Financial Crisis in the EU
Health & Health Systems response

A framework for decision making

Maastricht 15th October 2012
Josep Figueras

www.healthobservatory.eu
“Econocide to surge as recession bites” – BBC Mar 2009

From Stuckler D. & McKee M.

“Recession is a lifestyle blessing in disguise” – Times Oct 2008
Health impact?

Falling road deaths and increasing suicide

Organ donors and transplantations fall in Spain, the leading country in both

Maria de Lago MADRID

The number of organ donors and transplantations fell last year in Spain, the country that leads the ranking in both and whose transplantation model was recently adopted by the EU.

The decline—which signals a break in the increase seen in recent years—was caused largely by a sharp reduction in deaths from traffic accidents. Improved management of cerebral infarctions and a small increase in the refusal rate to donate organs among families whose relative has died also contributed to the fall. The reluctance to donate is particularly widespread among Spain's immigrant population.

The health secretary, Isidro Martínez Oliva, told Socialist congress in its 15 years of uninterrupted leadership in donations and transplants” and “will have the highest figures of donations in the world,” above European Union and US average rates (1.8 and 1.3 per million inhabitants, respectively).

The main reason for the drop in donations is “the diminishment of brain deaths occurring in the ICU (intensive care units),” explained Isidro Martínez Oliva.

The number of donors from traffic incidents fell from 2,491 in 2005 to 852 in 2010. In 2009 traffic victims made up 8.3% of all donors in Spain, but last year they accounted for just 5.7%. Deaths from cerebral infarctions or haemorrhages also decreased, and the referral rate for organ donation among relatives slightly increased in 2010 by 10% over 2009, according to preliminary data of the transplant organization. The contribution of immigrants to the total number of donations is constant at the 2006 levels: they provide 3.2% of all donations although they make up at least 12.3% of Spanish population.

Although Mr. Martinez Oliva said that the Ministry of Health “is not worried by the decrease in the number of donors,” he admitted that it is “very worrying for solutions.”

One possible solution involves trying to increase the number of living donors and cadaver donations, both of which reached their highest levels in 2010. Last year there were 240 living transplantations from living donors in Spain and 130 cadaveric donations.

The Ministry of Health also plans to encourage donations among immigrants and in promoting good Samaritan or altruistic donations to unknown recipients.

For further information (in Spanish) visit: www.ort.es; Documents/2011/01/25/01/01/250125.pdf

On Health Systems and Policies
A Greek tragedy

• EU-SILC data from 2007 and 2009
  – 15% increase in people reporting not visiting a doctor even though they felt it necessary
  – 14% increase for dentists
  – Seems to be mainly due to reduced access (distance, opening hours) and not cost

• Hospital admissions
  – Up 24% between 2009 and 2010
  – Reported decline of 25% in admissions to private hospitals
New cases of HIV in Greece
Spain

- Health policy determined regionally
- Important natural experiment
  - Major cutbacks in Catalonia
  - Operation theatres closed down once a week
  - Different policies in some other regions
Impact on Health & Health Risk Behaviour

Highlights

• Increase in psychiatric disorders and suicide
• Decrease in traffic accidents
• Increase in alcohol consumption
• Unclear effects on diet (contradictory evidence)
• Increase in (perceived) need / morbidity
• Decreased access in some countries
• Shifting from private to public sector
"Ladies and Gentlemen we have no money! Now we need to think!"
Outline

• **Impact on health status**

1. Protect the health budget
   - Economic perspectives
   - Health for economic productivity

2. Raise (additional) statutory and earmarked resources

3. Shifting resources (i.e., cost-shifting to consumers)

4. Improving performance (squeeze efficiency)

5. Act on health determinants (Health in All Policies)

• Concluding remarks

• Shifting (political and economic) paradigm
Health System Response
In short ....

• In majority of countries many new policies introduced e.g. Czech Republic, Greece, Ireland, Portugal.

• In few countries few policy changes e.g. Denmark, Finland, Germany, Norway, Poland.

