїв (умов) державної акредитації лікувально-профілактичних закладів», 2001 <www.nau.kiev.ua> (11/34/2003)

³⁵ Володимир Рудий, Нормативно-правова база для запровадження контрактних відносин в охороні здоров'я (Презентація на семінарі Проекту Євросоюзу «Фінансування та управління в охороні здоров'я України, Київ, 17.11.2005)

³⁶ Antony A. Atkinson, Rajiv D. Banker, Robert S. Kaplan, S. Mark Young, Management Accounting (New Jersey: Prentice Hall, 2001. Translated in Russian: Москва-Київ: Издательский дом «Вильямс», 2007), p.566.

³⁷ Franca Vossen, Management Control (Presentation at session of Newport Business Academy, Kiev, 11/16/2006), unpaginated

- Monitoring should ensure that the findings of audits and other reviews are promptly resolved.
- Separate evaluations of the internal control system should be undertaken routinely.
- Monitoring should include ongoing activities: regular management and supervisory activities, comparisons, reconciliations, and other actions.
- Communications from external parties (e.g., centralized databases and documents of Health Ministry; complaints of patients and partners) should corroborate internally generated data or indicate problems with internal control.
- Data recorded by information and financial systems are periodically compared with physical assets and discrepancies are examined.
- Segregation of duties.

Conclusions:

1. *We have to choose appropriate partners for Benchmarking with similar strategy and establish the team for Benchmarking evaluation.*
2. *The scope of information for Benchmarking should be significantly widened to include financial, human resources, and operational performance data.*
3. *Performance Measures and Indicators should be revised to adapt to current specific strategy and established throughout the organization at the entitywide activity, and individual level.*
4. *These approaches have to be incorporated in Program Performance Budgeting. Operating reports should be integrated or reconciled with financial and budgetary reporting system data and used to manage operations on an ongoing basis.*
5. *Health Agency has to develop specific plan for periodic evaluation of control activities for critical operational and mission support systems.*

CHAPTER 5: STEERING AND TRANSLATION OF THE STRATEGY

Balanced Scorecard is one of the more powerful tools for strategy implementation. It allows integrating all available assets to achieve strategic goals and objectives. The first step made in this chapter concerns to strategy mapping. Strategy map makes it easier to define the right Critical Success Factors (CSF) and choose adequate set of Performance Indicators (PI) that is the second step. Building action plan³⁸ based on Critical Success Factors is the third step.

Figure 3 represents Strategic Map for Health Agency of the City Council. It originates from organizational strategy of Health Agency together with risk mitigation measures and conclusions made in the previous chapter. A few notions of the map need some elucidations.

As Municipal Health System isn't a profitable organization the main CSFs of financial perspective relate to effectiveness of budgetary resources allocated on medical services. In this case effectiveness relates to the amount of quality Health services "purchased" for patients (of financed) by Health Agency on behalf of the citizens.

³⁸Robert S. Kaplan, David P. Norton, Strategy Maps: Converting Intangible Assets into Tangible Outcomes (Harvard Business School Press, 2004. Translated in Russian, Москва: Олимп-Бизнес, 2005) pp. 167-174

Politicians strive to achieve consensus and support from the community. So together with effective budget use they are interested in transparency of budgetary process. Other CSFs play subordinate role to these factors. They are the next: using Program Performance Budgeting Methodology³⁹, Cost containing tools⁴⁰, changing organizational structure of Municipal Health system⁴¹ (autonomization of health care facilities, splitting Primary and Secondary Health Care, contractual arrangement between purchaser and provider of medical services).

Two CSFs for customer perspective are Quality and Availability of medical services. To achieve them Municipal Health System should use effective Quality Management system and Rationing of medical services, reasonably introduce new medical technology, integration of different levels of Health Services.

For internal perspective the key role of Primary Care are crucially important. It's expected that introducing general practice Primary Care instead of therapeutic Primary Care together with capitation payment mechanism will lead to significant improvement of quality and cost containment in the whole Municipal Health System⁴². We may say that Primary Care controls higher levels of Health Care. In Secondary Care (hospitals) it would be appropriate to introduce global budget payment mechanism to reduce or retain medical services cost. So introducing general practice (family medicine) and reducing medical services cost are two of the most significant CSFs for internal perspective.

In the period of reform the knowledge is the most important domain of Learning and Growth Perspective. So we have to build knowledge management system that gives people the opportunities to lead the organization to achieve goals of three other perspectives. IT technology introduction is a highly useful supplement to goal achievements⁴³.

³⁹ Олеся Голинська, Запровадження програмно-цільового бюджету в охороні здоров'я (Презентація на семінарі Проекту USA ID «Реформа місцевих бюджетів в Україні, Євпаторія, 11.11.2005)

