PUBLIC HOSPITAL REFORM THROUGH FINANCIAL AUTONOMY: EVIDENCE FROM FIER HOSPITAL IN ALBANIA

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Abstract: Across several transition economies in Southeast Europe, public hospital reforms increasingly prioritize decentralization and enhanced managerial and financial autonomy to address inefficiencies and unequal access to complex hospital services. In Albania, this reform agenda gained momentum following the COVID-19 pandemic and was institutionalized with the adoption of Law No. 55/2022, which established supra-regional hospitals as financially autonomous public entities intended to alleviate the concentration of specialized care in the capital city. This study examines the initial organizational and performance effects of this reform through an in-depth case study of the Memorial Regional Hospital in Fier, Albania's first supra-regional public hospital. The analysis combines quantitative indicators of hospital activity with qualitative evidence on organizational structures and care coordination mechanisms, focusing on service provision, referral dynamics, and regional service attractiveness. The results reveal notable growth in hospital activity, improved coordination of emergency and inpatient care across the regional hospital network, and a significant decline in referrals to university hospitals, without compromising quality standards. These findings indicate that financial autonomy, when embedded within a supra-regional hospital model, can strengthen the effectiveness and efficiency of public hospital systems. The experience of Memorial Regional Hospital in Fier provides a practical framework for scaling up supra-regional hospitals nationally and offers policy-relevant insights for countries pursuing similar public hospital reforms.
This study explores public hospital reform through the introduction of financial autonomy, using Fier Hospital in Albania as a case study. The research aims to assess how increased financial autonomy has influenced hospital governance, resource allocation, service delivery, and the hospital's role within the national healthcare system. This study examines the organizational and performance effects through financial autonomy in Memorial Regional Hospital in Fier, the country's first regional public hospital. The aim is to assess how financial and managerial autonomy influences service delivery, regional integration, and operational efficiency. This study employs a mixed-methods approach, combining quantitative hospital data analysis with case study examination and expert consultations.
Keywords: Health services deliver, Regional hospital network, Hospital referrals, Supra-regional hospitals, Albania

1. INTRODUCTION

Public hospital reform remains a central component of health system transformation in transition economies. Across Southeast Europe, hospital sectors continue to face structural challenges rooted in centralized governance models, rigid budgeting frameworks, and uneven geographic distribution of specialized services. These characteristics frequently result in inefficiencies, duplication of services, limited managerial responsiveness, and persistent inequities in access to advanced care. As fiscal pressures intensify and population health needs become more complex, policymakers increasingly view financial and managerial autonomy as instruments to enhance hospital performance and system resilience. Financial autonomy in public hospitals generally refers to the delegation of budgetary discretion and managerial authority from central government bodies to hospital-level governance structures. By granting institutions greater control over internal resource allocation, procurement decisions, staffing arrangements, and financial planning, reformers aim to improve operational efficiency, accountability, and responsiveness to local health needs. However, the effectiveness of such reforms depends on institutional design, regulatory oversight, and the broader health financing environment in which autonomy is embedded. In Albania, public hospital governance has historically been characterized by strong administrative centralization and concentration of specialized services in the capital city, Tirana. Regional hospitals have often functioned primarily as referral intermediaries, with complex cases transferred to tertiary university facilities. This structure has contributed to congestion at central hospitals, increased patient travel burdens, and inefficiencies in service delivery. The COVID-19 pandemic exposed and intensified these structural weaknesses, highlighting the need for more flexible governance arrangements and stronger regional capacity for complex inpatient and emergency care. In response, Albania introduced a significant reform through Law No. 55/2022, establishing a new category of supra-regional hospitals operating with enhanced financial and managerial autonomy. These hospitals are designed to function as regional hubs, coordinating networks of surrounding facilities while expanding access to specialized services outside the capital. The reform seeks to combine decentralization with structured accountability, aiming to improve efficiency, reduce unnecessary referrals, and strengthen regional equity in healthcare delivery. The

Memorial Regional Hospital in Fier represents the first implementation of this supra-regional, financially autonomous model. As a pilot institution, it provides an opportunity to assess the practical implications of financial autonomy within Albania's public hospital system. Evaluating its initial organizational and performance outcomes is critical for informing national scale-up and understanding the broader potential of hospital decentralization reforms in comparable settings. This study therefore examines the introduction of financial autonomy at Fier Hospital, focusing on its effects on hospital governance, resource allocation, service delivery, referral dynamics, and regional health system integration. By combining quantitative analysis of hospital activity with qualitative institutional evidence and stakeholder perspectives, the research contributes empirical insight into the opportunities and limitations of financial autonomy as a tool of public hospital reform in transition health systems.

