Health Systems in the Era of Austerity / Dublin 2013

The experience of the Spanish Healthcare System in the Financial Crisis

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• SUMMARY / key ideas
  – Crisis, more exogenous than endogenous to the health system
    • Though there is health inefficiencies and internal sustainability challenges
  – Gov. Response: austerity: bad design, ideologically biased and ill governed
  – Paradox: under the pressure of the crisis, the government has the clout to implement necessary reforms, but because of governance deficiencies, this opportunity is getting lost.
• Economic and Financial Crisis
Nature of the crisis: six dimensions

- Recession
- Unemployment
- Structural deficit
- Growth of public debt
- High Interest rate
- Narrow structural changes: banks + labour market + austerity
1 Recesión severa tras una burbuja especulativa

<table>
<thead>
<tr>
<th>Previsiones PIB en 2012</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco España (enero)</td>
<td>-1,5</td>
<td>-0,2</td>
</tr>
<tr>
<td>Gobierno (julio)</td>
<td>-1,5</td>
<td>-0,5</td>
</tr>
<tr>
<td>FMI (octubre)</td>
<td>-1,5</td>
<td>-1,3</td>
</tr>
<tr>
<td>Analistas privados (Panel FUNCAS octubre)</td>
<td>-1,7</td>
<td>-1,5</td>
</tr>
<tr>
<td>OCDE (noviembre)</td>
<td>-1,3</td>
<td>-1,4</td>
</tr>
<tr>
<td>Comisión Europea (octubre)</td>
<td>-1,4</td>
<td>-1,4</td>
</tr>
</tbody>
</table>
Our particular nightmare: 2012: - 26% unemployment
• 2008: -4.5% GDP
• 2009 -11.2% (-9.6% structural component).
• 2010 -9.7%
• 2011 -9.4% (-6.5% structural component)
• 2012 - 8% (included subsidies to banks).

Longstanding structural Deficit in the public economy
Evolution of GDP / Public Expenditures in Health and Tax revenues (100 = 2002 base)

After a bubble growth

GDP
PUBLIC EXPENDITURE
TAX REVENUES

Taken from Prof. Juan Oliva presentation
Worsening sovereign debt

Worst deficit

Ireland

http://elpais.com/elpais/2013/04/22/media/1366656655_500946.html
Good public debt, but affected by the crisis

- 2007: 36.1
- 2008: 39.8
- 2009: 53.3
- 2010: 60.1
- 2011: 73.0
- 2012: 90.6

Fuente: The IMF (WEO Oct 2012)
Private debt: 3.65 times GDP

DOS DÉCADAS EN LA PRIMA DE RIESGO
Diferencial del rendimiento del bono a diez años con el bono alemán, en puntos básicos

1993
Recesión de los años noventa. La contracción económica apenas dura dos trimestres.

13-5-1993
Tercera devaluación de la peseta en nueve meses para combatir la crisis.

Carlos Solchaga

1er trim. 1994
Máximo histórico del paro (24,55%).

1-1-1999
Se crea la Eurozona. Se fija un tipo de cambio fijo de las monedas nacionales con el euro (1 euro = 166,386 pesetas)

13-12-2001

1-1-2002
El euro comienza a circular como moneda física.

11-7-2012
Mariano Rajoy anuncia el mayor recorte de la democracia (65.000 millones de euros).

20-7-2012
El Eurogrupo aprueba el rescate financiero para España.

6-4-2011
Rescate de Portugal

21-11-2010
Irlanda pide ayuda de la UE, BCE, FMI y Reino Unido.

2-5-2010
Primer rescate de Grecia (110.000 millones). Se inicia la política europea de austeridad a cambio de la creación de un fondo de rescate financiero.

2010
Las agencias de calificación quitan la triple A a España.

2º trim de 2007
El desempleo en España cae al mínimo en democracia, un 7,9%.

Average interest 3.42%
10 years bond...
Combination between spending reductions and tax increases in consolidation plans in the EU: taken from OECD.
Ranking of total tax revenue by Member States and EFTA countries in 2011 as a % of GDP

Source: Eurostat (gov_a_tax_ag)
• 2010/ Mayo: EU Grupo + ECOFIN: primera influencia fuerte internacional para que España corrija rápidamente desequilibrios.

• 2010/ Mayo: RDL 8/2010 (24 Mayo), el Presidente Zapatero inicia recortes, incluido el impopular del 5% del salario a empleados públicos.

• 2010/ Noviembre: Cataluña, elecciones; CiU gobierna y lleva un programa importante de recortes urgentes, con un claro contenido de reducción del gasto sanitario.


• 2011/ 22 Mayo: Elecciones autonómicas y municipales: derrota electoral del PSOE en medio de una fuerte pérdida de apoyo social al Gobierno de España.

• 2011/ 27 Septiembre: Enmienda “exprés” de la Constitución Española (para dar prioridad a la estabilidad financiera y al pago de la deuda).

• 2011/ 20 Noviembre: Elecciones Generales: El PP gana por mayoría absoluta; Rajoy Presidente.

