The impact of financial crisis on health systems: Review of past and current experience

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European Observatory on Health Systems and Policies

LSE Health

Outline

1. Understanding fiscal policy and the financial crisis

2. Impact of financial crisis on health

3. Impact of financial crisis on health systems

2010 60th meeting of the European regional committee of the WHO. These three issues cited as being high on agenda of health ministers (McKee et al 2010)

Response to recession

- Calls for changes in government spending patterns
- **Cut** or **increase** public spending?
- The arguments and evidence are complex (see Stuckler,D. Basu.S, McKee,M. Suhrcke,M. 2010 for a review)

Arguments to increase public spending

- **Keynesian economics**
- Promote “deficit spending” in context of recession and high unemployment
- Increase in government spending stimulates business output, creating income and encouraging increases in consumer spending
- This in turn creates further increases in the demand for business output and lowers the unemployment rate
- This in turn raises GDP

Arguments to decrease public spending

- **Fiscal conservatism**

- Promotes:
  - reduction of government spending and national debt
  - ensuring balanced budget

- By issuing lots of debt, government drives up interest rates, making private sector / businesses unwilling to spend on investment (ie government borrowing “crowds out” private investment)

- This reduces the economy’s long-run rate of growth

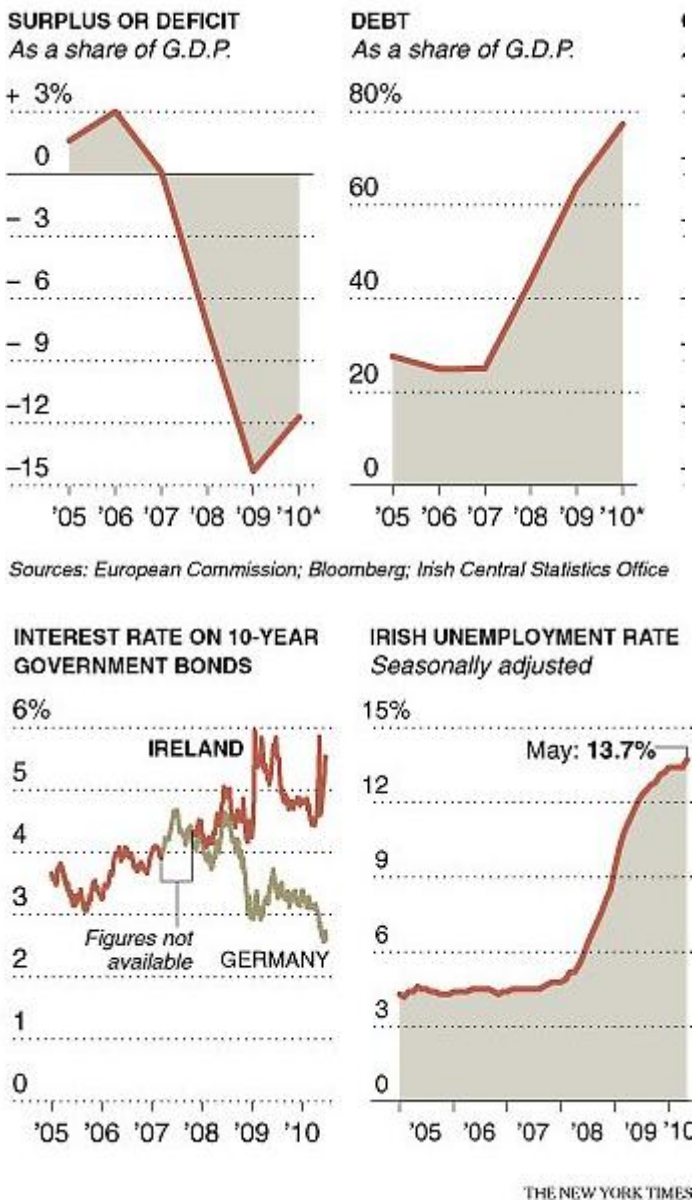
- Credit agencies could lose confidence in countries with large debt and deficit by downgrading the country’s credit rating, thereby increasing the costs of borrowing and repayment. Higher debt also requires increased repayments, which could divert resources from other forms of government spending

- Some argue for increased taxation in addition to public spending cuts

- Others argue for tax and public spending cuts to stimulate economic growth

Ireland: an empirical test

- Ireland has adopted the fiscal austerity measures
- It has had precisely the opposite effect
  - Choking off growth
  - Damaging credit ratings
  - Increasing bond yields
  - And requiring a massive bail out



Empirical studies

- “The relationship between government debt and real GDP growth is weak for debt/GDP ratios below a threshold of 90 percent of GDP. Above 90 percent, median growth rates fall by one percent, and average growth fall considerably more. We find that the threshold for public debt is similar in advanced and emerging economies”

