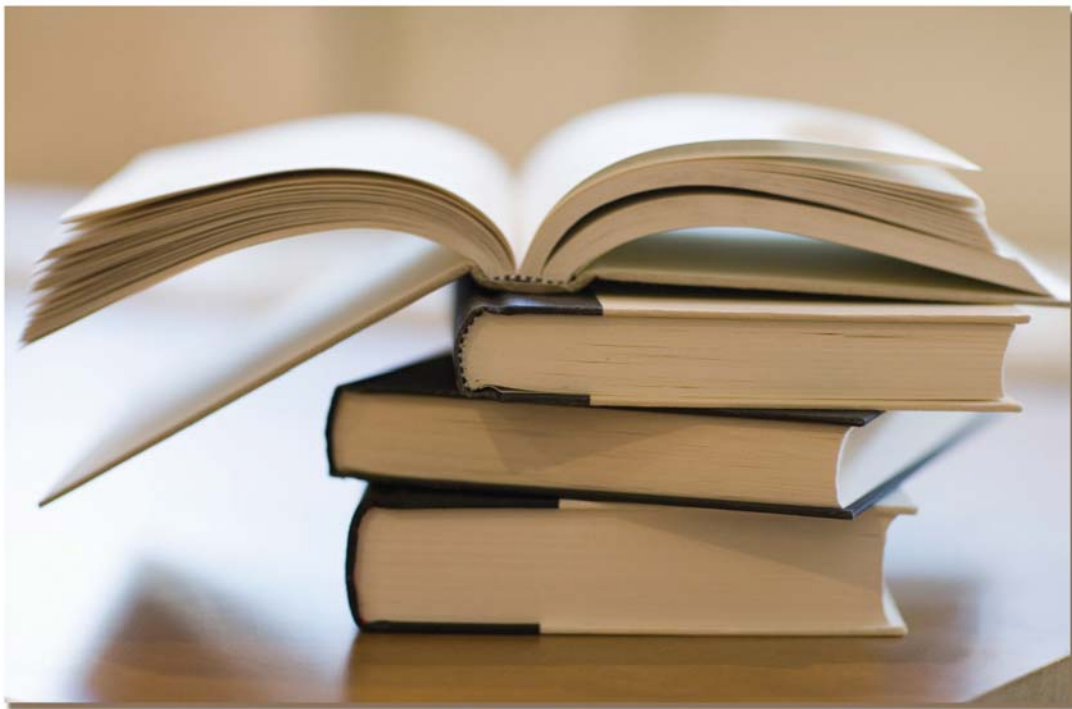

The Crisis, Hospitals and Healthcare



European Hospital and
Healthcare Federation

Foreword

To foster and facilitate the exchange of information has always been one of the prominent HOPE objectives. The present report offers an overview of the impact of the economic and financial crisis on European healthcare systems.

It covers five aspects of that impact and measures adopted:

- overall impact on the country;
- on health systems;
- on hospital and healthcare services;
- on healthcare professionals;
- on citizens and patients.

The first section is comparing for each country the most recent information available. The second section gathers the same information country by country.

All information concerning the impact of the crisis on the healthcare system, hospital system, hospital professionals and citizens has been gathered between March 2010 and March 2011 thanks to the work of HOPE Members (Governors and Liaison Officers, see list of contributors) and has been complemented by other sources, in most cases the updated "Stability programme" or "Convergence programme" of Member States.

The information presented in the first part of the document, illustrating the general condition of the country and the overall impact of the crisis on the economy, is taken from officially published European documents. The figures concerning the government deficit to GDP and public debt as percentage of GDP are from EUROSTAT.

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EXECUTIVE SUMMARY

OVERALL IMPACT AND MEASURES TAKEN

Almost all European Union Member States were hit by the crisis between 2008 and 2009, after a period of general growth and stability. In almost all European countries the economic and financial crisis has been characterized by a strong increase of government deficit and public debt.

The stability of the budgets of the public institutions was strained both on the revenue and on the expenditure side. The raising rates of unemployment, which affected almost the entire European area, shrank the public income in particular in those countries where it is essentially based on employees and employers contribution. The European governments took a number of measures to sustain their countries economies. Several aimed to support households' purchasing power and, at the same time, give financial support to business and investments. Others decided to strongly support the financial sector, in some cases sustaining banks' rescue operations. And some called for international assistance and external support to recover from the difficult situation.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In several European Member States the reduction in wages and the increase of unemployment lowered the resources produced by taxes and social insurance contributions. This had a serious impact on the health systems' capacity and sustainability.

Along with countries where straightforward financial measures were taken, others implemented more extensive reforms of the healthcare system or at least part of it. It is sometimes difficult to say how much of these changes were due to the crisis and how much were just fostered by it. Some reforms, already under discussion or at a starting point, were accelerated. Others were actually implemented as a response to the financial constraints.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

Hospitals and healthcare services are traditionally the major source of health expenditure. They have then been at the core of many measures aimed at cutting costs and gaining efficiency. The economic and financial crisis in some cases hit directly the resources available; sometimes this was indirect, through restrictions to purchases. Besides those measures, hospitals and healthcare services have been pushed to increase efficiency and productivity with the main scope of being able to deliver the same level of quality, care and safety with reduced levels of resources.

Some countries slowed down healthcare spending and introduced short ceilings to healthcare budget increase. Others reduced the operational costs of health services, reduced the prices paid to providers for services covered by health insurance or cut the expenses on pharmaceuticals, and sometimes also payments for goods, services and tangible assets.

Several countries set up more comprehensive interventions: increasing activity and productivity, fostering excellence, introducing or improving group purchasing, rationalizing the healthcare supply, improving coordination between different levels of care and outpatient activity, etc.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

The main consequences of the resources restrictions on healthcare professionals are visible in employment policies and retirement reforms adopted by most European Member States.

In several cases, the government fostered policies aimed at firing or at least not replacing staff retiring or implementing restrictive policies on new recruitment and appointment of substitutes.

A further package of measures consisted in cutting wages, a trend common to the entire public sector. Drop of salaries in some countries, up to 25% in one country, further pushed abroad healthcare professionals. On the opposite, others experienced a single positive consequence of the crisis which was renewed flows of doctors and nurses back to healthcare.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

In order to face the reduced amount of resources available for healthcare, some countries have introduced measures directly affecting patients or the overall population.

Some countries have introduced reforms of health and social insurance, modified the procedure for calculating benefits, reduced the sickness insurance rate and the ceiling for the premium assessment base or reviewed entitlement and limits for the receipt of sickness benefits.

Direct payments by citizen for treatments, visits, hospitalization and health technologies, including drugs, have been the most significant areas of increase. The cost of hospitalization sensitively increased. New out of pocket payments in hospitals have appeared and existing one have risen. Patients' contributions in the payment of some medical and paramedical services have also increased or been introduced.

COMPARATIVE OVERVIEW

Overall impact and measures taken



AUSTRIA

The financial crisis in Austria first tackled the financing of banks, tightening the economy-wide credit conditions, secondly it weakened the exportations and it shrank the domestic employment.

In 2009, the unemployment rate increased by 1.4%, from 3.8% in 2008 to 5.0% in 2009. The general government deficit was -0.5% of GDP in 2008 and -3.5% of GDP in 2009. The public debt rose to 67.5% of GDP in 2009 from 62.5% of GDP in 2008.

Along with personal income tax cuts (brought forward from 2010 to 2009) and other measures such as new infrastructure investments, the government took measures to support households' purchasing power, which includes increases in family benefits, cancellation of student fees, and VAT cuts on medication.

In 2010 the country particularly suffered from the impact of the crisis. The two previous years there was no lack of money but in 2010, 2 out of the 9 States faced difficulties. An agreement was reached with the Government for more money, but it was decided a budget reduction by 5%.

In 2011 the overall budget on the national level has been reduced by 5%, affecting the entire public sector.



BELGIUM

In Belgium, the financial crisis came after some years of strong growth. The economy was mainly affected by the turmoil in the banking sector and by the collapse of international trade.

The general government deficit rose from -1.3% of GDP in 2008 to -6.0% of GDP in 2009; the public debt was 89.6% of GDP in 2008 and 96.2% of GDP in 2009

The main measures discussed by the Belgian government are the uptaking of structural reforms with the aim of supporting potential growth, improve competition and increase labor supply; they also include reforms of the labor market and the pension system.



CYPRUS

In 2009, for the first time in the last thirty-five years Cyprus experienced negative growth. Economic activity contracted and private consumption declined due to weak domestic demand, high household indebtedness together with tight lending conditions, worsening labour market outlook and the consequent negative confidence effects.

Government consumption was the only demand component supporting economic activity and this led to a decline in the general government deficit from a surplus of +0.9% of GDP in 2008 to a deficit of -6.0% of GDP in 2009. The public debt was 48.3% of GDP in 2008 and 58.0% of GDP in 2009.

Consolidation measures include the fight against tax evasion, a town planning amnesty, harmonisation of the minimum excise duties on petroleum products and application of the reduced VAT on food and pharmaceutical products as well as dividend income from semi-governmental organisations. As regards expenditure measures, the bulk of the programme's adjustment comes from controlling operational expenditure and reducing current transfers.



CZECH REPUBLIC

After a three years period of growth, the economic crisis hit the Czech Republic mainly through the trade channel, but also through confidence effects, a tightening of credit conditions, and shrinking foreign investment inflows.

The general government deficit deteriorated at -5.8% of GDP in 2009, from -2.7% of GDP in 2008. The public debt was at 35.3% of GDP in 2009, up from 30.3% in the year before.

As a reaction to the crisis, the Czech National Bank reduced its key policy interest rate and the government implemented measures including cuts in social contributions, decreases in public infrastructure investment, and financial support to businesses and to employment.

In the immediate post-crisis period, the main challenge is to reduce the high structural government deficit. The consequent measures are based on an increase in the revenue ratio, mainly obtained through increases in VAT, excise duties and real estate taxes, early withdrawal of temporary cuts of social contributions and an increase of social security ceilings. Measures on the expenditure side include cuts in social benefits covering sickness and maternity leave and unused possibility of pension indexation.



DENMARK

In 2009, the economic crisis hit the Danish economy hard, pushing Denmark into its deepest recession since the end of the Second World War. Denmark entered the crisis from a relatively comfortable position after a period of sustained strong growth. The downturn began in 2008 when the housing bubble burst and was aggravated by falling exports. Despite disposable incomes still rising, private consumption weakened significantly, as the falling real estate prices and the rising unemployment affected consumer confidence.

The government adopted strong fiscal measures, encompassing tax cuts, investment projects and raising public consumption expenditures; on top of that, two bank rescue packages were adopted, providing guarantees and capital injections.

The effects of the crisis, the decrease of GDP but also the fiscal stimulus measures pushed the government deficit from a surplus of +3.4% of GDP in 2008 to a deficit of -2.7% of GDP in 2009; the public debt increased from 34.2% of GDP in 2008 to 41.4% of GDP in 2009.

In order to ensure a sustainable development of public finances, a key challenge in 2010 will be to ensure continued reform to increase labour supply.



ESTONIA

Estonia faced the crisis after a period of general reforms and balanced fiscal policy that allowed the country to join the Euro-zone in 2011 but also led to a shrinking public sector. After gaining its independence in 1991 the country small and open economy was still vulnerable and affected by a large, persistent current account deficit and a rapidly expanding public debt.

In 2009, the unemployment rate was over 15%, while it was hovering around 4% in 2008. The value of GDP declined sensibly. However, the general government deficit was -2.8% of GDP in 2008 and -1.7% of GDP in 2009 and the public debt stood at 7.2% of GDP in 2009 (from 4.6% of GDP in 2008) which allowed it to meet the Maastricht parameters.

High unemployment rates combined with shrinking revenues in both the public and private sector have had an impact on the available funding for Estonia's health system, which led the government to take several austerity measures.



FINLAND

Despite Finland entered the global crisis in 2008 from a relatively strong position, the global crisis hit severely its highly export-oriented industry, as well as the domestic sectors. The deterioration in public finances was primarily driven by weaker revenues, especially due to a sharp drop in income tax accrual. The general government deficit at -2.5% of GDP in 2009 significantly declined from a surplus of +4.2% of GDP in 2008. Public debt was at 43.8% of GDP in 2009, up from 34.1% in the year before. This reflects to a large extent the impact of the crisis on government finances and stimulus measures taken by the government.

A key challenge for Finland in the next years is to improve public sector productivity, with particular regard to the municipal sector, which is much more extensive than central government.



