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MINISTRY OF HEALTH**



WORLD BANK

**TECHNICAL ASSISTANCE IN STRENGTHENING OF
HOSPITAL MANAGEMENT THROUGH HEALTH
MANAGEMENT CURRICULA DEVELOPMENT &
ESTABLISHMENT (ORGANIZATIONAL DEVELOPMENT) OF
NEW SKOPJE GENERAL CITY HOSPITAL
(RFP & HSMP 3-1A-CS1)**

(IBRD LOAN # 4733)

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INCEPTION REPORT



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Abbreviations

CGH	City General Hospital
CSH	City Surgical Hospital
CSPH	Centre - School of Public Health, Medical Faculty, University “St. Cyril and Methodius” Skopje
HIF	Health Insurance Fund
HMP	Hospital Master Plan
MoH	Ministry of Health
OD	Organizational Development
PCU	Project Coordination Unit
PHC	Primary Health Care
SHC	Secondary Health Care
TA	Technical Assistance
THC	Tertiary Health Care
ToR	Terms of Reference

A Detailed approach to the consultancy

A.1 Introduction

The approach to the consultancy was realized over two visits to Skopje by members of the consultant team in January-February and in March 2010. The Terms of Reference (ToRs) identify two principal components to the project -the development of a sustainable program of management training to support the development of the health system in Macedonia and the provision of technical assistance to the Board and management of the new City General Hospital (CGH) to support its development into a functioning general hospital to serve the residents of the City of Skopje. The principal task for the consultant team was to develop a methodology for each component, and then to develop an integrated approach that ensured that coordinated interventions by the team working as resource both for training and TA to General Hospital. This way the benefits from the Training and Organizational Development components would be realized for all the key participants.

The approach can be understood as a series of related processes as follows:

- Put the problem into context.
- Undertake a Needs Analysis
- Involve the key actors in supporting the OD of the new City General Hospital
- Obtain a shared understanding of the current situation
- Analyze the current status of the progress with the transformation of the Military Hospital into the new Skopje General City Hospital
- Analyze current management training and provide proposals for future training
- Present a detailed work plan for the remainder of the assignment targeting both major objectives
- Present a time table for the remainder of the assignment targeting both major objectives
- Identify further steps and activities to be undertaken, underlying the expected results

The following paragraphs in Section A of this report describe those processes, the action taken, what was achieved and how it relates to the ToRs

A.2 The steps

A.2.1 Put the problem into context.

The consultant team undertook a brief analysis of the organization of hospital care in Macedonia and this is contained in Section D of this report. Experience gained in comparable health systems from providing technical assistance to develop sustainable management training and support the organizational development of hospitals suggests that there are some key aspects that need to be addressed to ensure effective change in the hospital sector. These include:

- A Strategic Framework: It is a key part of the MoH's role to provide a strategic framework for the health system. This normally comprises a national health strategy and a hospital master

plan. The strategy deals with the role and extent of primary, secondary and tertiary care so that for example the role of hospitals and the relationships between hospitals (public and private) is clearly defined; as are secondary and tertiary care or elective and emergency services. The hospital master plan details the extent of hospital provision for both rural and urban populations. Once the purchaser (the HIF) and the providers (public and private hospitals) understand where they “fit in”, then they can develop their own Strategic Plans, Business Plans and Budgets. (See below)

- Organization and Management: There are three basic concerns of modern hospital management:
 - Quality: How to measure the quality of clinical care, set appropriate standards and to monitor activities with the aim of improving the care given to patients
 - Costs: How to identify costs, allocate them correctly, control them and whenever possible to reduce them
 - Efficiency: How to do things better with the same or fewer resources in order to increase the quantity of care within the overall available resources

In order that a modern hospital can be capable of delivering high quality, cost-effective healthcare, it is generally considered necessary to have four essential building blocks in place. These are:

- A Governing Body/Supervisory Board: This is usually a board of directors that exercises oversight on behalf of the owner (in the public sector the MoH and/or the Municipality). The Board has the overall authority and responsibility to appoint the Chief Executive (in some cases the Director may be appointed by the Minister of Health), approve the management structure, including the Central Management Team proposed by the Chief Executive, and to monitor performance according to approved plans and budgets.
- A Central Direction: This comprises a Chief Executive supported by a Central Management Team. The Direction is responsible for the overall direction, control, co-ordination, monitoring and evaluation of the work of the hospital
- An appropriate Organisational and Management Structure: The Central Direction can only be effective if the hospital’s services and functions are organised and managed in a way that enables the quality, costs, and efficiency of clinical services to be addressed. It is the responsibility of the Hospital’s Chief Executive to design and implement an organisational and management structure that enables the hospital to deliver high quality, cost effective care to the local population
- A Strategy, Business Plan and Budget: It is the responsibility of the Board to provide the direction and the vision for the development of the hospital and the Director or Chief Executive to develop a Business Plan that details how the Board’s Strategy is to be realised using the resources available and a budget so that the management team can deliver the Business Plan.
- Hospitals need to be grouped into effective management entities to enable the coordination of services, transfer of services, closures and changes of use and to avoid wasteful duplication.
- Managerial capacity: The function of hospital management is to provide high quality, cost effective services. This involves the management of activities, resources, people and information through five basic processes-planning, organizing, staffing, leadership, and control. This requires appropriate management skills and competencies to be applied.

- **Realistic timescales:** Change takes time and is best achieved through developing a broad consensus among the key players as to what is desirable and practicable and having a clear set of ground rules rather than trying to “micro-manage” from the centre.

The need for these key aspects to be addressed in this assignment was emphasized by the consultant team in their initial meetings with all those involved-the MoH; the HIF; the Director and Board of the new CGH; the faculty of the Centre - School of Public Health, Medical Faculty, University “St. Cyril and Methodius” Skopje (CSPH) and the Directors of the CSH. Their relevance is apparent in the proposals developed by the consultant team and is discussed in some detail in the analysis of the current status of the progress with the transformation of the Military Hospital into the new Skopje General City Hospital contained in Section F of this report.

