European health systems are changing in response to the financial crisis but face barriers to implementing necessary reforms.

by Blog Admin

The financial crisis has affected almost every aspect of European governments' ability to maintain public services, and healthcare has been no exception. **Philipa Mladovsky** *and* **Sarah Thomson** *look at how health systems have responded to the financial crisis and find that there is substantial variation across Europe. Some countries were better prepared than others to cope with a fiscal shock, and countries using the crisis to address weaknesses in the health system have often found it difficult to introduce necessary reforms.*

European health ministers meet in Dublin next week to consider the impact of the financial crisis on health and health systems. In their discussions they will draw on a survey showing how almost every health system in the European Union has been affected by fiscal constraints associated with the crisis. Health sector responses to fiscal constraints between 2008 and 2011 fell into three categories: i) changes to public spending; ii) changes to health coverage; and iii) attempting to do more with available resources.

Changes to public spending: A third of EU countries made explicit cuts to the health budget, mainly those countries hit hardest by the crisis; Hungary and England froze health budgets, representing a cut in real terms; and Belgium, Denmark and France chose to stick to planned increases in public spending on health. Countries that rely on the labour market to finance health care were forced to compensate for revenue lost due to rising unemployment. Most did this by increasing payroll contribution rates and transfers from central government to the health sector, but a handful benefited from countercyclical policies put in place during the 'boom' years – the accumulation of financial reserves and other automatic stabilisers.

Changes to health coverage: Many countries tried to lower public spending on health by shifting costs to individuals. Around half of all EU countries increased user charges for essential services, particularly outpatient prescription drugs. Over a third reduced entitlement to specific services. This suggests a trend toward cuts in coverage, although some countries also reduced or removed charges to protect low-income groups. Policies that remove entitlement to health benefits for specific groups of people give cause for concern, but only Ireland and the Czech Republic went down this route.

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Attempting to do more with available resources: Latvia and Lithuania sped up plans to restructure the hospital sector through closures, mergers and centralisation. Ireland, Greece, and Lithuania introduced policies to shift care from inpatient to outpatient settings or improve coordination with primary care. Around a third reported restructuring key organisations (the Ministry of Health, statutory health insurance funds, other purchasing agencies) to reduce overhead costs. Two-thirds of countries introduced or ramped up policies to control spending on prescription drugs, with some success in driving down drug prices and switching to generics. A third reduced or froze health worker salaries and a few succeeded in lowering health service prices.

Three observations emerge from the survey. First, health system responses to fiscal constraints have varied across countries. While there is a clear pattern of cuts to public spending on health among the worst-affected countries, the mix of countries introducing reforms is eclectic. Some countries seem to have been very active, although the fiscal constraints they face are relatively mild. Those with the severest constraints have not always been as active or made changes in areas one would have expected, even when there is significant external pressure for change.

Second, some countries have tried to use the crisis to address weaknesses in their health system, but have not always found it easy to make necessary changes. One barrier to implementation has been resistance from powerful actors such as physicians and pharmaceutical companies. For example, in Ireland (where physician salaries are among the highest in the OECD) the government was able to negotiate lower pay for general practitioners and new hospital physicians only, leaving the salaries of existing hospital physicians untouched. In Greece pharmaceutical companies threatened to withdraw their products in response to proposed price cuts. In contrast, policies likely to affect more vulnerable groups – for example, higher user charges and cuts to spending on mental health and public health – seem to have been implemented without (or in spite of) challenge. Other barriers were the time needed to develop and introduce complex reforms; and the difficulty, in the context of budget cuts, of making upfront investments to produce long-term savings.

Third, some countries have been better able than others to cope with a fiscal shock, partly because they had anticipated and prepared for such an eventuality, for example by putting in place countercyclical measures such as accumulating reserves (Czech Republic, Estonia, Lithuania). This emphasises the importance of political vision and leadership in the health system.

Cross-country variations in response to the crisis are intriguing. Understanding them may shed light on important questions about how health systems can and should respond to fiscal shocks, about why some reforms are introduced and others are not, and about what it is possible to achieve, in terms of efficiency gains, when health systems face prolonged financial pressure. This is why we are now carrying out a larger study, with a new survey and detailed analysis of a smaller group of countries. Preliminary findings will be

presented to European health ministers at a high-level meeting in Oslo in April.

This article is based on a survey carried out by Philipa Mladovsky, Sarah Thomson, Jonathan Cylus and Divya Srivastava at the LSE, and Marina Karanikolos and Martin McKee at the London School of Hygiene & Tropical Medicine, working for the European Observatory on Health Systems and Policies in collaboration with Tamás Evetovits at the World Health Organization Regional Office for Europe.

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