Financial sustainability in the context of economic crisis: sustaining equity and solidarity

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Outline

- What are the objectives?
- Why spend on health?
- Dealing with the downturn
Sustainability is meaningless if not linked to public policy objectives

• Financial sustainability should not be seen as a policy objective worth pursuing for its own sake

• If it was an objective, then across the board cost cutting would do the job…

• …and both equity and efficiency would suffer.
Fiscal sustainability: is the health sector a threat to fiscal sustainability?

Source: WHO NHA database, 2012
Health spending is the top priority for more spending across Europe.

Source of slide: Owen Smith, World Bank
The real challenge in many CE&SEE countries is sustaining stable, predictable revenues for health in both social health insurance and tax-financed systems.
Outline

What are the objectives?

Why spend on health?

Dealing with the downturn
People die from preventable and treatable diseases (mostly cardiovascular in productive ages)
Impact of ill health on economic growth

• Labour-force participation
  • Absenteeism due to illness: 4.2 days/worker (EU, 2009)
  • Average cost of absenteeism: 2.5% of GDP
  • Reduced age of retirement due to poor health (2.8 years)
  • Less likelihood to work due to chronic diseases

• Economic growth
  • 1% life expectancy increase = 6% GDP growth (OECD)
“Today, it is unacceptable that people become poor as a result of ill health”

Tallinn Charter
Outline

What are the objectives?

Why spend on health?

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The real measure of “priority”: government spending on health as a % of total government spending (2010)

14 countries in the Region increased priority for health as a response to the crisis

Source: WHO, 2011
Institutional counter-cyclical arrangements helped navigating through the crisis

**Estonia:** EHIF accumulated reserves that provided a buffer when payroll tax income drops

- Save during good times, spend during bad times

**Moldova, Lithuania & Slovakia:** institutional arrangements for budget transfers

- falling revenues from health insurance payroll contributions triggers increased general budget transfers
Improving efficiency reduces adverse effects of the crisis and helps secure popular and political support for more spending in the future.

- Eliminate ineffective and inappropriate services
- Improve rational drug use (including volume control)
- Allocate more to primary and outpatient specialist care at the expense of hospitals
- Invest in infrastructure that is less costly to run
- Cut the volume of least cost-effective services
Short-term solutions are important to keep the system running, but proceed with care when looking for savings.
Summary

• When budget cuts are unavoidable, cut wisely
  – Avoid across-the-board budgets cuts as they are likely to reduce both equity and efficiency
  – Protect what works well because re-building capacity may be more costly in the long run
• Careful with shifting the burden to the patients
• Think long term and implement counter-cyclical public spending
• Health systems need predictable sources of revenue
• Health is highly valued by population