A.2.2 Undertake a Needs Analysis

Once the consultant team had completed their analyzes of the organization of hospital care (see Section D of this report) and the current status of the progress with the transformation of the Military Hospital into the new Skopje General City Hospital (see Section F of this report) a Needs Analysis was undertaken. This is a means of identifying the problems and issues raised in meeting the ToRs and identifying potential interventions and possible solutions. The Potential “Problem” areas identified by the team include:

- Lack of Strategic Hospitals’ Plan/Master Plan for Skopje
- Lack of role delineation for hospital services and relationships between hospitals
- Lack of clear referral guidelines
- Lack of incentives in the system
- Problems in medical workforce supply-oversupply and productivity issues
- Lack of a systems improvement approach
- Need to upgrade management skills/processes/competencies/capacity
- Inflexible management structures and processes (legal issues around management etc)
- Organizational development issues
- The need for human resource development.
- Lack of clarity around budgets/budget plans/budget allocations
- Training needs and ongoing skills development
- Lack of improvement tools and processes
- Implementing international clinical trends and processes
- Need for management efficiencies e.g. outsourcing etc
- The team then devised a template (see Figure 1 below) to be used when discussing these problem areas with those involve in order to generate the proposed interventions and training modules proposed later in this report.

Figure 1: Needs Analysis Template

Problem area	Issues involved (brief overview/description)	Potential solutions / interventions	Specific training/materials/plans/guides etc which can be provided by the Team
-	-	-	-
	-	-	
	-	-	
	-	-	
	-	-	
	-	-	

A.2.3 Involve the key actors in supporting the OD of the new City General Hospital

The consultant team used the analysis of the current status of the progress with the transformation of the Military Hospital into the new Skopje General City Hospital contained in Section F of this report to identify the potential sources of support for the Management Board Team of new CGH in developing the former military hospital into a general hospital to serve the City of Skopje. The MoH would naturally need to be involved in providing policy guidance and in particular in providing policy guidance in the absence of the strategic framework for the development of hospital services in Macedonia in general and in Skopje in particular referred to above. The HIF would also need to be involved as it provides the funding for the health system, and the funding available for the CGH is dependent upon an approved Business Plan. As the purchaser, the HIF role is to employ the contracting mechanism to ensure that the services it purchases meet the needs of the population, are of a high quality and are cost effective. The more capable the CGH is of responding to the requirements of the HIF, the more sustainable its future funding is likely to be.

The City Surgical Hospital (CSH) naturally needs to be involved. The CSH currently provides the bulk of the public secondary care services to the City of Skopje, both elective and emergency. The CGH and the CSH have an obvious shared interest in collaborating. Both institutions face competition from the private sector. The MoH'S policy to redirect inappropriate secondary care caseload from the University Clinical Centre (UCH) to the CSH and the CGH will require both institutions to develop joint plans for the transfer and build up of clinical services. The most pressing issue for the CGH Board concerning the private sector is the presence of the Philip 11 Hospital within the CGH. The CGH Board does need to regularize the position regarding the use of space and facilities and put it onto a formal contractual basis. To do this it will need the assistance and support of the MoH and the HIF -the MoH since it is responsible for the planning of Cardiac Surgery services for Macedonia and the HIF since it may wish in due course to pursue a policy of allowing competition for Cardiac Surgery services.

The development of the CGH for the City of Skopje will at some stage need to involve the Municipality -both the city wide Municipality and the "Borough" Municipalities- as questions of accountability for service delivery and governance will inevitably arise as services are expanded at the CGH,. In due course, the MoH may wish to consider policy changes concerning possible

de-centralization and ownership of facilities. For these reasons, the consultant team considers it prudent to involve some form of municipality interest at early stage.

The consultant team's aim is to network the key actors and get them to accept "ownership" of their involvement in the development of the new CGH. A steering group is proposed involving representatives from the MoH, the HIF, the CGH the CSH. The purpose of this group would be to support the CGH in developing their Strategy and Business Plan and enable informed discussion of the issues that will arise such as for example the funding and re-direction of patient referrals. The interests of the Municipality are to be secured by inviting their representatives to participate in a workshop at the completion of the project. At the same time a working group has been put in place at the CGH to provide data and complete tasks associated with the Strategy, Business Plan and Budget in between the planned missions.

A.2.4 Obtaining a shared understanding of the current situation

It was important from the outset for the consultant team to ensure that there were not two conflicting views of the situation-theirs and the clients. Accordingly, the consultant team sought to obtain a consensus on the starting point for any proposed interventions by networking with those involved-the MoH; the HIF; the Director and Board of the new CGH, the faculty of the Centre - School of Public Health, Medical Faculty, University "St. Cyril and Methodius" Skopje, and the Directors of the CSH.

The first task is to obtain some clarity around the funding status of the new CGH following its transfer from the MoD. The Director of the CGH has maintained that the funding was insufficient to cover the running costs of the hospital. A confirmed level of baseline funding provides a starting point for the Director of the CGH to determine the initial level of beds and staffing that can be supported.

The second and related task is to establish a similar baseline for service capacity and activity levels. Data provided by the CGH Director is shown in *Annex 8*.

These levels of activity reflect a gradual reduction in both in-patient and out-patient activity. From discussions with the HIF and the Directors of the CSH, and data from the CSH, it was evident that the residents of Skopje are already receiving emergency and elective treatment in the CSH. This enabled the consultant team to suggest that the medium to long term proposition of transforming the former military hospital to a new CGH can be undertaken in a gradual planned way without affecting current services.

A.2.5 Analyze the current status of the progress of the transformation of the Military Hospital into the new Skopje General City Hospital

Section F of this report provides an analysis of progress with the transformation of the Military Hospital into the new Skopje General City Hospital in terms of the management processes-planning, organisation, staffing, leading and control-of modern hospital management and the issues that now need to be considered in order to make further progress and in due course to complete the transformation.