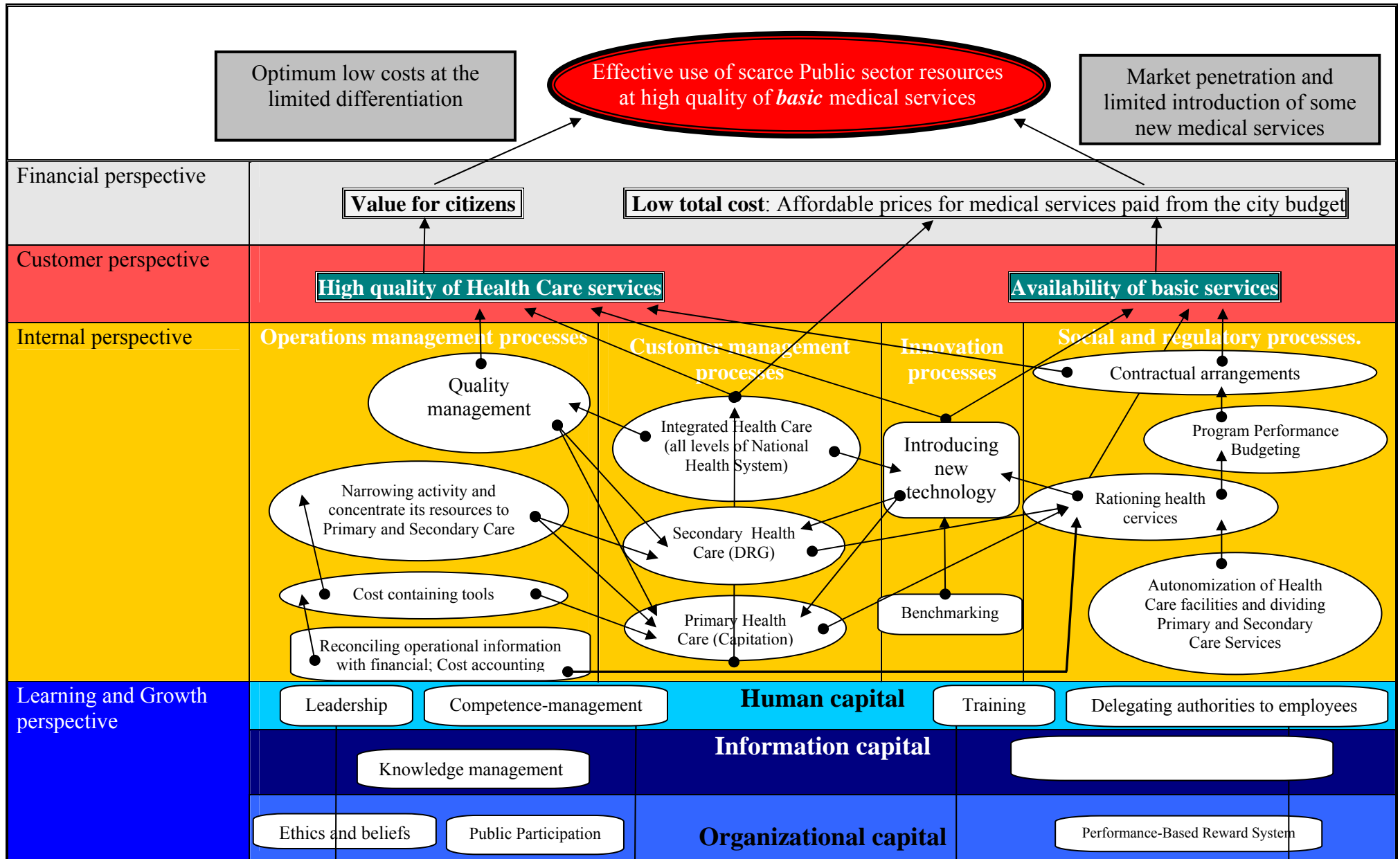
⁴⁰ Flagship Learning Program Module on Health Care economics. Health Sector Reform and Sustainable Financing: Introduction to the Concepts and Analytical Tools The World Bank group < <http://web.worldbank.org> > (05/16/2002)

⁴¹ Антоніс Малагардіс, Володимир Рудий, Стратегія реформи фінансування та управління у системі охорони здоров'я України (Київ: СПД Шмельков М.Ю., 2006) с.14-15.

⁴² Антоніс Малагардіс, Автономізація і контрактні відносини в рамках розбудови первинної ланки медичної допомоги (Презентація на семінарі Проекту Євросоюзу «Фінансування та управління в охороні здоров'я України, Київ, 20.03.2006)

⁴³ Еро Ліннако, Національна регіональна стратегія інформаційних комп'ютерних технологій в охороні здоров'я України (Презентація на семінарі Проекту Євросоюзу «Фінансування та управління в охороні здоров'я України, Київ, 15.02.2006)

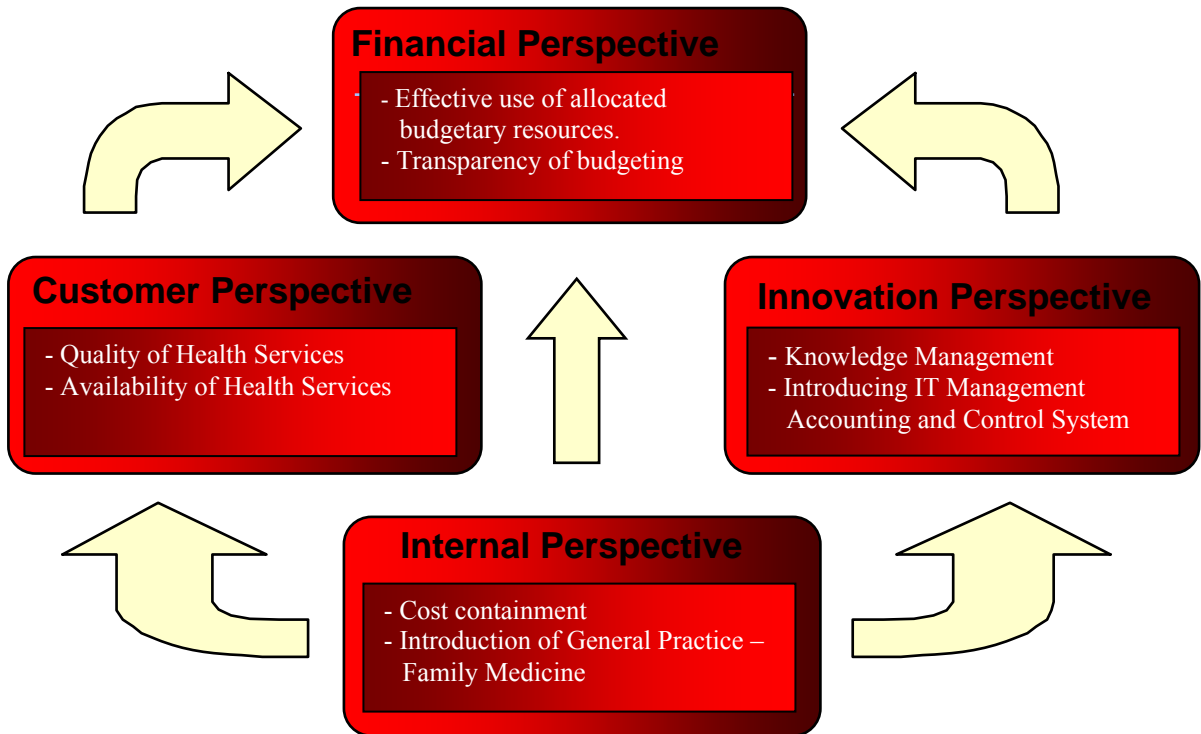
Figure 3: Strategic map of Health Agency of the City Council



The most important CSFs are summarized in the Figure 4.

These Strategy Map and Balanced Scorecard are developed specifically for Health Agency of the City Council. Developing them for every Health Care Facility, divisions and departments, and for every level of activity is the next step. They should be mutually consistent and stem from Map and Scorecard of Health Agency. However, Strategic Map for Health Care facilities and enterprises would be quite different especially in operational aspects. For instance, at the facility level the quality of medical services would be achieved by keeping to standards of Health Care (treatment protocols and so on), serving in time, ethical behavior of personnel, reducing waiting time, flexible schedules. Cost reduction may be achieved by logistics optimizing, efficient use of personnel, equipment, and rational pharmaceutical policy.

Figure 4: Balanced Scorecard for Health Agency of the City Council



Results of the second and third steps are represented in the Table 6. To calculate due value of indicators benchmarking National and local statistics are used⁴⁴.

