



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.**

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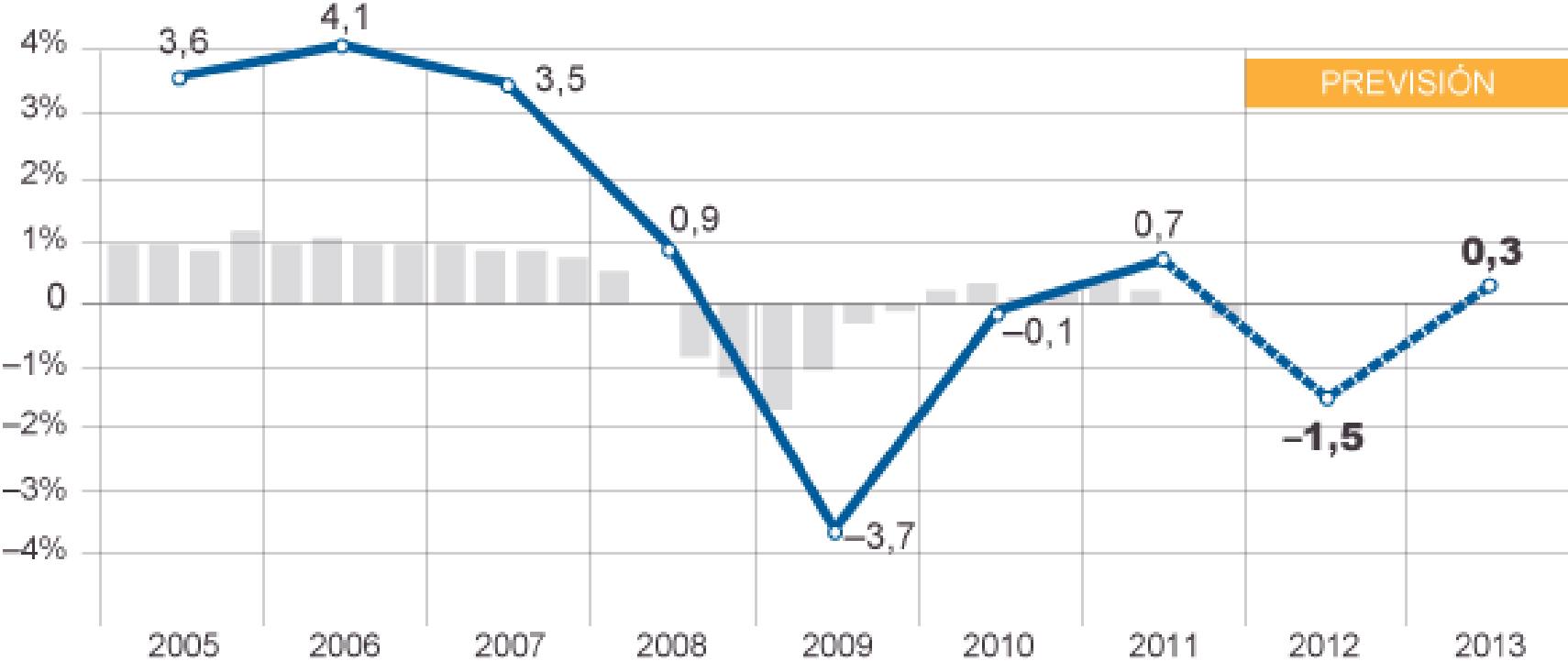
- Economic and Financial Crisis

Nature of
the crisis:
six
dimensions

- Recession
- Unemployment
- Structural deficit
- Growth of public debt
- High Interest rate
- Narrow structural changes: banks + labour market + austerity

EVOLUCIÓN DEL PIB ESPAÑOL

— Tasa interanual ■ Tasa intertrimestral



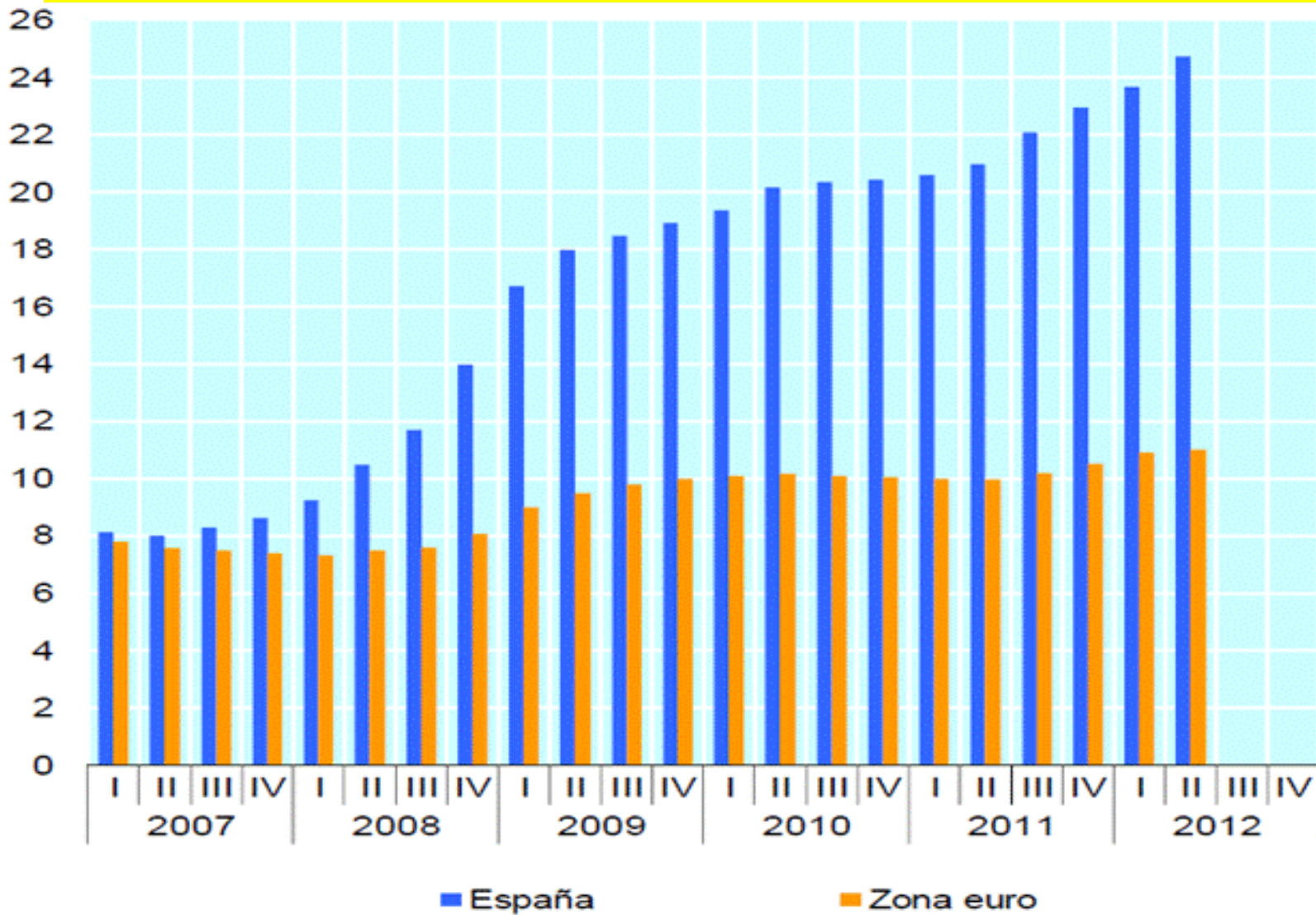
Fuente: INE

1 Recesión severa tras una burbuja especulativa

Previsiones PIB en 2012

	2012	2013
Banco España (enero)	-1,5	- 0,2
Gobierno (julio)	- 1,5	-0,5
FMI (octubre)	- 1,5	-1,3
Analistas privados (Panel FUNCAS octubre)	-1,7	-1,5
OCDE (noviembre)	-1,3	-1,4
Comisión Europea (octubre)	-1,4	-1,4