FRANCE

The mid and long-term direct effects of the crisis in France have been quite limited, but the situation of the public finances between 2009 and 2010 resulted to be quite serious.

The general government deficit reached -3.3% of GDP in 2008 and -7.5% in 2009. This significant deterioration reflects largely the impact of the crisis on government finances, notably corporate tax receipts and VAT. The public debt was 67.5% of GDP in 2008, 78.1% of GDP in 2009.

The main challenges left consist in implementing labour market reforms, increasing labour utilization, increase external and internal competitiveness of national firms and, above all, restore the public deficit.



GERMANY

The economic and financial crisis demonstrated the exposure of Germany to the global development. Crisis-related revenue shortfalls and higher expenditure brought the general government deficit from a level below 3% in 2008, to -7.5% in 2009. The Government public debt was 67.5% of GDP in 2008 and 78.1% in 2009.

Apart from the increase in the deficit and the decline in GDP growth, a significant stock-flow adjustment reflecting primarily bank rescue operations contributed to the rise in the debt ratio.

The widening of the deficit was mainly expenditure-based due to increased social transfers, higher public investment and subsidies to support short-time work. In fact, among the interventions set up by the government there have been household relief measures, such as tax deductibility of healthcare and long-term-care contributions, reduced contribution rate to healthcare insurance, increased child allowance and higher basic personal allowance and investment in public infrastructure.



HUNGARY

In the second half of 2008, Hungary came to face the crisis in a particularly fragile period. In fact, the mid-2006 fiscal policy reversal, which was aimed at correcting the existing economic imbalances and restraining the accumulation of the public debt, had successfully reduced the budget deficit to 3.7 % of GDP, but was still incomplete.

The Government public debt was 72.3% of GDP in 2008 and 78.4% of GDP in 2009.

Between late 2008 and 2009 investors' concerns about the sustainability of the budgetary position, the country's high external debt, and the drop in potential growth required a stronger economic policy response, measures to support the banking sector, and significant external assistance. 20 billion EUR came from the international institutions, including the EU.

The general government deficit stabilized from -3.7% in 2008 to -4.4% of GDP in 2009 in spite of the crisis thanks to the implementation of structural reforms and specific saving measures adopted in 2009 and with a budgetary impact in 2010. These reforms tackled the pension system, social benefits, public wages and transfers to the local governments as well as to the long distance public transport.



LATVIA

From October 2008 on, Latvia has been hit very severely by the crisis and needed international financial assistance.

In 2009 the general government deficit deteriorated at -10.2% of GDP from a deficit of -4.2% of GDP in 2008. This reflects the impact of the crisis on government finances, despite the adoption of a restrictive supplementary budget in consultation with international lenders, and the collapse of tax revenue despite increases in VAT and excise rates at the beginning of 2009. The public debt was 36.7% of GDP in 2009, up from 19.7% of GDP in 2008.

In the second half of 2009, the export-oriented sector of the economy stabilised and started to show some early signs of a recovery. However, the fall of domestic demand remained very severe, due mainly to a sharp deterioration on the labour market and negative credit growth. Nevertheless, the disbursements of international financial assistance, the rigorous implementation of the 2009 budget and the successful adoption of the 2010 budget with further fiscal consolidation measures helped to stabilise confidence and improved market sentiment towards Latvia.

During these years, unprecedented budget consolidation measures have been introduced. In particular, work has been carried out on structural reforms in education, health, public administration, social protection.



LUXEMBOURG

The Luxemburgish economy was severely hit by the crisis: real GDP, after zero growth in 2008, dropped by 3.9% in real terms in 2009, as all demand components went down, with the exception of public expenditure. It was in particular the financial sector to be affected, with the governmental authorities having to organise a support operation for two of the country's largest banks, which belong to international groups.

Unemployment increased from 4.9% in 2008 to 5.7% on average in 2009, despite the massive recourse to short-time working encouraged by the authorities.

The general government deficit in 2009 was at -0.7% of GDP. This significant deterioration from a surplus of 3.0% of GDP in 2008 essentially resulted from a sharp increase in public expenditure, only partially compensated by an increase in the revenue ratio. The public debt ratio doubled from 6.6% of GDP in 2007 to 13.6% in 2008 and 14.5% of GDP in 2009, essentially because of the financial support to the financial sector and a decline in revenues by 2 percentage points of GDP. The increase in expenditure resulted chiefly from higher spending in the fields of education, family policy and public infrastructures. The decrease in revenues was the consequence of a fall in direct tax receipts due essentially to the effects of the crisis, especially on corporate tax and to a lesser extent from a decline in indirect taxes and social security contributions.



MALTA

The global crisis affected Malta chiefly through the trade channel, with the impact on the financial sector remaining contained. In 2009, economic activity tightened as exports, but also investment, contracted sharply, while private consumption have been relatively stable on the back of resilient employment and some recovery measures.

The general government deficit was in 2009 at -3.8% of GDP, improved compared to 2008, when the deficit was -4.8% of GDP. Public debt was at 68.6% of GDP in 2009, up from 63.1% in 2008.



NETHERLANDS

Dutch economy was tackled by the economic crisis relatively hard. The negative contribution of net exports to growth, the decrease in domestic demand and private consumption, due to important negative wealth and confidence effects, and suffering investments due to lower profitability and tightening credit conditions called for governmental interventions.

The recovery measures put in place brought the budgetary position to be eroded very quickly from a surplus of +0.6% of GDP in 2008 to a deficit of -5.4%. The public debt was 58.2% of GDP in 2008 and 60.8% of GDP in 2009.

Against this background it will be essential to accelerate the pace of structural reforms with the aim of supporting potential growth in particular undertaking reforms in the area of the labour market, especially by developing further measures, including fostering labour market transitions to improve the participation of women, older workers and disadvantaged groups with a view to raising overall hours worked and in the area of R&D, by continuing to create favorable R&D incentives.



ROMANIA

After a long period of growth, the drop in capital inflows, the balance-sheet effects of the currency depreciation and a sharp decline in export demand caused a severe recession in late 2008 and in the first half of 2009, which was reflected in a 7.1% decline of GDP in 2009.

Given the strains generated by this development, the authorities decide to seek external financial support while committing to implement a comprehensive economic policy programme aimed at addressing not only the external and fiscal imbalances, but also structural bottlenecks that limit competitiveness and progress in terms of convergence.

Public debt was at 23.9% of GDP in 2009, up from 13.4% in 2008. The general government deficit in 2009 deteriorated to -8.6% of GDP, from -5.7% of GDP recorded in 2008. This reflected largely the impact of the crisis on government finances and was mainly due to a shortfall in revenues, with the sharpest drops observed in VAT receipts and in social security contributions. Moreover, absorption of EU funds and non-tax revenue were lower than anticipated. In 2009, the government also made efforts to contain the increase in the deficit. In 2009, measures also included a restructuring of state agencies and cuts in goods and service spending.



SLOVENIA

In the last quarter of 2008 Slovenian economy was hit hard and rather abruptly by the global crisis, chiefly through the trade channel, given Slovenia's high degree of openness, after a period of solid economic growth, driven by buoyant exports and investment. The crisis led to a sharp increase in the general government deficit, from -1.8% of GDP in 2008, to -5.8% of GDP in 2009. Government public debt markedly rose as well from 22.5% of GDP in 2008 to 35.4% of GDP in 2009. A significant stock-flow adjustment reflecting recapitalisations and liquidity operations to support the financial sector mainly contributed to these increases.

In 2010, recovery measures included a further reduction in the corporate income tax rate and an additional tax allowance for socially vulnerable people on the one hand and the further increase in excise duty rates and revised CO2 emission tax on the other hand. Moreover, a further postponement of public sector wage increases, less generous indexation rules of social benefit rates, including pensions, and lower capital transfers were applied.

To recover from the crisis, measures to increase productivity and contain labour costs, such as reforms in the area of innovation and research and in the labour market are needed. Moreover, increasing spending efficiency becomes particularly important when trying to contain expenditure growth without compromising the level of services provided. For this purpose, a number of initiatives are envisaged, such as a unified information system and a single entry point for social transfers and the redefinition of the standards for public services, taking into account quality aspects, possibly with an increase of co-financing by users.



SPAIN

After more than a decade of strong GDP growth, Spain went through a severe recession in 2009. The general government deficit was -4.2% of GDP in 2008 and -11.1% of GDP in 2009, which reflects largely the impact of the crisis on government finances. Government public debt was 39.8% of GDP in 2008 and 53.2% of GDP in 2009. Apart from the sizeable increase in the deficit and the decline in GDP growth, a significant stock-flow adjustment reflecting primarily credit support contributed to the rise in the debt ratio.

In 2009, as exceptionally regional and local administrations were allowed to present higher deficits than initially foreseen within the budgetary framework. For 2010, it was also decided to reduce official development aid by 600 million EUR, public investment will state at 6 billion EUR, while the autonomous regions and municipalities will operate a saving of 1.2 billion EUR.

Measures implemented to foster the economic upturn include inter alia hikes in VAT rates as of July 2010, an increased progressivity of the saving tax system and a temporary reduction of taxes on SMEs that favours employment, tax hikes on alcohol and tobacco introduced in mid-2009; extension of the investment package addressed to local governments, a freeze in public sector hiring process, a pension reform.



SWEDEN

The Swedish economy was severely hit by the recession at the end of 2008, it stabilized later on in 2009, but GDP growth remained negative throughout 2009. In 2010, the Swedish GDP recovered substantially (+5%) and was in the end of the year back on the same level as before the crisis. The Swedish economy is expected to grow by 3-4 percent per year in 2011 and 2012.

The recession and the consequent fiscal policy response swung the public sector balance from a surplus of +2.2% of GDP in 2008 to a deficit of -0.9% of GDP in 2009. In 2010, the public sector deficit is expected to be -0.5% of GDP (prognosis). Public debt was at 41.9% of GDP in 2009, up from 38.2% of GDP the year before.

The main measures taken in 2010 had as an object the so-called in-work tax credit scheme, reduction in the taxes on pensions and, on the expenditure side, additional state transfers to municipalities and county councils/regions, additional resources to crime control and judicial system, education and training activities and measures to support the growth of small enterprises.

From 2011 onward, the main goal of the budgetary strategy for Sweden is to reach its surplus target that stipulates that general government net lending should show a surplus of 1% of GDP over the business cycle. Moreover, it is important for Sweden to undertake reforms in the areas of competition and labour market participation.



UNITED KINGDOM

The financial sustainability of the United Kingdom was aggravated by the fact that the country was already in a situation of deficit in the period leading up to the crisis.

In the period 2009-2010 the government deficit increased to -11.5% from -6.9% in the preceding year. The public debt was 55.9% of GDP in 2008-2009 and 71.3% of GDP in 2009-2010. This situation reflects to a large extent the impact of the crisis on government finances. The fall in the government revenue ratio and the increase in the expenditure ratio in 2009/2010 are estimated to have contributed around 45% and 55% respectively of the deterioration in the government deficit. The government subsequently focused on improving skill levers and increasing productivity.

COMPARATIVE OVERVIEW

Impact on health system and measures taken



AUSTRIA

In Austria, the main consequence of the crisis on the healthcare system was a general decrease of financial resources, since less money was coming both from taxes and from social insurances.

Moreover, in 2009 a mid-term strategy to bring the deficit below 3.0% of GDP reference value, as required by the European Union parameters, was discussed. Among the measures foreseen, there was a drop in expenditure on the healthcare sector of about 1.7 billion EUR between 2010 and 2013, which the federal government agreed on with the public health funds and which would represent a saving of about 0.6% of GDP, about one third of the consolidation foreseen between 2010 and 2013.



BELGIUM

In general terms, no tangible measures are known in order to reduce or freeze the national healthcare budget. Instead, some saving measures have been introduced.

A Belgian law, which is in force since the beginning of the years 2000, establishes a yearly fixed growth percentage of the healthcare budget by 4.5% in real terms (above inflation). In the years 2009, 2010 and 2011 this value has been maintained, but part of the additional budget due to the application of the legal percentage has not been spent, but rather held in reserve (put in saving funds) in order to capture future needs of the elder people.

Following a discussion for the 2011 budget, it was decided not to decrease the money allocated to healthcare. The discussion is not completed. In the meantime, it was decided that the healthcare budget could only increase with a rate equal to inflation. In fact, the budget that accords to the yearly fixed growth percentage of 4.5%, which is more than one billion EUR, was allocated to the overall social security system in order to decrease its deficit.