⁴⁴ Сергій Чудинов, Підсумки роботи системи охорони здоров'я в місті Євпаторія у 2005 році (Доклад на Медичної Раді міста Євпаторії, м. Євпаторія, 7.02.2006)

Table 6: Strategic Initiatives and Performance Indicators for Health Agency

Critical Success Factors	Performance Indicators	Value of Indicators	Strategic Initiatives (Programs)
Effective use of allocated budgetary resources.	- The average amount of money spent from the city budget on one citizen. - Percentage of successfully completed health programs against yearly plan.	\$ 60 90%	Introducing Program Performance Budgeting
Transparency of budgeting	- The number of budgetary proposals submitted by politicians and Public at the time of budget development. - Presence of Public monitoring for budget execution . - The number of budget execution reviews published and available for Public.	70 4 during the year 12	Public Awareness Program includes Public Participation in budget development, quarterly held meetings discussing budget execution reviews, etc.
Quality of Health Services	- The percentage of discrepancies in keeping to quality standards for health care facilities ⁴⁵ revealed by audit. - The number of complaints of patients. - Percentage of the population satisfied by Quality of Health Care in Municipal Health System	95% 30 70%	Improving Quality Management System based on Total Quality Management principles. Sociological investigation (polling, questionnaire)
Availability of basic Health Services	- The average waiting time for medical examination. - Percentage of medical services uncovered with local budget (compared with standard list for such city as Yevpatoria)	1 hour 30%	Rationing Health Services. Establishment of Primary Care facilities in the city districts.
Cost containment	- Percentage of cost reduction for medical services introduced more than two years ago. - Percentage of medical services paid by new payment mechanisms. - Percentage of patients treated in “one-day stay hospitals” and “ambulatory bed hospitals” - Percentage of medications prescribed by physicians that are not included in the list of essential drugs	5% yearly (as average) 20% yearly increment 4% yearly increment 10%	- Introducing such payment mechanism as capitation for Primary Care and global budget for hospitals. - Introduction competitive contractual arrangements in Primary Health Care - Hospital substitution - Rational pharmaceutical policy
Introduction of General Practice	- Percentage of the population that are served by general practitioners. - Percentage of physician consultations aimed at prophylactic work. - Percentage of general practitioners skilled enough in qualifications other than therapy and pediatrics.	10% yearly increment 30% 15% yearly increment	- Introducing performance-based payment schemes. - Investment in equipment and premises - Intensive training (wage bonus for learning)

⁴⁵ Наказ МОЗ України від 20.01.2001 № 20 «Про затвердження Критеріїв (умов) державної акредитації лікувально-профілактичних закладів», 2001 <www.nau.kiev.ua> (11/34/2003)

Knowledge Management	<ul style="list-style-type: none"> - Percentage of employees who are learning or completed trainings. - Number of conferences, meetings and discussions held on new technologies and best practices. - Number of joint projects carried out by divisions and facilities (and at the best educational and scientific establishments) - Number of employees' proposals for improving work processes 	25% yearly 30 5 20	Policies aimed at supporting “ <i>social nets</i> ” and “ <i>communities of practice</i> ” Planning events for sharing knowledge. Proper documentation of new experience and knowledge.
Introducing IT Management Accounting and Control System	<ul style="list-style-type: none"> - Percentage of workplaces equipped by computer. - Percentage of software installed on workstations in Health Care Facilities integrated with centralized database of Health Agency 	20% yearly increment 20% yearly increment (up to 60%)	Information plan are presented in the next chapter.

Performance indicators and strategic initiatives (programs) are presented for each CSF. Strategic initiatives together form the base for Action Plan. It is evident that this plan is not perfectly comprehensive, inasmuch as to develop qualitative plan is a long and hard teamwork of many experts. But the most essential actions are in place.

CHAPTER 6: INFORMATION PLAN

6.1 Introduction

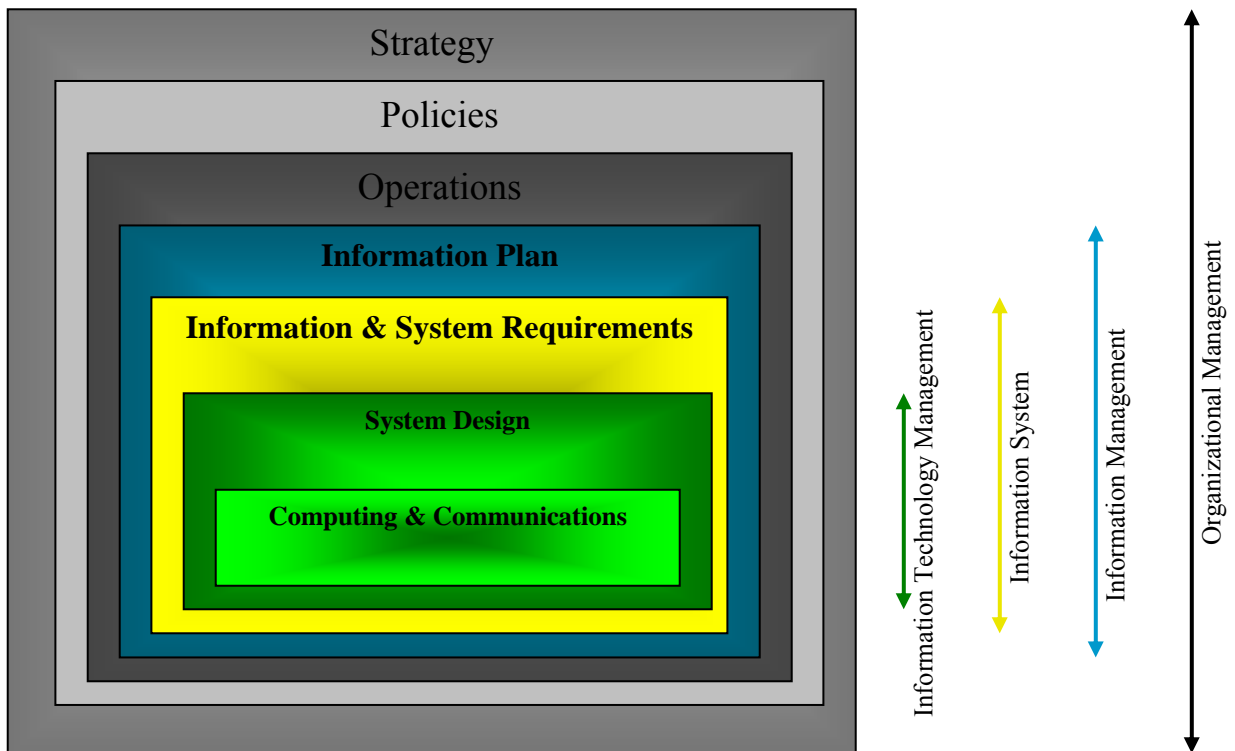
Information management is a complex of procedures and automated systems that are available in an organization to steer this organization and to analyze the required information to support decisions⁴⁶. To use effectively information assets the organization, steer the strategy, and coordinate municipal business units we have to develop Information Plan for Health Agency of the City Council.