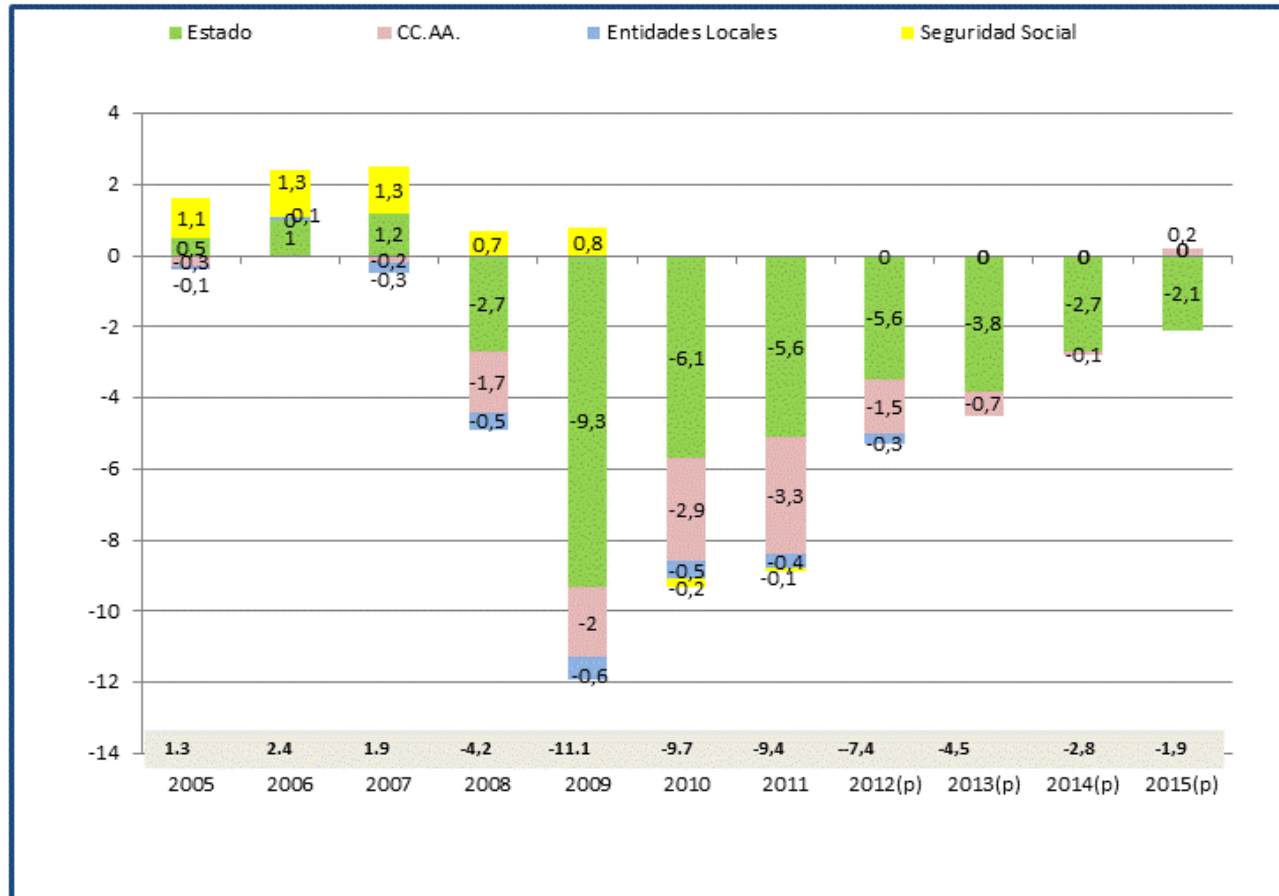
Our particular nightmare: 2012: - 26% unemployment



Fuente: Eurostat e INE (EPA).

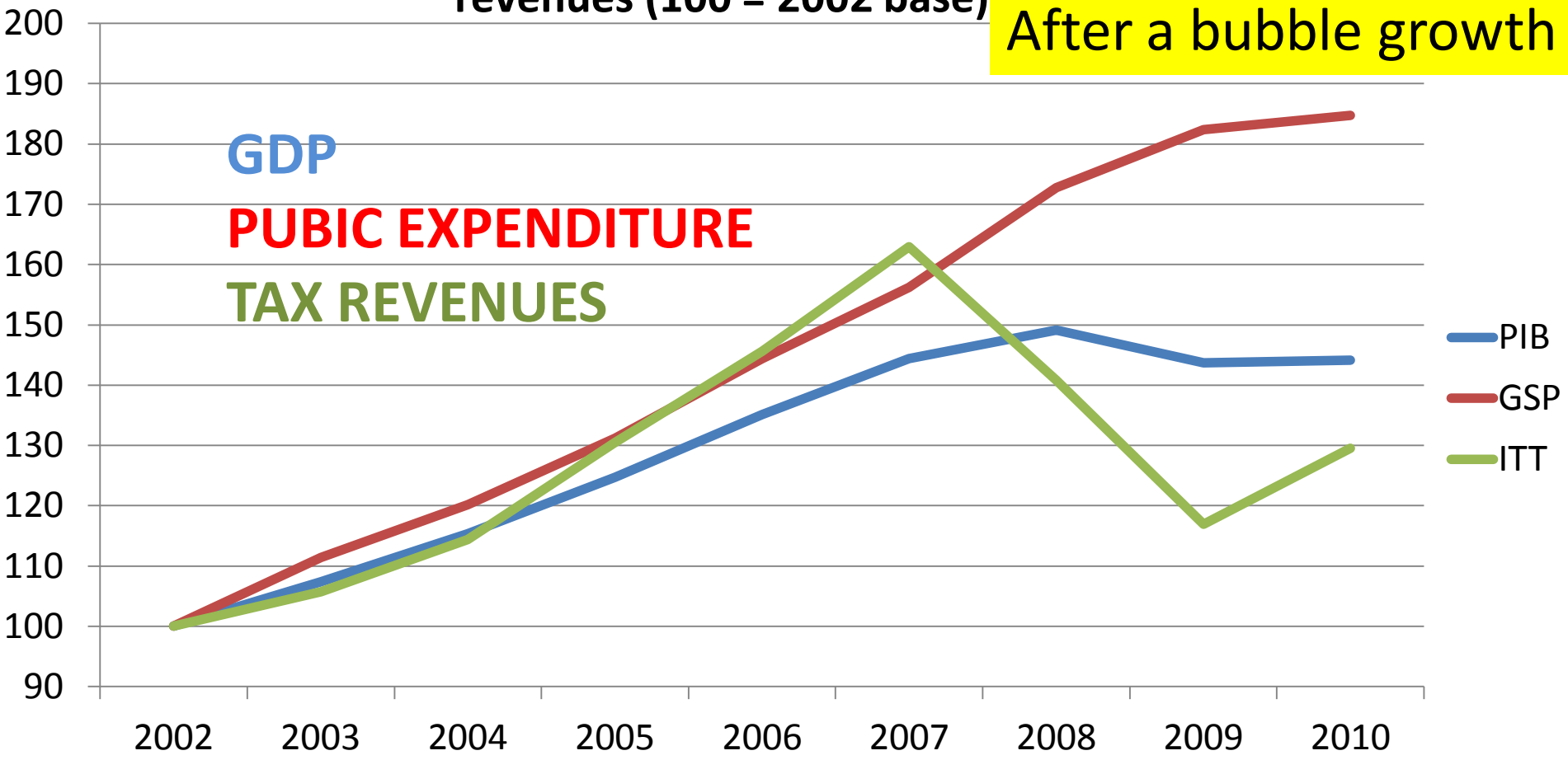
Longstanding structural Deficit in the public economy

- 2008: -4.5% GDP
- 2009 -11.2% (-9.6% structural component).
- 2010 -9.7%
- 2011 -9.4%
- 2012 -8% (included subsidies to banks).