The difficult negotiations for a new government prevent the former government from acting strongly against the financial and economic crisis. As a result, in general no major savings have been implemented yet. On the other hand, no deficit spending policy has been adopted in order to boost consumption and create additional economic welfare and jobs. In the healthcare sector the additional budget has not been distributed. This is not real saving, only a zero growth budgeting policy, but it was certainly a shock for healthcare professionals which are used of getting each year this additional budget.



CYPRUS

In response to the crisis, the Cypriot government decided to implement severe restriction in its spending: from +17.9% in 2009 to +2.6% in 2010. Regular expenses of ministry of health significantly dropped from +15% in 2009 to +4.9% in 2010. Expenditure on social development fell from +18% in 2009 to +4.6% in 2010.

The improvement of the quality of the health care system and the effective tackling of the anticipated increases in public health expenditure, mainly due to an increasingly ageing population, constitutes a significant challenge for the future. This will be accomplished through a reform of the healthcare system having as main goal to improve effectiveness via regulated competition and to contain costs through the restructuring of public hospitals into autonomous establishments under the wider public sector and the implementation of the National Health Insurance System.



CZECH REPUBLIC

The Czech health insurance suffered from stagnant, very low incomes due to rising unemployment, reduction of expenditures from the state and country budgets. In particular, reduction in expensive care has been observed.

In 2010, the Government took some measures to increase revenues, which mainly directly affected patients and, more precisely, all citizens



DENMARK

During the crisis, the municipalities and the state have been met with austerity measures.

The government has promised an increase in the national health budget of 670 million EUR over the period 2011-2013. Despite 670 million EUR is less than the increase in the previous 3 years, the health care sector is the only sector with increased funding.

The increase has been reaffirmed in the governments "recovery-plan" from May 2010. However, in 2011 - no later than November - a general election will take place and a new government might promise to increase the health budget even more than 670 million EUR.

However, in the future, due to the long-term fiscal sustainability problems, the growth of health care spending will have to be scaled down - even in the absence of financial crises.



ESTONIA

The financial crisis has created many difficulties for the entire Estonian health care system. The biggest shortfall occurred in the collection of expected revenues: in 2009, only 95.1% - 38 million EUR less than planned in the budget - was received. In Estonia, the main income for the healthcare sector comes from social tax designated to health insurance. Contributions are related to employment, and hence on wages. This source of income constitutes 98% of the revenue of the Health Insurance Fund (health insurance is mandatory for all citizens). The economically good years before the crisis saw an increase in the social tax revenue thanks to wage growth. In 2009, changes in average wages or their decline, as well as the increasing unemployment rate, had a negative impact on the collection of social tax. Compared to the year 2008, the revenues fell by 11.4%, but the expenditure only decreased by 2.2%.

To meet the criteria stated by the EU and join the Eurozone, many cuts took place before 2009. Despite the growing unemployment rate and the decreasing healthcare budget, the social security cannot use the reserves before the euro. In March 2010, the unemployment rate started to decrease. On 5 March 2010, a report made suggestions to balance the budget. Many measures have been taken shrinking the healthcare benefit and modifying the balance between public and private expenditure, as well as the role of primary care, outpatient care and full hospitalization.

In the long run social tax itself will not be sufficient to cover the growing need for health services and pharmaceuticals. There have been discussions about private insurance in the media but as of 2011, no growth of private insurance has happened.



FINLAND

In Finland, the municipalities predominantly manage the public health care sector. Its funding is based on municipal taxation and state grants. Financial crisis have not had a visible impact on the service sector. In general, the increase of the budget has been lower than that of the overall costs.

In 2011, the state health care budget will increase by approximately 2%, which is still lower than the increase of overall costs. However, the tax revenue is expected to drop significantly in 2011-2012. Instead, the financial situation of the municipalities weakened but it has returned to growth track. This can be partly explained by the municipal taxation. In fact in Finland the municipalities have the right to levy taxes and almost half of the municipalities have increased tax rates in 2011.

As of 2011, several different reforms are ongoing which will have impact on the number and co-operation of municipalities and the structure and the tasks on the health care sector (e.g. reform to restructure municipalities and services, Health Care Act). The main measures introduced until now have been addressed to improve and streamline the activities of municipalities. During 2007 to 2011 there have been altogether 57 municipal mergers and it has involved a total of 105 municipalities. In 2007-2011 the number of municipalities has decreased from 431 to 336. Further mergers are expected. Productivity improvements have been slowed by, for example, long transition times to changes in the tasks and number of staff as well as merger agreements that prevent the direct cutting of inefficient activities.

General elections will be held in Spring 2011 and health issues are on debate especially with regard to how funding should be arranged.



FRANCE

The French healthcare system is managed by the compulsory health insurance, the social security funded by employers, employees and taxpayers. Hence, the negative impact of the financial crisis on the rate of employment meant fewer resources for the social security, whose resources dropped by 1.3% in 2009, a level never experienced since the second world war.

In 2009, the deficit of social insurance, which includes health insurance, reached 20.3 billion EUR, it was already of 10 billion EUR in 2008. The deficit of health insurance reached 10.6 billion EUR in 2009.

The direct consequences of the crisis are mainly visible in the cuts planned for 2011. The government expects to save 2.4 billion EUR on the health insurance side. 40% (860 million EUR) should come from pharmaceutical and medical devices industry as well as on certain activities of health care professionals (biology and radiology). 50% (1200 million EUR) are expected on the efficiency of the health care system. 10% (330 million EUR) will be transferred from the compulsory to the complementary insurance.

The social security funds will also play a part in efforts to reduce expenditure. Increases in the national healthcare expenditure target will be capped at less than 3% per year starting in 2011.



GERMANY

The total health expenses are in general around 250 billion EUR.

In July 2009, the contribution rate to statutory health insurance was reduced by 0.6 percentage points in order to ease the burden on both employers and employees, keeping social security contributions – which are paid in equal parts by employee and employer – below 40% in 2010. This was made possible by an increase in the federal transfer, in fact, to compensate the lack of revenues of the social insurances 3.9 billion EUR were spent in 2010 by the federal government using tax money. Thanks to these measures, until the beginning of 2011 there has been no bad impact on the overall healthcare budget. For 2011, it was assumed that up to 11 billion EUR would have been missing in the budget out of a total of 180 billion EUR insurance funds resources. Hence, additional 6 billion EUR have to be paid by raising fees by the insured persons in the statutory system. Furthermore, a contribution of 2 billion EUR from tax payers is used to close the gap of resources.

In 2011 also new contracts will be signed, however the budget situation will be quite normal and the balance between private and public expenditure is expected to remain on the same level.

At the end of 2010 a reform of the health insurance financing system was released, having main impacts on hospitals. Altogether, hospitals will have to contribute with 500 million EUR in 2011 and even 600 million EUR in 2012. Effects of the cost saving measures will last even beyond 2012.



HUNGARY

The impact of actual economic recession and crisis on the social and economic determinants of health has a number of key dimensions, but most importantly, the crisis hits first the most vulnerable.

In 2010, the main challenge for the public health community (decision-makers, researchers and practitioners) was to find innovative ways to reduce the effects of the crisis and to protect and promote the health of the Hungarian population. This was not an easy task, in particular because of the several months of instability that preceded the political election of April 2011, and secondly because of the absence of a Ministry of Health from June 2010. As of the first months of 2011 there is no Ministry of Health in Hungary, but an undersecretary position of Health Minister within the Ministry of National Resources was created in July 2010.

Particular attention in using the EU Structural Funds has been dedicated to public health issues. The "New Hungary National Development Plan" with a robust health component and explicit concern on equity might be an example of good practice.



LATVIA

During the crisis, a reform planned long time ago was being implemented. The reform was launched in the health sector in 2009 with the aim of ensuring operation of health care system in conditions of limited financial resources, optimising functions of management institutions, improving management of the health care system, optimising financial resources administration mechanism.

Healthcare budget decreased by 25% between 2008 and 2010 (from about 822 million EUR to about 617 million EUR). The health expenditure per capita also significantly decreased, and the Ministry of health resigned as a reaction to restriction in the budget.

Budget cutting had the following impact: -40.4% in treatment, -88.6% for public health, -58.6% for central administration, -41.7% in medical and health education at university, -67.0% in administration of health care financing.

For 2011, a 70% of budget cut is foreseen plus a 30% of further cut. All the health care, education and social protection reforms that have been started in collaboration with the World Bank will be continued. This is aimed to optimise public spending in medium term.



LUXEMBOURG

In 2010 there was a deficit of 5% because while expenses were still growing at about 5%, the income was rising less than other years: in 2008 it increased by +7.3% against +2.5% in 2010.

More problems will be faced in 2011 and 2012 and five working parties have been set up to look for possible action for the future. As a result, a law has been adopted on 17th December 2010 realizing a reform of the healthcare system.



MALTA

The health budget grew by 8% in 2010, with several reforms. However, further significant growth is not expected in 2011.

The realization of the new Rehabilitation Hospital had to be delayed in 2010, due to difficulties in determining the appropriate site for this hospital. This resulted in a substantial saving in recurrent expenditure and therefore no further reductions in operational costs were needed. However in the health care system, efforts are largely being focused on improving efficiency of expenditure.

The ratio of expenditure on health to GDP rose to 6.0% in 2009, mainly reflecting higher compensation of employees, as well as increased outlays in respect of operational and maintenance expenses as the new hospital became fully operational.

During the period 2010-2012, the ratio of expenditure on health to GDP is expected to fall marginally. Government's efforts to address the sustainability of the health care system are in particular focused on health promotion and disease prevention, improvement of financial management and control systems. Various efforts are being undertaken to improve management of resources and achieve better value for money, including through reviews of procedures regulating the procurement, distribution and utilization of medicines, through improved productivity and accountability levels and through a strengthening of mechanisms to verify entitlement. The shortage of specialized human resources is also being tackled, mainly through the set up of structured training.



NETHERLANDS

The Netherlands has been facing an economic as well as a political crisis. A task force was organized and is pleading for budget costs in healthcare with a target of -20%. Cost-containing measures with respect to healthcare should be presented.

In the second half of 2010, with the creation of a new cabinet, there have been important developments, which especially affect hospitals. This government in fact is trying to diminish growth of hospital expenditures, it wants to take further steps in the field of covering hospital financing based on performance and will continue the trend towards a more active role of the market system in which insurers and hospital will negotiate prices and volumes of hospital care to be delivered, being it under a budgetary ceiling fixed by the government. Also it will be possible for hospitals to more easily attract private capital as the possibility of distribution of profits will be created.



ROMANIA

In 2010, only 3.6% of GDP was spent on healthcare. The total insurance resources decreased by 18% because of unemployment. A political decision was made to balance the income with money of the national budget. In 2010, the International Monetary Fund demanded that the government pay about 446 million EUR in arrears to companies mainly in the healthcare sector before it released the country's last loan tranche and the new funds allocated to healthcare in 2010 were mainly used to cover the huge amount of debts in the sector.

The Ministry of Health is in the final phase of the realization of a healthcare institutions' rationalization strategy, achieved with the support of the technical expertise of the World Bank's specialists. Main objectives of the reform are: elaborating an institutional and legal framework for the Romanian healthcare system; increasing the access to the curative and preventive medical services; improving decisional and organizational decentralization and reducing bureaucracy; cutting down the costs of the hospital medical assistance; increasing the capacity of the ambulatory medical assistance increasing the access of the patient to the modern medical treatments; creating and consolidating the qualified first aid and the emergency national medical assistance system.

In view of ensuring the necessary funds to facilitate the access to an European health system level, the following measures have been taken: increasing the taxation base by increasing the number of contributors; adjusting the functioning of the private health insurance system (complementary) in order to diversify the resources base and increase the competition in the system; introducing and finalize the co-payment concept and the minimal health package services; additional involvement of the private sector in supplying the medical services.



SLOVENIA

The financial crisis has increased unemployment in all sectors. The ones left have suffered reduction of wages. With fewer wages and less health insurance contributions, there are consequently fewer funds for healthcare. In principle, the system of compulsory health insurance in Slovenia provides that insured persons have access to necessary health-care services, but only to the extent covered under the Health Care and Health Insurance Act. For all other services, most insured persons must pay a certain percentage of the total value of the service or pay for a voluntary health insurance that covers risks for supplements of this kind.

Due to the crisis, private healthcare funds will be decreased, but not as intensely as public funds.