The analysis deals with the issues surrounding Planning; Organisation and Management; Finance; Human Resources and the Private Sector. Its principal conclusions are that the Board of the new CGH need to develop a Strategy and a Business Plan and Budget in order that the gradual build up of clinical services can be supported by the requisite financial and human resources. The CGH currently lacks the management capacity to undertake this task and a new Organisation and Management Structure will need to be developed. This comprises the Direction

(a Chief Executive supported by a Central Management Team) responsible for the overall direction, control, co-ordination, monitoring and evaluation of the work of the hospital and the hospital's services and functions organised and managed in a way that enables the quality, costs, and efficiency of clinical services to be addressed.

The Board of the new CGH will require not only the support of the consultant team in the form of technical assistance to develop a Strategy; a Business Plan; a Budget and a new Organisational and Management Structure, it will also require support from the MoH and the HIF, and it will need to collaborate with the Board of the CSH.

A.2.6 Analyze current management training with proposals for future training

An initial assessment of training needs had been completed by members of the consultant team in their first visit in late January/early February 2010. They also suggested an outline training curriculum. On its second mission, the consultant team met again with Professor Dragan Gjorgjev and the members of the faculty of the Centre - School of Public Health, Medical Faculty, University "St. Cyril and Methodius" Skopje, and in a series of meetings facilitated by the PCU (on behalf of the MoH), secured outline acceptance of proposals for a management training curriculum.

The team's analysis of current management training and proposals for future training in Section E of this report deals with the strengths and weaknesses of current health management processes in Macedonia; identifies the need where appropriate for improved management processes and interventions; and proposes indicative the management training needed and the interventions and specific training modules that could be applied.

In order to assist the MoH and the PCU in formulating a strategy that will enable a sustainable Training Strategy to be developed, in undertaking their analysis, the training consultants also developed a Competency Framework for Health Service Managers in Macedonia (*attached as Annex 1*) and a document entitled The Situation Analysis of Health Management training needs in the Macedonian health sector (*attached as Annex 2*). The proposed Training Curriculum and the allocation of responsibilities for respective modules are contained in *Annex 3*.

A.2.7 Present a detailed work plan

The detailed work plans are referred to in Section B below and (*attached as Annex 4*). They provide for coordinated interventions by the project team working as resource both for Training and TA to the new CGH.

A.2.8 Time table for the remainder of the assignment targeting both major objectives

The proposed timetable is referred to in Section C below and as *Annex 5 attached*. It provides for coordinated interventions by the project team.

A.2.9 Identification of further steps and activities to be undertaken, underlying the expected results

The next steps to be undertaken, the activities and expected results for both major objectives namely the strengthening of hospital management in Macedonia through health management curriculum development and technical support and guidance for the organizational development of the new Skopje City General Hospital are described below in Section G of this report.

B A detailed work plan

B.1 The ToRs call for a detailed work plan and timetable for the remainder of the assignment targeting both major objectives namely the strengthening of hospital management in Macedonia through health management curriculum development and technical support and guidance for the organizational development of the new Skopje City General Hospital. The detailed work plans are *attached as Annex 4*. They provide for coordinated interventions by the project team working as resource both for training and TA to the new CGH.

B.2 As previously mentioned, the initial assessment undertaken in the mission of Mr Charles Carson Business Planning Development Training Specialist and Mr Eero Linnakko, Performance Scorecard Training Specialist in January - February 2010 identified the current state of health management and training requirements in the health sector in Macedonia. The team met with Professor Dragan Gjorgjev and the members of the faculty of the Centre - School of Public Health, Medical Faculty, University "St. Cyril and Methodius" Skopje, and in a series of meetings identified the content of the Health management training to be conducted under the Project including materials and logistics. A detailed work plan and training curriculum for health management training was produced in conjunction with CSPH academic staff and an outline of inputs to assist in strengthening management of City General Hospital was agreed following discussions and agreements between the TL and other Team Members. *Annex 3* outlines the Health Management and Training Curriculum Development program prepared during the mission.

B.3 The initial assessment undertaken in January - February 2010 also identified the situation at the City General Hospital. In the second mission in March 2010, the project team sought to develop firm proposals for the proposed technical assistance to the City General Hospital in the form of a facilitated step by step approach to the development of a Strategy, Business Plan, Budget and Organisational and Management structure. The team involved not only with Professor Saso Stojchev, Director, and the Board of the CGH but also the MoH; the HIF; the Director and Board of the new CGH; the faculty of the Centre - School of Public Health, Medical Faculty, University "St. Cyril and Methodius" Skopje, and the Directors of the CSH in formulating their planned interventions. Their detailed work plans are attached as *Annex 3*.

C Time table for the remainder of the assignment targeting both major objectives

C.1 As mentioned above, the ToRs call for a timetable for the remainder of the assignment targeting both major objectives namely the strengthening of hospital management in Macedonia through health management curriculum development and technical support and guidance for the organizational development of the new Skopje City General Hospital. The proposed timetable is attached below and provides for coordinated interventions by the project team working as resource both for training and TA to the new CGH.

C.2 Following the assessment missions in January-February and March 2010, the team decided that the most effective approach to scheduling their interventions was for three further in-country visits by the complete team for weeks beginning April 19; May 3 and June 7 2010. This would allow for the training consultants not only to deliver the required training modules in association with the academic staff of the CSPH, but also allow support to the organizational development consultants in their providing technical assistance to the Board and management of the CGH. It would also allow for the development by the consultants of materials between visits and for the participants to continue an on-going dialogue by e-mail. The proposed timetable is attached as *Annex 5*.

D Brief analysis of current organization of hospital care

D.1 The ToRs call for a brief analysis of the organization of hospital care in Macedonia. As previously mentioned, an initial analysis was undertaken by Mr Charles Carson Business Planning Development Training Specialist and Mr Eero Linnakko, Performance Scorecard Training Specialist in their mission in January-February 2010. Their report¹ described the principal issues relating to the current organization of hospital care in Macedonia. These are referred to and amplified below.