Financial Autonomy in Public Hospitals

Financial autonomy refers to the delegation of budgetary authority and financial management discretion from central authorities to hospital-level governance structures. It commonly includes: Authority over internal resource allocation; Flexibility in procurement procedures; Control over staffing decisions and salary supplements; Retention and reinvestment of generated revenues; International evidence suggests that financial autonomy can enhance hospital efficiency and responsiveness when accompanied by clear accountability mechanisms. Studies in OECD and transition settings indicate improved cost control, greater managerial innovation, and more effective alignment of expenditures with local health needs. However, autonomy without adequate regulatory oversight may increase financial risk exposure or generate disparities between institutions.

Decentralization and Regionalization of Hospital Services

Regionalization aims to organize hospital networks around geographically distributed hubs that coordinate specialized services within defined catchment areas. Supra-regional hospitals typically serve as intermediate-level referral centers between local hospitals and national tertiary facilities. This model seeks to: improve equity in access to specialized care; to reduce unnecessary referrals to capital-based hospitals; to enhance care continuity across networks; Strengthen emergency and inpatient coordination. Evidence from several European health systems suggests that regional hospital hubs can reduce inefficiencies caused by excessive centralization, provided referral systems are clear and adequately managed.

Post-Pandemic Reform Context

The COVID-19 pandemic intensified calls for hospital governance reform globally. In many countries, rigid administrative structures limited rapid response capacity. Greater managerial flexibility emerged as a key lesson for strengthening health system resilience. Albania's supra-regional hospital model can therefore be viewed within broader international trends toward flexible yet accountable hospital governance.

2. INSTITUTIONAL AND POLICY CONTEXT IN ALBANIA

Historical Organization of the Hospital System

Prior to reform, Albania's hospital system was characterized by: (i) Strong administrative centralization under the Ministry of Health; (ii) Budget allocations with limited discretionary flexibility; (iii) concentration of tertiary services in Albania; (iv) significant referral flows from regional hospitals to university facilities. Albania's public hospital system has historically operated under a highly centralized governance structure. The Ministry of Health and Social Protection has maintained primary responsibility for planning, budgeting, and oversight of public hospitals, while the Compulsory Health Insurance Fund has played a central role in financing service provision. Hospital budgets were traditionally allocated through line-item mechanisms, limiting managerial discretion in reallocating funds across expenditure categories. This centralized model contributed to several structural challenges. First, hospitals had limited flexibility to respond to changing service demand or emerging clinical priorities. Second, procurement and staffing decisions were often subject to lengthy administrative procedures. Third, specialized and tertiary services became heavily concentrated in the capital city, Tirana, particularly within university hospitals. As a result, regional hospitals frequently referred complex cases to central facilities, reinforcing a hierarchical and congested referral pattern. Law No. 55/2022 introduced supra-regional hospitals as financially autonomous public entities. These hospitals operate under performance-based management contracts, retain defined financial authority, and are tasked with coordinating regional hospital networks. The Memorial Regional Hospital in Fier was designated as the first supra-regional hospital under this framework. Serving a multi-county catchment area, it functions as an intermediate hub for specialized services, emergency care coordination, and inpatient referrals.

Geographic and Structural Imbalances

The concentration of advanced diagnostic and specialized treatment services in Tirana created persistent regional disparities in access to care. Patients from southern and northern regions often traveled significant distances to receive tertiary services, increasing indirect costs and delaying treatment. University hospitals experienced high patient volumes, while some regional facilities operated below optimal capacity.

These imbalances reflected both historical investment patterns and governance constraints. Regional hospitals had limited authority to expand specialized services or reallocate resources to develop new clinical departments. Consequently, the system struggled to achieve both efficiency and equity objectives.

Reform Momentum Following COVID-19

The COVID-19 pandemic acted as a catalyst for health system reform in Albania. The crisis exposed vulnerabilities in hospital surge capacity, emergency coordination, and regional service readiness. It also demonstrated the limitations of rigid centralized management in responding to rapidly evolving operational demands. In the post-pandemic recovery phase, policymakers emphasized the need to strengthen regional hospital capacity, improve system resilience, and enhance managerial flexibility. These objectives aligned with broader international reform trends promoting decentralization and performance-based governance in public hospitals.