• 2011/ Diciembre: Primer paquete de austeridad; RDL 20/2011, de medidas urgentes en materia presupuestaria, tributaria y financiera para la corrección del déficit pública.

• 2012/ Febrero: Real Decreto-ley 2/2012, de saneamiento del sector financiero.

• 2012/ Febrero: Real Decreto-ley 3/2012, medidas urgentes para la reforma del mercado laboral.

• 2012/ Marzo: Huelga general contra la Reforma Laboral.

• 2012/ Marzo: Elecciones en la CA Andalucía: contra el pronóstico de las encuestas el PP no puede gobernar en esta CA.

• 2012/ 27 Abril: Ley de Estabilidad Presupuestaria y Sostenibilidad Financiera (capacidad de intervención y condicionar políticas de las CCAA).

• 2012/ Abril: Reforma Sanitaria de Rajoy; RDL 16/2012: ASEGURAMIENTO, PRETACIONES Y COPAGOS.

• 2012/ Julio: Eurogrupo pone condiciones al sector financiero, y gobierno lanza nuevo paquete de medidas con subida del IVA al 21% (1 Septiembre), retribuciones, horarios y libranzas...

• 2012 / Agosto: Resolución por la que quedan excluidas una serie de medicamentos de la prestación farmacéutica en el Sistema Nacional de Salud.

• 2012 / 3 Agosto: RD 1192/2012 regulando la nueva condición de asegurado y beneficiario del SNS-exclusión inmigrantes el 1 de septiembre.

• 2012 /3 Septiembre (tercera reforma financiera): Real Decreto-ley 24/2012, de 31 de agosto, de reestructuración y resolución de entidades de crédito (importantes poderes al FROB y BE).

From May 2010 more radical stabilization policies.
MANY POLICIES BUT
• Banks bail out:
  • 13 billion government
  • 39.5 billion ESM
• Labour market reforms
• Cutting public expenditures
“You save banks but close hospitals...”
Austerity Policies in the Health System
Total Health Expenditure €p/c
Public Health Expenditure €p/c
NHS Expenditure €p/c
NHS initial budget €p/c
<table>
<thead>
<tr>
<th>PUBLIC ADMINISTRATIONS (S.13)</th>
<th>Expenditure over 2010 GDP</th>
<th>Expenditure over 2015 GDP</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 General public services</td>
<td>5.2</td>
<td>5.4</td>
<td>3.9</td>
</tr>
<tr>
<td>02 Defense</td>
<td>1.1</td>
<td>0.8</td>
<td>-30.4</td>
</tr>
<tr>
<td>03 Public order and security</td>
<td>2.1</td>
<td>1.5</td>
<td>-28.9</td>
</tr>
<tr>
<td>04 Economic matters</td>
<td>5.2</td>
<td>2.4</td>
<td>-53.0</td>
</tr>
<tr>
<td>05 Environmental protection</td>
<td>0.9</td>
<td>0.5</td>
<td>-43.9</td>
</tr>
<tr>
<td>06 Housing &amp; community services</td>
<td>1.2</td>
<td>0.5</td>
<td>-61.0</td>
</tr>
<tr>
<td>07 Health care</td>
<td>6.5</td>
<td>5.1</td>
<td>-21.5</td>
</tr>
<tr>
<td>08 Recreational activities, culture &amp; religion</td>
<td>1.6</td>
<td>0.8</td>
<td>-48.3</td>
</tr>
<tr>
<td>09 Education</td>
<td>4.9</td>
<td>3.9</td>
<td>-21.3</td>
</tr>
<tr>
<td>10 Social protection</td>
<td>16.9</td>
<td>16.1</td>
<td>-5.0</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td><strong>45.6</strong></td>
<td><strong>37.0</strong></td>
<td><strong>-19.0</strong></td>
</tr>
</tbody>
</table>
DOWNSIZING HEALTH SYSTEM

- Health care expenditure growth has been higher than GDP growth, flattening both in 2009.
- Taxation incomes dropped since 2007 jeopardizing the solvency of the system.
- Paramount measures taken in 2012 are expected to reduce the public expenditure in a 21.5%, down to a 5.1% of the Spanish GDP. No data available yet, except budgeting predictions.
COVERAGE (scope, depth and breadth)

- **CHANGES IN COVERAGE**, WITH UNCERTAIN ECONOMIC RATIONALITY, HAVE AFFECTED THE NATURE OF ENTITLEMENT – FROM CITIZENSHIP TO WORKER-BASED COVERAGE (SOCIAL SECURITY MODEL).

- **NON AUTHORIZED RESIDENT INMIGRANTS** ARE EXCLUDED FROM CONVENTIONAL COVERAGE (ONLY EMERGENCY SERVICES AND MATERNAL AND CHILD CARE).

- A BIG NUMBER OF ONGOING MEASURES HAVE BEEN ORIENTED TO REDUCE THE BASIC COVERAGE WHEREAS TWO NEW CATEGORIES (**SUPPLEMENTARY AND ACCESSORY SERVICES**) ARE EXPECTED TO BE SUBJECT OF DIFFERENT GRADES OF FUTURE COPAYMENT.