Data from the Health Insurance Institute of Slovenia show that the share of public expenditure is relatively stable, amounting to 71% of all healthcare expenditure. In 2009, the share of public health expenditure increased by 2 percentage points, especially as a result of increased funds from compulsory health insurance and funds from the national budget (investments, health expenditure). However, no changes between public and private health expenditure are likely to happen in relation to the crisis.



SPAIN

The main component of the healthcare expenditure in Spain is the cost of the Healthcare Services of the Autonomous Communities, which are funded by transfers from Central Government and their own taxation. The rate of increase of the budgets of the Healthcare Services of the Autonomous Communities has progressively declined. It was 8.45% between 2007 and 2008, 4.61% between 2008 and 2009 and 1.84% between 2009 and 2010. The rate of increase of the budgets for healthcare of all public administrations (including Central Government) has also decreased. It was 7.82% between 2007 and 2008, 2.71% between 2008 and 2009 and 2.49% between 2009 and 2010.

As a way to face the crisis it was introduced a NHS Central Purchasing, to adopt common policies on pharmaceuticals. In 2010 it was established an aggregate procurement process for the whole NHS, to which the Autonomous Communities may join voluntarily. Moreover, it was developed and implemented a system for sharing information between the Autonomous Communities negotiating prices from different providers. However, despite of the crisis, the Spanish NHS has made a major management effort providing a set of high quality and cost-efficient services that ensure a good quality in relation to the budget per inhabitant per year.

In regard to financial problems, not only sufficient resources for health are needed, but it is necessary to ensure that these resources are used in a rational and efficient way. For this reason a general plan has been designed for general administration for 2011, 2012 and 2013. It must act to maintain the sustainability of quality, innovation and technology infrastructure, and to make viable the response to the needs of aging population as well as to the emerging health needs of the society.

The government has also started the study of mechanisms of compensation of the expenditure supported by health services with a view to labour contingencies, whose financing corresponds to the Mutual ones of Accidents at work and of occupational diseases. The national budget has been approved. The social impact is minimized.



SWEDEN

A basic trait of the Swedish welfare model is an extensive welfare system whereby individual rights, like education and health care, are financed collectively through taxes. The county councils/regions provide most of the healthcare services. Healthcare represents in fact about 90% of their budgets and is financed almost entirely through own taxation and grants from the state.

Due to temporary increases of government grants and other income enhancements, the international financial crisis has had limited effects on the health care system. Sweden was hit in the end of 2008, but recovered substantially in the end of 2009 and 2010. In these years, the county councils/regions as a whole showed an increased surplus.

In 2009, five of twenty county councils/regions, less than in 2008, had a deficit. For 2010, almost all county councils/regions forecast a surplus. Among the reasons for this positive development, are temporary extra government grants to municipalities and county councils/regions, but also efforts to save costs.

In 2010 the county councils/regions received approximately 534 million EUR in additional government grants. Of these, additional resources, about 377 million EUR were temporary grants and about 157 million EUR a permanent increase of the yearly general grants.

In 2011, the county councils/regions receive approximately 94 million EUR in temporary government grants.



UNITED KINGDOM

The NHS budget was 'ring-fenced' by the Coalition government following the general election in May 2010 (in itself a controversial move which has heightened cuts elsewhere). Despite this, independent commentators have indicated that the demand for healthcare from a growing and ageing population, new technology and ever higher patient expectations mean there is increasing pressure on the NHS budget amounting to approximately 4-5% per annum. The NHS therefore needs to find around 17.6 billion to 23.5 billion EUR in efficiency savings over the next four years that can be reinvested within the service so that it can continue to deliver year-on-year quality improvements.

Hence, in the three-year Comprehensive Spending Review on 20 October 2010 the Chancellor George Osborne announced that the NHS budget would increase from 121.7 billion EUR in 2010 to 133.7 billion EUR by 2015; and an extra 2.3 billion EUR for social care by 2014/15, although the NHS will have to set aside funding up to 1.2 billion EUR for joint working with social services.

Value for money savings in the next year will be achieved through initiatives including:

- improving how the NHS buys services for patients and adjusting the price it pays, enabling all hospitals to reach the productivity levels achieved by the best, ensuring that people get the most appropriate treatment in the right place at the right time;
- delivering more efficient, integrated and people-centred community and mental health services, including by developing common prices to reduce variation and transforming the care and lives of those with long-term conditions; and
- driving down back office and procurement costs.

The Chancellor also announced plans to expand access to talking therapies, confirmed that a new Cancer Drugs Fund of up to 235 million EUR a year will be available, and said there will be real terms growth in health research spending. He reiterated that 23.5 billion EUR in efficiency and productivity savings are needed by 2015, the end of the three-year funding cycle.

The Coalition government's recent White Paper outlined plans to abolish regional health authorities by 2012 and current primary care commissioning organisations from 2013. This is expected to impact significantly more on the cost of NHS management, rather than healthcare professionals, with substantial management cost savings publicly stated.

COMPARATIVE OVERVIEW

Impact on hospitals and healthcare services



AUSTRIA

The Ministry's budget going to hospitals is made up of fixed shares of both tax revenues and contributions to the social health insurance system, agreed upon until 2013.

Although 80% of the budget of the Ministry of health goes to hospitals, the cuts in the healthcare budget and the general cuts in the public sector (-5% in 2011) have not directly affected the hospital system. However, hospital budget is decreasing in absolute terms due to reduced tax revenues as well as slightly reduced contributions to social health insurance (attributed for example to higher unemployment).

The third column of hospital financing is made up of financial means of the provinces (Bundesländer) which are also affected by decreasing income, though the extent varies throughout the provinces.

Due to this reduction of hospital budget in absolute terms, efficiency gains are expected in this sector during 2011.



BELGIUM

In the short term, hospitals and healthcare services are not suffering.

In 2009, the government adopted various measures for controlling expenditure, this resulted in an actual cost saving of 202 million EUR in 2010, of which about one third falls within the sector of pharmaceutical specialities and about an half within the sectors of clinical biology and medical imaging. The margin gained should be used with the aim of strengthening the quality of the health sector, both in terms of employment and accessibility of healthcare.



CYPRUS

The Budget for 2010 allocated considerable funds for the operation of two new general hospitals, and for the promotion of the National Health Scheme. In the period between 2009 and the first half of 2010, the reorganization of public hospitals, together with the gradual introduction of the National Health Insurance Plan, as well as the recent reform of the social security system, have been the most crucial elements for tackling the long-term sustainability of public finances.



CZECH REPUBLIC

The lack of income, with respect to current expenditures, has an important impact on the hospital system. For the budget 2011 expenditures on hospitals were reduced to 98%, and it is likely to bring to a reduction in services. In 2011 the Minister also plans to reduce acute beds and to increase the competences of nurses (in order to reduce the number of physicians).



DENMARK

In 2010, the regions have drastically slowed down healthcare spending growth from 3.5 - 4.5% annually in 2006 to 2009 to 0.3% from 2009 to 2010.

With the increased funding in 2011, the hospital and healthcare sectors have been asked to increase activity and productivity.

A 3% increase in activity is planned for 2011 for the 5 regions as a whole. Productivity is planned to increase by 2% in 2011. Furthermore, the hospitals constantly feel the pressure from the 1-month guarantee for patients to be treated in a private hospital with public funding, which put an upward pressure on activity.

The deficits in the health budgets in the previous years are due to the rise of activity and one consequence is that some of the money will have to cover the deficit of 2009.



ESTONIA

Hospitals are funded through contracts with the Health Insurance Fund (EHIF).

To respond to the decreasing revenues resulting from the crisis, as of November 15th 2009 a coefficient of 0.94 was applied to services, which imposed a duty to economize on medical institutions. Moreover the prices paid to providers for services covered by the EHIF were reduced by 6%.

While making cuts in prices, the EHIF could not reduce the amount of services provided, in fact its main goal has been not to lengthen queues of health services. For this reason, during the crisis EHIF promoted more outpatient care through contracts with service providers. Treatment cases in specialist were reduced by 5% and more cases were shifted to day care and outpatient settings.

From the 1st January 2011 the cut percentage has been reduced from 6% to 5%, prices paid to providers for services covered by the EHIF have been raised by 1% and the coefficient applied to all services is 0.95, with the exception of general medical care services, whose coefficient is now 0.97.



FINLAND

The government has encouraged municipalities to join in order to form larger primary health care units, develop social and health co-operation, and to further develop health care pathways between social care, primary care and specialized care. Both in general practise and in hospitals, emergency care will be centralised in fewer service centres. Also in the secondary and tertiary health care, centralisation and task distribution have continued.

In 2010, the health care budget increase in municipalities and hospital districts varied from 0 to 3%, which means downshifting due to increase in wages and overall costs. In 2010 hospital districts were to cut their budgets on an average less than 2%. In 2011 the budget increase is still expected to be less than 3%.

The healthcare cuts have created negative impacts on the waiting times and increased the number of patients on waiting lists, with a negative impact on patient satisfaction. Inadequate resources in public health sector will be a problem in the future especially in primary health care, mental health services, school and student health care.

There is today a strong pressure to adopt e-health tools to increase productivity.



FRANCE

In May 2010, the French President declared that all public hospitals must reduce deficit and reach a balance in their budget. The government is trying to impose the same rate of growth for the hospital and the non-hospital sector: 2.8%. The tool to reach this target on the side of hospitals is the new financing system based on DRGs and implemented progressively since 2004. This policy is expected to produce savings of around 150 million EUR in 2011. In addition, efficiency is encouraged through specific programmes targeting some expenses or processes.

Activities to rationalize and improve mutualisation of hospital purchasing will also be further developed. Started in 2006, this policy will reach a second step in 2011 with 145 million EUR expected to be saved. The health ministry also fixed tariffs for hospital care without taking into account reality. As a consequence public hospitals do not get enough money. The target planned for 2010 was not enough to maintain healthcare.

The healthcare budget increase reached 3% in 2010 and is planned to be of 2.8% in 2011. This is not enough to maintain staff, and 40% hospitals of public sector were facing deficit in 2010.

The Government is asking efforts to the public and non-profit sector despite not providing them enough money, considering a faster growth of activity. It is on the contrary not putting pressure on private for profit hospitals. However, there has been no impact up to now on quality of care.



GERMANY

Between 2009 and 2010 there has been even a positive effect of the crisis on hospitals: the States (Bundesländer) invested extra money for financing healthcare infrastructure. Additional 1.5 billion EUR have been invested in hospitals.

But for 2011, service providers will have to contribute to the cost saving measures of the federal government concerning the costs of treatment: charges from 3.5 to 4 billion EUR are expected for 2011. It will address mainly pharmaceutical industry, while hospitals will face charges of approximately 0.5 billion EUR.

Moreover, until now, the development of costs occurring in hospitals (personnel and non-personnel-costs) has been closely connected to the development of the revenues of the statutory health insurance funds, so to the development of wages: hospital costs can only rise to the amount of the rise of the wages. For 2011, a reform established that the development of hospital costs should orientate to a rate, which should be calculated by "Destatis" (Federal Agency of statistics). The new system has the scope of implementing more fairness when mapping the raising of costs for hospitals. However, the execution of this reform has now been stopped to avoid an increase in hospital costs. Additionally, for hospital services delivered beyond the amount of hospital services agreed on with the statutory health insurances, a rebate by 30% has to be given by hospitals. This should lead to a further contribution of hospitals by about 150 million EUR for one year.

Finally, one of the main consequences of the crisis has been the reduction of the increase of DRGs prices, corresponding to half of wage increase, which means less than 1%. Additional DRGs produced compared to the previous year are only paid at 70% of the price. Those different measures should lead to savings of around 500 million EUR.



HUNGARY

Hospitals have a strict limit to produce DRGs. Over the limit, they do not get more money. This led to a reduction by 25% to 30%. Hospitals finally got money by a specific and limited account mechanism authorized by the government.

Because of the crisis, the 12 hospitals privatized faced disruption and they were then resocialized.



LATVIA

In 2009, the healthcare reform, today still in progress, had the main objective of achieving more rational and cost-effective distribution of available resources and workload. With this aim, emergency care services were strengthened and separated from other health care institutions, the provision of in-patient care was reduced, while out-patient care, rehabilitation services and home-care were increased.

From September 2009, at least 1129 beds have been changed into care beds or have been used for provision of day-care or paid services. Between September 2009 and January 2010 the number of medical institutions providing inpatient health care was reduced from 59 to 42 hospitals: with these amendments it is provided that 24 hours Emergency Medical Assistance (EMA) is provided by 22 hospitals, patient care services is provided by 7 hospitals, 13 hospitals ensure specialized assistance.