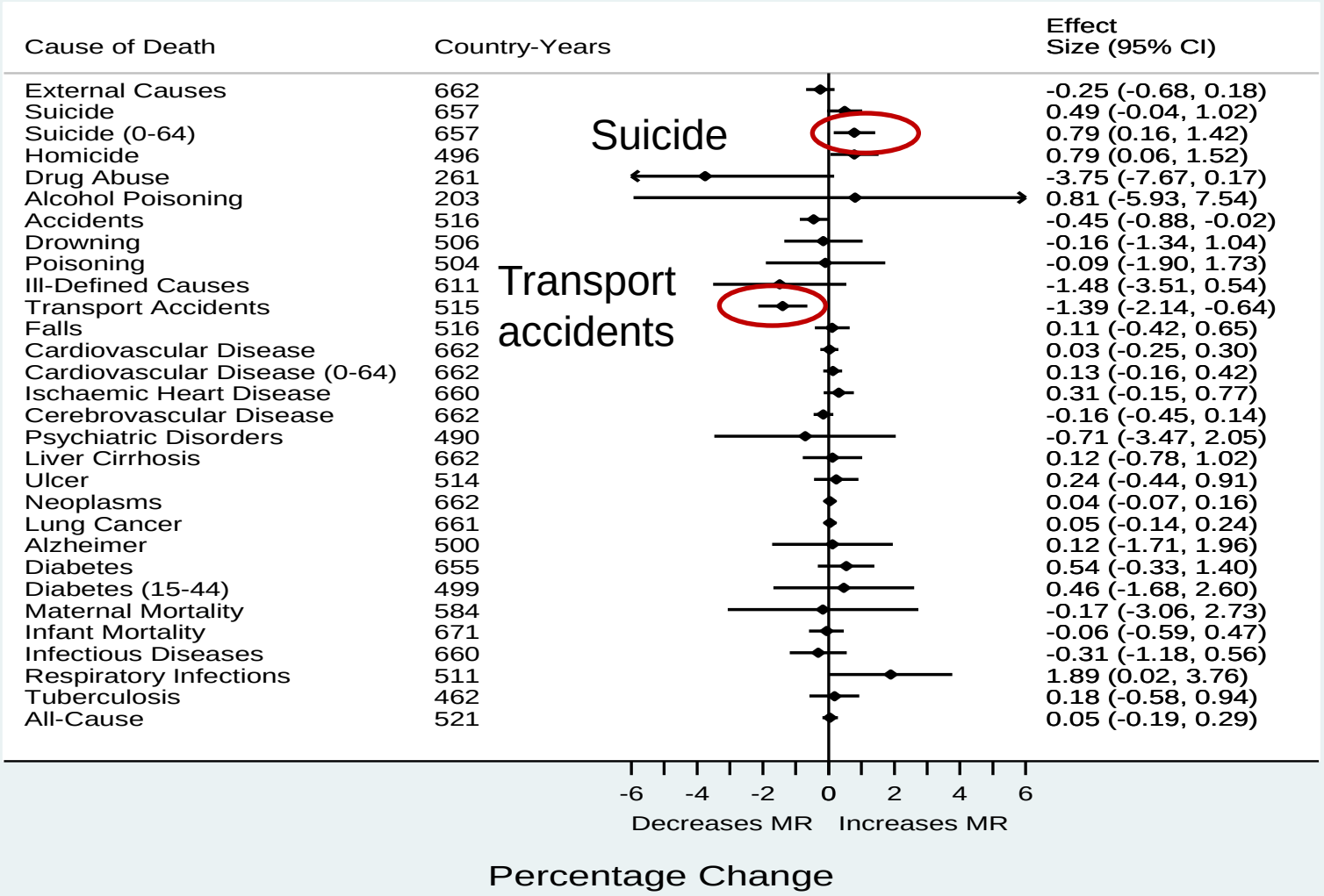
Source: Reinhart and Rogoff (2010)

Part II. Impact of financial crisis on health

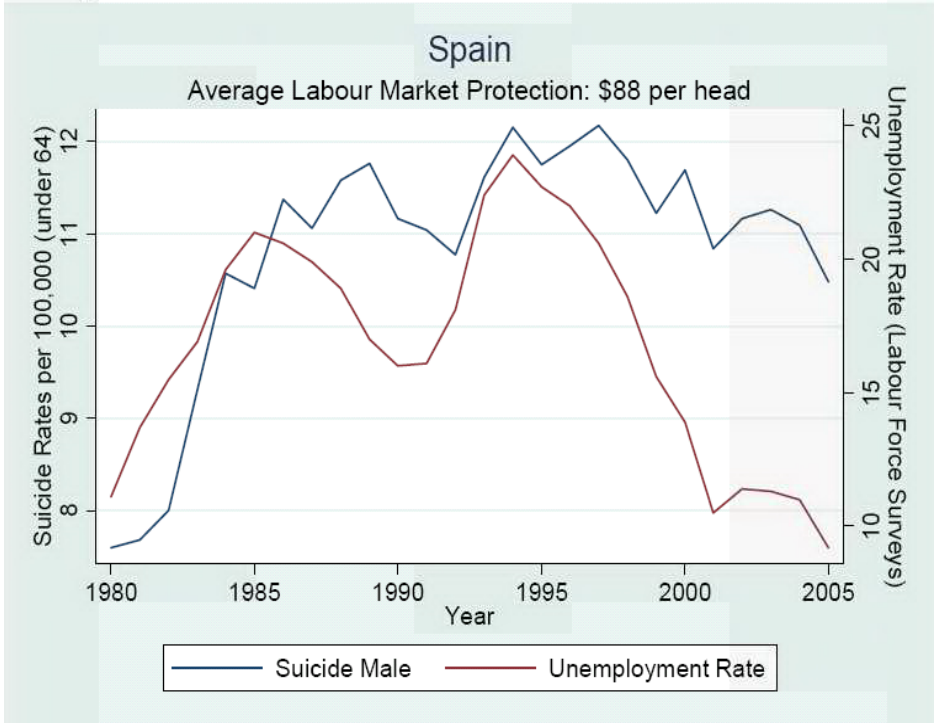
- Population health is not only determined by health care expenditure but by many factors outside the health system