Information technologies and information systems are only some of the elements of information management. Because information management is inseparable from institutional management, the governance of information management extends to all managerial and administrative functions in the institution whether academic, professional or general and whether IT-related or not⁴⁷. The context of informational management in Health Agency is presented at the Figure 5.

⁴⁶ Franca Vossen, Management Information (Presentation at the seminar of Newport Business Academy, Kiev, 11/17/2006)

⁴⁷ University of Auckland, New Zeland, Information Management Strategic Plan – Harnessing Knowledge. Executive Overview. 9 March 2006 <<http://www.auckland.ac.nz>> (12/25/2006)

Figure 5: Context of Informational Management in Health Agency



This plan was developed in the framework of individual working on the paper for Newport Business Academy. To use it for real implementing information system recommendations are given at the end of this chapter.

The structure of the informational plan includes management summary, starting-points on policies, development on CSF and steering variables, evaluation of “as is” situation, blueprint of application infrastructure, blueprint of the information, conclusion and recommendations⁴⁸. These points will be consecutively considered below.

6.2 Management Summary

Strategy and Policies of Health Agency of the City Council are introduced in details in the previous chapters. Strategic approaches of the Municipal Health System can be summarized as “Optimum low costs at the limited differentiation, and Market penetration and limited introduction of some new medical services”.

They should be achieved with introduction of managed market tools, which include cost containment mechanism (capitation payment for Primary Health Care and global budget for hospital services) combined with quality management system. Program Performance Budgeting and contractual arrangements between purchaser and providers of the Health Care services are important drivers for regulation of provider activities. Availability of medical services results from cost containment and rationing Health services.

⁴⁸ Franca Vossen, Management Information (Presentation at the seminar of Newport Business Academy, Kiev, 11/18/2006)

6.3 Starting-Points on Policies

The Table 7 shows interrelation between information policy and strategy on one hand and policy field of Health Agency of the City Council on the other hand.

Table 7: Relation between Municipal Health System’s Strategy and Information Management Policies

Municipal Health System’s Strategy & Policy	Information Management Policies
Implementing cost containment tools	Integration of financial and non-financial information to provide Costs/Benefit analysis and effective Budget Planning
Introducing General Practice – Family Medicine	Availability for general practitioners of pertinent medical records about patients treatment at Municipal Health facilities
Autonomization of Health Care facilities	Ongoing analysis on performance effectiveness of Health Care facilities
Introduce contractual arrangements between purchaser and providers of medical services	Ongoing analysis how facilities adhere to contractual arrangements: the amount and quality of health services.
Capitation payment for Primary Care practitioners	
Contracting and financing hospitals through global budget.	
Health service rationing	Combining data from multiple sources: cost/benefit analysis, availabilities of resources, State requirements, social acceptability, etc.
Using Public Program Performance Budgeting	Combining operational and financial data Calculation performance indicators for all programs and goals of the budget.
Integrated Health Care including all levels of National Health System Benchmarking	Availability of external information about referral, knowledge, technological issues, and best practices concerning different levels within the National System.
Health Care Quality Management	Ongoing analysis and improvement of business processes, quality indicators control, case quality assessment. Planning activities, monitoring.
Knowledge management	Breadth and quality of knowledge resources. Documenting and Sharing information from internal and external sources. Ease of interaction within the Municipal Health System.
Introducing evidence-based and optimum cost new health technologies. Narrowing activities and concentrate resources to Primary and Secondary Health Care	Product (service) life circle analysis to calculate aggregate cost of new services. Comparing financial data with outcomes of new technology implementation.

Municipal Health System's Strategy & Policy	Information Management Policies
HRM: Competence-management. Training and recruiting	Availability of information on skills and competencies of personnel and information on job places competence requirements. The gap should be removed by training and recruiting planning.
Performance based reward system Delegating authorities to employees	Availability of personal performance data
Public Participation in decision making	Investigation of Public opinion, encouraging them for creative proposal and communication with professionals. Documenting and sharing ideas among professionals and Public.
Ethics and beliefs adherence	Documenting and sharing positive and negative cases.

Information plan should be revised annually and originate from different planning activities such as business and budget planning; operational planning; human resource management planning. This way we can get rid of vain data and obtain crucially important information. Information technology planning should follow information plan development.

Security starting-points for information are the next:

- The Health Agency periodically performs a comprehensive, high-level assessment of risks to its information systems.
- The Health Agency periodically assesses the appropriateness of security-related personnel policies and compliance with them to undertake corrective actions is necessary.
- Resource owners should classify their information resources with regard to risk determinations and assessments and identify authorized users to access the information with regard of job responsibilities.
- The Health Agency has to establish physical and logical controls to prevent or detect unauthorized access. The agency has to monitor information systems access, investigates apparent violations, and takes appropriate remedial and disciplinary action. Access authorization is documented.
- The important security policy is segregations of duties. Incompatible duties have to be identified and policies implemented to segregate those duties.

6.4 Development on CSF and Steering Variables

In the previous paragraphs I considered general aspects of information planning. But the system design depends significantly on the contents of required information. So I'll return in short to critical success factors (CSF) and steering variables touched upon in the fifth chapter. Table 6 presents specific for the Health Agency CSF and performance indicators. To monitor these performance indicators we need to have multiple information source and the system that processes the data from different informational modules: budgeting, resource planning, cost/benefit analysis, demographic and illnesses data, quality management, benchmarking data, Public polling, experts' assessment, knowledge management, information automazation.

So these modules should be highly integrated. To define what application infrastructure should be established in Municipal Health System we need to evaluate “as is” situation at first. It allows us to avoid unnecessary cost and losses, as well as fruitless personnel efforts.

6.5 Evaluation of “As Is” Situation

The key points of the evaluation of “as is” situation are summarized in the Table 8. We have to take them into account for building application infrastructure of Municipal Health System.

Table 8: SWOT Analysis of “As Is” Situation

Opportunities	Threats
We have great amount of medical records and statistical information that are regulated by State.	This records and statistical information are not sufficiently suitable for local needs. We have scarce analytical financial information. Interrelation between statistics, resources, and financial data is not established.
Program Performance Budgeting is established in the city.	The performance indicators don’t include reliable data on services’ cost calculation. The programs and goals of Program Performance Budget are not prioritized.