• Pre 2008 reforms (continuation, acceleration, reversal)
  • In many countries acceleration pre-existing reform plans

• Health budget
  • Cuts in most e.g. Bulgaria, Czech Republic, Estonia, Ireland, Italy, Greece, Latvia, Romania, Portugal, Spain.
  • Maintain e.g. ring fenced in the UK and Belgium
  • Increase in France and Denmark

1. Protect the health budget?

‘Health is Wealth’

Health Systems

Direct contribution to the economy

Health ➔ Wealth

Wealth ➔ Health

Effects of ill health on economic growth

Figueras J, McKee M 2011
Health Systems (direct) impact on Wealth

- Economic size of the health care sector
  - It accounts for about 10% of GDP in EU27
  - More than financial services or retail sector
- Labour market effect
  - About 6% of all workers in EU27 employed in HS
- Impact on competitiveness of overall economy
  - Labour costs, market mobility, trade, R&D, innovation
- EU pharmaceutical sector:
  - €196 billion, 640,000 jobs; 5th largest sector (2008)
  - 3.4% of global market (2009)
- EU medical technology:
  - €95 billion, 5% annual growth, 550,000 jobs (2009)
1. Protect the health budget?

‘Health is Wealth’

Health Systems

Demonstrate impact on performance!!!

Effects of ill health on economic growth

*Figueras J, McKee M 2011*
1. Protect the health budget?

**Health: a value in itself**

---

Health Systems

---

Societal Well-being

---

Health Health Systems Wealth

---

Figueras J, McKee M 2011
Contribution of health to well-being

**GDP not a good measure of well-being**

- Measures market production, not economic well-being
- Product prices may differ from their value to society
- Do not account for environmental damage
- Complex quality of products: e.g. medical & educational services

Stiglitz et al., 2008

"GDP (...) It measures everything, in short, except that which makes life worthwhile"

Robert Kennedy

Health (HLYs) an indicator of societal development in itself

Lisbon agenda
2. Raise statutory & earmarked resources?

- How much to spend vs other sectors?
- Decrease tax base in most countries
- Increase tax base only Italy (regional tax) and Czech Republic (capital tax)
- Transfer from education budget (Denmark)
- Increased SHI contribution rates: Bulgaria, Czech Republic, Greece, Portugal, Romania and Slovenia
- Increase (tax based) unemployment contributions to SHI e.g. Bulgaria, Czech Republic, Estonia, Hungary, Romania
- Increase ‘sin’ taxes: alcohol, tobacco, fat, soft drinks E.g. Bulgaria, Czech Republic, Denmark, France, Finland, Greece, Hungary, Israel & Estonia

2. Raise statutory & earmarked resources?

Greece raises taxes on alcohol and tobacco

Hungary’s ‘fat tax for Big Macs’

France approves fat tax on sugary drinks such as Coca-Cola and Fanta
- Tax is expected to rake in £100m for state coffers
- 20 million French people are overweight, survey says

Denmark taxes fatty products
Denmark is to impose the world’s first “fat tax” in a drive to slim its population and cut heart disease.
3. Rationing Health Services
Coverage dimensions

R. Busse
3. Rationing Health Services

• Reduce coverage
  • Population (breadth): limited changes in some
  • Benefit package (scope): no changes, only small in Czech Republic, Hungary Ireland, Netherlands & Portugal.
    – Ireland excluded over 70s from statutory coverage for PHC
    – Czech republic excluded some foreigners
    – Hungary increased checks on entitlements
  • Services: e.g. Waiting times in many countries
    – Estonia increased maximum waiting times
    – Spain e.g. Major cut backs and waiting lists increases in Catalonia

3. Rationing Health Services

- **Increase private funding**
  - Private voluntary health insurance
  - Cost-sharing / out of pocket: E.g. Czech Republic, Denmark, Estonia, Finland, France, Greece, Ireland, Latvia, Netherlands, Portugal and Romania.

