

## **Informal Meeting of Health Ministers**

28-29 April 2014, Athens, Greece

### **Economic crisis and healthcare**

#### **Discussion Paper**

##### **1. Introduction**

The international financial and economic crisis which started in 2007 had a serious impact on basic macroeconomic indicators such as GDP, income and unemployment causing major social and political consequences in a number of EU Member States. The financial crisis led to budgetary constraints and austerity measures, particularly in the Member States most affected by recession, with direct impact on the financing of the health systems and their sustainability.

Health expenditure represents a large share of the total public spending and, consequently there is enormous pressure to reduce expenditures and increase effectiveness and efficiency of health systems. Unemployment in many Member States is very high adding extra challenges to the healthcare systems, which are already under pressure from a number of factors: increasing cost of healthcare, ageing population associated with the rise of chronic diseases and multi-morbidity, rapid technology diffusion, shortages and uneven distribution of health professionals, and increasing citizens' expectations. The challenge is how to increase cost-effectiveness and ensure universal access to high quality healthcare.

##### **2. Impact of economic crisis on health status and healthcare systems**

According to existing literature economic crises can have immediate effects like deterioration of health status, as measured by self-reported measures, worsening of mental health status, and health behaviour changes, while health effects in mortality may take longer to manifest.

Financial crisis and economic recession are associated with increase in mental disorders, suicides, addiction problems and substance abuse, adoption of less healthy lifestyle behaviours, including nutrition and physical activity and general poorer health status<sup>1</sup>. There is also evidence suggesting that the financial crisis has an effect on the spread of infectious disease and influences Member States ability to prevent or respond to infectious diseases<sup>2</sup>.

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<sup>1</sup> Eurofound (2013) Impacts of the crisis on access to healthcare services in the EU, Dublin

<sup>2</sup> European Centre for Disease Prevention and Control. Health inequalities, the financial crisis, and infectious disease in Europe. Stockholm: ECDC; 2013

The effect of the crisis is not the same across all population groups<sup>1</sup>. Most vulnerable groups including the unemployed, the elderly, chronic patients, and migrants face a greater risk of being affected. At the same time, as the economic recession deepens, health inequalities are likely to widen<sup>3,4</sup>.

Economic crisis may put a strain on the healthcare systems due to decreased public funding resources and people's lower available income. The latter, has led to increased demand for public sector health services in some countries<sup>1</sup>. While the effect of crisis on a health system depends on its condition before crisis struck as well as on policy responses, affordable access to healthcare during economic downturn emerges as a major issue<sup>5</sup>.

### **3. Impact of the current economic crisis in EU member states**

Out of the 28 Member States, only one country has not experienced a decline in annual real gross domestic product (GDP) in any year between 2007 and the 2013 forecast (Eurostat, 2013). All other Member States have experienced at least one year of decline in real GDP of between 2.8% (Belgium and Malta in 2009) and 17.7% (Latvia in 2009) since 2007. Decline has been most pronounced and prolonged in Cyprus, Croatia, Greece, Ireland, Italy, Spain, Latvia, Portugal and Slovenia<sup>6</sup>.

The EU(28) unemployment rate was 10.8% in January 2014, the lowest rate having been recorded in Austria (4.9%) and the highest in Greece (28%). Greece has also the highest rate of youth unemployment (59%) in the EU(28) area<sup>7</sup>. High unemployment rate and wage cuts decreased household income particularly in countries hit by the economic crisis. The number of people living in households without any income from work has doubled in Greece, Ireland and Spain<sup>8</sup>.

Total health spending decreased in the majority of OECD countries between 2009 and 2011. The harder the impact of the economic crisis, the greater the decrease was. Greece and Ireland had the greatest fall in per capita health expenditure growth rate between 2009 and 2011 (11.1% and 6.6% respectively)<sup>9</sup>. Particularly worrying is the fact that the majority of the OECD countries reported cuts to spending on prevention programmes.

Economic difficulties, rising unemployment and extensive cuts in health spending and social expenditure have negative effects in people's health and health systems. The health effects of the current recession are not yet fully revealed. However, some changes have been recorded which give an indication of what to expect in the long term.