D.2 The principal problems affecting the organization of hospital care in Macedonia are associated with funding and organization and management. The Law on Health Care of 1991 introduced a health insurance system, a comprehensive health benefits package and the HIF as the mechanism for financing of hospital care. The HIF accounts for some 95% of health expenditures (most of it related to service delivery costs) but this is insufficient to cover expenditure. At the moment the share of inpatient financing varies from 50 to 70% depending on the hospital. The average is about 60%. That part is financed by the HIF based on fixed budget (70%), DRGs (20%) and quality indicators (10%). However, the quality indicator part of financing is not used in the practice. Outpatient financing is, on average, 40% of hospital incomes. The HIF is trying to develop DRGs for outpatients because the share of outpatient based treatments is increasing in the future. With total health expenditure of some 6.8% of GDP (as at 2000), lower than the EU average and comparable neighbouring countries, there are structural and economic challenges to the sustainability of the health care system and its funding.

D.3 The highly decentralized system of the former Yugoslavia and the organization of health services at the municipal level that resulted in fragmentation of service delivery, oversupply and duplication of services were replaced with a more centralized system with the MoH having the role of leader in strategic development of the system. Despite the changes in funding and organization, large scale inefficiencies in performance persist. This has much to do with the lack of management capacity at both central and operational level.

D.4 A key part of the role of any MoH is the planning and regulation of the health care system. The Law of Health Care of 1991, amended in 2004 and 2005, introduced and extended the role of the private sector. Doctors in the public sector were allowed to undertake additional duties in both public and private sectors. In 2005, about a third of PHC providers were privatized, and privatization of PHC proceeded apace. The MoH licensed private providers in the hospital sector according to a "carte sanitaire"² but there appears to be little notion of systematic planning and regulation of the private hospital sector. The legislation allows private facilities the right to apply for contracts with the HIF and the HIF the right to contract selectively, but a recent ruling of the constitutional court to allow residents to be reimbursed for treatment in the private sector will put added pressure on the public hospitals in terms of competition for elective work. It will also require the MoH to improve its planning of hospital capacity and the HIF for planning for future years and ensuring their cash-limited budget is used to best effect.

¹ TA in strengthening of hospital management through health management curricula development & establishment(organizational development) of new Skopje general city hospital-first mission report (February 2010).

² Mapping of health services.

D.5 The emphasis on centralisation has been somewhat redressed by the MoH in the Law of 1995 which introduced hospital management boards. Appointed by the MoH with a membership of seven participants -three professionals from within the organisation and four external directors- and the rather unique arrangement of having two Executive Directors of equal status -one medical and one non medical- they have limited autonomy. This arrangement seems contrary to accepted management theory and practice and will need to be reviewed when the Organizational and Management structure for the new CGH is developed. Along with the two Executive Directors who are appointed by the MoH, the Board members also lack the managerial skills and competencies to enable their institutions to respond adequately to the social, structural and economic challenges facing the hospital system. All too often the Directors are appointed on political grounds; are in post for a relatively short time; and are not supported by trained managers as part of an appropriate organisational and management structure.

D.6 In the absence of appropriate organisational and management structure and with the lack of management capacity, the financing and planning problems referred to above are exacerbated. The introduction of measures like co-payments in 1992 by ministerial decree (renewed in 2000 and 2001) has done little to compensate for the extremely low level of funding available to the HIF from the central budget. The HIF reported a deficit of 84 million euros in 2004 almost 80% of which was attributable to expenditures on drugs, medical devices and consumables. The HIF is also a creditor and in that same year was owed some 130 million euros, almost 40% of which was owed by health care institutions. Hospitals are often unable to cover their costs and differences in accounting procedures such as not including the cost of depreciation of equipment means that the true cost of services is under-estimated. Hospitals are also relatively inefficient: there are marked variations in Bed Occupancy and ALOS overall and by specialty; usage of facilities like operating theatres and in physician productivity.

E Brief analysis of management training with proposals for future training

E.1 The ToRs call for a brief analysis of management training with proposals for future training. As previously mentioned, an initial analysis was undertaken by Mr Charles Carson Business Planning Development Training Specialist and Mr Eero Linnakko, Performance Scorecard Training Specialist in their mission in January-February 2010. Their report described some of the principal issues relating to management training. These issues are referred to and amplified below.

E.2 The three principal issues concerning management training for health service staff in Macedonia are content, funding and sustainability. These issues are acknowledged both by the MoH and the PCU and by Professor Dragan Gjorgjev and the members of the faculty of the Centre - School of Public Health, Medical Faculty, University "St. Cyril and Methodius", Skopje. The programme that was included into the Terms of Reference (*see Annex 6*) was considered to be a satisfactory starting point for a further development. The school already provides the short basic course on management and post graduate studies on the subject. Some 500 hospital managers have been trained within the short program but the program is not considered satisfactory for top managers. The discussions with Professor Dragan Gjorgjev and the team were facilitated by the PCU (on behalf of the MoH) and concentrated on developing the new management course for hospital managers described in the ToRs.

E.3 Of equal importance to content is financing and sustainability. Given the uncertainties affecting governmental transfers of funding to academic and training institutions, it is suggested that, a growing share of revenues for training institutions should come from trainees themselves or their employers in order to safeguard the sustainability of healthcare related management training. It would also be desirable for the MoH that new suppliers of management training were encouraged to enter the market for management training for health professionals. The ensuing competition could lead to innovation and allow other institutions as well as the CSPH to cater for niche markets such as the training of top managers. The CSPU is advised to consider strategic partnerships with business schools as in the strategic marketing of training services, including pricing, branding, fund raising the definition of strategic alliances with domestic and international partners is extremely important. It is acknowledged that the CSPH School already has permanent contacts with many foreign Schools of Public Health.