Health care services in out-patient medical institutions have been facilitated. Certain medical rehabilitation services and oncology services are provided in out-patient conditions rather than stationary.

Home-care has been developed rapidly and the number of home-cared patients has increased. Selection and contracting procedures have been launched with in-patient medical institutions on development of state and municipal funded in-patient health care services. These procedures include some quantitative and qualitative requirements; in particular, hospitals providing emergency medical assistance should provide hospitalisation of at least 7000 patients receiving state-funded health care services, ensure maternity assistance in at least 400 childbirth cases.

The reduction in healthcare expenditure had its impact almost exclusively on the budget devoted to hospital care, which decreased from about 192 million EUR to about 152.5 million EUR. Due to the healthcare reform, between 2006 and 2010, the number of hospitals in Latvia decreased from 106 to 39 and the number of hospital beds decreased from 761 to 493.

But above all, the reform did not foresee a compensatory mechanism for outcomes of closing hospitals, the budget restriction practically stopped planned care in hospitals and this put increasing burden on emergency care.

Today no planned hospital care is offered free of charge and medical rehabilitation services have to be paid. Consequently, population access to healthcare has dramatically reduced; in 2010, primary hospital mortality had increased to 15%, while patients with primary disability accounted for 30%. At the same time, primary health services and the social services are still underdeveloped and the shortage of medical staff is a rising problem for the entire healthcare sector.

Future reforms in the hospital sector are possible, but difficult to anticipate.



LUXEMBOURG

In general, following the crisis hospital managers have to reduce expenses, “care better by spending better” said the Minister. However, no action on prescription is possible for hospitals managers since doctors are self employed.

The reform of the healthcare system adopted by law on December 2010 introduced a global budgetary envelope for all hospitals, on a two years basis and a raise of the envelope limited to 3% for the years 2011 and 2012 (the average raise in the past has been of over 5%). In order to be financed, some activities may have to be organised on a national level rather than individually in each hospital, e.g. administrative and logistic services. Finally, the reform introduced the mutualisation of medical services and moved a first step in the direction of the creation of centres of reference.



MALTA

In 2010, as in the previous years, Malta has financed 80% of its health care through public funds, while it has reduced by 2% the operational costs of the Health Service.

The Budget 2010 established measures aimed at improving the quality of public healthcare services. These included an allocation of 4 million EUR to reduce waiting lists for hospital procedures, and 3 million EUR to finance the expansion of the list of medicines provided by the national health service to eligible patients.

As of the beginning of 2011, other measures are being implemented to improve the quality and the efficiency of hospital care: the building on the new oncology hospital has started; local specialization of professionals is being successfully implemented, as the necessary structures are now in place; and a detailed study identifying the factors contributing to the delays in admission to hospital is underway. Moreover, the participation of private GPs in primary health care is being encouraged.



NETHERLANDS

One of the problems is the regulated regulation. Today hospitals have a share of free negotiation by 33% and the NVZ is trying to get 70%. However, the crisis might affect the system.

In 2009 the turnover of hospital care increased by 6.7%, approximately 10.7 billion EUR. The B sector - the part of the market in which the price is the result of negotiations between hospitals and insurers - accounted for more than 30% of the total income. The income of the A sector - the part of the care for which there is a budget - declined by 6.2% in 2009.

As of the beginning of 2011, the new coalition appointed in mid-2010 is trying to diminish growth of hospital expenditures from an average rate of over 4% in the most recent years to only 2.5% in the coming years. It remains however to be seen how (and whether) this goal will be reached. Most probably, insurers will be stimulated to take up their role in a more active way than how has been seen until recently.

Moreover, the government wants to take further steps in the field of covering hospital financing based on performance. One condition for this is the introduction of uniform project definitions that has been announced. The abolition of so-called functional budgeting, the abolition of ex-post compensations for insurers and the expansion of free pricing also complement the decision to cover the finance of performance.

The NVZ also supports the new cabinet's plan to allow for payments of profits in the care sector under certain conditions. Additional investments from the private market could be attracted in this way and this will above all facilitate innovations in hospitals.



ROMANIA

The Ministry of health has launched restructuring and decentralisation of local authorities, fee for service of 150 EUR per year and cut off one manager for several hospitals to reduce costs.

9000 beds will be cut; 10% to 12% of the total and the local hospitals are transferred to municipalities.



SLOVENIA

In 2009, the total income of hospitals established by the Republic of Slovenia increased in nominal amounts by 6.05% (or 69.8 million EUR) compared to 2008. The increased income in public hospitals is especially the result of the wage-system reform in the public sector implemented on 1 August 2008 and with fully visible results in 2009. In 2009, additional programmes or extension of programmes brought hospitals additional funds in the amount of 4.7 million EUR.

In the first half of 2010, in comparison with the first half of 2009, decrease of total income by 0.12% was recorded; the total decrease was close to 1.0%.

In general, the Health Insurance Institute of Slovenia and the Ministry of Health have been implementing measures, which reduce hospital financial resources in various ways.

In 2009, the Government issued decisions determining that competent ministries in the entire public sector must adopt the following measures concerning the provision of public services:

- reduction of costs in payment for goods and services and for the purchase of tangible assets or construction by at least 20%;
- reduction in the number of employees through natural attrition, non-replacement of employees whose employment ceases;
- optimisation of internal organisation.

Hence, the Health Insurance Institute of the Republic of Slovenia adopted several measures to ensure the financial sustainability of the health-care budget: reduction of health-care service prices by 2.5%; selective reduction of material costs in health-care service prices; rationalisation of operations for provision of funds for the promotion of employees; reduction of the calculated share of wages in the price of health-care services by 5%.

In 2009, these measures brought 96.3 billion EUR of savings, while the savings at the annual level amounted to 138.9 billion EUR.

The measures adopted in 2009 also apply in 2010. Moreover, in 2010, Slovenia amended the Decision on determining the percentage of the payment of health services provided in compulsory health insurance, which increased the share of the cost of certain health services covered by voluntary health insurance.

In 2009, partners that annually agree the extent and funding for the health-service programme also encouraged the restructuring of programmes to reduce acute hospital care and consequently increase outpatient specialist activity. Public hospitals thus recorded a 0.84% drop in acute hospital care compared with 2008 (at national level, which covers both public and private providers of health-care services, the level of reduction was 1.4%), while specialist outpatient activities increased by 2.8%.

In addition, the partners supported the restructuring of acute hospital care to favour day-hospital care and specialist outpatient clinics in the field of primary health care (learning clinics and reference centres). They also agree on the need to reduce the number of patients in mental hospitals and on the introduction of multidisciplinary teams.

All savings measures at the national level were adopted with the aim of preserving the level of health-care programmes and accessibility of services. Thus, the scope of the health-care service programme was not reduced; instead, certain rationalisations are expected from providers focused on the optimisation of labour and material costs with no impact on the quality of health services.



SPAIN

The main measures adopted concerning hospitals address human resources and pharmaceuticals. In 2009 the drugs expenditure per medical prescription was reduced by 2.36%. Between 2010 and 2011, a package of new measures including reduction of staff salaries, enhancement of retirements and cuts of new hiring has been adopted to cut spending by 1.5 billion EUR. For 2011, the managers must ensure the effective, efficient, and equitable sharing of public resources allocated to them to save 1.2 billion in the autonomous regions and municipalities.

Moreover, in 2010, reductions of general expenses by 15% and investments by 25% were established and it was decided to develop a common strategy for the care of chronic patients in the NHS.

From 2011, common policies on pharmaceuticals will be adopted. A package of rational drug use has been developed which includes measures to boost the quality of pharmaceutical care and control of pharmaceutical expenditure amounting to 1.5 billion EUR through an amendment system of reference prices, rebates, generic drugs, and setting maximum prices for medicines for minor symptoms.



SWEDEN

In 2009, and even more in 2010, most county councils/regions showed a surplus, thanks to temporary increases of government grants, other income enhancements and efforts to save costs. In this way, county councils/regions, which are responsible for the provision of most healthcare services, have been able to ensure their inhabitants adequate healthcare.



UNITED KINGDOM

While the NHS has received growth in 2010/11, the tariff used to pay providers has been frozen and subject to some reductions to make headroom for pay for quality schemes.

Hospitals are planning to make efficiency savings of at least 5% in each of the next 3 years and a national programme has been launched to improve efficiency, productivity and to safeguard quality. The tariff paid to hospitals for the next 2-3 years has also been reduced. Providers will be allowed to offer services below the mandatory price, if both commissioners and providers concur. It is intended to significantly broaden the scope of the mandatory tariff after 2012. A small number of local payers are examining the options for restricting some services where there are doubts about clinical effectiveness.

In the coming years, hospitals will no longer be reimbursed for emergency readmissions within 30 days of discharge following an elective admission. All other readmission rates will be subject to locally determined thresholds, with a 25% decrease where achievable. The government has launched a review into the long term options for changing the funding basis for social care.

In non-clinical terms, the recent budget raised VAT from January 2011 to 20%, which could have significant financial implications. It is also worth noting that the new Coalition government did announce the high-profile cancellation of a new hospital, which was to be built in the North East of England. Tariffs to pay hospitals will be reviewed and this will be a way to negotiating. In any case, cuts of 25% at the local authorities' level in the social sector could have the result of increasing admissions and stays in healthcare settings.

COMPARATIVE OVERVIEW

Measures directly affecting healthcare professionals



AUSTRIA

As of the beginning of 2011, no consequences of the crisis can be highlighted concerning the work of healthcare professionals. However, for the future, more rigorous negotiations on contracts between public health insurance funds and healthcare providers regarding tariffs, budget caps, or any other commitments and measures on cost containment have to be expected.



BELGIUM

Until 2010, there have not been negative measures directly affecting the healthcare professionals.

Between 2009 and 2010 the Belgian Minister of Health implemented a plan to increase the attractiveness of nursing jobs. She decided to give a premium to nurses that have special qualifications and forced healthcare organizations to pay additional bonuses for overtime and irregular timetable working time. Doctors are paid in a fee for service system. So far, no limitations on this system have been introduced and no plans in that direction exist. However, there have been some shifts in doctors' budget in order to be able to pay for new initiatives. In fact, due to the lack of implementation of the 4.5% growth rate in the healthcare budget, new initiatives have to be financed by savings in other segments of doctors' budget.

For the period 2011-2016, a new agreement between employers and employees need to be negotiated. It is very likely that this agreement, which is paid by the Belgian government and the social security system, will generate additional workforce and better wages for healthcare professionals. As a result of the difficult negotiations for a new government, social partners and the government concluded a social agreement for one year. It will cost 50 million EUR and will create some extra jobs in the healthcare sector.



CYPRUS

The main measure adopted in these years consists in the freeze of hiring, which means that no new positions will be created.



CZECH REPUBLIC

Medical institutions show difficulties in meeting the demands of the staff. An increasing number of skilled professionals is leaving abroad or is waiting to leave.



DENMARK

In order to curtail spending and keep spending within budgets in 2011 several regions have been forced to layoff healthcare workers, including healthcare professionals. This has been the consequence of both the financial crisis and the need to scale down healthcare spending to achieve long-term fiscal sustainability.

The reform of the healthcare system adopted by law on December 2010 introduced coordinating doctors, but the details of their missions are still to be defined. Meanwhile doctors insist on their liberty in prescriptions.



ESTONIA

Hospitals' prices have decreased by 6% due to the 6% cut in service prices and contracts. As a consequence, healthcare providers have cut their budgets and cut down wages. There have also been some redundancies. However, the main pressure has been on the wages of health care workers and that has had a negative impact on the morale of the workforce. If the budgetary cuts continue, problems concerning healthcare professionals leaving Estonia might be faced.



FINLAND

In 2009 and in 2010 wages-free leaves were encouraged and the needs of short term fill-ins were actively scrutinised. A positive consequence of the crisis is the renewed flow of doctors and nurses to healthcare.



FRANCE

Many measures undertaken to improve public finances have the effect of shortening the money for hospitals with direct consequences on unemployment. Some public hospitals cut employment to reduce expenses, firing or at least not replacing staff in order to cut costs. The salaries in the public sector are frozen. In the private non profit sector, the present difficulties are leading to lay-off plans and even in a few cases to hospital closure.

In 2011, salaries are frozen in the public sector but nurses are getting new advantages, so their salaries will increase.



GERMANY

No measures or impacts directly affecting health professionals have been discussed or implemented until now.



HUNGARY

No measures or impacts directly affecting health professionals have been discussed or implemented until now.