Self-rated health has worsened in some Member States including Greece<sup>10</sup> and mental health problems are amongst the consequences of the crisis and present an increase in Member States hit by the economic crisis<sup>11, 12</sup>, while there was an increase in incidence of HIV and infectious

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<sup>3</sup> Kondo N, et al (2008) Economic recession and health inequalities in Japan: analysis with a national sample, 1986–2001. *Journal of Epidemiology & Community Health*, 62: 869–75

<sup>4</sup> Edwards R (2008) Who is hurt by procyclical mortality? *Social Science & Medicine*, 67 (12): 2051–8

<sup>5</sup> Eurofound (2013) Impacts of the crisis on access to healthcare services in the EU, Dublin

<sup>6</sup> Eurofound (2013) Impacts of the crisis on access to healthcare services in the EU, Dublin

<sup>7</sup> Eurostat (2014) <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

<sup>8</sup> OECD, Society at a glance 2014, Available at <http://www.oecd.org/els/soc/OECD2014-SocietyAtAGlance2014.pdf>

<sup>9</sup> OECD Health at a Glance 2013 Available at [www.oecd.org/health/healthataglance](http://www.oecd.org/health/healthataglance)

<sup>10</sup> Zavras D, Tsiantou V, Pavi E, Mylona K, Kyriopoulos J. Impact of economic crisis and other demographic and socioeconomic factors on self-rated health in Greece. *European Journal of Public Health*, 2013;23(2):206-210

<sup>11</sup> Madianos M, Economou M, Alexiou T, Stefanis C. Depression and economic hardship across Greece in 2008 and 2009: two cross-sectional surveys nationwide. *Social Psychiatry and Psychiatric Epidemiology* 2011; 46(10):943-952

diseases outbreaks<sup>13</sup>. Since the economic crisis in 2008, suicides increased in Europe and USA, especially among men and in countries with higher levels of unemployment<sup>14</sup>.

Although most EU Member States have universal coverage and systems in place to support vulnerable groups in accessing healthcare, in practice many people have problems in accessing healthcare services when they need them.<sup>15</sup> People with low income are more likely to report unmet needs compared to people with higher income. The crisis has posed challenges in access to healthcare services particularly for the most vulnerable population groups and directly affected by the crisis such as people with low income, unemployed, multi-dimensional deprived poor and excluded population groups. For example in Greece half of the long term unemployed lost their social health insurance coverage and are dependent on the public health system.

Many challenges to healthcare are unrelated to the crisis as for example waiting lists. Nevertheless, the recent financial and economic crisis have affected healthcare services and it is likely to have increased demand for certain services and demand for public healthcare services.<sup>16</sup>

#### **4. Policy responses: challenges and opportunities**

The impact of the economic crisis was not the same in all EU Member States. Member States were at very different starting-points regarding the performance of their health systems and the health status of the population, and their health systems showed different degrees of resilience. However, all EU Member States, to a bigger or a lesser degree, were forced to constrain their health budgets in order to deal with the fiscal tightening and introduced policy reforms and interventions towards protecting peoples' health and ensuring the long term sustainability of their health systems.

All Member States, in an effort to address the prevailing economic, social and healthcare needs, introduced reforms and policy measures focusing on three policy areas: a) funding of the health system, b) extent, type and range of health coverage, and c) health services planning, purchasing and delivery<sup>17</sup>. Specific measures included strengthening primary health care; reforming the hospital network; improving the financial management and greater monitoring of expenditure; better distribution of resources; improving the pricing and reimbursement system; reducing pricing for pharmaceuticals and promoting better use of medicines and procurement practices as well as more rationale prescribing and dispensing including generic substitution and international non-proprietary name (INN) prescribing; promoting e-health applications including ePrescribing and enhancing innovation.

In Greece, for example, the economic crisis acted as a catalyst for a quicker implementation of health sector reforms. These included consolidation of the health sections of the Insurance Funds in one new Organisation (EOPYY), introduction of a new hospital reimbursement system based on Diagnosis Related Groups (DRGs), pricing and reimbursement of pharmaceuticals, e-Prescribing

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<sup>12</sup> Xavier Bartoll, Laia Palència, Davide Malmusi, Marc Suhrcke, Carme Borrell. The evolution of mental health in Spain during the economic crisis. *European Journal of Public Health*, 2013 <http://dx.doi.org/10.1093/eurpub/ckt208>

<sup>13</sup> Kondilis E, Giannakopoulos S, Gavana M, Ierodiakonou I, Waitzkin H, Benos A. "Economic crisis, Restrictive policies and the population's health and health care: The Greek case." *American Journal of Public Health* 2013;103(6): 973-980

