AK Europa, ÖGB Europabüro & OSE Seminar on
***"Economic Crisis and Austerity in Southern Europe*:**
Threat or Opportunity for building a sustainable Welfare State?"
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CABISE Project on South European Healthcare Systems under Harsh Austerity: A Progress-Regression Mix?

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Issues examined:

(1) The trajectories prior to the crisis

(2) The magnitude of fiscal constraint and major reforms

(3) The impact of reform on current (and expected) health outcomes

Questions addressed:

- Is retrenchment a conjunctural effect of the fiscal woes SE countries are facing?
- Are there any "recalibration" strategies under way?
- Is there any evidence of "policy drift" causing parts of public provision to wither away?
- How likely is a large-scale, permanent retreat of the state from the health sector?

1. Prior to the crisis *Cross-cutting similarities/differences*

(a) In terms of structure

- **Greece & Portugal: mixed, centralized systems, deficient vertical integration (primary & secondary care)**
- **Spain & Italy: universalist principles have been more salient, decentralized systems with more efficient vertical integration**

(b) In terms of the amount of public spending on healthcare

- **Per capita public expenditure lagged behind particularly compared to EU-15**
- **Italy & Spain spent around 83-85 per cent of the EU-15 per capita average / Portugal & Greece around 65 per cent.**

(c) In terms of growth rates, a different picture emerges

	Annual average change rate in real terms, 2000-2008*			Percentage constitution of total health expenditure (2008/20121)		
	Total health expend-iture	Public health expend-iture	Pharma-ceutical expend-iture	Public	Private (out-of-pocket)	Private insurance
Greece	+6.9	+6.9	+9.9	65/68	34/30	1/2
Italy	+2.3	+3.4	-0.8	79/78	20/20	1/2
Portugal	+2.2	+2.0	+2.3	65/63	27/32	8/5
Spain	+6.0	+6.2	+1.5	73/74	20/20	7/6
EU-15	*+3.7*	*+3.8*	-	-	-	-

Source: **OECD health statistics**

* **For pharmaceutical expenditure, 2000-2009.**

(d) In terms of quality of services, access and affordability

- **Italy joins Greece and Portugal on account of the low ratings given by citizens to the quality, accessibility and affordability of hospital care and services provided by medical specialists.**

2.1 The magnitude of fiscal constraint

Public expenditure trends

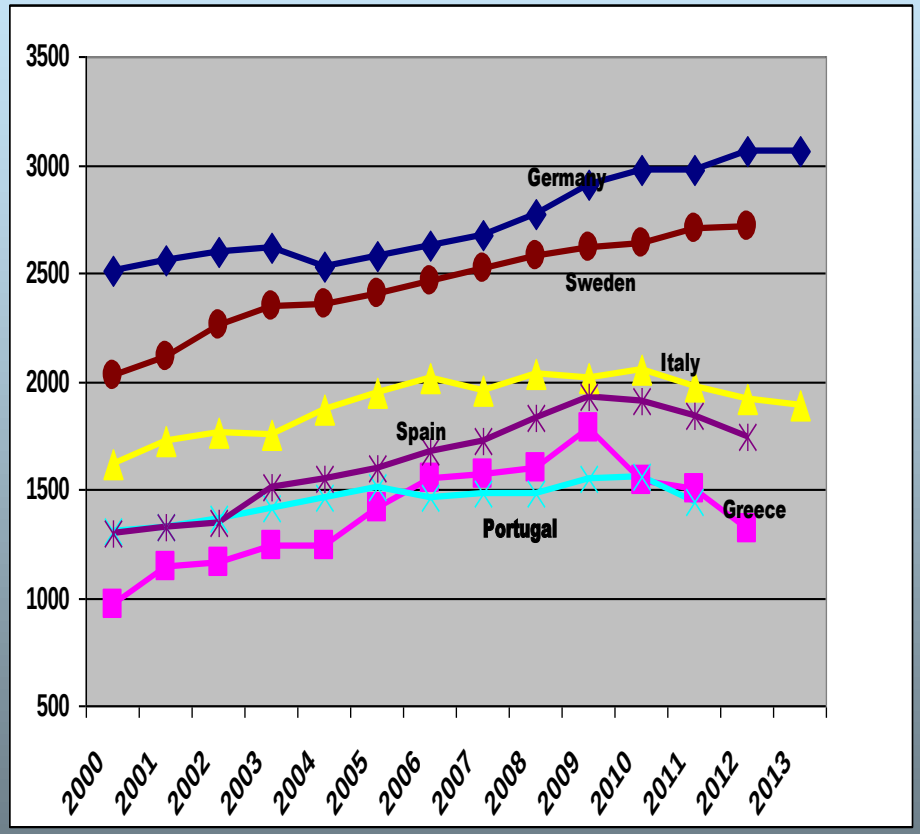
	Average annual change rate of per capita public health expenditure, in real terns (NCU at 2005 CPI prices)	Per capita public expenditure on health (US$ purchasing power parity, at constant 2005 prices)		
	2009-2012	2000	2009	2012
Greece	-11.8	949	1799	1316
Italy	-2.4*	1562	1957	1842**
Portugal	-7.9	1255	1488	1248
Spain	-5.7	1255	1864	1712
EU-15	-	1720	2414	2354