Strength	Weak
Municipal Health System uses a great variety of paper documentation and software. Many operations are documented.	Paper documentation is not available for wide usage. Software modules are not integrated and consistent.
We have high quality personnel for information management. Many employees took part in strategic planning of Municipal Health System. So they understand well the importance of information management.	But the majority of medical and general personnel are not skilled in using computerized information systems.
Many tools for knowledge management are in place	Knowledge management system is fragmented. It doesn’t use any computerized software system or net.
Health Agency developed and maintains its own web-cite that contains data relevant to Public, medical staff, and different organizations inside and outside the city.	Web-cite information for medical staff doesn’t reflect strategic priorities for Municipal Health System and achieving organizational goals.

Thus we have relevant information on medical statistics, knowledge databases. We should reshape and systematize this data according to goals and tasks of Municipal Health

Care. Also this data have to be integrated with another data: first of all financial and benchmarking information. The most of information for personnel usage is in paper format.

Some application modules, such as the web-cite, personnel management software, software registries of patients with different illnesses, budgeting, and business accounting, which are now in place, should be incorporated into the future application infrastructure.

6.6 Blueprint of Application Infrastructure

Application Infrastructure and Information Moving in Municipal Health System are presented at the Figure 6. Applications infrastructure will include the existing several modules, listed above, but some significant modules will be added and integrated together⁴⁹.

Web-cite will be completed with Internal Knowledge Net Database to search relevant information for personnel throughout the World Wide Web (links, searching engine) and professional nets. The software will include such supporting services as mailing, archiving and distance learning.

We will transfer from paper medical records and images to electronic ones that can be accessible by competent staff from different Health Care facilities. The software has to give the opportunity for comparing actual electronic records with treatment protocols. This module takes data from the register of city dwellers and medical registers (for instance medical services registers).

Personnel management software will be reshaped with adding to the existing data additional opportunities on personal development planning, personal performance assessment; actual personnel core competencies and needed competencies for job places.

Some system components of application infrastructure should also be present:

1. Administration on software consumer rights
2. Administration on patient consents for medical services.
3. Adapters and interfaces to integrate different modules.
4. Coding and registers services.

“Cost accounting” takes the data from module that register services delivered and from “Business accounting”. Budget will be calculated with “Business accounting” and “Medical statistics” that reflect demand for Health services.

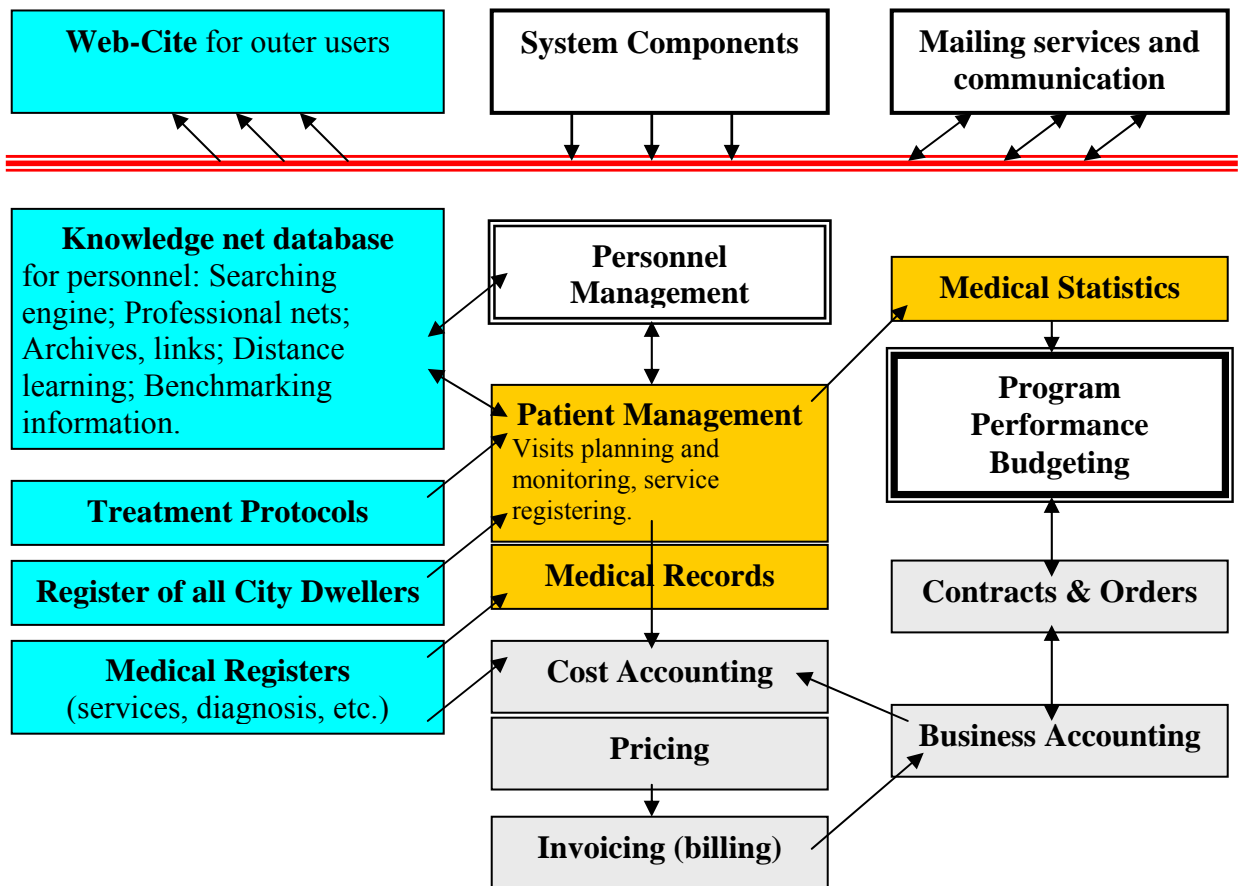
The application infrastructure will have two floors. The top one consists of Health Agency of the City Council and Medical Information Analytical Centre. The base floor consists of Information Systems of Health Care facilities.

The top floor includes: Knowledge net database; Treatment Protocols; Registers; System Components; Mailing Services; Personnel Management; Medical Statistics; Cost Accounting; Program Performance Budgeting; Contracts & Orders; Business Accounting.

The base floor includes: some System Components; Mailing Services; Personnel Management; Medical Records; Patient Management; Medical Statistics; Cost Accounting; Program Performance Budgeting; Contracts & Orders; Business Accounting; Pricing, and Invoicing.

⁴⁹ Олександр Коваленко, Олег Хорозов, Ееро Ліннако, Мінімальні ІТ-вимоги до розбудови інформаційно-комунікаційної підтримки фінансування та управління в сфері медичного обслуговування на національному та регіональному рівнях (Київ: СПД Шмельков М.Ю., 2006) с.8-45

Figure 6: Application Infrastructure and Information Moving in Municipal Health System



Information technology planning (Automatization plan) has to meet some criteria⁵⁰:

- Information technology should correspond to business processes.
- Functions of workstations should relate to job descriptions of personnel.
- Hardware and software solutions chosen should be consistent.
- Technology for system exploiting and serving should be unified
- “From top – to down” system building.