- Work by Martin McKee, David Stuckler, Marc Suhrcke and colleagues explores relationship between social welfare and impact of financial crisis on health

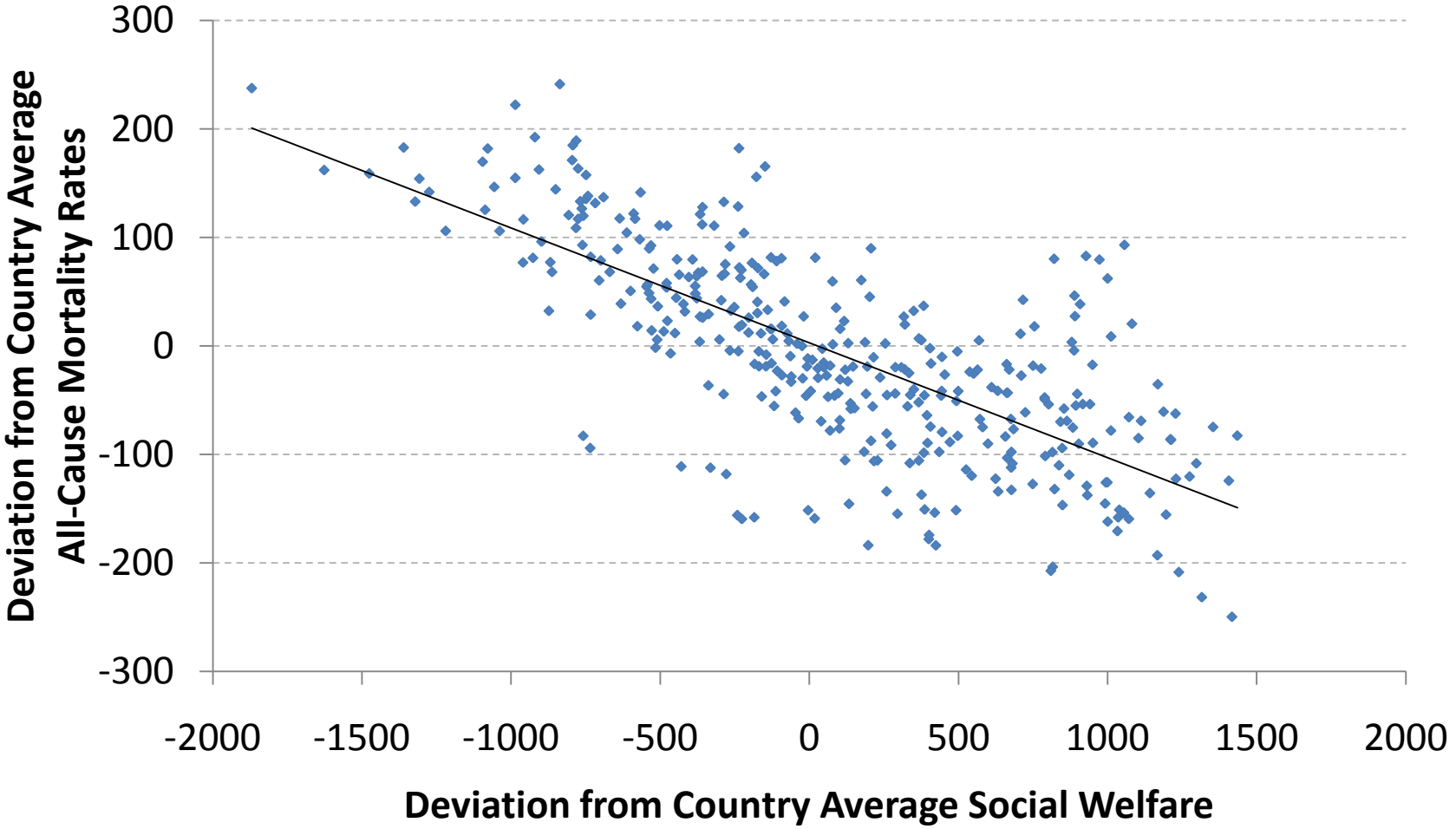
The impact of a 1% increase in unemployment on mortality



Association (Spain) or lack (Sweden) of unemployment and suicides



Social welfare spending and mortality in 18 EU countries



So what should we prioritise to maintain health?

- Active labour market interventions:
  - public employment programmes (welfare to work)
  - training and skills development
  - programmes for youth transitioning from school to work
  - programmes to get the unemployed back to work
  - programmes to provide employment for disabled people
  - support for people with low level mental health

- And don't forget that health services are major employers – they do good by employing people as well as by treating them

Part III. Impact of financial crisis on health systems

- High-level meeting was convened jointly by the Regional Office and the Government of Norway in Oslo in April 2009.

- Led to a resolution adopted by the Regional Committee in 2009 (EUR/RC59/R3) **Health in times of global economic crisis: implications for the WHO European Region**

  - urged Member States to ensure that their health systems continue to protect the most vulnerable, to demonstrate effectiveness in delivering personal and population services, and to behave as wise economic actors in terms of investment, expenditure and employment.