E.4 Hospitals in Macedonia have to adapt to a more competitive environment and it is encouraging that as stated in the ToRs, the Macedonian healthcare managers clearly acknowledge the need for more sophisticated management skills. Previously, advanced clinical skills, together with training that provided specialization in the organization and legal framework of healthcare were considered sufficient to run a healthcare facility. Today, however, competencies in areas such as strategy formulation and implementation; accounting and finance; leadership; marketing and human resources management are essential to successfully direct a healthcare facility. Directors and their staff require these new skills if they are to balance the books in the absence of traditional line-item budgeting; to motivate staff in a system which allows for more flexibility in compensation patterns; to negotiate contracts with HIF and to design partnerships with private investors (PPP). Medical qualifications or political preference should not remain the pre-requisite for appointment to the Director level posts in HCIs. Increasingly, it is reasonable for the MoH to plan for new professionals to enter the field of health care management, as a direct consequence of the new responsibilities accruing to health care facilities. This will require the

MoH to commission training where for example financial and human resource specialists can be inducted into the health system.

E.5 The training market itself is likely to evolve into two segments: one targeting the top tier, with prestigious institutions, sometimes abroad, offering market-based, high-value programmes to selected participants (MBA for healthcare), and other offering standardized, low-cost, subsidized programmes to large numbers of participants who are interested more in the certification than in new skills. In order to ensure the quality of training the training institutions must be able to deploy three inter-related competencies:

- Development of proprietary knowledge in the field of health care management: The ability to carry out original research on what works and what does not in the specific environment of healthcare is necessary, since future trainees are not going to value training institutions simply repeating the same concepts they can read in the management books now widely available.
- Design of management development curricula suitable to meet learning needs: If the principle of a standard training curriculum is going to be set aside (at least in part), then the ability to analyze the need for new management skills and to design learning processes suitable to address these gaps are going to be key determinants of competitiveness.
- Modern training methodologies focusing on skills transfer: The effective transfer of skills, though, requires different educational methods than the transfer of knowledge, even more when trainees are adults with direct experience of organizational dynamics and with the desire to occupy leadership positions.

E.6 The competencies referred to above can be ensured by different professionals: healthcare management researchers focusing on the development of new knowledge; specialists in curriculum development focusing on needs analysis and course design; and trainers focusing on skills transfer. In practice, effective skills transfer requires trainers to be part of the process leading to the development of new knowledge, driven also by an understanding of existing gaps in the set of skills managers must deploy in the real world.

E.7 In light of the above, the list of training modules specified in the ToR may be considered satisfactory but their actual content and the possibility for additional relevant modules should be considered. *[See Annex 3 for Health Management and Training Curriculum Development program]*

F Analysis of the current status of the progress of the transformation of the Military Hospital into the new Skopje General City Hospital

F.1 Introduction

The new Skopje City General Hospital (CGH) was incorporated as a legal entity on February 1st 2010. The former Military Hospital provides an ideal site to be developed into a new General Hospital. The Board and a Director have been appointed and an Action Plan to apportion space and staff between the MoH and the MoD has been completed. The goal is a functioning General Hospital with the appropriate clinical specialties to serve the health needs of a population of some 800,000 residents of Skopje that is sustainable and integrated with primary and tertiary health care services. The following paragraphs provide an analysis of progress in terms of the management processes-planning, organisation, staffing, leading and control-of modern hospital management and the issues that now need to be considered in order to make further progress and in due course to successfully complete the transformation.

F.2 Planning

F.2.1 In order to have a functioning and sustainable CGH it is necessary for the new CGH board to have a Strategy dealing with how they envisage the medium to long term future of the hospital and a business plan detailing how they will realise their expected future. There is understandably no Strategy in place, and in the absence of a clear direction, the current draft business plan is simply a bid for more resources based on what the new Director would ideally like. The development of the Strategy and Business Plan for the CGH is made more difficult by the policy gaps that exist in relation to the overall health strategy for Macedonia in general and the secondary and tertiary care strategy for the City of Skopje in particular. In a country with a population of some two million, of whom some forty percent live in the capital Skopje, a hospital master plan for Skopje is a necessity. This lack of a coherent strategic framework makes it difficult for the CGH board to appreciate where their hospital “fits in” to the “big picture” of public and private hospital provision. It also makes it difficult for them to form a long term view of likely funding as the HIF needs to know what kind of activity it should be purchasing for the health needs of the population as well as specifying the cost, quality and efficiency of that activity in order to use the contracting mechanism to the maximum advantage.

F.2.2 The existence of a Hospital Master Plan (in particular for Skopje but ideally for the whole of Macedonia) would have provided the context for the planning step that should have preceded the decision to the change of use of the former military hospital to function as the general hospital for the city of Skopje namely an Option Appraisal. Option Appraisal is a planning process whereby the rationale, costs and potential benefits of a proposed service change / change of use of health facilities are subject to rigorous scrutiny and their relative costs (financial and other) and benefits are assessed and evaluated. The process normally involves all the interested parties or stakeholders and is a means of obtaining a consensus on how to proceed with major service change. In this case, the MoH, the HIF, the CSH and the Municipality would all be interested parties and involved in the process. An Option Appraisal would for example have taken into

account the existing hospital services, in particular those in the neighbouring CSH, and may well have considered the following options, among others, for the use of the former military hospital:

- Its use whole or in part for the clientele of the parallel hospital system
- Its use whole or in part by the private sector
- Its use as a general hospital for the city
- Its closure and use for commercial development
- The transfer of the existing CSH to the site

F.2.3 The decision to designate the former military hospital in the absence of the strategic framework (Health Service Strategy and Hospital Master Plan) or the Option Appraisal referred to above means that the task of the CGH board in developing a Strategic Plan and expecting the Director to respond with a viable Business Plan for the new CGH will be made that much more difficult. Information on the relative costs and benefits of the options referred to above for example would have provided an invaluable starting point. In any event, those interested parties referred to above, should all have an involvement in the development of the Strategic Plan for the new CGH- the HIF for funding; the CSH for the potential for collaboration and service transfers; the Municipality (both the City and the District Municipalities) for information and the MoH in particular in filling in the policy gaps.

F.3 Organisation and Management

F.3.1 There are three basic concerns of modern hospital management. They are:

- **Quality:** How to measure the quality of clinical care, set appropriate standards and to monitor activities with the aim of improving the care given to patients;
- **Costs:** How to identify costs, allocate them correctly, control them and whenever possible to reduce them;
- **Efficiency:** How to do things better with the same or fewer resources in order to increase the quantity of care within the overall available resources.