Evolution of GDP / Public Expenditures in Health and Tax revenues (100 = 2002 base)

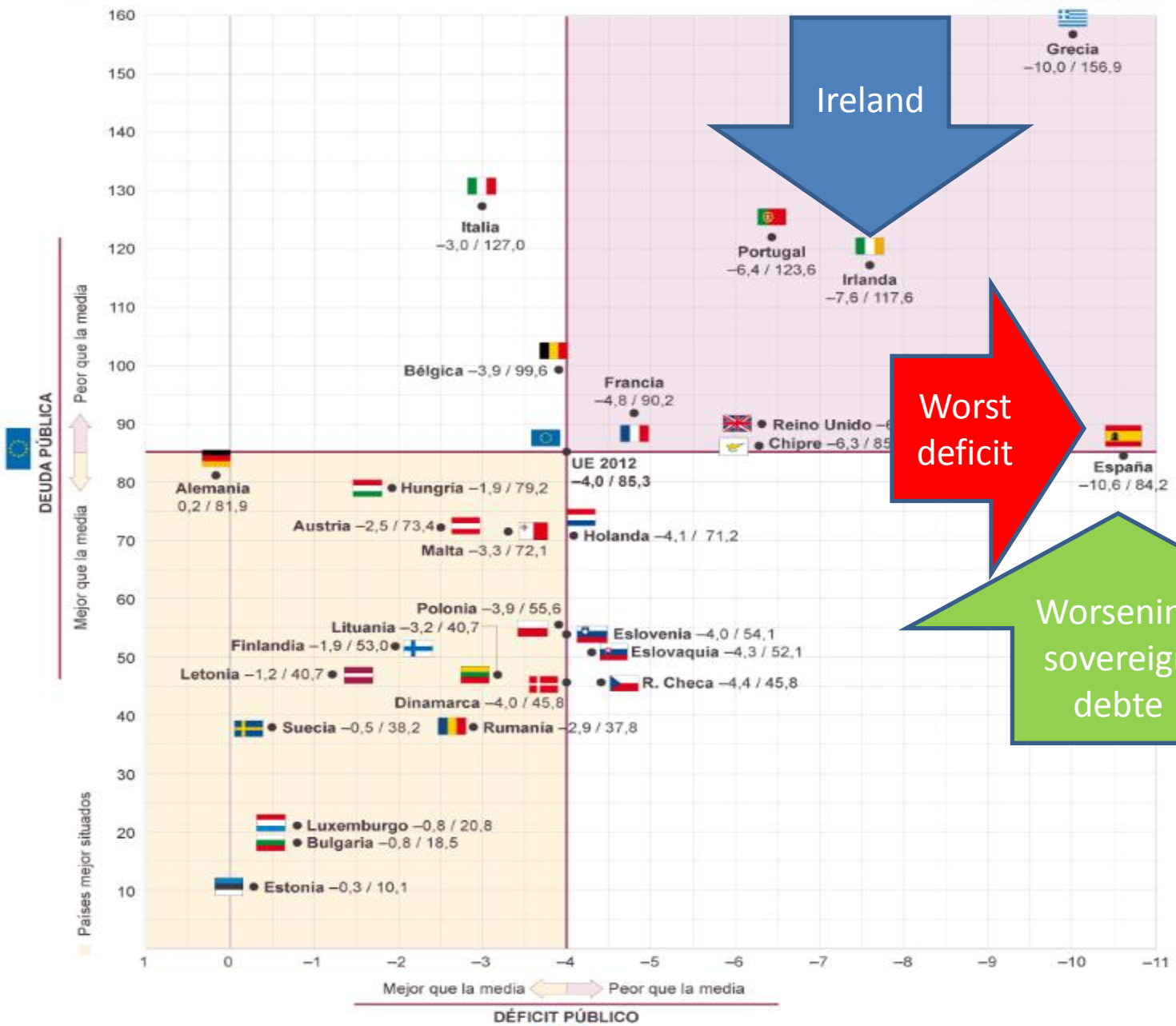
After a bubble growth



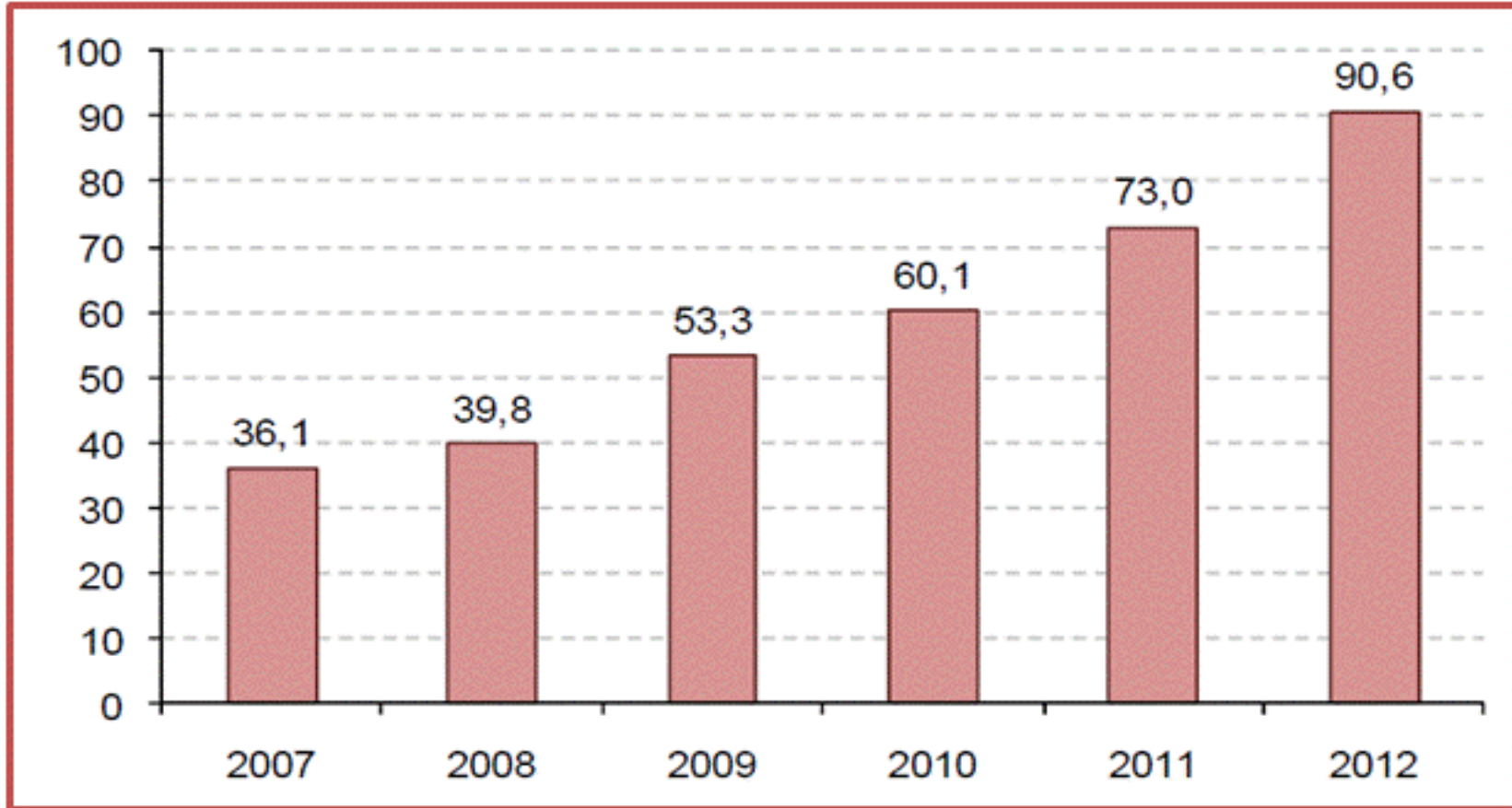
Taken from Prof. Juan Oliva presentation