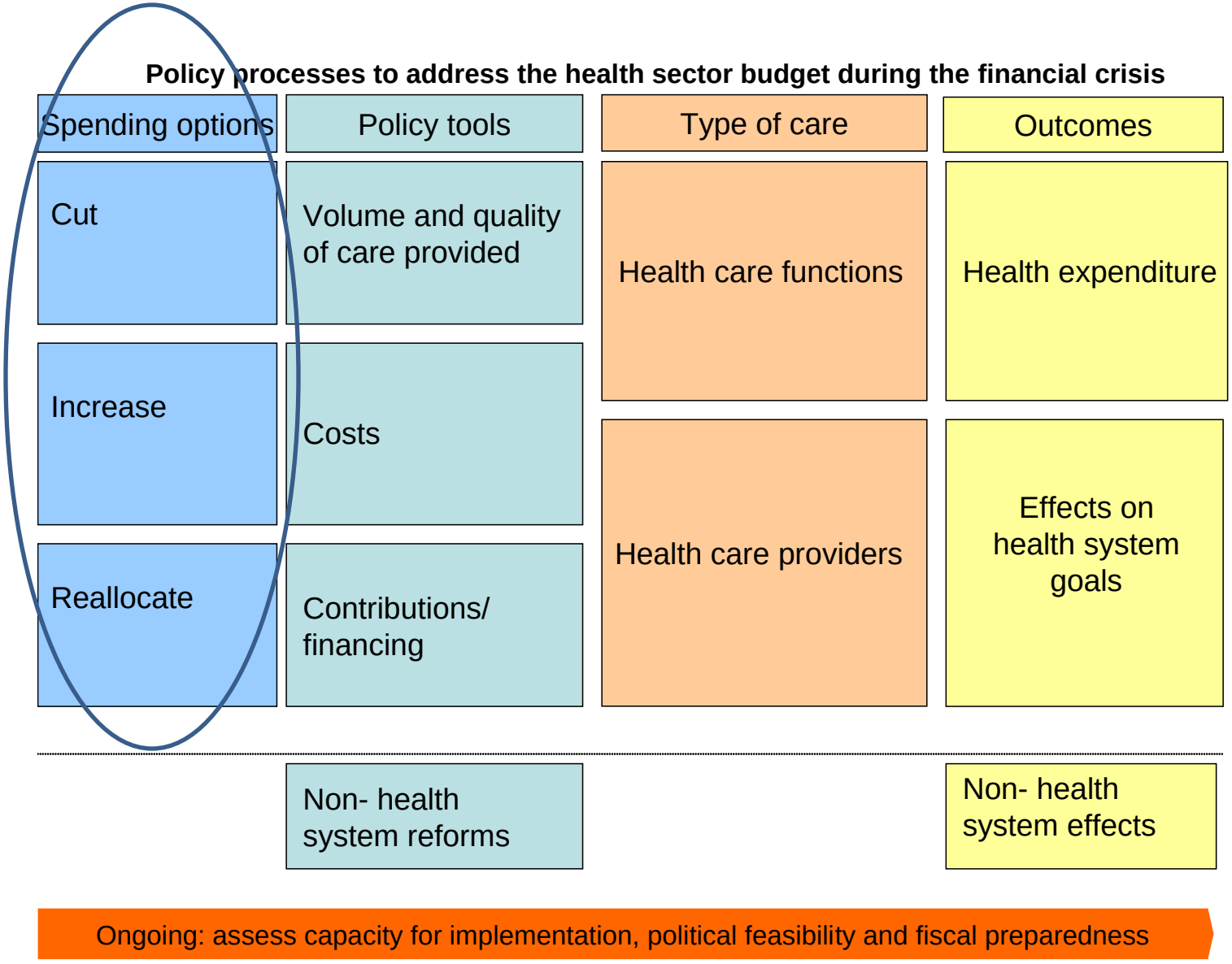
OBS study:

How have health systems responded to the financial crisis?

Planned outputs:

- Research note on health policy options for EC (DG Employment) (June 2011)
- Macroeconomic econometric study of effect of historical economic crises on rate of health expenditure growth in Europe (July 2011)
- HEN/OBS policy brief on response to the crisis for WHO Regional Committee (September 2011)
- Issue of Euro Observer (winter 2011)
- OBS edited book (summer 2012)