- **CURRENT DRUGS CO-PAYMENT** HAS BEEN INCREASED IN THE CASE OF ACTIVE WORKERS, AND HAS BEEN ENLARGED TO THE CASE OF PENSIONERS. IN THE SHORT-TERM, DRUGS COPAYMENT HAVE HAD AN EFFECT ON THE CONSUMER PRICES INDEX GROWTH.
**Basic Health Benefits**
- No cost sharing in medical services
  - Prescriptions of drugs
  - Non-emergency transport
  - Prosthesis & appliances
  - Dietetics

**Supplementary benefits**
- Very poor people / total exemption
  - Also long term unemployed without subsidy

**Accessory benefits**
- Not well defined (yet) cost sharing

**Autonomous Communities Benefits**
- With Region’s funds and if financial equilibrium met

**Cost Sharing**
- 60% >100,000 €/Y (Rich People)
- 50% >18,000, <100,000 €/Y
- 40% <18,000 €/Y

**Pensioner COPayment Monthly Caps / Income**
- 10% Pensioner
- 8.14€ <18,000 €
- 18.32€ 18,000, <100,000 €
- 61.08€ >100,000 €

**For some drugs (chronic conditions) 10% or top amount of copayment 4.20 €**

Depth and Breadth of Spanish NHS coverage after RLD 16/2012
The Austerity Tree: Lower and Upper Hanging Apples

**Reforms Macro-Systems**
- Public Health Policies
- Tertiary services planning
- Systems governance policies
- Personnel training and paying systems
- Knowledge Management
- Clinical Efficiency policies

**Reforms Meso-Systems**
- Contracting and financing systems
- Good governance and managers professionalization
- Clinical Governance
- Human resources: planning and roles (balance)
- Clinical Efficiency policies

**Reforms Micro-Systems**
- Systemic governance policies
- Management: the offer side adjustments
- Collecting purchasing networks
- Closure and mergers of centres
- Freezing stopping with bonuses for performance
- Unpredicted budget cuts
- Stop opening new centres or services
- Reduction of benefits

**Management: the offer side adjustments**
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- Collective purchasing networks
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**Quantity of production factors**
- Hospital and other services MERGERS
- No replace of sickness leaves or holidays
- Reduce shifts & out of hours
- NO replace retirements
- Unpredicted budget cuts
- Stop opening new centres or services
- Reduction of benefits

**Unit cost of production factors**
- Reducing staff
- No replace of sickness leave or holidays
- Wages (per unit of time)
- Payment of shifts and on call
- Price of drugs
- Reference prices for drugs
- Bargaining supply prices
- Exclusion of coverage (groups)
- Freezing investments

**Accessibility and coverage**
- Merger and new user charges
- More and new user charges
- Freezing investments
- Freezing training and research
- Freezing or stopping with bonuses for performance
- Good governance and managers professionalization
- Stop opening new centres or services
- Reduction of benefits

**Impact on human, knowledge and physical CAPITAL**
- Strategies for Chronic patients and clinical integration
- Knowledge Management
- Clinical Efficiency policies

**THE AUSTERITY TREE: LOWER AND UPPER HANGING APPLES**
• Internal and external sustainability
Managing efficiently inputs and support processes

Prioritize needs and select policies

1. Fiscal and budget unbalance
2. International financial pressure
3. Treasury pressure
4. International institutional pressure
5. Sector Austerity

Rising funds and finance decisions and policies

Professionals performance: doing the right things

6. Cutting resources
7. Organization's austerity

a) ICT + Information system + governance tools?
b) Knowledge and innovation influence and management
• Discussion of policy and governance dimensions
Economic and budgetarian crisis

- 2002-2008 pro-cyclical
- 2008-2010 paralysis: no timely reaction
- 2011-2012 drastic cost containment
- 2013-2014 exhausting austerity
Key points

• 1- Severe crisis environment: lack of confidence in prescribed solutions (IMF feed these doubts)
• 2- Institutional weaknesses of Spanish NHS to be addressed now
• 3- lack of health impact assessment and real concern with frail people
• 4 - bad labour climate in healthcare, though new professional commitment with NHS
• 5- changes in shared agenda: Government new vision of the NHS breaking the prior consensus
5

- Lessons
Story-line

• There has been in the past an expert consensus on how to reform the Spanish health system to make it more efficient, however, in the times of affluence and with major governance deficiencies those reforms were never implemented.

• Now in the financial crisis an austerity policy is introduced which has some elements that could lend themselves to support the efficiency gain agenda (empowering effect), however, the austerity policy also includes mere cost cutting elements.

• Ideological elements are introduced in a set of counter-reforming policies which brakes prior consensus.

• The austerity policy is badly formulated and only slowly implemented. There is a governance problem.

• The paradox is, that now under the pressure of the crisis, the government has the clout to implement necessary reforms, but because of governance deficiencies, this opportunity is getting lost.
It will take a lot of good health policy, sufficient budgetary support, reasonable timeframe for well modulated downsizing, alliance with professionals and excellent leadership and management, to avoid a path of further deterioration of the Spanish National Health System.