► DEUDA PÚBLICA Y DÉFICIT DE LAS ECONOMÍAS EUROPEAS

En % del PIB. Año 2012

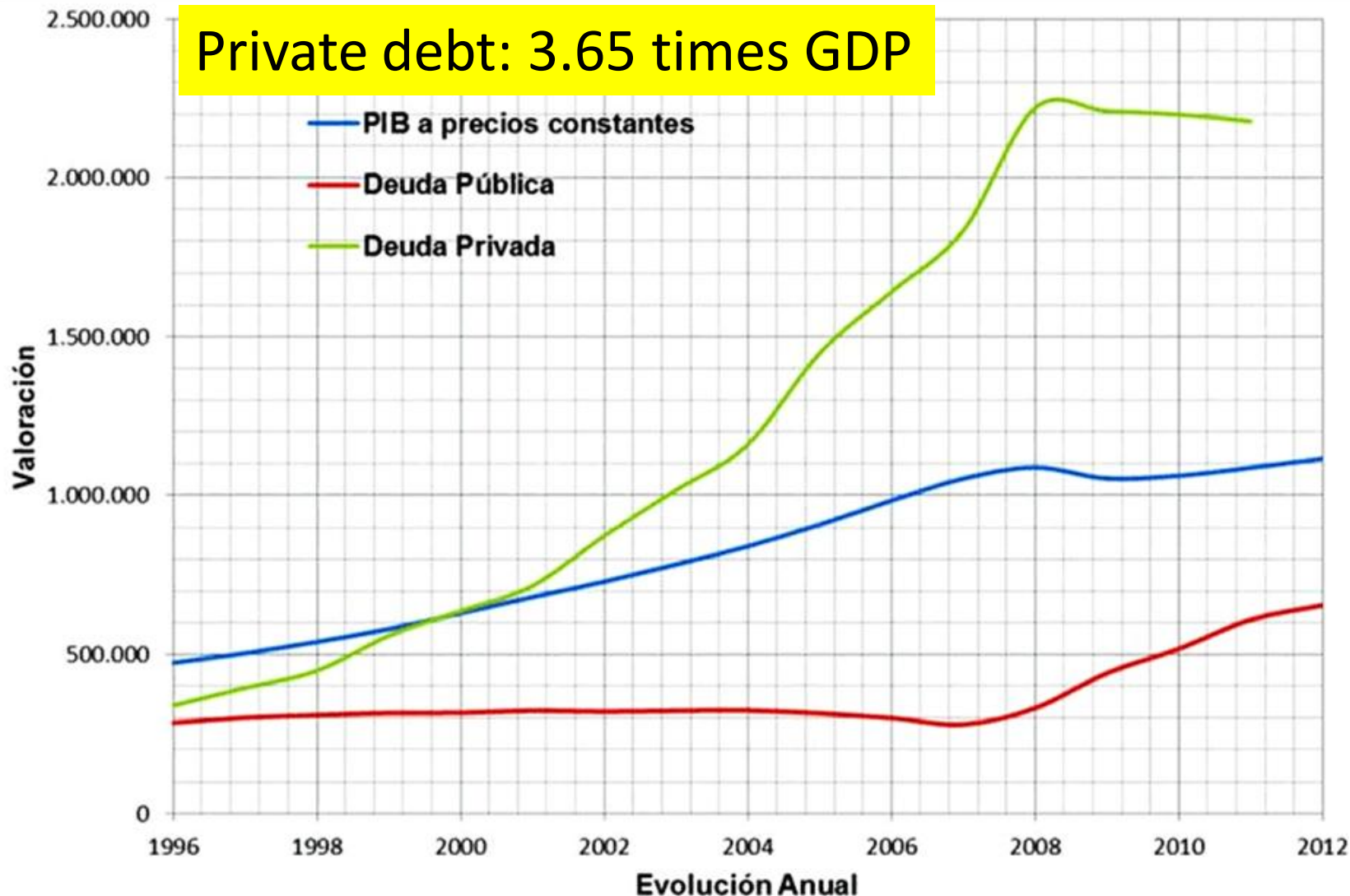


Good public debt, but affected by the crisis



Fuente: The IMF (WEO Oct 2012)

Private debt: 3.65 times GDP



<http://nauscopio.wordpress.com/2012/03/02/pib-versus-deuda-publica-y-privada-en-espana-1996-2011-se-cosecha-lo-sembrado-por-la-partitocracia-gobernante/>

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

9-6-2012

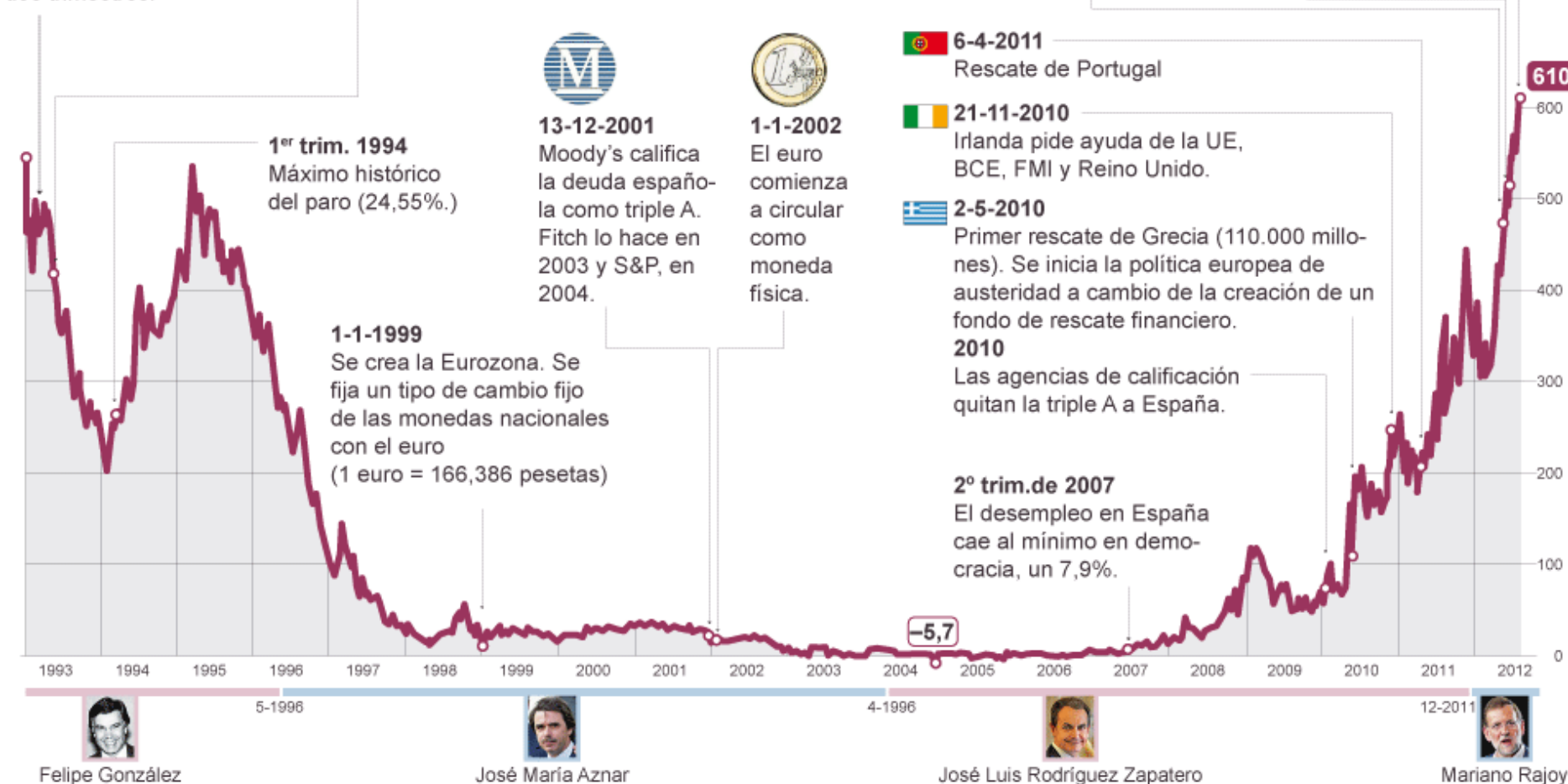
España anuncia que va a pedir 100.000 millones a la UE para rescatar a la banca.