F.3.2 In order that a modern hospital can be capable of delivering high quality, cost-effective healthcare, it is generally considered necessary to have three essential building blocks in place. These are:

- **A Governing Body/Supervisory Board:** This is usually a board of directors that exercises oversight on behalf of the owner (in the public sector the MoH and/or the Municipality). The Board has the overall authority and responsibility to appoint the Chief Executive (in some cases the Director may be appointed by the Minister of Health), approve the management structure ,including the Central Management Team (see below) proposed by the Chief Executive, and to monitor performance according to approved plans and budgets.
- **A Central Direction:** This comprises a Chief Executive supported by a Central Management Team. The Direction is responsible for the overall direction, control, co-ordination, monitoring and evaluation of the work of the hospital
- **An appropriate Organisational and Management Structure:** The Central Direction can only be effective if the hospital's services and functions are organised and managed in a way that enables the quality, costs, and efficiency of clinical services to be addressed. It is the

responsibility of the Hospital's Chief Executive to design and implement an organisational and management structure that enables the hospital to deliver high quality, cost effective care to the local population

F.3.3 The MoH has made a start in putting in place the organisational and management arrangements for the new CGH. The hospital has been established as a legal entity. The Board members and a Hospital Director have been appointed by the MoH. There remains much to be done. The board members require to be inducted into their new roles and to receive training and support to enable them to carry out their key responsibilities of oversight and monitoring of performance against agreed plans. Whilst a Hospital Director is in place, he is at present Chief Executive only in name. The current management structure reflects the needs of the previous hospital and there is no central management team to support the Director. The initial Consultant mission found that the information, planning and accounting systems are fairly basic. Whilst ideally there should be a full training needs assessment of the hospital staff, it is evident from discussions that there is an absence of many of the management skills and competencies that are required for the five basic management processes-planning, organisation, staffing, leading and control-of modern hospital management.. Overall, there is a distinct lack of the managerial capacity that is required to undertake the changes associated with the development of the CGH and this will have to be addressed in the training program and during the TA to the hospital .

F.3.4 As mentioned above, an essential part of increasing managerial capacity is an appropriate organisational and management structure. Central to any O&M structure is the concept of a hierarchy of levels and roles and responsibilities. These may be described as follows:

The Executive level

The Chief Executive: The role and responsibilities of the Chief Executive are markedly different from the other managers at this level. The Chief Executive carries the ultimate responsibility for the leadership and direction of the hospital. He is accountable to the Board for the overall performance of the hospital in accordance with the policies and plans and budget approved by the Board.

The Central Management Team: The Executive Directors are responsible to the Chief Executive for the control and co-ordination of the various functional groupings. The members work as colleagues in a team for a common purpose in an atmosphere of mutual respect because co-ordination and control at this level is complex and requires collaboration if a considered view is to be reached on the most appropriate course of action. The members retain their individual responsibilities for their functional grouping. They report to and are accountable individually to the Chief Executive.

The Departmental Level

The Departmental Manager: The Departmental Manager reports to and is accountable to the appropriate functional Manager at the Executive level. The Head of the Department of Surgery for example reports to the Director of Clinical Services. Their respective organisational status is not determined by their profession or their qualifications but by their level in the functional management hierarchy. The Head of the Department of Surgery may have to coordinate the activities of clinicians and to control staffing and resources but he does not determine the clinical decisions.

The Supervisory Level

The Supervisor: The Department is divided into manageable sections- in the case of the Department of Surgery into wards and treatment areas. The Supervisory level is properly the “front line” of management as the day to day activities require supervision and co-ordination. The Supervisor is responsible for ensuring that the day to day problems are dealt with at this level and are not referred needlessly upwards so that the Departmental level is beset with an air of “crisis management”.

F.3.5 It is no short term task to put in place these three essential building blocks -a properly functioning board and central direction along with an appropriate organisational and management structure- for the CGH. Experience from working with hospital management in similar health systems in the states that once comprised the former Republic of Yugoslavia suggests that managerial principles and concepts are often incompletely understood and that the transition from the current flat hospital organisational structures to a new functional management structure can raise issues (both real and imagined) about professional status, social hierarchy, salary differentials and create great personal anxiety on behalf of staff. One of the issues to be explored is the concept of two Directors at the head of the institution.

F.4 Finance

F.4.1 Hospitals in Macedonia face an era of change as the Government of Macedonia continues with its programme to modernise the Health System. Some of the principal changes include:

- Improved standards -The MoH is introducing new quality standards.
- Reduced budgets -Hospitals may well experience real reductions in their contract sums in the light of the economic situation.
- The development of Primary Health Care -The introduction of the family doctor model will change the relationship between hospitals and primary care.
- The introduction of activity-based contracts -Re-imbursing hospitals for outputs using payment systems like DRGs does require a greater focus on cost reduction.

F.4.2 Thus the financial environment for the new CGH as for other public hospitals is challenging. Like other public hospitals, the CGH receives the bulk of its income (split about 60% for inpatient activity and 40% for out patient activity) from the HIF based on a budget approved as part of an approved annual business plan. Prior to its transfer from the MoD to the MoH, the revenue for the military hospital was funded primarily (around 80%) by the MoD with the balance (20%) from the MoH. According to the Director of the CGH, the previous budget of the hospital totalled around some 5.3 million euros of which the MoD contributed around 4 million euros and the balance-around 1.3 million euros came from the MoH. This level of funding latterly supported some 300 plus beds and 580 employees. Capital expenditure came from the central government-initially from the MoD and more latterly from the MoH. This arrangement continued until the new CGH was legally incorporated on February 1st 2010.