Conceptual framework on policy options



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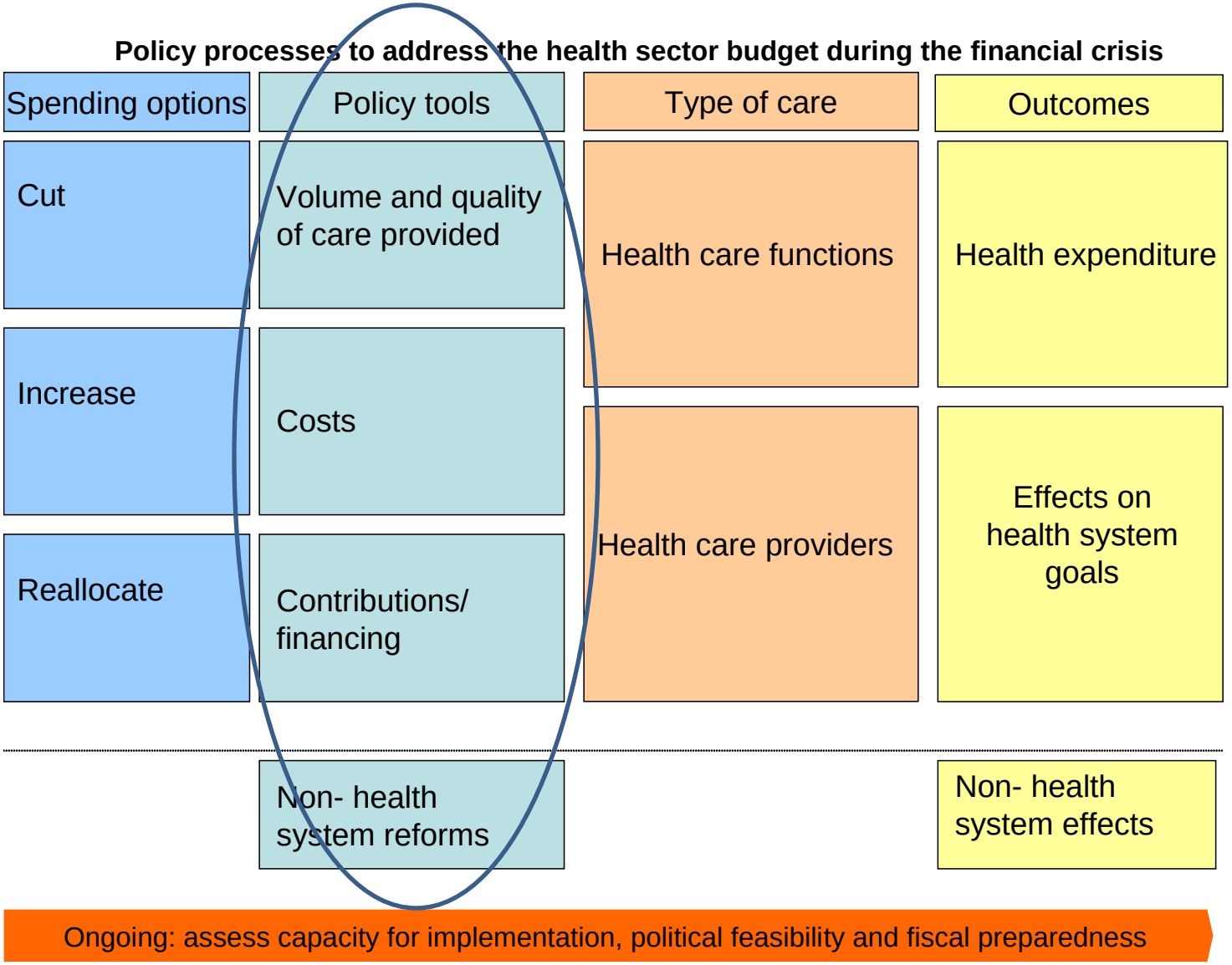

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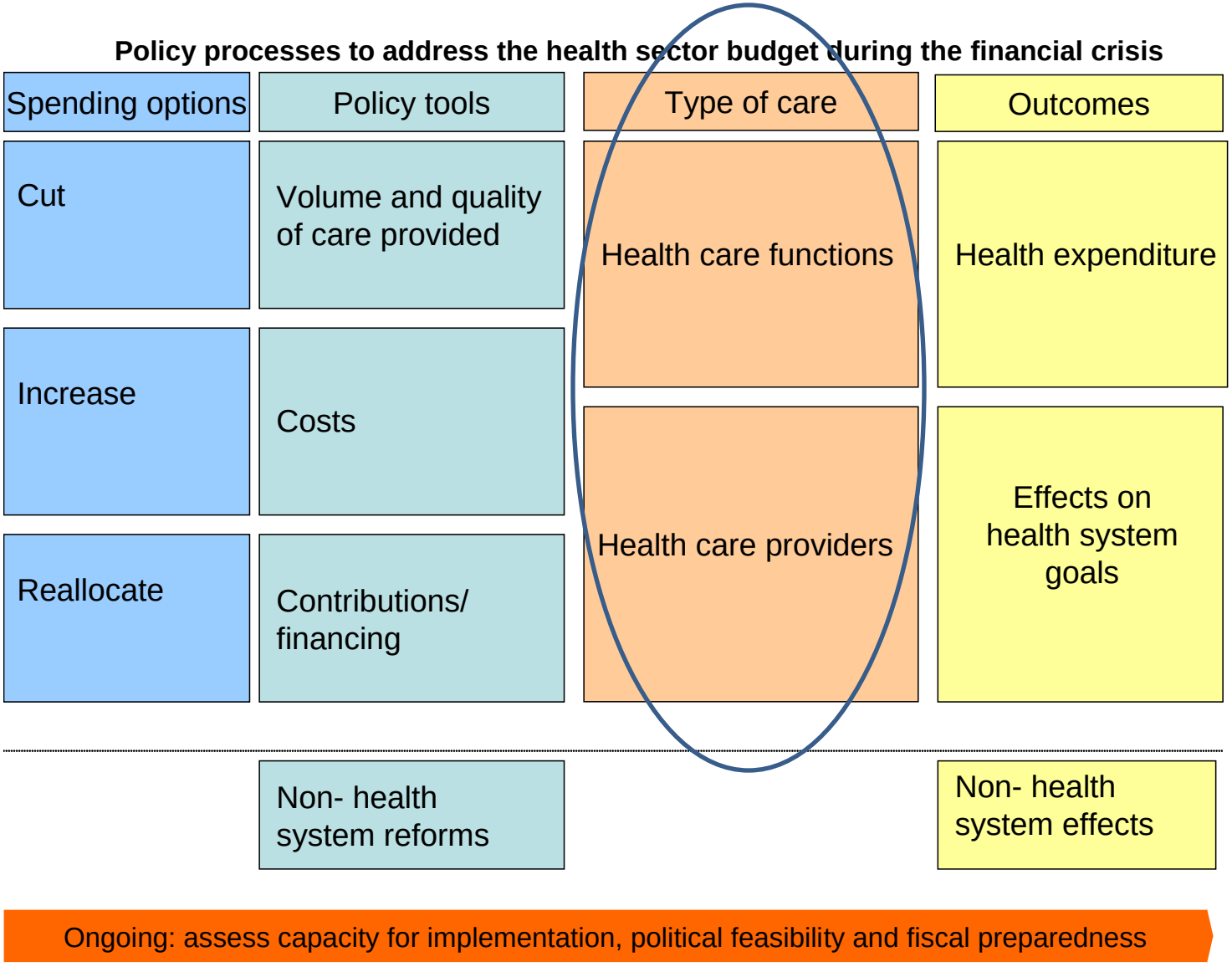