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.

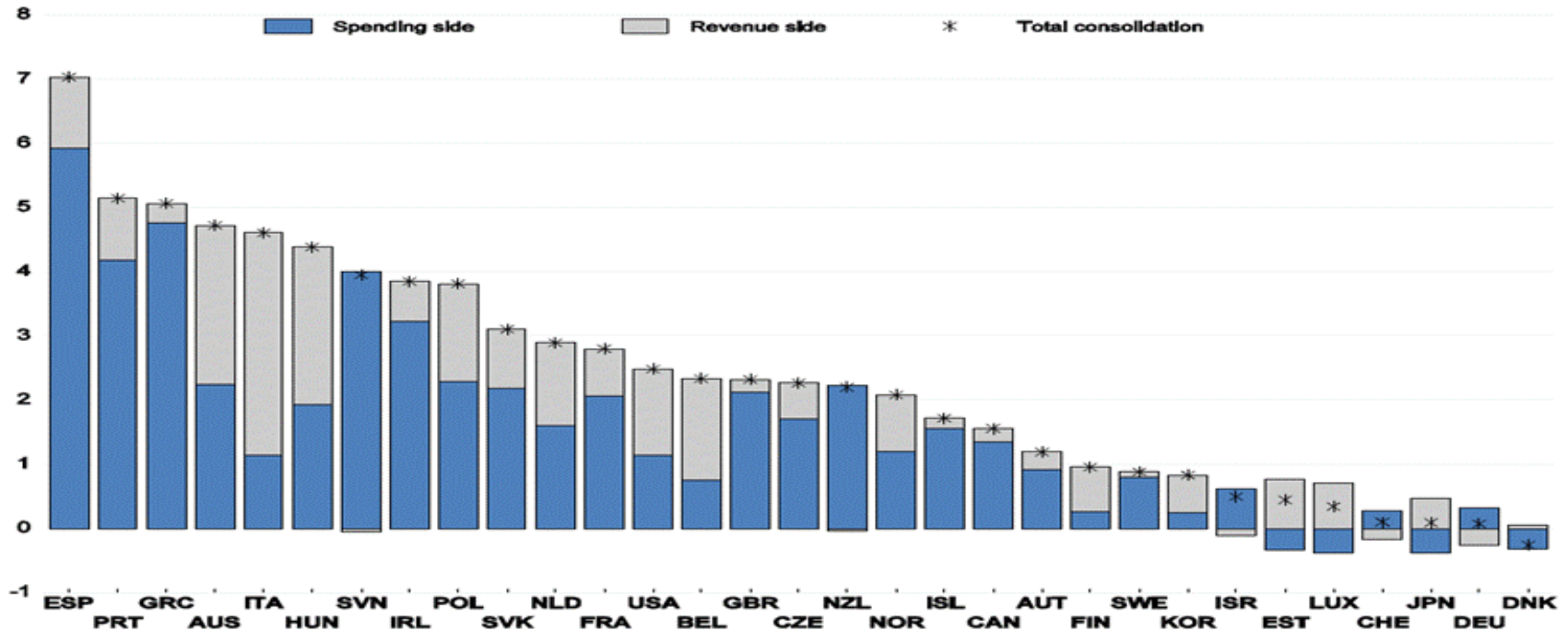


Average interest 3.42%
10 years bond...

http://www.iaia.com/iaia/1342813748_662403.html

Adjustment through reduction of expenses

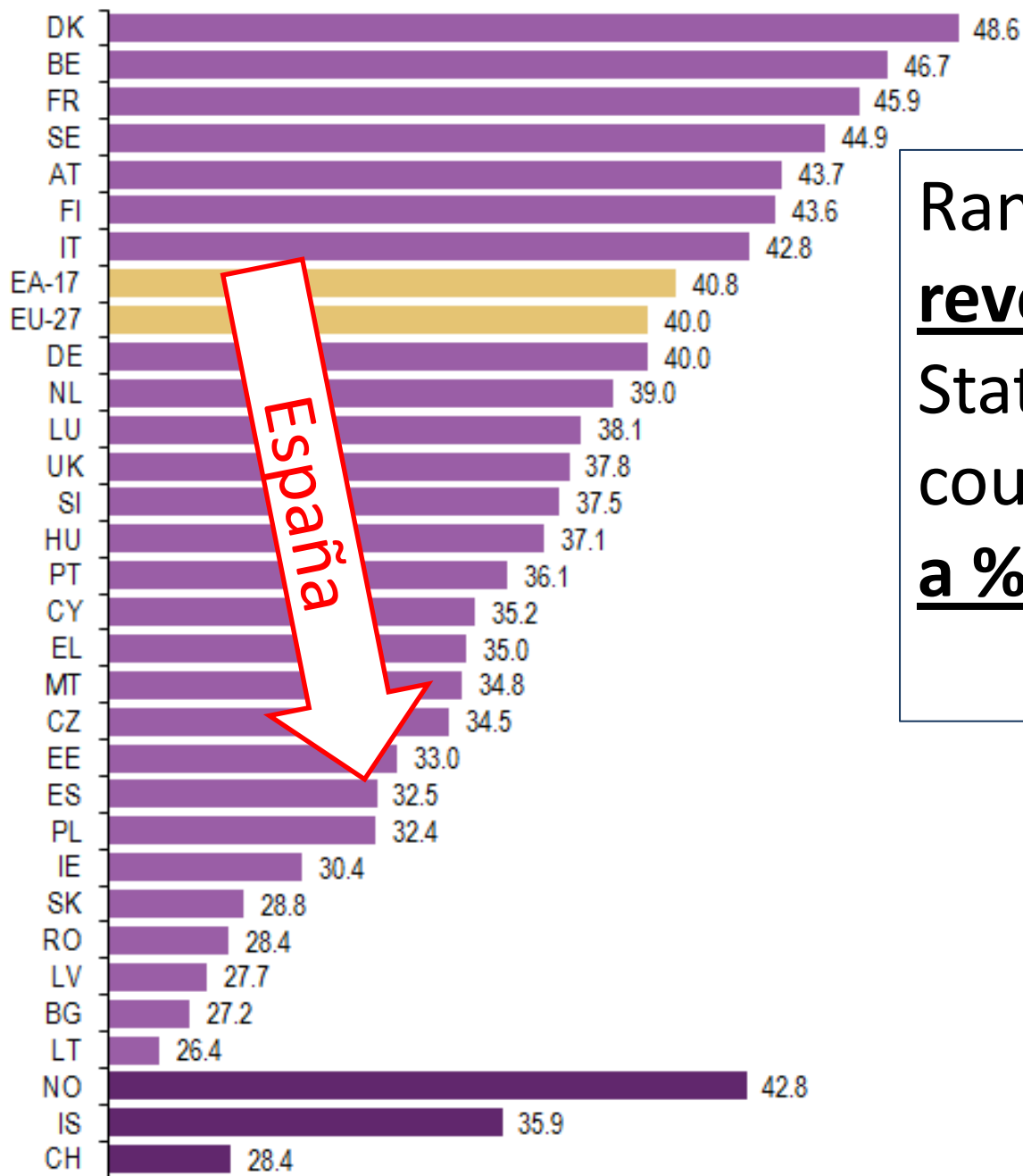
Fiscal consolidation plans combine spending reductions and tax increases
 Change in the underlying primary balance 2011-13, in per cent of potential GDP



Note: Total consolidation is the projected difference in the underlying primary balance; revenue side is the projected increase the underlying receipts excluding interest earned on financial assets; and spending side is the projected decline in the underlying primary spending excluding interest payments on debt.

Source: OECD Economic Outlook 91 database; and OECD calculations.