F.4.3 The Director of the HIF has confirmed that the current level of funding available to the CGH from the HIF for 2010 (subject to an approved business plan) is 2.1 million euros. This sum represents a continuation of the previous MoH contribution to the former military hospital but it is considered insufficient by the Director of the CGH to cover the running costs of the hospital the funding of the beds or salaries of the remaining 420 employees. It is reported that the MoH are to

make available a further 200 million denars “when the economic situation permits” -hopefully in 2010. In addition, capital expenditure of some 20 million euros for new medical equipment for the new CGH has been previously approved by the MoH, and the equipment is due to be delivered in two phases -in 2010 and 2011. On balance, there does not appear to have been the necessary level of financial planning to anticipate the likely financial consequence of the changed role of the hospital.

F.4.4 The change of funding has caused problems both for the HIF and the CGH. It is likely to take a period of years for the HIF to increase the funding available to the level considered necessary for a public general hospital given that within a cash limited budget, additional expenditure can only be generated by reducing some of the overcapacity in the system. The most pressing task of the CGH board is to determine whether the currently available level of funding is sufficient to cover the fixed costs of the hospital (heating, lighting, water etc) and the variable costs most importantly staffing, namely some 420 employees, of whom 47 are on temporary contracts. Until an affordable “baseline” budget is determined, the Director of the CGH will continue to be pre-occupied with “crisis management” issues relating to matters such paying for oil deliveries and staff monthly salaries.

F.4.5 The situation is exacerbated by a misunderstanding of the true purpose of the business planning process and the lack of financial management capacity within the CGH. As a consequence, the development of a Business Plan is viewed not as part of a process to control costs, improve service quality and to achieve greater efficiency but rather as a bid for more resources based on what is perceived to be the hospital’s just “needs”. Consequently the current draft Business Plan³ is far removed from what is required. It lacks any coherent service or financial rationale for its projected expenditure of some 500 million denars and an increase in staffing from the current 436 to some 685 medical and administrative workers. There is no specialty breakdown of expenditure or staffing activity but rather a listing of expenditures

F.5 Human Resources

F.5.1 As mentioned above, one of the basic management processes is staffing. Staffing normally comprises the single most costly item on a hospital budget and human resource management is recognised as a key management function. The CGH management team must not only produce a plan to build up the hospital staffing in accordance with the phased build up of clinical services, it must also appoint suitably qualified staff to the organisational structure based on job specifications. It will need to have a strategy for the recruitment, retention and training and development of staff.

F.5.2 The CGH already has problems associated with the recruitment and retention of staff. Some derive from the uncertainties of the position of staff on short-term contracts and these uncertainties arise from the lack of the “baseline “budget referred to in F4.3 above. Others are related to the absence of a plan for the CGH that deals with how and when the clinical services that make up a general hospital are to be developed. Competition from the private sector (even within the building from Philip 11) is also playing a part as clinicians in particular can earn up to three times more than their salary in the public sector. There does appear to be a particular difficulty in recruiting and retaining nursing staff and this is having an effect in limiting the in-patient throughput.

³ Republic of Macedonia: Military Hospital Skopje. business plan 2010-2012 for city general hospital (Skopje October 2009).

F.5.3 Problems of recruitment and retention affect other hospitals in the public sector in Macedonia. In the case of the CGH they are exacerbated by the changed role of the hospital. This can have beneficial effects (for the staff in the new CGH) such as an improvement (up to 15%) on the salaries provided by the MoD. A new staffing structure with new terms and conditions will have to be devised for the hospital's new role as a general hospital. In due course, this will require those staff retained from the former military hospital to re-apply for the new posts in the new organizational and management structure. The Business Plan will need to be supported by a staffing plan that deals with filling the new staffing structure with appropriately qualified staff selected in accordance with job specifications.

F.5.4 The need for a training and development programme was referred to in paragraph F3.3 above. Whilst selected CGH staff may benefit from participation in the training component of this project, at some future date there needs to be a plan to recruit staff with the requisite managerial skills and competencies to fill posts in the proposed new structure.

F.6 Clinical Services

F.6.1 There is a recognised portfolio of services associated with the legal status of a general hospital in Macedonia and it is understood that a General Hospital must possess at least the five following specialties -Internal Medicine, Surgery, Paediatrics, Obstetrics and Gynaecology, and Anaesthetics. The most notable absences from the services currently on site or present in the CSH are Obstetrics and Gynaecology and Paediatrics. These services exist in specialist stand-alone units in Skopje. General Hospital legal status does not necessarily require that they are physically located in the CGH building -they could be incorporated at a future date into an expanded management entity. The funding and staffing situation referred to in sections F 4 and F5 above would suggest that a gradual build up of clinical services over the next few years is the most practicable option for the development of the CGH. A gradual build-up of clinical services will allow MoH and the HIF to resolve the funding position and the CGH to adapt to the new financial environment. It will assist in the recruitment of staff and it should ensure that the family doctors in primary care can refer in the certainty that services are in place. Finally, a gradual build-up will also allow the CGH board to gauge and respond to competition from the private sector (see section F7 below).

F.6.2 The current situation does provide an opportunity for the CGH board to plan a build up of clinical services in the new CGH by working in partnership with the board of the CSH. The residents of Skopje are already receiving emergency and elective treatment in the CSH and the UCC: the addition of the CGH will allow planning for the demand to be more rationally apportioned over three sites. The large former military hospital building and the extensive site provide scope for expansion -unlike the situation on the congested sites of the CSH and the UCH. The additional capacity could allow the transfer of some of the inappropriate secondary care caseload from the UCH to the CSH and the CGH. It could enable the allocation of emergency and elective caseloads between the CGH and the CSH. It could in time allow for the merger of the CGH and the CSH into one management entity and the possible change of use of the congested CSH site, the proceeds from which could be used to fund capital projects such as additional operating theatres and ward and department upgrading schemes.

F.6.3 The opportunities for the boards of the CSH and the CGH to pursue their mutual interests are not limited to collaborating over clinical services. The development of shared clinical support services such as Radiology and Pathology could also be explored. For example, a central

laboratory could serve both hospitals and enable the investment in high cost automated equipment to be shared between the two boards. Similar opportunities exist in the provision of non clinical support services such as catering and laundry (with investment, the kitchen and laundry at CGH could supply both hospitals). Whilst it is understandable that both hospital boards will wish to protect what they see as their “interests”, there is, as has been suggested above, a logic supporting their joint working on planning and collaboration on service provision.