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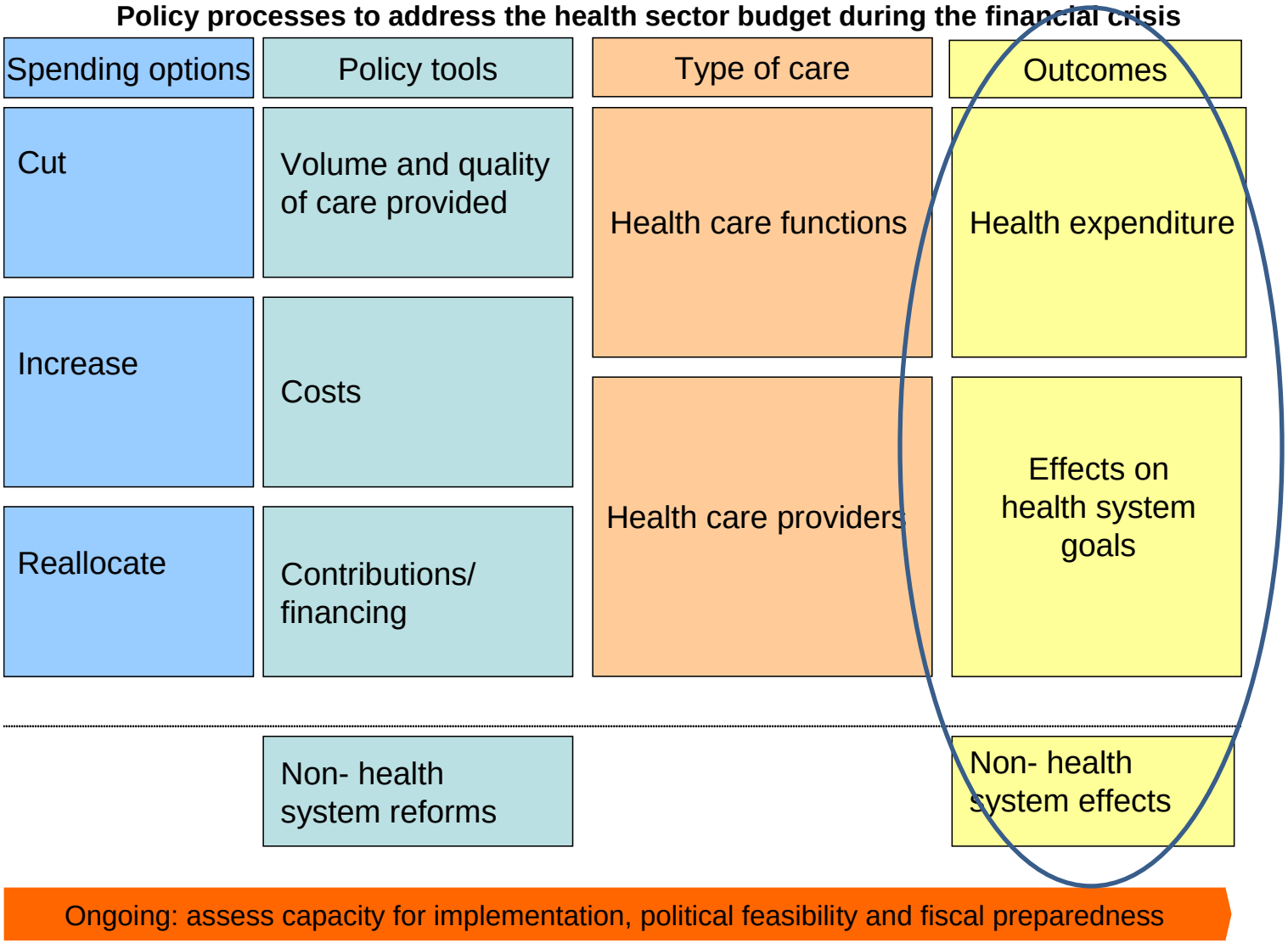


Survey of WHO EURO 53 countries

- Questionnaire based on conceptual framework sent to 53 EURO countries
- 45 countries responded
- We have completed the analysis of the EU27 countries

Results: was there a policy response to the crisis?