Law No. 55/2022 and the Introduction of Supra-Regional Hospitals

A major institutional shift occurred with the adoption of Law No. 55/2022, which established supra-regional hospitals as financially autonomous public entities. This legal framework introduced several key changes: (i) granting hospitals enhanced financial and managerial autonomy; (ii) allowing greater discretion in internal budget allocation and procurement; (iii) introducing performance-based management principles; (iv) defining coordination roles within regional hospital networks; (v) strengthening reporting and accountability requirements. Supra-regional hospitals were conceived as intermediate referral hubs, positioned between local regional hospitals and national tertiary institutions. Their mandate includes expanding access to specialized services, improving referral efficiency, and reducing unnecessary transfers to university hospitals in Tirana.

The Case of Memorial Regional Hospital in Fier

The Memorial Regional Hospital in Fier was designated as the first supra-regional hospital under the new legal framework. Serving a multi-county catchment area in southern Albania, it was tasked with strengthening specialized inpatient and emergency services while coordinating referral pathways with surrounding regional facilities. As the first implementation of the reform model, Fier Hospital represents a pilot case for evaluating the institutional feasibility and early performance implications of financial autonomy in Albania's public hospital system. Its experience provides critical insight into how legal reform translates into operational change within a transitioning health governance structure.

3. METHODOLOGY

A qualitative case study design was employed, supported by descriptive quantitative analysis of institutional and financial data. The study integrates multiple sources of evidence to assess organizational and performance changes following the introduction of financial autonomy. The research process included four main components.

A systematic search of academic databases (PubMed, Scopus, Web of Science) and grey literature (WHO, OECD, national health agencies) identified conceptual frameworks and comparative experiences related to hospital financial autonomy and regional reform. Administrative and financial data from Memorial Regional Hospital in Fier were analyzed, including: (i) hospital activity indicators (admissions, emergency visits, surgeries); (ii) referral patterns to tertiary hospitals; (iii) service utilization trends; (iv) budget execution reports. Semi-structured interviews were conducted with: Hospital administrators; Clinical department heads; Regional health managers; Policymakers. Interviews explored governance changes, managerial flexibility, financial decision-making, coordination mechanisms, and implementation challenges. Findings from quantitative data, qualitative interviews, and literature review were integrated to identify consistent themes, policy implications, and reform lessons.

4. RESULTS

Financial autonomy significantly increased managerial discretion. Hospital leadership reported: (i) faster procurement processes; (ii) flexible internal reallocation of budget lines; (iii) improved capacity to prioritize high-demand services; (iv) greater responsiveness to regional care needs. Decision-making timelines shortened, particularly for equipment acquisition and departmental restructuring. Budgetary management improved through closer alignment of expenditures with service priorities. Administrators indicated: Enhanced monitoring of cost centers; Reduced waste in procurement and supply chains; Improved expenditure tracking. Although funding remains largely public, the hospital gained greater capacity to optimize spending and reinvest savings in priority clinical areas. Following reform implementation: Hospital activity levels increased across inpatient and emergency services; The volume and diversity of specialized procedures expanded; Referral flows to university hospitals in Tirana declined significantly. Importantly, interviewees reported that quality standards were maintained, with no evidence of increased adverse outcomes associated with the shift in referral patterns. The hospital strengthened coordination with surrounding regional facilities by Formalizing referral protocols; Improving communication

between emergency departments; Acting as a structured supra-regional hub. This contributed to smoother patient flows and enhanced continuity of care.

5. DISCUSSION

The Fier case demonstrates that financial autonomy, when embedded within a supra-regional organizational model, can produce measurable improvements in service delivery and operational efficiency. Several mechanisms appear central to these outcomes: Enhanced decision-making authority enables hospitals to respond more quickly to local demand; Financial flexibility allows better alignment between budget allocations and service needs; Network coordination functions strengthen referral systems and reduce unnecessary tertiary concentration. However, autonomy alone does not guarantee sustainability. The reform's success depends on stable and predictable national funding mechanisms, strong accountability frameworks, transparent financial reporting, effective workforce planning. Without these supporting elements, financial autonomy may generate disparities or financial risk exposure. Despite positive initial outcomes, several constraints persist: Continued reliance on central funding limits full financial independence; Workforce shortages constrain service expansion potential; Alignment with national health financing policies requires careful oversight; As a single-case study, generalizability is limited; Longitudinal evaluation is necessary to determine whether early gains are sustained over time.