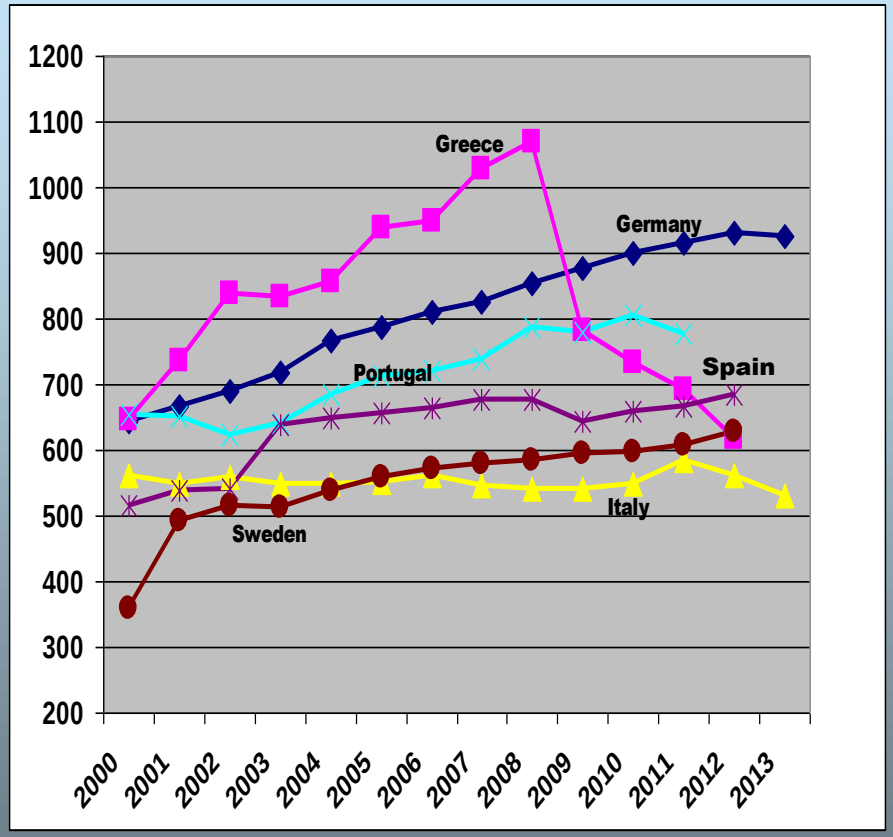
Source: OECD health statistics

* For Italy: 2013

Public health expenditure per capita **Private health expenditure per capita**

(US$ Purchasing Power Standards, at constant 2005 prices)





Source: **OECD health statistics**

In a nutshell:

- **Greece: drastic rollback of public spending**
- **Portugal: significant decline**
- **Italy & Spain: modest decline in the first years of the crisis, to intensify afterwards**

2.2 Policy options & tools

- **Shifting the cost to the patients and limiting access**
- **Controlling drug spending (controlling prescribing patterns, drug pricing and profit margins)**
- **System reorganisation: Downsizing the hospital sector**
- **Pay and hiring freeze of healthcare personnel**

However, policy options exhibit opposite directions (particularly in the bailout countries)

- **For instance, reigning in drug expenditure through e-prescribing and e-diagnosis systems, developing clinical protocols and new pricing rules for pharmaceuticals may increase efficiency savings.**
- **Yet, at the same time, measures are deployed that shift the cost of care away from the state (diminishing range of service coverage, public health sector downsizing, rapidly increasing user charges).**
- **Also, staffing cuts, drastic reductions in health personnel salaries (and increase of overtime work with drastically reduced payment) greatly strain workforce capacity that may lead to seriously sacrificing quality (or even safety).**

Hence the question that arises for the bailed-out countries is

- **how far the changes under way signpost a "silent" shift towards a universalism of basic provisions.**

Evidence of increasing uncovered medical need even among middle-income groups is an undisputable sign of such a turn.

3. The impact of austerity-driven reforms on health outcomes: an Initial assessment

- **Life expectancy at the age of 65 increased in all countries between 2004 and 2012. But, with the exception of Spain healthy life years decreased (this is mostly evident in Italy)**
- **Infant mortality improved over the 2000s, but a slight reversal of the trend is recorded in the last few years for Greece (in parallel with a small increase in underweight newborns)**

In Greece

- **Cardiovascular diseases, mental disorders and some infectious diseases (like malaria) are on the increase, as are also “unhealthy practices” (like alcohol and drug abuse)**
- **Increasing suicide rate (by 40% between 2009 and 2012)**
- **Cutbacks in drug addiction treatment have caused a ten-fold increase in HIV cases by injecting drug-users between 2004 and late 2011**

To conclude
(on the question “where is reform headed?”)

- **None of the four countries has so far overtly promoted the marketisation (and privatisation) of healthcare.**

In Italy

- The gap between the original aims of a universal NHS and its actual effects on barriers to access was evident well before the crisis began
- Planned cutbacks and drastic increases in user charges will place a large part of healthcare out of the direct financial and operational control of the state.

In Spain

- **Reforms have so far been moderate pointing towards incremental adjustments in system governance, recalibration and fiscal fine-tuning**

- **Yet increasing differences among regional health care systems and a mounting tension between professionals and governments are among the negative aspects of the management of the crisis.**

In Greece & Portugal

- **a controversy permeates reforms**

Some measures are in the right direction in tackling serious functional and financial problems.

But large-scale public spending cutbacks and a range of policy measures shift the cost of care away from the state.

- **Overall, the magnitude of fiscal constraint and the accompanying reforms indicate a major rethink (even if not explicitly formulated) of the financial and institutional assumptions of publicly operated health systems.**

Most importantly, increasing barriers to prevention and healthcare (mainly in Greece, less so in Italy and Portugal)

- **may cause an eruption of expensive morbidity in the future that is highly likely to have a "boomerang" effect on fiscal retrenchment that is the flagship of the reform**