- **Decrease private funding**
  - Cost-sharing threshold for exemption lowered: e.g. Belgium
  - Reduced cost-sharing e.g. Italy and Hungary

Public-private mix in financing in the EU

Percent distribution of health system funding sources, 2007
The well-known 20/80 distribution – actually the 5/50 or 10/70 problem

How can we predict who these 5 or 10% are?
“Reductions in routine care today might lead to undetected illness tomorrow and reduced individual health and well-being in the more distant future.”

Recent changes in the ability to afford health care (last 6 months)

Base: respondents who provided an answer

Q4. In the last six months, have you noted any changes in your ability to afford healthcare for you or your relatives? (IF YES) Has it become much more easy, somewhat more easy, somewhat more difficult, much more difficult?

More difficult: 79%
More difficult: 61%
More difficult: 35%

Eurobarometer 2010
Do health inequalities undermine the economy?

Health Inequalities in EU-25 result in:

• 700,000 deaths per year
• 1.4% less GDP growth due to reduced labor productivity
• 9.4% lost GDP (monetary value)
• 20% health care costs & 15% of total cost of social security benefits

Mackenbach et al, 2007 and 2011
4. Improve performance

- Reforms in purchasing & payment systems
  - Purchasing leverage
  - Introduce case mix / payment for performance
    Austria, Hungary, Bulgaria, Czech Republic, England

- Rationalising hospital/specialist services
  e.g. Hospital mergers in several countries

4. Improve performance (??)

- Reduce/freeze prices paid to providers, reduction of salaries of health professionals e.g. France, Greece, Spain, Ireland, Lithuania, Romania, England, Portugal and Slovenia
  - Widespread pay freezes
    - UK, Portugal, Slovenia
  - or cuts
    - France, Greece, Ireland, Lithuania, Spain, Romania
  - Or reduced rate of increase
    - Denmark
  - Increased pension contributions (de facto wage cuts)
    - Ireland, UK

4. Improve performance

• Improve pharmaceutical / technology policies
  Most EU27 strengthened policies to reduce the prices of medical goods or improve the rational use of drugs
  – Austria, Belgium, Czech Republic, France, Estonia, Greece, Ireland, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain

• Wide variety of measures
  – generic substitution
  – Improve quality of prescribing
  – claw-back mechanisms
  – negotiations on prices

4. **Improve performance**

- Eliminate ineffective / inappropriate services & cut the volume of least cost-effective services
  - Strengthened HTA but limited use in cuts
  - European Network for HTA
    - Improving evidence/base/medicine
- Enhancing integrated care
- Skill mix optimisation
- Market ‘like’ mechanisms / New public management e.g Hospital Self Governance
5. Act on health determinants

- Health in All Policies, EU Finish presidency, 2006
- ‘Together for Health’ EU, 2009
- ‘Health 2020’ WHO Europe, 2012
- WHO Oslo Ministerial Conferences (2008, 2013)
The economic case for health promotion and disease prevention

The economic impact of non-communicable diseases amount to many hundreds of billions of euros every year.

Many costs are avoidable through investing in health promotion and disease prevention.

Today governments spend an average 3% of their health budgets on prevention.
<table>
<thead>
<tr>
<th>Disease/Issue</th>
<th>Impact Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiovascular disease</td>
<td>€168 billion per annum in EU25; 60% of cost on health care systems</td>
</tr>
<tr>
<td>Alcohol related harm</td>
<td>€125 billion per annum + substantial costs of lost employment, violence and crime.</td>
</tr>
<tr>
<td>Obesity related illness (including diabetes and CVD)</td>
<td>More than 1% GDP; up to 4.5% of healthcare expenditure</td>
</tr>
<tr>
<td>Cancer</td>
<td>6.5% of all health care expenditure</td>
</tr>
<tr>
<td>Road traffic injuries</td>
<td>1.5-2% of GDP in middle and high income countries</td>
</tr>
</tbody>
</table>

*Source: WHO EURO (Forthcoming)*

*Sources: Leal (2006), Sassi (2010), Stark (2006)*
The Oslo recommendations

- Distribute wealth based on solidarity and equity
- Increase development aid
- Health and wealth; protect health budgets
- Every minister a health minister
- Prioritize public health and primary care
- More money for health and more health for the money
- Universal social protection