Many new policies

- In some countries many new policies were introduced in response to the crisis (e.g. Czech Republic, Greece, Ireland, Portugal)

No / almost no new policies

- In others, few or no policy changes were made (e.g. Cyprus, Denmark, Finland, Germany, Malta, Poland, Slovakia)

- Rest of countries fall somewhere in between

- Some policy measures planned or implemented in response to the crisis were quickly reversed due to their unpopularity with key stakeholders, in particular physicians (e.g: Bulgaria, Hungary, Romania, Czech Republic, England)

Existing (pre-2008) policy reforms

Continuation

- Countries already in the process of undergoing significant health sector reforms in collaboration with IMF, World Bank and EU when the crisis struck (e.g. Romania).

Acceleration

- Policies already been planned before 2008 implemented with greater intensity or speed as they became more urgent or politically feasible in face of the crisis (e.g. restructuring of secondary care in several countries)
- Some governments able to employ the financial crisis as a lever to strengthen position in negotiations with e.g. pharmaceutical sector.

Reversal

- Planned reforms were slowed down or abandoned entirely in response to the crisis (e.g. Romania and Ireland abandoned plans to build new hospitals / health buildings.

Government spending options

Cut

- The overall government health budget was cut in several countries (e.g. Bulgaria, Czech Republic, Estonia, Ireland, Italy, Greece, Latvia, Romania, Portugal, Spain).

Increase

- The health budget was increased in France and Denmark
  - EU and private funds are being used as stimulus to invest in the health sector in some countries, though this tends to be part of an ongoing reform rather than in direct response to the crisis.

Maintain

- Health budget maintained / ring-fenced in Belgium and England

Fiscal preparedness

- Some countries were better prepared than others due to fiscal measures they had taken before the crisis.

- The following countries reported drawing on reserves during the crisis: Czech Republic, Estonia, Hungary, Italy, Lithuania.

Volume and quality of care

Benefits package (scope of coverage)

- In general across Europe the benefit package was not radically changed but there were some reductions made (Estonia, Ireland, the Netherlands, Portugal, Slovenia)

- Only the Czech Republic and Estonia reported a plan to introduce HTA to evaluate the benefit package in response to the financial crisis

Volume and quality of care

Breadth of coverage

- Almost no countries reduced eligibility for statutory population coverage among residents
  - Exception: Ireland removed coverage of medical cards for wealthy individuals over 70.

Waiting times

- Estonia increased maximum waiting times

Costs

Medical goods (drugs, devices, equipment)

- Most of EU27 introduced or strengthened existing 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
  - INN prescribing
  - claw-back mechanisms
  - negotiations on prices

Costs

Salaries

- Reduction/freeze of salaries of health professionals
  - E.g. France, Greece, Ireland, Lithuania, Romania, England, Portugal, Slovenia

Payments to providers

- Reduce/freeze prices paid to providers, link payments to improved performance or change purchaser
  - E.g. Austria, Hungary, Bulgaria, Czech Republic, England

Overheads

- Restructuring the Ministry of Health or publicly owned or operated health service provider networks
  - E.g. Bulgaria, Czech Republic, England, Latvia, Lithuania, Portugal, and Romania.

Contributions

Overall government health budget

- As discussed, government health budget was cut in many and maintained / increased in few countries

Overall SHI contributions

- Increased unemployment contributed to falling SHI contributions which in turn contributed to falling SHI revenues
  - Bulgaria, Czech Republic, Estonia, Hungary, Romania,

- By contrast in some countries SHI revenues and expenditures continued to increase
  - Austria, Poland and Slovakia
  - In Slovakia the revenues were protected to some extent by the high and anticyclic contribution rate by the state for the economically inactive population.

Contributions

Contribution rates

- Increased user charges for health services
  - Czech Republic, Denmark, Estonia, Finland, France, Greece, Ireland, Latvia, Netherlands, Portugal and Romania.
- Reduced patient cost-sharing by abolishing user charges and/or introducing fee ceilings
  - Italy and Hungary)
- Increased employer / employee SHI contribution rates
  - Bulgaria, Czech Republic, Greece, Portugal, Romania and Slovenia
- Government contributions for economically inactive people
  - Increased in Hungary
  - Reduced in Slovakia
- Taxes
  - Increased taxes on alcohol and cigarettes in e.g. Bulgaria, Czech Republic and Estonia
  - remarkably few countries have reformed fiscal policy to increase the tax base for health system financing.(Italy and Czech Republic)

Outcomes of reforms

- Too early to measure effect on health status
  - Impact unlikely to have taken place yet
  - In any case, very recent health data not yet available
  - Difficult to establish causal link between health system reforms and health status outcomes
- Studies needed to measure effect on other health system goals such as equity, efficiency and quality
- Similarly, research needed to study non-health system effects such as poverty

Outcomes of reforms: health care utilization

Country	Changes in Utilization of Routine Health Care Since the Crisis				N
	Reduce	Same	Increase	Net Change (Reduce - Increase)	
United States	26.5	66.5	7.0	19.5	1901
France	12.0	82.7	5.4	6.6	868
Germany	10.3	83.0	6.7	3.6	879
Canada	5.3	89.3	5.4	0.0	1032
Great Britain	7.6	84.4	7.9	-0.3	757
5 Country Avg	15.2	78.3	6.6	5.9	5437