Supporting goals for information technology are the next:⁵¹

- Processing speed at entry, search and treatment with data;
- Reliable protection from unauthorized access and personnel activities registration;
- Convenient interface of work places;
- Opportunity for scaling and development of the system;
- Integrating with the data transferring modules;
- Opportunity to convert data from old applications into new system;

⁵⁰ Современные тенденции развития современных информационных систем, n.d. <www.management.com.ua> (12/04/2006)

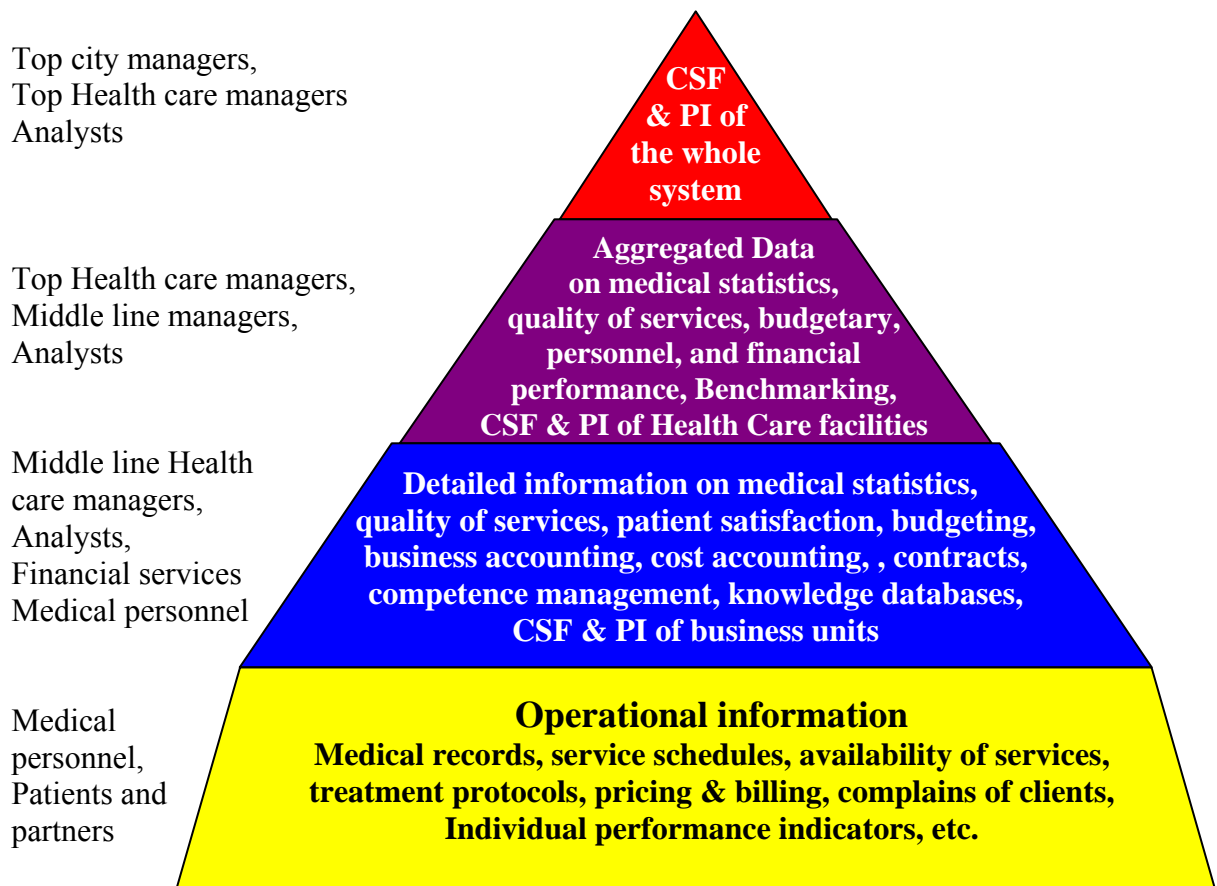
⁵¹ Современные тенденции развития современных информационных систем, n.d. <www.management.com.ua> (12/04/2006)

- High reliability and security of the system.

6.7 Blueprint of the Information

Figure 7 summarizes the levels of Executive Information System needed to successfully transform Strategy into effective performance. The Figure 7 also represents the main users of the most relevant information. Although they relate to definite level of information, all allowed (not restricted) information should be accessible for personnel. So the relationship between users and information reflects the fields of preferable usage.

Figure 7: Levels of Information in Municipal Health System



Another very important notion concerns to the requirement to cascade CSF & PI into all Health care facilities and business units. This paper considers Balanced Scorecard for Health Care Agency. It's described in relation to business processes in the fifth Chapter. Balanced Scorecards for other facilities and business units are the matter of separate research.

6.8 Conclusions and recommendations

To implement proposed informational system we must to develop Project Plan.

First of all we will form steering committee and project team⁵². Steering committee consists of decision-makers, whose tasks are to initiate and maintain effective information system implementation. Project team that should be divided into some work teams will do the main project activity. The task of the project team as a whole is controlling project activity and preparing decisions. The work team task is to execute all job assignments of the project: training and communication, functional and technical aspects, testing.

Critically important for developing and successful implementation of informational project is wide personnel involvement in shaping the system. So we should set continuous opinion exchange between project team and all facilities and business units. Also it's reasonable to establish the project team consisting of representatives from different business units including functional and technical departments. To overcome resistance to change and use informational system effectively personnel have to participate actively in trainings at all stages of the project. The project team has to show to personnel all the advantages of the system. Trainings have to be tailored differently for technical administrators, managers and medical personnel.

Implementing information system is time-consuming, so the project duration should be enough to go all steps of the project.

The next step after setting organizational framework is to make inventory of all pertinent recourses and prepare requirements specification (technical and functional) for future information system. Dimensions for data collection and processing have to be defined. Variables should relate to the most important dimensions and critical success factors.

The third step is to choose the right software solution and build the information system. There are two variant for action: to develop the software by own organization or buy it from a software supplier. The project team and steering committee have to take into account that the first decision may be cheaper and more suitable for organizational needs, but it usually demands high capacity of the personnel and resources. On the other hand the second decision can offer rich experience and expertise in information technologies. But this solution usually is more expensive and demands tailoring software for organizational specificity. Very useful is to obtain the experience of other cities in implementing similar systems.

Then we have to test the information system to correct and improve it.