- Universal access to health services
- Universal, compulsory, redistributive funding
- Tax and price policy for tobacco, alcohol, sugar, salt
- Education of health professionals and ethical recruitment
- Active public participation in development of anti-crisis measures
The Oslo recommendations

- Distribute wealth based on solidarity and equity
- Increase development aid
- Health and wealth; protect health budgets
- Every minister a health minister
- Prioritize public health and primary care
- More money for health and more health for the money
- Universal social protection

- Universal access to health services
- Universal, compulsory, redistributive funding
- Tax and price policy for tobacco, alcohol, sugar, salt
- Education of health professionals and ethical recruitment
- Active public participation in development of anti-crisis measures
Health 2020

A European policy framework supporting action across government and society for health and well-being

1. The 53 Member States in the WHO European Region have agreed on a new common policy framework – Health 2020. Their shared goals are to “significantly improve the health and well-being of populations, reduce health inequalities, strengthen public health and ensure sustainable people-centred health systems.”

2. Health 2020 recognizes the diversity of countries across the region. It reaches out to many different people, within and outside of government to provide inspiration and direction on how better to address the complex health challenges of the 21st century. The framework confirms the values of Health for All and – based on the evidence provided in accompanying documents – identifies two key strategic directions with four policy priority action areas. It builds on the experiences gained from the previous Health for All policies to guide both Member States and the WHO Regional Office for Europe.
Social Spending and Mortality

- Strengthen Social Protection
- Labour protection and unemployment policies
- Family & housing benefits
- Anti-poverty measures
- Foster Social Support Networks

Social welfare spending per capita (purchasing power parity)

Stuckler, Basu & McKee, BMJ 2010
Concluding remarks
What do we mean by Sustainability?

• Fiscal sustainability: constraint, but NOT policy objective
• Cost containment (savings) ≠ efficiency
Concluding remarks

- Fiscal sustainability: constraint, not policy objective
- Cost containment (savings) ≠ efficiency
- Savings may not be immediate: e.g. hospital mergers
- Crisis: an unprecedented opportunity for change
- Involvement of staff central
- Be transparent & explicit about trade offs
- Countercyclical spending
  - *In times of growth get stronger not fatter*
Short-term solutions are important to keep the system running during crisis, but...

...aim for sustainable efficiency gains!
Concluding remarks

- Rationing / financial barriers will significantly decrease access & have negative health impact
- Learn to communicate the case for Health & Wealth
- Limited emphasis on public health
- Yet financial crisis further emphasizes HIAP.
"The White House reflects the worse of what Europe has become (...) Obama wants to run America into a **European style entitlement society**. We want to ensure that we remain a free and prosperous land of opportunity. (...) "Europe is considered as “weak, socialist and object of pity and, compared with the shining American model lacking inspiration”

**Mitt Romney** 11 January 2012
“It’s true that all European countries have more generous social benefits — including universal health care — and higher government spending than America does. But the nations now in crisis don’t have bigger welfare states than the nations doing well — if anything, the correlation runs the other way. Sweden, with its famously high benefits, is a star performer ...

Paul Krugman
Shifting Orthodoxy?

11 October 2012 Last updated at 12:10 GMT

Paul Mason
Economics editor, Newsnight
More from Paul

IMF calls time on austerity - but can Greece survive?

International Monetary Fund (IMF) boss Christine Lagarde called on Thursday for a slowdown in the austerity measures being implemented across the world, including in Greece - where IMF officials are currently locked in negotiations to release a crucial 31bn euros (£26bn) of bailout cash.

The move came after IMF Chief Economist

IMF warns of the 'human cost' of public spending cuts

International Monetary Fund joins OECD in condemning planned budget cuts, warning the 'livelihood, security and dignity of millions' is under threat

Phillip Inman
guardian.co.uk, Monday 13 September 2010 18.08 BST
Article history
Livin' la vida troika: Portugal's pain as the screws tighten on public spending

- Middle class and poor suffer effects of government determination not to default

ANTONIO JIMÉNEZ BARCA | 27 FEB 2012 - 13:31 CET