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 \(gov a tax ag\)](#)

From May 2010 more radical stabilization policies

- 2010/ Mayo: E
- 2010/ Mayo: R
- 2010/ Noviembre
- 2010/ Diciembre
- 2011/ 22 Mayo
- 2011/ 27 Septiembre: Enmienda "expres" de la Con
- 2011/ 20 Noviembre: Elecciones Generales : El PP gana por mayoría absoluta: Rajoy



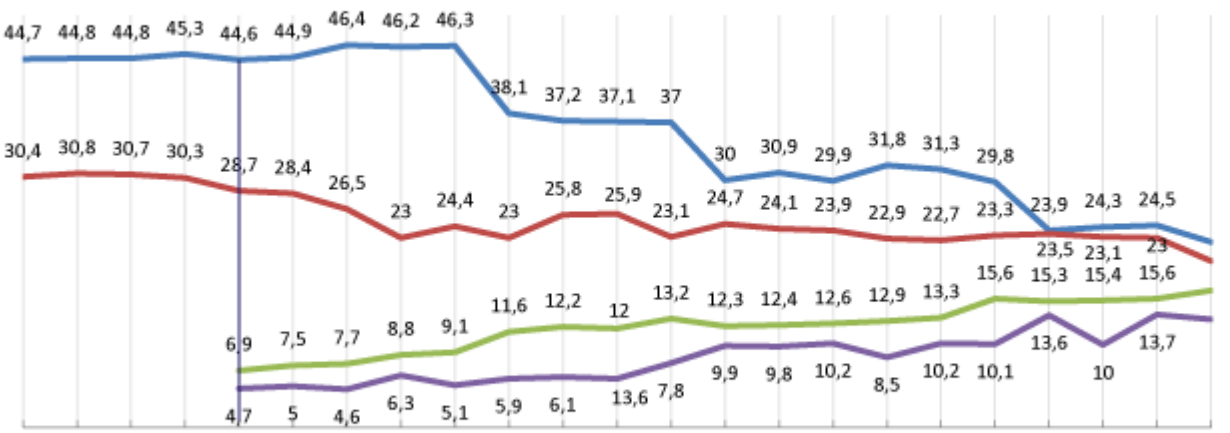
nera influencia fuerte internacional para que España corri
 presidente
 luido el impopular de
 U gobiern
 ortante de recortes urgentes, con un claro contenido de reducción del gasto sanitario.
 : paquete
 municipa
 SOE en
 da de apoyo social al Gobierno de España
 era y al pago de la deuda)

tribución
 corrección del déficit



ESTIMACIÓN DE RESULTADO ELECTORAL

En % sobre voto válido. Con supuesto de participación del 52%



- 2012/ Julio: Eurogrupo pone condiciones funcionarios, horarios y libranzas...
- 2012 / Agosto: Resolución por la que que
- 2012/ 3 Agosto: RD 1192/2012 regulandc
- 2012 /3 Septiembre (tercera reforma fina poderes al FROB y BE)

22,5% PP
 20,2% PSO
 16,6% IU
 13,1% UPD

MANY POLICIES BUT

- Banks bail out:
 - 13 billion government
 - 39.5 billion ESM
- Labour market reforms
- Cutting public expenditures

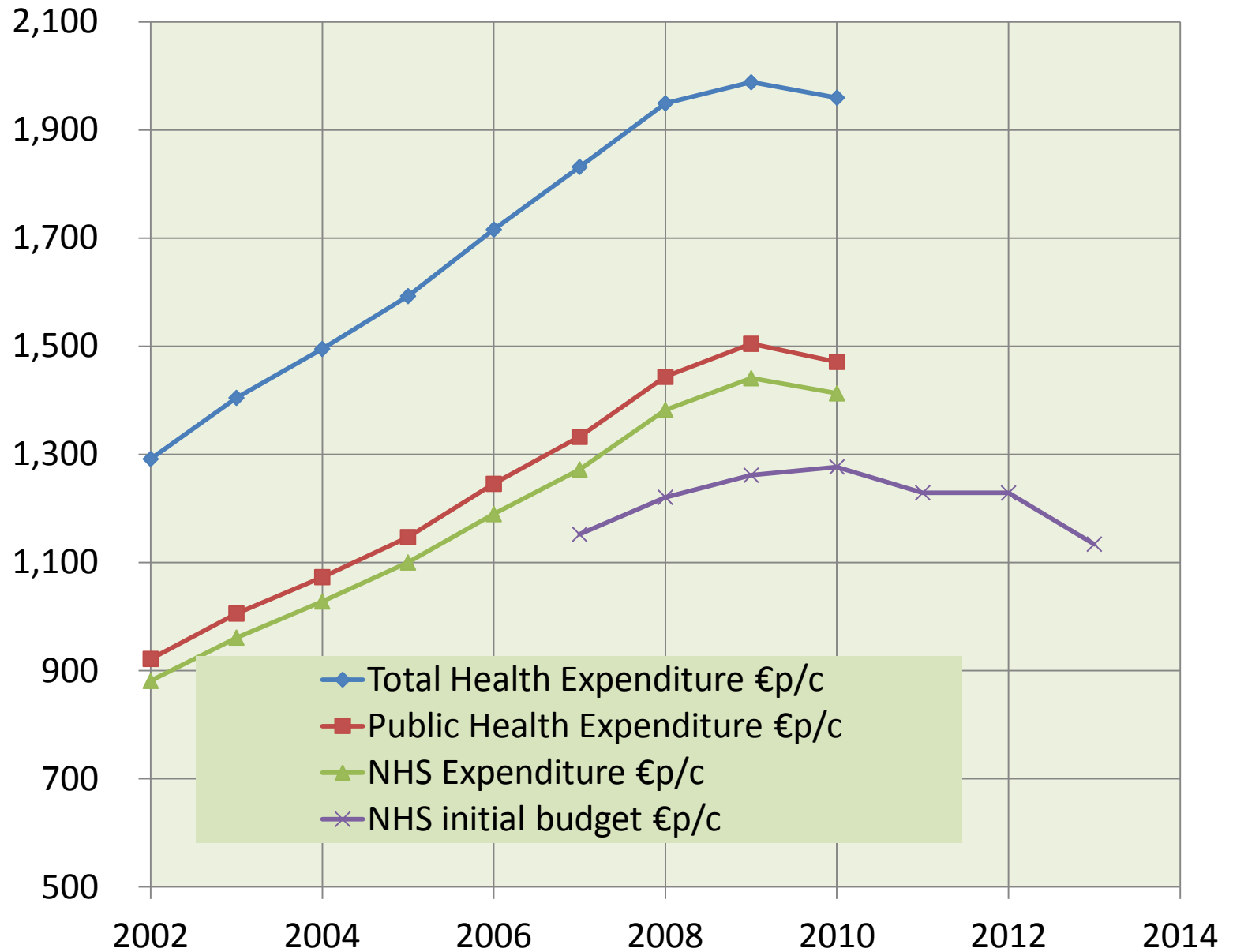


“You save banks but close hospitals...”