LATVIA

Medical wages have undergone some cuts, the working places have been reduced, while the income of healthcare professionals is still low, fostering health workers to emigrate to other EU countries.

Some changes, even if less relevant than those for hospitals, also affect primary health care (PHC). In particular, to improve and make primary health care services more available the quality indicator system for PHC physician performance evaluation has been updated and specified stating patient coverage indicators for each patient category, thus putting greater emphasis on financial assessment of the work quality of PHC physicians. The PHC team has been enlarged supplementing practice of family doctors with the second nurse, thus reducing the waiting time to receive services of the family doctor.



LUXEMBOURG

Doctors, in particular specialists in hospitals, have to work more efficiently. The objective is to stop the inflation created by medical doctor specialists. The new legislation approved in December 2010 states that a minimum and a maximum number of medical doctors could be determined (for 5 years) by the National Hospital Plan.

Coordinating medical doctors will receive the mission of harmonizing and planning medical activities of hospital services and will monitor the quality of services, the standardization of care and the efficient use of existing resources.



MALTA

There are some positive aspects; in particular, more professionals are available. The economic increase registered in 2010 allowed the recruitment of nurses and more spending on human resources.



NETHERLANDS

The modification of income for hospital workers is a possible future threat, since it might affect the position of healthcare in the labor market. Indeed the government can make decision to affect collective agreement in hospitals.



ROMANIA

In 2010 salaries have been reduced by 25%. This is worsening the already high amount of licensed doctors that each year leaves the country and goes working abroad. In 2010 about 2500 doctors are estimated to have left Romania.



SLOVENIA

With regard to the public sector, in 2009 the recommendation of the Government of the Republic of Slovenia was implemented by non-replacement of retired employees and non-renewal of temporary employment contracts. However, due to the shortage of key operators (especially doctors), this orientation was not implemented in the field of healthcare.

Wages in the public sector were not reduced, but some measures were taken to limit the remuneration of public employees. In 2009, the amount of performance-related bonus associated with an increased amount of work was reduced so that, on aggregate, it cannot exceed 30% of a public employee's basic wage.

In January 2010, the wages of all public employees were partly adjusted to inflation, which means that they increased by 0.2%. In July 2010 this adjustment involved an increase by 0.65%.



SPAIN

Healthcare professionals' wages, as for the other civil servants, have been reduced by 5% due to the Government Adjustment Plan for 2011-2013.

A package of new measures has been adopted to cut spending at 15 billion EUR between 2010 and 2011 through:

- reduction of staff salaries by 5% in 2010 (in proportion there have been more cuts in higher salaries, including a discount of 15% of payroll for members of the Government) and freeze of staff salaries in 2011;
- reduction of the replacement rate: every 10 retirements only one employee can be replaced in the State General Administration.

Moreover, this package establishes a common mechanism to increase the participation of professionals in the management and direction of health services and the allocation of resources will be developed: professionals have to continue to cooperate as much as health spending depends on their clinical performances.



SWEDEN

In 2009, and even more in 2010, most county councils/regions showed a surplus, thanks to temporary increases of government grants, other income enhancements and efforts to save costs. In this way, county councils/regions, which are responsible for the provision of most healthcare services, have been able to ensure their inhabitants adequate healthcare.



UNITED KINGDOM

Salaries have been frozen for public sector workers earning over about 24,650 EUR per annum, and a review on public service pensions is underway. This review examines in particular the growing disparity between public service and private sector pension provision.

Local employers were also strongly encouraged to restrict recruitment, with new recruitments requiring senior sign-off.

A Mutually Agreed Resignation Scheme (MARS) was launched by the UK government to support service redesign and create vacancies for staff that are being redeployed or are at risk. Work is also underway to develop a single set of HR principles and associated HR frameworks to support the proposed changes in the health white paper, reductions to management costs and the outcome of the arms-length review.

COMPARATIVE OVERVIEW

Measures directly affecting patients and citizens



AUSTRIA

It is politically assigned that the consolidation measures regarding the public health funds or concerning any budget reductions must not affect patients and citizens but have to focus on gaining efficiency.



BELGIUM

In general, the Belgian government has gone to the international markets to borrow money in order to pay social security obligations, such as healthcare. So far, no savings or extra taxes have been introduced in the Belgian society.

As Belgium has a deficit of about 5% of GDP and a national debt of about 100% of GDP, it will be forced by European budget standards to find savings and additional incomes in order to meet the 3% Maastricht ratio. As a consequence, citizens will be confronted with extra taxes and less government services. In which account this measures will be implemented in healthcare sector is not clear but it is generally believed that this sector will largely escape the savings operation.



CYPRUS

No measures can be identified directly concerning citizens and patients.



CZECH REPUBLIC

The increase in revenues from insurance premiums consisted of an increase in ceilings for contributions to social security and health insurance, cancellation of the temporary credit on social security contributions paid by employers, and postponement of the reduction in the sickness insurance rate. These measures applied only for 2010, with the exception of an increase in the ceiling for health insurance.

On the revenue side the reduction in the sickness insurance rate by 0.9 percentage points, initially planned to start from 2010, applied as from 1 January 2011. At the same time, the ceiling for the premium assessment base increases from 48 times the average monthly wage to 72 times the average monthly wage. In the case of social insurance, this measure was valid only for 2010, while in the case of health insurance the law does not set any time limitation. Furthermore, insurance credits have been cancelled. The impacts of such measures have been estimated as an increase in revenues by about 1.4 billion EUR in 2010 and 66.5 million EUR in 2011 and 2012.

On the side of expenditures, in 2010 the assessment basis for the state payment to the public health insurance system has been revised with a fixed amount stipulated by law (from 1 January 2010 in the amount of 223 EUR) with the possibility to adjust its amount by a government decree. Total savings are estimated in 187 million EUR in 2010 and 291 million EUR in 2011. Although in this case the impact on the state budget is positive, the public health insurance balance will worsen by the same amount. The overall impact on public budgets, therefore, is zero. Within the payment of wage compensation for sick leave, which in 2010 remained in its former arrangement, the 50% refund for employers is maintained. So reimbursements from the health insurance have been reduced, and it is also clear that there will not be the increase in health and social insurance for the next year.

The right-wing government, appointed in May 2010, also insists on promoting a radical increase in direct payments for hospitalisation and a system based on "GP as a gate keeper". The costs of hospitalization have been increased from 2.50 EUR to 5 EUR as from June 2011, despite the average pension being 400 EUR per month. As a consequence, patients with low income are not capable to reach the healthcare (mainly hospitalization) without relatively excessive expenditures.



DENMARK

There has been no direct connection between the financial crises and citizens' payments.

In March 2009, the government introduced a reform package - Spring Package 2.0 – which includes a reduction of taxes on labour-income financed by higher environmental taxes, and higher taxes on unhealthy food and tobacco. However, some of the tax-reductions introduced in Spring Package 2.0 have been postponed by 2 years to 2013 with the Recovery-plan adopted from May 2010.



ESTONIA

The only way to reduce the costs of healthcare is to decrease the commitments provided by law. This was the path chosen in 2009 and many measures were taken in this direction.

- Sales tax was raised from 18% to 20%.
- At the beginning of 2009, dental care benefits were no longer granted for persons of working age and the VAT on pharmaceuticals was increased from 5% to 9%.
- From 1 July 2009, the procedure for calculating benefits for incapacity for work was modified: while before EHIF paid starting from 2nd day of sickness, now they pay starting from 8th day of sickness. The 1st-3rd days are paid by the patient, the 4th-7th days are paid by the employer.

Since 2010, the (out-of-pocket) co-payment for nursing services was raised from 0% to 15%.



FINLAND

The only direct effect on patients and citizens is due to the fact that the waiting times to elective care and surgery are longer, thus increasing patient dissatisfaction and lowering the quality of life.



FRANCE

There were no new measures for 2009 and 2010, but the transfer of charges in 2011 on the complementary insurance will certainly have an impact on their prices. In September 2010, the government proposed to reduce by 5 points the drugs that are currently reimbursed 35%. But in December 2010, it was decided to go further by reducing of 10 points from 35% to 25%. The medical devices will experience also a reduction by 5 points, from 65% to 60%, except for the more severe cases.



GERMANY

No measures or impacts directly affecting patients and/or citizens have been discussed or implemented until now.



HUNGARY

No measures can be identified directly concerning citizens and patients.



LATVIA

Patients and citizens are greatly affected by the reduction in healthcare services, which almost never is free of charge. The main consequences are visible in the decrease of access to emergency care and, more generally, to healthcare services, and in the increase in the rates of hospital mortality and primary disability. Moreover, the difficult situation in the country is leading to a high level of emigration and to a reduction of birth rate by 10%.



LUXEMBOURG

The directing committee of the National Health Insurance decided a raise of contribution by citizens and employers of 0.10% each starting from January 1st 2011.

As from January 1st 2011, several other measures affecting patients have been introduced:

- Patients in an out-patient's clinic will pay a lump sum of 2.5 EUR per visit. Details still have to be decided.
- Out of pocket payments for hospital stay have risen from 12.96 EUR to 19.44 EUR. In case of a semi stationary stay, they have risen from 6.48 EUR to 9.72 EUR.
- The contribution by patients in the payment of some medical and paramedical services and acts, such as spectacle frames, supporting stockings, medical dental care, physiotherapy, funeral allowance, etc. has been increased.
- A patients' contribution of 12% in the payment of nursing care has been introduced.

Finally it has been approved the right (and obligation) of doctors and pharmacists to substitute drugs according to a list of groups of generics based on the "anatomical therapeutically chemical classification".



MALTA

A pilot study has been performed between June and August 2010 through a questionnaire about the patient's experience while at Mater Dei Hospital (the main acute hospital). This questionnaire not only empowers patients by giving them the opportunity to provide feedback about their experience in hospital but also highlights gaps in the system. This study is now going to be performed on a regular basis. This initiative forms part of an increased commitment towards patient safety initiatives mainly at Mater Dei Hospital.



NETHERLANDS

The Government is reluctant to take measures to directly curb down the consumption of hospital services by patients. The amounts Dutch citizens are paying out-of-pocket for medical services remain quite modest as compared to other European countries.



ROMANIA

From the 1st July 2011 a new additional fee for medical services will apply for patients. The total year amount for medical services will be 150 EUR for hospitalization and outpatient clinics. For one episode of hospitalization the fee will be 13 EUR, and for a consultation 2.5 EUR.



SLOVENIA

No direct measures affecting patients and citizens can be highlighted.



SPAIN

The balance between private (out-of-pocket, complementary insurance...) and public expenditure is not likely to change. There is in fact a debate about co-payment but it seems there is not enough political consensus for implementing it. The number of persons with private insurance is stable or slightly decreasing.

The government is implementing measures to enhance the self-responsibility of users and their ability to share responsibility for their health as well as their involvement and commitment in making good use of the system. To explain the cost of health services or by bills shadow, or by using standard tables. That does not include the copayment.

About drugs, it has been decided to adapt the number of units in packaging to the duration of the treatment. By fractionation of packaging, the patient can purchase the exact amount he needs. It will also be dispensed drugs in Unidose.



SWEDEN

In order to increase employment and reduce the high ill-health figures (ohälsotal), the Government has also made extensive reforms in health insurance. One of the central reforms is the introduction of fixed time limits for the receipt of sickness benefit and a review of rehabilitation entitlement. The fixed time limits are expected to lead to shorter sickness cases and reduce the total amount of sickness absence, as many players in the sickness certification process are now expected to act earlier.

The health insurance package also includes other reforms, like a more consistent review of the entitlement to both sickness benefits and sickness and activity compensation.

Expanded occupational health services, a rehabilitation guarantee and measures to stimulate a return to work for sickness and activity compensation recipients have also been added.