<sup>14</sup> Chang S, Stuckler D, Yip P, Gunnell D. "Impact of 2008 global economic crisis on suicide: time trend study in 54 countries." *BMJ* 2013; 347: doi: 10.1136/bmj.f5239

<sup>15</sup> Eurofound (2013) Impacts of the crisis on access to healthcare services in the EU, Dublin

<sup>16</sup> Eurofound (2013) Impacts of the crisis on access to healthcare services in the EU, Dublin

<sup>17</sup> Thomson S, Figueras J, Evetovits T, et al. Health, health systems and economic crisis in Europe. WHO 2013

and increase in the use of generics, hospital management and optimum distribution of health professionals and better allocation of hospital beds and Clinics. At the centre of the reforms is the reorganisation of the primary health care with the establishment of a Primary Health Care National Network (PEDY) along with measures aiming at counterbalance the accessibility problems of the population who lost their health insurance coverage, like the introduction of the “health voucher” and the universal access to PEDY irrespective of the health insurance coverage status.

Central to the development and implementation of the health reform programme in Greece was the international co-operation and partnerships, including the technical support of the Task Force for Greece of the European Commission and of a number of EU Member States and of WHO/Europe, which constitutes an example of how Europe can work together. A priority area of work which is underway is the development with WHO/Europe of a tool for Monitoring Financial Crisis Impacts on Health and Health System in Greece.

## **5. Policy tools more likely to increase efficiency and sustainability**

EU health systems have not coped equally well with the economic crisis and some have had to implement major and sometimes painful reforms in a very short time.<sup>18</sup> Although, there is not yet conclusive evidence on the effectiveness of the introduced policies in increasing the efficiency of the healthcare system, due to either lack of up-to-date data or because many of these have long term effects, it has been reported that some policy responses appear likely to enhancing the efficiency of the health system.

Building on experience of recent reforms a number of key factors can be identified contributing towards more effective, accessible and resilience health systems based on common values<sup>19</sup>. These factors include, inter alia, stable funding to ensure planning and continuity in the provision of services; a consistent system of risk adjustment and risk pooling to ensure that resources are spent according to the needs; HTA to assist in setting priorities; cost effective use of medicines combined with measures to promote rational prescribing and dispensing; shifting from inpatient to day-care or ambulatory care, where appropriate and integration of primary care and secondary care, and of health and social care; better use of resources and equitable distribution of the health workforce; fostering interoperable e-health solutions and services towards reducing operating costs of clinical services and increasing quality of care and efficiency; reducing administrative costs while maintaining capacity to manage the health system and measures towards targeting poorer people and regular users of health care.

## **6. Specific challenges as priorities**

It is important to continue monitoring and evaluating the impact of the crisis on health systems across the European Union, as well as the policy responses and identifying best practices and key elements to create coping mechanisms and promote policy options. In this direction, the use of indicators like the ECHI and increase of information flows are considered valuable.

Universal access to quality health care along with effective prevention are key factors to address inequalities. Access to health care for vulnerable population groups should be ensured and strengthening health safety nets (basket of services) is of great significance especially in times of economic crisis.

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<sup>18</sup> Communication from the Commission on effective, accessible and resilient health systems, COM(2014) 215 final, 4.4.2014

<sup>19</sup> Council Conclusions on Common values and principles in European Union Health Systems, OJ C 146, 22.06.2006

The shift from hospital to primary healthcare and the implementation of ICT innovations and eHealth solutions will improve resilience of the health systems. Strengthening primary health leads to better health, reduces health inequalities and will constrain health expenditure since it is associated with less unnecessary hospitalisations.

Health system reforms need to be also examined in relation to the social and economic environment, including employment opportunities, productivity, poverty and social exclusion. People's health is shaped by many determinants (social, environmental) and co-operation with other ministries beyond the Ministry of Health is crucial in order to reduce health inequalities and face the roots causes of ill health and in this respect promoting "Health in all policies" is more crucial than ever.

**Ministers / Heads of Delegations are invited to consider the following questions in preparation for discussion:**

- Which are, in your opinion, the most effective factors to ensure the maximum resilience of our health systems so that they can quickly recover from the effects of the current crisis and are in a strong position to withstand any future ones (e.g. funding mechanisms, information flows, costing of health care intervention, workforce) ?
- How confident are we as Ministers for Health that all our citizens have access to the health care services they need and which services should absolutely remain in the basket of care in case of severe fiscal constraints?
- In all these areas can we identify concrete ways where our countries can work together to develop and implement the most effective policy responses including the development of appropriate tools?

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