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- Austerity Policies in the Health System



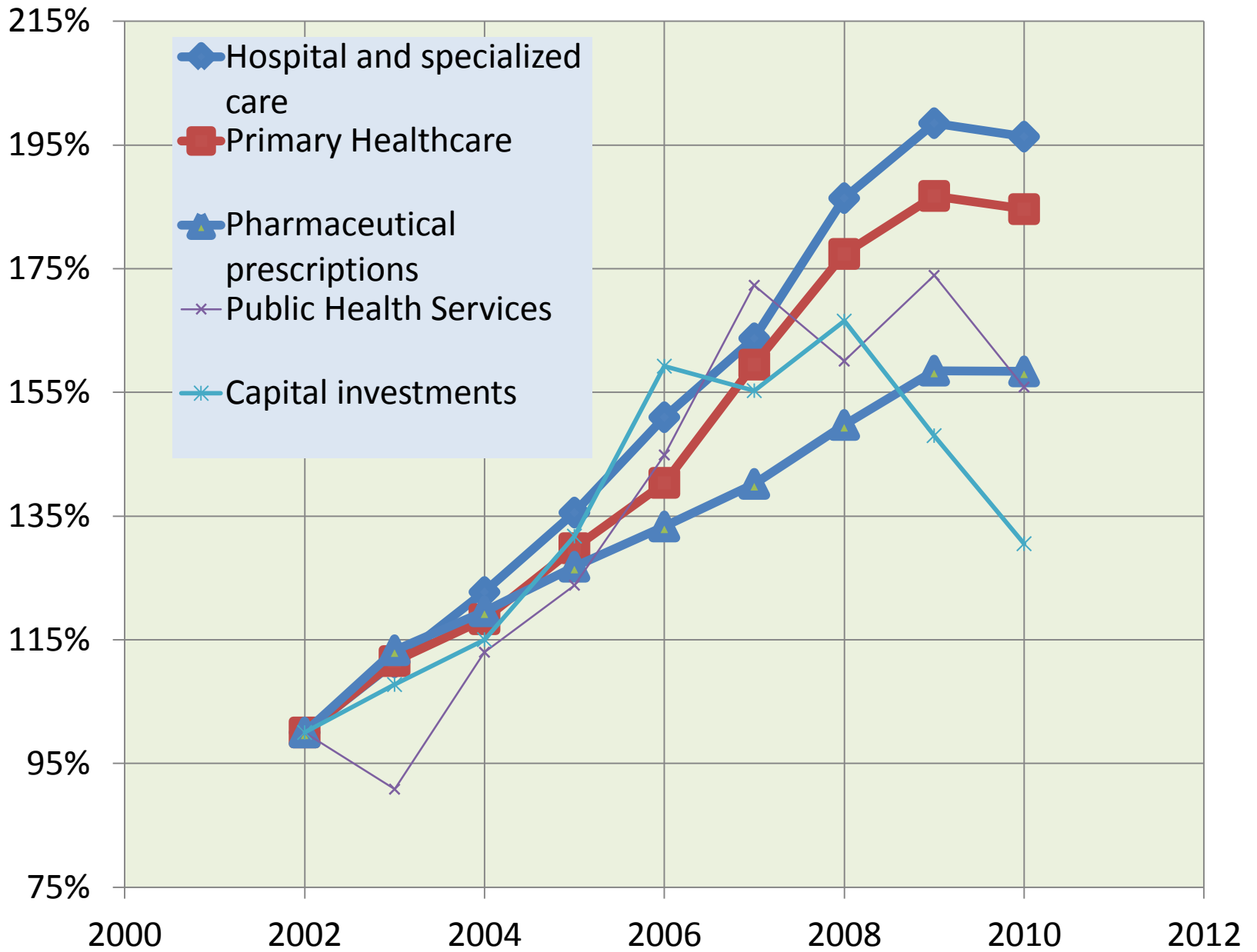


Table 3.3.5 Change in expenditure structure by function

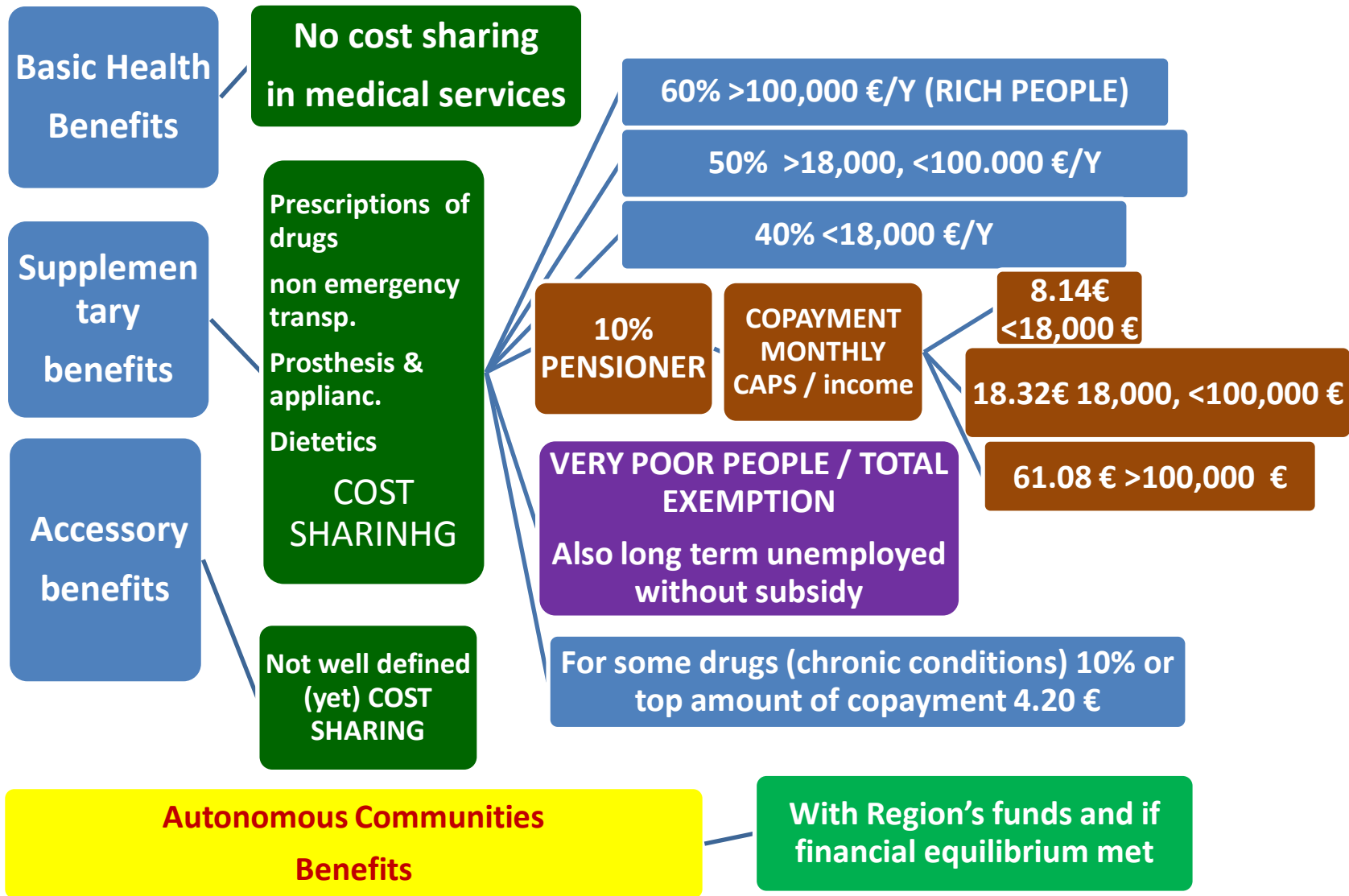
	Expenditure over 2010 GDP	Expenditure over 2015 GDP	% Change
PUBLIC ADMINISTRATIONS (S.13)			
01 General public services	5.2	5.4	3.9
02 Defense	1.1	0.8	-30.4
03 Public order and security	2.1	1.5	-28.9
04 Economic matters	5.2	2.4	-53.0
05 Enviromental protection	0.9	0.5	-43.9
06 Housing & community services	1.2	0.5	-61.0
07 Health care	6.5	5.1	-21.5
08 Recreational activities, culture & religion	1.6	0.8	-48.3
09 Education	4.9	3.9	-21.3
10 Social protection	16.9	16.1	-5.0
Total expenditure	45.6	37.0	-19.0