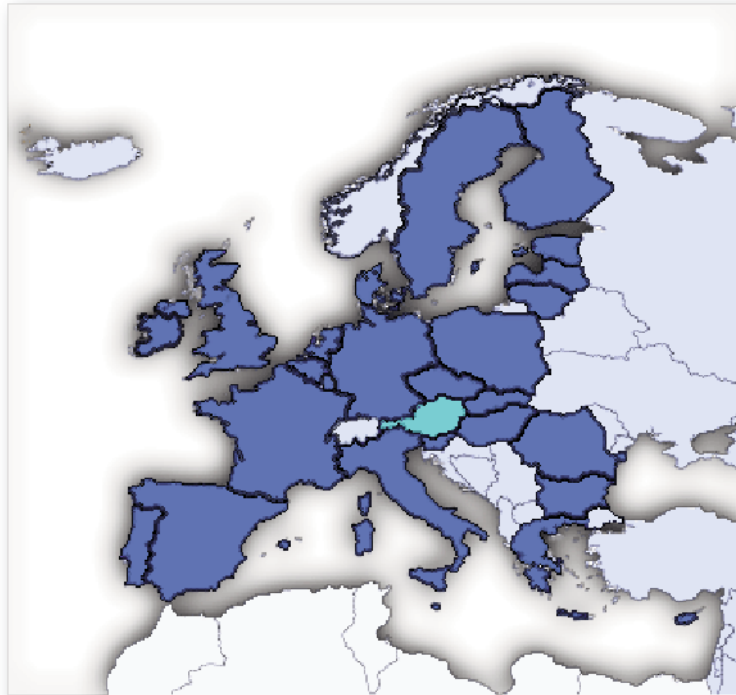


UNITED KINGDOM

Locally, some commissioners have restricted eligibility for some non-core procedures; however this has proved controversial and is not national policy.

COUNTRY ANALYSIS

Austria



OVERALL IMPACT AND MEASURES TAKEN

The financial crisis in Austria first tackled the financing of banks, tightening the economy-wide credit conditions, secondly it weakened the exportations and it shrank the domestic employment.

In 2009, the unemployment rate increased by 1.4%, from 3.8% in 2008 to 5.0% in 2009. The general government deficit was -0.5% of GDP in 2008 and -3.5% of GDP in 2009. The public debt rose to 67.5% of GDP in 2009 from 62.5% of GDP in 2008.

Along with personal income tax cuts (brought forward from 2010 to 2009) and other measures such as new infrastructure investments, the government took measures to support households' purchasing power, which includes increases in family benefits, cancellation of student fees, and VAT cuts on medication.

In 2010 the country particularly suffered from the impact of the crisis. The two previous years there was no lack of money but in 2010, 2 out of the 9 States faced difficulties. An agreement was reached with the Government for more money, but it was decided a budget reduction by 5%.

In 2011 the overall budget on the national level has been reduced by 5%, affecting the entire public sector.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In Austria, the main consequence of the crisis on the healthcare system was a general decrease of financial resources, since less money was coming both from taxes and from social insurances.

Moreover, in 2009 a mid-term strategy to bring the deficit below 3.0% of GDP reference value, as required by the European Union parameters, was discussed. Among the measures foreseen, there was a drop in expenditure on the healthcare sector of about 1.7 billion EUR between 2010 and 2013, which the federal government agreed on with the public health funds and which would represent a saving of about 0.6% of GDP, about one third of the consolidation foreseen between 2010 and 2013.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

The Ministry's budget going to hospitals is made up of fixed shares of both tax revenues and contributions to the social health insurance system, agreed upon until 2013.

Although 80% of the budget of the Ministry of health goes to hospitals, the cuts in the healthcare budget and the general cuts in the public sector (-5% in 2011) have not directly affected the hospital system. However, hospital budget is decreasing in absolute terms due to reduced tax revenues as well as slightly reduced contributions to social health insurance (attributed for example to higher unemployment).

The third column of hospital financing is made up of financial means of the provinces (Bundesländer) which are also affected by decreasing income, though the extent varies throughout the provinces.

Due to this reduction of hospital budget in absolute terms, efficiency gains are expected in this sector during 2011.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

As of the beginning of 2011, no consequences of the crisis can be highlighted concerning the work of healthcare professionals. However, for the future, more rigorous negotiations on contracts between public health insurance funds and healthcare providers regarding tariffs, budget caps, or any other commitments and measures on cost containment have to be expected.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

It is politically assigned that the consolidation measures regarding the public health funds or concerning any budget reductions must not affect patients and citizens but have to focus on gaining efficiency.

COUNTRY ANALYSIS

Belgium



OVERALL IMPACT AND MEASURES TAKEN

In Belgium, the financial crisis came after some years of strong growth. The economy was mainly affected by the turmoil in the banking sector and by the collapse of international trade. The general government deficit rose from -1.3% of GDP in 2008 to -6.0% of GDP in 2009; the public debt was 89.6% of GDP in 2008 and 96.2% of GDP in 2009.

The main measures discussed by the Belgian government are the uptaking of structural reforms with the aim of supporting potential growth, improve competition and increase labor supply; they also include reforms of the labor market and the pension system.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In general terms, no tangible measures are known in order to reduce or freeze the national healthcare budget. Instead, some saving measures have been introduced. A Belgian law, which is in force since the beginning of the years 2000, establishes a yearly fixed growth percentage of the healthcare budget by 4.5% in real terms (above inflation). In the years 2009, 2010 and 2011 this value has been maintained, but part of the additional budget due to the application of the legal percentage has not been spent, but rather held in reserve (put in saving funds) in order to capture future needs of the elder people.

Following a discussion for the 2011 budget, it was decided not to decrease the money allocated to healthcare. The discussion is not completed. In the meantime, it was decided that the healthcare budget could only increase with a rate equal to inflation. In fact, the budget that accords to the yearly fixed growth percentage of 4.5%, which is more than one billion EUR, was allocated to the overall social security system in order to decrease its deficit.

The difficult negotiations for a new government prevent the former government from acting strongly against the financial and economic crisis. As a result, in general no major savings have been implemented yet. On the other hand, no deficit spending policy has been adopted in order to boost consumption and create additional economic welfare and jobs. In the healthcare sector the additional budget has not been distributed. This is not real saving, only a zero growth budgeting policy, but it was certainly a shock for healthcare professionals which are used of getting each year this additional budget.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In the short term, hospitals and healthcare services are not suffering.

In 2009, the government adopted various measures for controlling expenditure, this resulted in an actual cost saving of 202 million EUR in 2010, of which about one third falls within the sector of pharmaceutical specialities and about an half within the sectors of clinical biology and medical imaging. The margin gained should be used with the aim of strengthening the quality of the health sector, both in terms of employment and accessibility of healthcare.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Until 2010, there have not been negative measures directly affecting the healthcare professionals. Between 2009 and 2010 the Belgian minister of Health implemented a plan to increase the attractiveness of nursing jobs. She decided to give a premium to nurses that have special qualifications and forced healthcare organizations to pay additional bonuses for overtime and irregular timetable working time. Doctors are paid in a fee for service system. So far, no limitations on this system have been introduced and no plans in that direction exist. However, there have been some shifts in doctors' budget in order to be able to pay for new initiatives. In fact, due to the lack of implementation of the 4.5% growth rate in the healthcare budget, new initiatives have to be financed by savings in other segments of doctors' budget.

For the period 2011-2016, a new agreement between employers and employees need to be negotiated. It is very likely that this agreement, which is paid by the Belgian government and the social security system, will generate additional workforce and better wages for healthcare professionals. As a result of the difficult negotiations for a new government, social partners and the government concluded a social agreement for one year. It will cost 50 million EUR and will create some extra jobs in the healthcare sector.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

In general, the Belgian government has gone to the international markets to borrow money in order to pay social security obligations, such as healthcare. So far, no savings or extra taxes have been introduced in the Belgian society.

As Belgium has a deficit of about 5% of GDP and a national debt of about 100% of GDP, it will be forced by European budget standards to find savings and additional incomes in order to meet the 3% Maastricht ratio. As a consequence, citizens will be confronted with extra taxes and less government services. In which account this measures will be implemented in healthcare sector is not clear but it is generally believed that this sector will largely escape the savings operation.

COUNTRY ANALYSIS

Cyprus



OVERALL IMPACT AND MEASURES TAKEN

In 2009, for the first time in the last thirty-five years Cyprus experienced negative growth. Economic activity contracted and private consumption declined due to weak domestic demand, high household indebtedness together with tight lending conditions, worsening labour market outlook and the consequent negative confidence effects.

Government consumption was the only demand component supporting economic activity and this led to a decline in the general government deficit from a surplus of +0.9% of GDP in 2008 to a deficit of -6.0% of GDP in 2009. The public debt was 48.3% of GDP in 2008 and 58.0% of GDP in 2009.

Consolidation measures include the fight against tax evasion, a town planning amnesty, harmonisation of the minimum excise duties on petroleum products and application of the reduced VAT on food and pharmaceutical products as well as dividend income from semi-governmental organisations. As regards expenditure measures, the bulk of the programme's adjustment comes from controlling operational expenditure and reducing current transfers.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In response to the crisis, the Cypriot government decided to implement severe restriction in its spending: from +17.9% in 2009 to +2.6% in 2010. Regular expenses of ministry of health significantly dropped from +15% in 2009 to +4.9% in 2010. Expenditure on social development fell from +18% in 2009 to +4.6% in 2010.

The improvement of the quality of the health care system and the effective tackling of the anticipated increases in public health expenditure, mainly due to an increasingly ageing population, constitutes a significant challenge for the future. This will be accomplished through a reform of the healthcare system having as main goal to improve effectiveness via regulated competition and to contain costs through the restructuring of public hospitals into autonomous establishments under the wider public sector and the implementation of the National Health Insurance System.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

The Budget for 2010 allocated considerable funds for the operation of two new general hospitals, and for the promotion of the National Health Scheme. In the period between 2009 and the first half of 2010, the reorganization of public hospitals, together with the gradual introduction of the National Health Insurance Plan, as well as the recent reform of the social security system, have been the most crucial elements for tackling the long-term sustainability of public finances.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

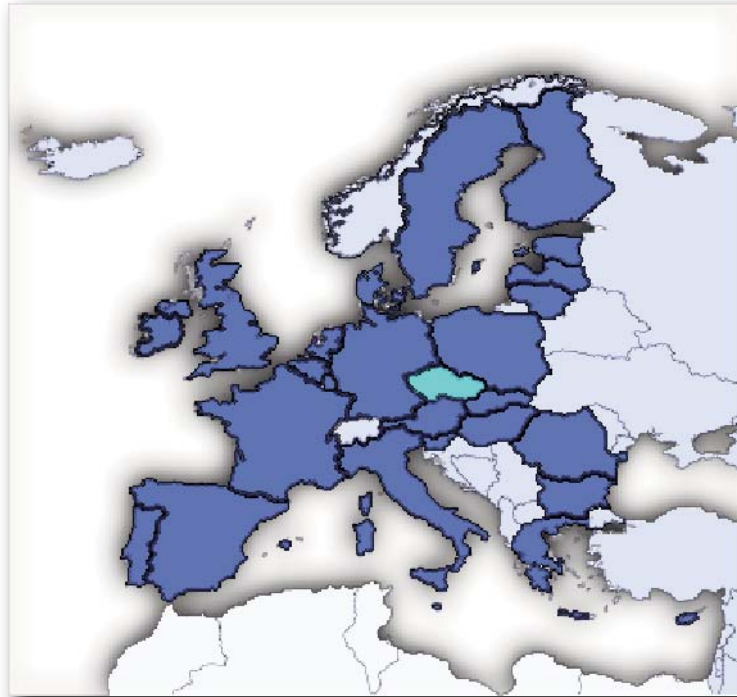
The main measure adopted in these years consists in the freeze of hiring, which means that no new positions will be created.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

No measures can be identified directly concerning citizens and patients.

COUNTRY ANALYSIS

Czech Republic



OVERALL IMPACT AND MEASURES TAKEN

After a three years period of growth, the economic crisis hit the Czech Republic mainly through the trade channel, but also through confidence effects, a tightening of credit conditions, and shrinking foreign investment inflows.

The general government deficit deteriorated at -5.8% of GDP in 2009, from -2.7% of GDP in 2008. The public debt was at 35.3% of GDP in 2009, up from 30.3% in the year before.

As a reaction to the crisis, the Czech National Bank reduced its key policy interest rate and the government implemented measures including cuts in social contributions, decreases in public infrastructure investment, and financial support to businesses and to employment.

In the immediate post-crisis period, the main challenge is to reduce the high structural government deficit. The consequent measures are based on an increase in the revenue ratio, mainly obtained through increases in VAT, excise duties and real estate taxes, early withdrawal of temporary cuts of social contributions and an increase of social security ceilings. Measures on the expenditure side include cuts in social benefits covering sickness and maternity leave and unused possibility of pension indexation.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The Czech health insurance suffered from stagnant, very low incomes due to rising unemployment, reduction of expenditures from the state and country budgets. In particular, reduction in expensive care has been observed.