6. THE BENEFIS OF POLICY IMPLICATIONS

The findings suggest several policy-relevant lessons: Financial autonomy should be accompanied by strong governance and accountability mechanisms; Supra-regional hospitals can serve as effective intermediaries between local and tertiary care; Reform sequencing matters: organizational restructuring must align with financing mechanisms; Workforce strategies are essential for realizing the full benefits of autonomy. For other transition economies, the Albanian experience illustrates that hospital reform can simultaneously pursue efficiency, regional equity, and system resilience. The findings from the case of Memorial Regional Hospital in Fier provide several lessons with direct relevance for Albania and other transition economies pursuing public hospital reform.

Governance and Accountability

Financial autonomy improves managerial flexibility and operational efficiency, but its success depends on robust governance structures. Clear regulatory frameworks, transparent reporting, and performance monitoring are essential to ensure that hospitals use resources effectively while maintaining equity and quality standards.

Role of Supra-Regional Hospitals

Supra-regional hospitals serve as effective intermediaries between local and tertiary care facilities. By coordinating referral pathways, expanding specialized services regionally, and reducing congestion in tertiary hospitals, they enhance both efficiency and equitable access to care.

Reform Sequencing and Alignment

Successful implementation requires careful sequencing of reforms. Organizational restructuring, service expansion, and decentralization of decision-making must align with financing mechanisms. Misalignment can limit the impact of autonomy and hinder system-wide improvements.

Workforce Strategies

Staffing capacity is a critical determinant of successful reform. Recruitment challenges, workforce shortages, and limited training opportunities can constrain hospitals' ability to fully leverage autonomy. Targeted workforce planning, including recruitment, retention, and professional development, is necessary to realize the benefits of financial and managerial discretion.

Lessons for Transition Economies

Albania's experience illustrates that financial autonomy, combined with supra-regional hospital models, can enhance efficiency, strengthen regional equity, and improve system resilience. When implemented alongside strong governance, coherent financing, and workforce strategies, these reforms offer a practical model for other transition countries seeking to modernize public hospital systems.

7. CONCLUSION

The introduction of financial autonomy at Memorial Regional Hospital in Fier represents a significant institutional innovation in Albania's public hospital sector. Early evidence indicates improvements in managerial flexibility, financial efficiency, service expansion, and regional integration. Fier's experience demonstrates that supra-regional public hospitals, when supported by appropriate regulatory frameworks and accountability mechanisms, can enhance both effectiveness and efficiency in publicly funded health systems. Importantly, the Fier case offers insights for the broader transformation of Albania's hospital network under Law No. 55/2022. By granting financial and managerial autonomy, particularly to supra-regional hubs, the reform seeks to move beyond rigid centralization,

combining local decision-making flexibility with national oversight. This approach not only improves operational efficiency at individual institutions but also addresses long-standing geographic imbalances in access to specialized care. Evidence suggests that financial autonomy can strengthen managerial responsiveness, optimize internal resource allocation, expand service provision, and reduce unnecessary referrals to tertiary university hospitals. When extended across the national hospital network, these benefits have the potential to enhance system-wide efficiency, reduce congestion in the capital, and improve equity in access to complex services. However, scaling financial autonomy requires careful attention to structural conditions. Sustainable financing mechanisms, transparent accountability frameworks, and robust performance monitoring are essential to ensure fiscal stability and consistent service quality. Workforce capacity and strategic alignment with national health insurance policies are also critical to enable hospitals to fully utilize newly granted autonomy.

Ultimately, financial autonomy should be viewed as a component of broader hospital system reform rather than a stand-alone measure. Its long-term success depends on coordinated implementation, continuous evaluation, and adaptive policy design. The ongoing reform of Albania's public hospitals offers an opportunity to strengthen efficiency, resilience, and equity in service delivery. If supported by stable governance and strategic oversight, the expansion of financially autonomous hospitals across the country could represent a durable step toward modernizing Albania's public healthcare infrastructure and improving population access to high-quality hospital care.

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