F.7 The private sector

F.7.1 The challenge posed to the public sector hospitals by increased competition from private sector hospitals has been mentioned in passing in sections F4 and F5 above. It appears that there is a step change about to take place in private sector hospital provision in Skopje. A new private cardiac facility, a private elective hospital of some 150 beds and a new private maternity hospital are near to completion and licensing from the MoH. This new capacity and the current decision of the Constitutional Court to allow residents to be reimbursed for treatment in the private sector will put added pressure on all the public hospitals in terms of competition for elective work as well as the HIF for planning for future years and ensuring their cash-limited budget is used to best effect.

F.7.2 There is a more immediate private sector issue that needs to be considered by the board of the CGH -the presence of the Philip 11 Cardiac hospital within the building of the CGH. The cardiac unit was established some ten years ago as national referral centre for Macedonia and has a contract with the HIF for some seven types of cardiac intervention. In 2009, it carried out 1,440 interventions under the HIF contract for some 550 million denars. Notwithstanding its contribution to specialist hospital care for residents of Macedonia, its presence does present some practical problems for the new CGH that need to be resolved. The cardiac unit is not a discrete entity but is spread over three floors –the entrance is on the first floor through the CGH main entrance, the second floor contains a reception, pre-operative and post-operative department, and the third floor a diagnostic centre with an entrance from Lindeska street .The cardiac hospital has expanded through a process of opportunistic occupation of unused space in the building. It has plans for further expansion. It has a dedicated heating plant and emergency generator, provided by the MoH and benefits from the use of hospital facilities and space. Even in its current limited form it does cause problems for the CGH management relating to current patient flows in the building. It also could inhibit future plans for the appropriate siting of clinical specialties within the building.

F.7.3 The Philip 11’s plans for expansion appear to extend beyond specialist cardiac provision into the delivery of elective secondary care. According to its website: “In 2008, PHO Filip Vtori has enlarged its activities and from a special hospital for cardiac surgeries became special hospital for surgery diseases with approval from the MoH. Today in our hospital, we perform other types than general surgery like general surgery, thoracic surgery, abdominal surgery, vascular surgery and orthopaedic surgery”⁴. Whilst the presence of private sector provision within a public hospital is not unique in western health systems, it is generally limited to specialist services that the public sector is not able to provide or diagnostic services that require large investment and can be provided under contract to the public sector.

F.7.4 It is not clear what agreements (formal and informal) that may have existed between the former military hospital and the Philip 11 hospital for the use of space and services, but it is

⁴ <http://www.cardiosurgery.com.mk/default-en.htm>

evident that the situation needs to be regularised. The creation of a new management entity for the CGH provides the opportunity for the CGH board to place its relationship with the Philip 11 Hospital on a sound and transparent footing. There should be a legal written agreement between the CGH and the Philip 11 that deals with the practical issues of use of space and facilities and the future direction of clinical services. The CGH needs to receive re-imburement for the use of space and facilities that reflects the commercial realities and that will make a contribution to the financial component of its business plan. There also exists the opportunity for the CGH to collaborate with the private sector over the use of capital intensive diagnostic facilities and non clinical support services.

G Identification of further steps and activities to be undertaken, underlying the expected results

G.1 Sections C and D of this report provide detailed work plans and a timetable for the remainder of the assignment. The next steps to be undertaken, the activities and expected results are described below for both major objectives namely the strengthening of hospital management in Macedonia through health management curriculum development and technical support and guidance for the organizational development of the new Skopje City General Hospital.

G.2 The training consultants M. O'Rourke and E. Linnakko will continue their discussions with the MoH and CSPH academic staff on the proposed training curriculum prior to the next mission in April 2010. In the meantime, the consultants will continue work on the detailed outline of training topics and preparation of materials according to the Curriculum draft (*attached as Annex 3.*) The consultants will also undertake ongoing development of workshop material (Workshop formats with PowerPoint presentations; Case Studies where applicable; Macedonian specific contexts, where applicable; background materials and references as supporting documentation in the participants' training package etc.

G.3 In their next mission, the training consultants will also work with the CPU on behalf of the MoH and the CSPH academic staff to secure final agreement on a Training Curriculum and timetables and in liaison with the organisational development consultants to identify further training material and management support documentation for the CGH. The consultants will also develop a comprehensive resource of training materials to be left with the client once the assignment has been completed.

G.4 The provision of competent and technical support and guidance and advice to the MoH and new Skopje General City Hospital management in developing the essential management infrastructure for the new CGH will be continued in between the planned missions. In addition to ongoing email contact prior to the next mission in April 2010, the consultants with specific responsibilities for technical support and guidance and advice to the MoH and new Skopje General City Hospital management will continue work on the detailed step by step approach to developing a Strategy; Business Plan; Budget and Organizational and Management Structure and the preparation of materials for their planned missions such as Workshop formats with PowerPoint presentations; Case Studies where applicable; Macedonian specific contexts, where applicable; background materials and references as supporting documentation so that detailed manuals can be compiled to be left for the use of the participants.

G.5 The next mission in April 2010 will see the delivery and completion of the first stage of the work plan for the facilitated step by step development of the Strategy, Business Plan Budget and Organisational and Management Structure for the CGH by the Business Planning Expert, Charles Carson and the Hospital management expert, Peter Droog.

H Annexes

H.1 Annex 1 - Competency Framework for Health Service Managers in Macedonia

H.2 Annex 2 - The Situation Analysis of Health Management training needs in the Macedonian Health Sector

H.3 Annex 3 - Training Curriculum and the allocation of responsibilities for respective modules

H.4 Annex 4 - Detailed Work Plans

H.5 Annex 5 – Timetable

H.6 Annex 6 - Program for Management Training proposed in the Terms of Reference

H.7 Annex 7 - Briefing Note on Strategy by Business Planning Consultant

H.8 Annex 8 - Analysis of activity data on CGH