After testing system evolution have to go on, correcting mistakes, adopting it to changing environment and strategy.

CHAPTER 7: REFLECTION

This chapter contains reflections on perspective of my personal growth, my own role in improving Management Control in my organization, and something beyond that. As starting-point I'll give you a small historic background and then go over to my goals and roles.

I work as the deputy chief of Health Agency of the City Council. I was the very person who initiated Strategic Plan development for Municipal Health Agency two years

⁵² Franca Vossen, Management Information (Presentation at the seminar of Newport Business Academy, Kiev, 11/18/2006)

ago. Also in 2005 I made maximum efforts for our city to join the EU Project “Health Financing and Management in Ukraine”. This partnership was highly significant. During one year the Health Strategic Plan was developed. But after one year has passed I see that some of the important operational goals of our Strategic Plan are still not reflected in Health Agency’s activity. I suppose there are some reasons for that.

Unfortunately many government officials and health administrators perceive the notion of Management Control entirely wrong. They explain it as simple checking or comparing planned and actual activity. This understanding ascends from highly centralized Soviet Union planning and control system. Notions of Levers of Control, Strategic Mapping, and Balanced Scorecard are actually completely new not only for me, but also for overwhelming majority of state officials. The pertinent literature by Russian and Ukrainian authors is of questionable relevance. It’s strange why we don’t understand “Management Control”, and at the same time we have proper works by our authors on strategy, information systems, and so on.

At the beginning of the Seminar of Newport Business Academy in Kiev on Management Control & Management Information (by Ms Franca Vossen) in November the 15-18th, 2006 we were asked what we expected of the training. I said I did want to receive the whole image what it was. Now after training and working on paper I can say I have the whole picture and details of Management Control & Management Information. So taking into account the lack of skilled managers in local government and especially in Public Health field I feel a great mission for me. If I don’t change the situation the changes won’t happen for long time.

Now I understand why some of our operational goals haven’t been carried out. My paper work is entirely applicable for the immediate perspective. We have to guide my organization through all steps undertaken in my paper. As the starting-point I’ll take conclusions and recommendations at the end of the sixth chapter. It will be quite easy because many people are ready to implement information system. I consider it as an occasion to initiate redesign of our business processes at the inventory stage of Management Information Project. Then we’ll revise our planning and control activities, developed Balanced Scorecards, and return to our Management Information Plan.

Now our Municipal Medical Information Analytical Centre experiences times, which are hard and at the same time give the new opportunities. The young and creative person has started his work as a head of Medical Information Analytical Centre. Also we should to compose the personnel of that organization because nearly 50% of job places in that organization is vacant. So my task for nearby perspective is to shape and teach the team for change management. And the driving force of the team will be Medical Information Analytical Centre. We have to establish the steering committee and the project team. I see myself as a head of the steering committee.

In conclusion I would like to expound one more perspective that is a little bit beyond the Municipal Health System. To understand my role in that perspective I must explain my position in our city. In addition to my official position as the deputy chief of Health Agency I am one of the founders and the director of NGO “Municipal Development Agency” and a city coordinator of World Health Organization “Healthy Cities” Project.

Working on this paper has opened for me highly interesting perspective. As I have already mentioned our National legislation don’t have standards of internal control for state

and local government organizations, even though a few of Ukrainian municipalities have been trying to use process approaches to quality management with ISO-9001.

In December 2006 I took part in “round table” discussion held in Yalta jointly by Secretariat of the President of Ukraine, Cabinet of Ministries of Ukraine, and Crimean government with support of SDC program (Swiss Embassy). The topic was Administrative Reform in Ukraine. After learning session of Newport Business Academy and working on the paper I understood the importance of Management Control. So I proposed to include into “The Green Book” discussed the necessity to develop Standards of Public Authorities’ Activities similar to governance control regulations such as Tabaksblat or Sarbanes-Oxley Act. Igor Koliushko (Ігор Коліушко) who is responsible person for administrative reforms in Ukraine highly appreciated my proposal and pointed out its significance.

Then as the director of NGO “Municipal Development Agency” I prepared an application proposal for the project concerning to developing standards of internal control for local authorities and implementing them in Yevpatoria as in a pilot city. This application form has already submitted to Swiss Embassy (SDC program) for funding as SDC program supports conducting Administrative Reforms in Ukraine.

In the Internet I find some documents related to internal control for US federal authorities⁵³. I think I have to elaborate on many different sources to adapt them to Ukrainian National Legislation and circumstances. It would be very useful to have Tabaksblat standards. From my point of view they are more suitable for public authorities, because they are more oriented on stakeholders and based on consensus⁵⁴. Unfortunately I lack relevant literature on these topics. Also we need to get familiar with the experience of European cities in this matter. So we need the experienced partner from Europe.

I surmise it will be VNG International (Association of Dutch Municipalities) or one of the Netherlands cities. The reasons are the next.

Yevpatoria city is now closely collaborating with VNG International in the field of HIV prevention. Nijmegen and Rotterdam are the partners of VNG project (funded by EU). At the same time they are members of the National Dutch “Healthy Cities” network. Dr Esther Teunissen works at VNG as the National Dutch “Healthy Cities” project coordinator. And finally Yevpatoria city is a designated member of the European WHO “Healthy Cities” network. But now I am still in the search for an experienced partner for the project and will be highly grateful for any advice.

The project will have important consequences for our city, as well as for Ukrainian Administrative Reform.

⁵³ Internal Control Management and Evaluation Tool: Internal Control Standards United States General Accounting Office, August 2001 <<http://www.gao.gov>> (12/15/2006)

⁵⁴ Franca Vossen, Management Control (Presentation at the seminar of Newport Business Academy, Kiev, 11/15/2006)

GLOSSARY

Accessibility of health care: A measure of the proportion of a population that reaches appropriate health services.

Accreditation: The process by which an authorized agency or organization evaluates and recognizes an institution or an individual according to a set of “standards” describing the structures and processes that contribute to desirable patient outcomes.

Administrative Organization: the organisation that consists out of a system of appointments, regulations, procedures, instructions concerning the steering, control and execution of company processes, and serves as well for giving account

Autonomization: the process of reorganization facilities owned by the government into *autonomous* hospital or polyclinic that has the ability to act under its own authority to achieve its primary mission of benefiting the public. Although established by the state, an autonomous facility has some of the characteristics common to private organizations that allow it to operate more efficiently. The central characteristic is *management autonomy*, which decentralizes the control of the functions of the facility to allow greater efficiency of operations.

Availability: Identifies the presence or absence of needed health care services.

Balanced Scorecard: objective methodology which is leading to translation of goals into Critical Success Factors (CSFs).

Benchmarking: A process of measuring another organization’s product or service according to specified standards in order to compare it with and improve one’s own product or service.