Source: Lusardi et al 2010

Conclusions

- Some policy responses were positive
- Financial crisis employed to **reduce costs by increasing efficiency** in:
  - inpatient care (reconfiguration and improved purchasing)
  - pharmaceutical sector (rational use of drugs and pricing)
- Two dimensions of **coverage** largely unaffected
  - Benefits package mostly in tact (although some reductions)
  - In almost all countries population coverage in tact
  - In some cases even additional measures to increase coverage targeted at low-income groups

Conclusions

- Some less positive

- Many countries **increased user charges**
  - International evidence suggests this is likely to:
  - decrease equity - disproportionately affect low-income and other vulnerable groups
  - Decrease efficiency - reduction of necessary as well as unnecessary care may actually increase costs in the long term

- **Little done to strengthen public health** policies and thereby improve health and increase efficiency - missed opportunity

- **No countries reported currently using HTA** to guide and improve changes in resource allocation during the crisis
  - Evidence not used influence policy decisions during the economic crisis

Fiscal sustainability

- fiscal balance: constraint, not policy objective
- cost containment ≠ efficiency
    - Squeezed balloon effect where other costs increase, leading to no savings, or increased expenditure overall, in the medium to long term
- (extra) spending should demonstrate value
- make cuts intelligently
- be explicit about trade offs

- Thomson et al 2009 *Addressing financial sustainability in health systems.* Health Evidence Network and European Observatory on Health Systems and Policies. Policy Brief 1. WHO: Copenhagen

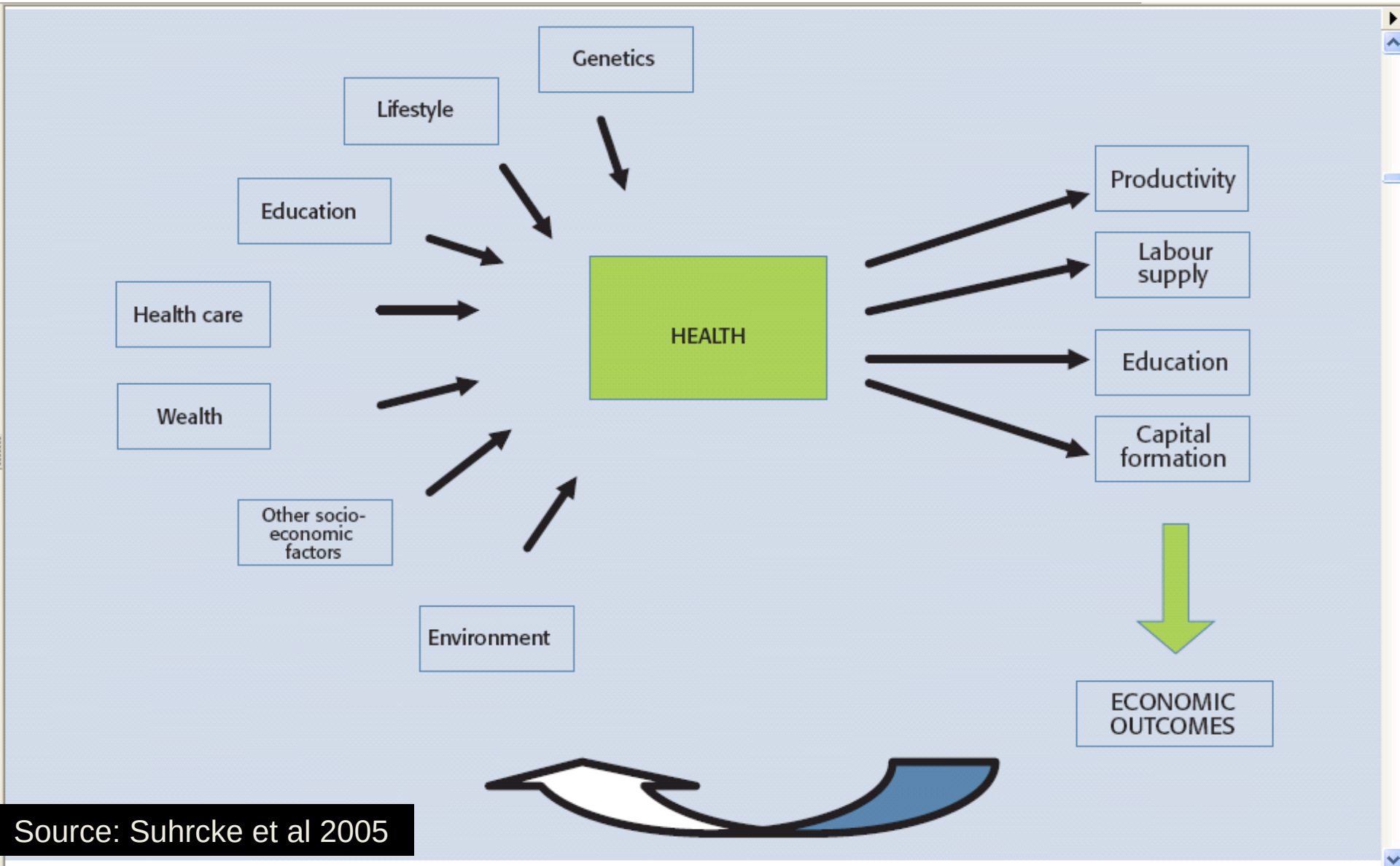
Lower spending by government

- means higher spending by patients

- cuts should be discerning not indiscriminate

- protect poorer households and high users of health care

How health affects the economy



Source: Suhrcke et al 2005

Thank you for your attention