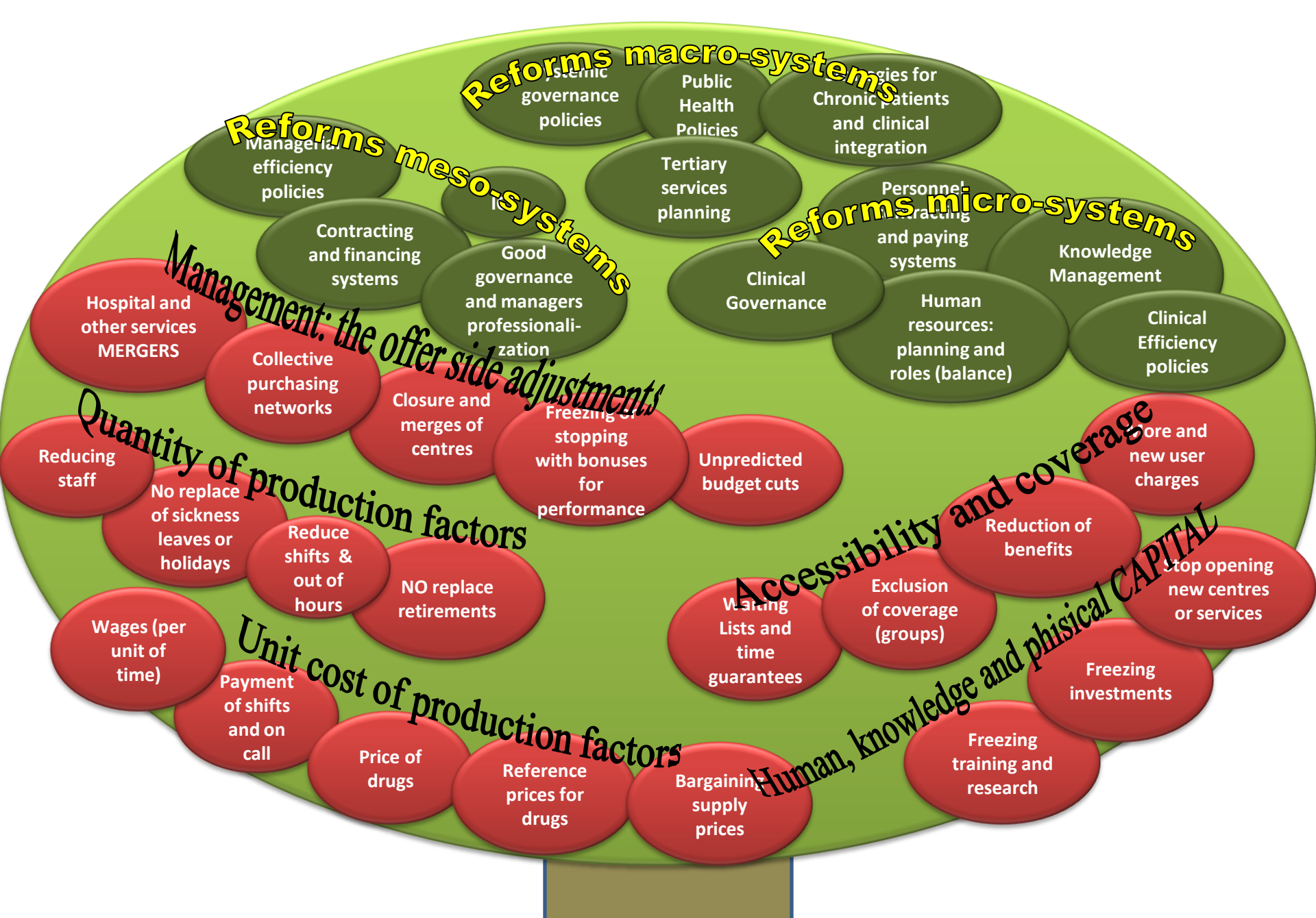
DOWNSIZING HEALTH SYSTEM

- HEALTH CARE EXPENDITURE GROWTH HAS BEEN HIGHER THAN GDP GROWTH, FLATTENING BOTH IN 2009.
- TAXATION INCOMES DROPEd 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 IMMIGRANTS** 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





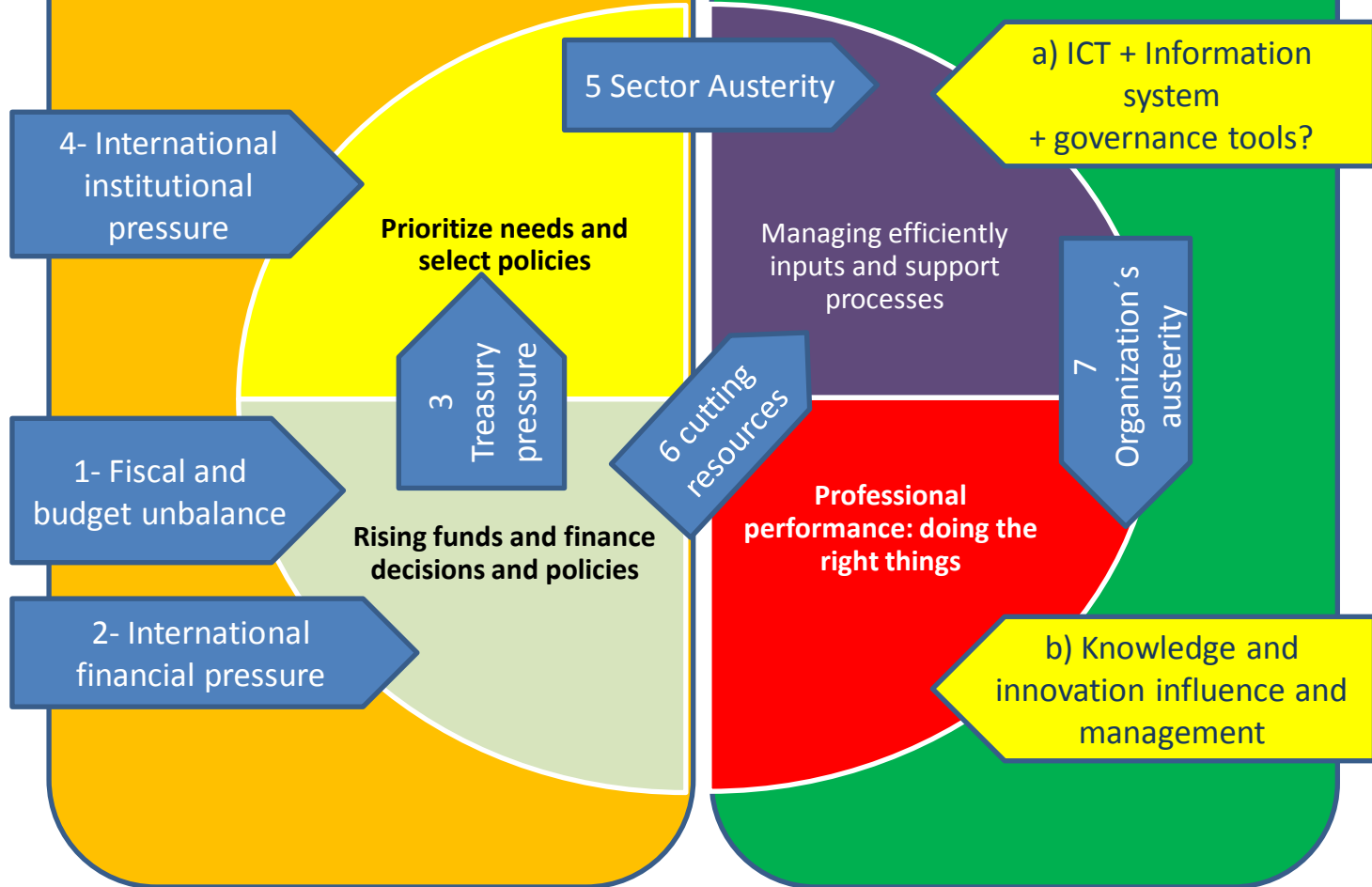
THE AUSTERITY TREE: LOWER AND UPPER HANGING APPLES

3

- Internal and external sustainability

EXTERNAL SUSTAINABILITY

INTERNAL SUSTAINABILITY



4

- Discussion of policy and governance dimensions

Economic and budgetarian crisis

- 2002-2008 pro-ciclyc
- 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.