Best practice: An examination of the methods by which optimal outcomes are achieved.

Brainstorming: a method of problem solving in which members of a group contribute ideas spontaneously.

Budget: A statement of the financial resources made available to provide an agreed level of service over a set period of time or to use them for a specific purpose.

Business Process Reengineering is a management approach aiming at improvements by means of elevating efficiency and effectiveness of the processes that exist within and across organizations. It is a fundamental and radical approach by either modifying or eliminating non-value adding activities.

Capitation: a payment mechanism whereby an organization receives a fixed, pre-specified amount of money per time period (e.g., month, year) for each individual for which it is responsible for meeting defined health needs (e.g., primary care, primary and secondary care).

Centralization: The concentration of managerial functions at one point within the system.

Competence: a standardized requirement for an individual to properly perform a specific job. It encompasses a combination of knowledge, skills and behavior utilised to improve performance. More generally, competence is the state or quality of being adequately or well qualified, having the ability to perform a specific role.

Contract: Agreement between payer(s) and provider(s) which define in advance the health services to be purchased, the quantity, quality and price.

Contracting: a process that includes negotiation and making a contract between purchaser and provider to guarantee incentives for quality performance even if the health care market isn't enough competitive.

Cost Accounting: a process of tracking, recording and analyzing costs associated with the products or activities of an organization.

Cost Containment: Measures taken to reduce expenditure or the rate of growth of expenditure, or the unit cost of services.

Cost-effectiveness analysis (CEA): a type of analysis that compares interventions or programmes having a common health outcome (e.g., reduction of blood pressure; life-years saved) in a situation where, for a given level of resources, the decision maker wishes to maximise the health benefits conferred to the population of concern (adaption of Pharmacoeconomics, 1997). This type of analysis can be used to assess cost-effectiveness efficiency.

Decentralization: Changing relations within and between a variety of organizational structures/ bodies, resulting in the transfer of the authority to plan, make decisions or manage public functions from the national level to any organization or agency at the sub-national level.

Economies of scale: situations in which the long-run average costs of a firm decline as output increases (Folland et al., 1997).

Evidence-based health care: Evidence-based health care is the conscientious use of current best evidence in making decisions about the care of individual patients or the delivery of health services. Current best evidence is up-to-date information from relevant, valid research about the effects of different forms of health care, the potential for harm from exposure to particular agents, the accuracy of diagnostic tests, and the predictive power of prognostic factors.

Gatekeeper: A primary care physician/general practitioner (or another provider) who is responsible for overseeing and coordinating all the medical needs of a patient. The gatekeeper must authorize any referral of the patient to a specialist or hospital.

Global budget An aggregate cash sum, fixed in advance, intended to cover the total cost of a service, usually for one year ahead.

Health care facilities: institutions, enterprises and organizations, which immediately deliver health care services to the population.

Health care system: A formal structure for a defined population, whose finance, management, scope and content is defined by law and regulations. It provides for services to be delivered to people to contribute to their health...delivered in defined settings such as homes, educational institutions, workplaces, public places, communities, hospitals and clinics.

Health care: Any type of services provided by professionals or paraprofessionals with an impact on health status.

Health services: Any service which can contribute to improved health or the diagnosis, treatment and rehabilitation of sick people and not necessarily limited to medical or health-care services.

Human capital: the stock of accumulated skills and experience that make workers more productive.

Indicators: Identified and measured variables which help to show changes directly and indirectly relevant to goals, objectives and targets.

Informational Asymmetry: a situation in which the parties on opposite sides of a transaction have differing amounts of information relevant to the transaction.

Internal Control: plan of organization and methods a business uses to safeguard assets, provide accurate and reliable information, promote and improve operational efficiency, and encourage adherence to prescribed managerial policies

Knowledge Management: processes of conscious creating, structuring and using knowledge of our organization.

Managed Health Care Market (Managed Competition): Government regulation of a health care market which uses competition as the means to achieve efficiency objectives within a framework of government intervention designed to achieve other policy objectives, such as equity.

Management Control: process used by managers to (try to) influence other members of the organization in order to implement the organization's strategies.

Management information (Business Intelligence): complex of procedures and automated systems that are available in an organization to steer this organization and to analyze the required information to support decisions.

Market failure: The situation in which a market economy fails to attain economic efficiency.

Moral hazard: The possibility of consumers or providers exploiting a benefit system unduly to the detriment or disadvantage of other consumers, providers or the financing community as a whole, without having to bear the financial consequences or their behaviour in part or in full.

Primary health care: The first level contact with people taking action to improve health in a community.

Program Performance Budgeting: process of making up and execution of budgetary programs that consider public recourses required for services delivery along with performance indicators and results for society obtained from budgetary programs.

Provider: Professionals and institutions providing health care services to patients.

Public health: The science and art of promoting health, preventing disease, and prolonging life through the organized efforts of society.

Purchaser: A health care body which assesses the needs of a defined population and buys services to meet those needs from providers.

Rational pharmaceutical policies: tools to low the cost of medications by limiting the list of prescribed medicines defined with evidence-based and cost-effectiveness criteria.

Rationing medical services: Restricting supply of services according to implicit or explicit criteria, where demand exceeds supply.

Rationing: Restricting supply of services according to implicit or explicit criteria, where demand exceeds supply.

Responsiveness: How the health system performs relative to non-health aspects, meeting or not meeting a population's expectations of how it should be treated by providers of prevention, care or non-personal services.

Risk Management: holistic, integrated, back and forward-looking measurement and process orientated approach to managing all key risks and opportunities with the intent of maximising the value for the whole organisation

Risk pooling: Forming a group so that individual risks can be shared among many people.

Secondary health care: Specialized ambulatory medical services and commonplace hospital care (outpatient and inpatient services). Access is often via referral from primary health care services.

Semashko system: A uniform model of organizing health services introduced in CEE/CIS countries after the Second World War, and abolished in the early 1990s. Financing of health services is entirely through the state budget, with publicly owned health care facilities and publicly provided services. Different levels of state administration – central, regional, and local – were responsible for planning, allocation of resources and managing capital expenditures.

Stewardship: A function of government responsible for the welfare of the population, and concerned with the trust and legitimacy with which its activities are viewed by the citizenry.

Supplier-induced demand: a phenomenon whereby a health care provider, usually a physician, influences the level of a person's demand for health care services. Supplier-induced demand arises from the existence of informational asymmetry between a patient and a provider. Professional ethics encourages supplier-induced demand in the interest of the patient, because the patient often has insufficient information to judge what services will improve their health. Providers exploiting their superior informational advantage to induce demand to further their own interest, however, is an important issue in the health sector.

Tertiary health care: Refers to medical and related services of high complexity and usually high cost.

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