In 2010, the Government took some measures to increase revenues, which mainly directly affected patients and, more precisely, all citizens.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

The lack of income, with respect to current expenditures, has an important impact on the hospital system. For the budget 2011, expenditures on hospitals were reduced to 98%, and it is likely to bring to a reduction in services. In 2011, the Minister also plans to reduce acute beds and to increase the competences of nurses (in order to reduce the number of physicians).

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Medical institutions show difficulties in meeting the demands of the staff. An increasing number of skilled professionals is leaving abroad or is waiting to leave.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

The increase in revenues from insurance premiums consisted of an increase in ceilings for contributions to social security and health insurance, cancellation of the temporary credit on social security contributions paid by employers, and postponement of the reduction in the sickness insurance rate. These measures applied only for 2010, with the exception of an increase in the ceiling for health insurance.

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On the side of expenditures, in 2010 the assessment basis for the state payment to the public health insurance system has been revised with a fixed amount stipulated by law (from 1 January 2010 in the amount of 223 EUR) with the possibility to adjust its amount by a government decree. Total savings are estimated in 187 million EUR in 2010 and 291 million EUR in 2011. Although in this case the impact on the state budget is positive, the public health insurance balance will worsen by the same amount. The overall impact on public budgets, therefore, is zero. Within the payment of wage compensation for sick leave, which in 2010 remained in its former arrangement, the 50% refund for employers is maintained. So reimbursements from the health insurance have been reduced, and it is also clear that there will not be the increase in health and social insurance for the next year.

The right-wing government, appointed in May 2010, also insists on promoting a radical increase in direct payments for hospitalisation and a system based on "GP as a gate keeper". The costs of hospitalization have been increased from 2.50 EUR to 5 EUR as from June 2011, despite the average pension being 400 EUR per month. As a consequence, patients with low income are not capable to reach the healthcare (mainly hospitalization) without relatively excessive expenditures.

COUNTRY ANALYSIS

Denmark



OVERALL IMPACT AND MEASURES TAKEN

In 2009, the economic crisis hit the Danish economy hard, pushing Denmark into its deepest recession since the end of the Second World War. Denmark entered the crisis from a relatively comfortable position after a period of sustained strong growth. The downturn began in 2008 when the housing bubble burst and was aggravated by falling exports. Despite disposable incomes still rising, private consumption weakened significantly, as the falling real estate prices and the rising unemployment affected consumer confidence.

The government adopted strong fiscal measures, encompassing tax cuts, investment projects and raising public consumption expenditures; on top of that, two bank rescue packages were adopted, providing guarantees and capital injections.

The effects of the crisis, the decrease of GDP but also the fiscal stimulus measures pushed the government deficit from a surplus of +3.4% of GDP in 2008 to a deficit of -2.7% of GDP in 2009; the public debt increased from 34.2% of GDP in 2008 to 41.4% of GDP in 2009.

In order to ensure a sustainable development of public finances, a key challenge in 2010 will be to ensure continued reform to increase labour supply.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

During the crisis, the municipalities and the state have been met with austerity measures.

The government has promised an increase in the national health budget of 670 million EUR over the period 2011-2013. Despite 670 million EUR is less than the increase in the previous 3 years, the health care sector is the only sector with increased funding.

The increase has been reaffirmed in the governments "recovery-plan" from May 2010. However, in 2011 - no later than November - a general election will take place and a new government might promise to increase the health budget even more than 670 million EUR.

However, in the future, due to the long-term fiscal sustainability problems, the growth of health care spending will have to be scaled down - even in the absence of financial crises.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In 2010, the regions have drastically slowed down healthcare spending growth from 3.5 - 4.5% annually in 2006 to 2009 to 0.3% from 2009 to 2010.

With the increased funding in 2011, the hospital and healthcare sectors have been asked to increase activity and productivity.

A 3% increase in activity is planned for 2011 for the 5 regions as a whole. Productivity is planned to increase by 2% in 2011. Furthermore, the hospitals constantly feel the pressure from the 1-month guarantee for patients to be treated in a private hospital with public funding, which put an upward pressure on activity. The deficits in the health budgets in the previous years are due to the rise of activity and one consequence is that some of the money will have to cover the deficit of 2009.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

In order to curtail spending and keep spending within budgets in 2011 several regions have been forced to layoff healthcare workers, including healthcare professionals. This has been the consequence of both the financial crisis and the need to scale down healthcare spending to achieve long-term fiscal sustainability.

The reform of the healthcare system adopted by law on December 2010 introduced coordinating doctors, but the details of their missions are still to be defined. Meanwhile doctors insist on their liberty in prescriptions.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

There has been no direct connection between the financial crises and citizens' payments.

In March 2009, the government introduced a reform package - Spring Package 2.0 – which includes a reduction of taxes on labour-income financed by higher environmental taxes, and higher taxes on unhealthy food and tobacco. However, some of the tax-reductions introduced in Spring Package 2.0 have been postponed by 2 years to 2013 with the Recovery-plan adopted from May 2010.

COUNTRY ANALYSIS

Estonia



OVERALL IMPACT AND MEASURES TAKEN

Estonia faced the crisis after a period of general reforms and balanced fiscal policy that allowed the country to join the Euro-zone in 2011 but also led to a shrinking public sector. After gaining its independence in 1991 the country's small and open economy was still vulnerable and affected by a large, persistent current account deficit and a rapidly expanding public debt.

In 2009, the unemployment rate was over 15%, while it was hovering around 4% in 2008. The value of GDP declined sensibly. However, the general government deficit was -2.8% of GDP in 2008 and -1.7% of GDP in 2009 and the public debt stood at 7.2% of GDP in 2009 (from 4.6% of GDP in 2008) which allowed it to meet the Maastricht parameters. High unemployment rates combined with shrinking revenues in both the public and private sector have had an impact on the available funding for Estonia's health system, which led the government to take several austerity measures.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The financial crisis has created many difficulties for the entire Estonian health care system. The biggest shortfall occurred in the collection of expected revenues: in 2009, only 95.1% - 38 million EUR less than planned in the

budget - was received. In Estonia, the main income for the healthcare sector comes from social tax designated to health insurance. Contributions are related to employment, and hence on wages. This source of income constitutes 98% of the revenue of the Health Insurance Fund (health insurance is mandatory for all citizens). The economically good years before the crisis saw an increase in the social tax revenue thanks to wage growth. In 2009, changes in average wages or their decline, as well as the increasing unemployment rate, had a negative impact on the collection of social tax. Compared to the year 2008, the revenues fell by 11.4%, but the expenditure only decreased by 2.2%.

To meet the criteria stated by the EU and join the Eurozone, many cuts took place before 2009. Despite the growing unemployment rate and the decreasing healthcare budget, the social security cannot use the reserves before the euro. In March 2010, the unemployment rate started to decrease. On 5 March 2010, a report made suggestions to balance the budget. Many measures have been taken shrinking the healthcare benefit and modifying the balance between public and private expenditure, as well as the role of primary care, outpatient care and full hospitalization.

In the long run social tax itself will not be sufficient to cover the growing need for health services and pharmaceuticals. There have been discussions about private insurance in the media but as of 2011, no growth of private insurance has happened.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

Hospitals are funded through contracts with the Health Insurance Fund (EHIF). To respond to the decreasing revenues resulting from the crisis, as of November 15th 2009 a coefficient of 0.94 was applied to services, which imposed a duty to economize on medical institutions. Moreover, the prices paid to providers for services covered by the EHIF were reduced by 6%. While making cuts in prices, the EHIF could not reduce the amount of services provided, in fact its main goal has been not to lengthen queues of health services. For this reason, during the crisis EHIF promoted more outpatient care through contracts with service providers. Treatment cases in specialist were reduced by 5% and more cases were shifted to day care and outpatient settings.

From the 1st January 2011 the cut percentage has been reduced from 6% to 5%, prices paid to providers for services covered by the EHIF have been raised by 1% and the coefficient applied to all services is 0.95, with the exception of general medical care services, whose coefficient is now 0.97.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Hospitals' prices have decreased by 6% due to the 6% cut in service prices and contracts. As a consequence, healthcare providers have cut their budgets and cut down wages. There have also been some redundancies. However, the main pressure has been on the wages of health care workers and that has had a negative impact on the morale of the workforce. If the budgetary cuts continue, problems concerning healthcare professionals leaving Estonia might be faced.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

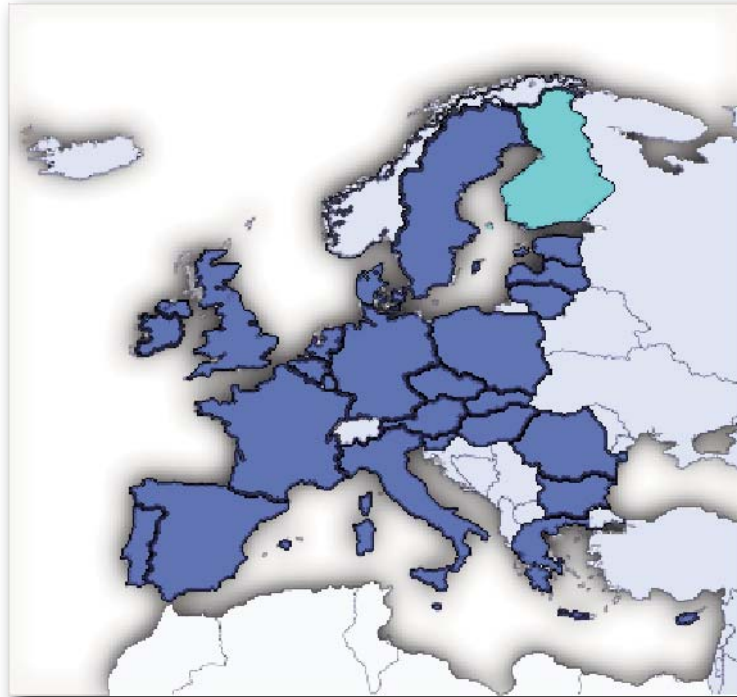
The only way to reduce the costs of healthcare is to decrease the commitments provided by law. This was the path chosen in 2009 and many measures were taken in this direction.

- Sales tax was raised from 18% to 20%.
- At the beginning of 2009, dental care benefits were no longer granted for persons of working age and the VAT on pharmaceuticals was increased from 5% to 9%.
- From 1 July 2009, the procedure for calculating benefits for incapacity for work was modified: while before EHIF paid starting from 2nd day of sickness, now they pay starting from 8th day of sickness. The 1st-3rd days are paid by the patient, the 4th-7th days are paid by the employer.

Since 2010, the (out-of-pocket) co-payment for nursing services was raised from 0% to 15%.

COUNTRY ANALYSIS

Finland



OVERALL IMPACT AND MEASURES TAKEN

Despite Finland entered the global crisis in 2008 from a relatively strong position, the global crisis hit severely its highly export-oriented industry, as well as the domestic sectors. The deterioration in public finances was primarily driven by weaker revenues, especially due to a sharp drop in income tax accrual.

The general government deficit at -2.5% of GDP in 2009 significantly declined from a surplus of +4.2% of GDP in 2008. Public debt was at 43.8% of GDP in 2009, up from 34.1% in the year before. This reflects to a large extent the impact of the crisis on government finances and stimulus measures taken by the government.

A key challenge for Finland in the next years is to improve public sector productivity, with particular regard to the municipal sector, which is much more extensive than central government.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In Finland, public health care sector is predominantly managed by the municipalities. Its funding is based on municipal taxation and state grants. Financial crisis have not had a visible impact on the service sector. In general, the increase of the budget has been lower than that of the overall costs.

In 2011, the state health care budget will increase by approximately 2%, which is still lower than the increase of overall costs. However, the tax revenue is expected to drop significantly in 2011-2012. Instead, the financial situation of the municipalities weakened but it has returned to growth track. This can be partly explained by the municipal taxation. In fact in Finland the municipalities have the right to levy taxes and almost half of the municipalities have increased tax rates in 2011.

As of 2011, several different reforms are ongoing which will have impact on the number and co-operation of municipalities and the structure and the tasks on the health care sector (e.g. reform to restructure municipalities and services, Health Care Act).

The main measures introduced until now have been addressed to improve and streamline the activities of municipalities. During 2007 to 2011, there have been altogether 57 municipal mergers and it has involved a total of 105 municipalities. In 2007-2011, the number of municipalities has decreased from 431 to 336. Further mergers are expected.

Productivity improvements have been slowed by, for example, long transition times to changes in the tasks and number of staff as well as merger agreements that prevent the direct cutting of inefficient activities. General elections will be held in Spring 2011 and health issues are on debate especially with regard to how funding should be arranged.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

The government has encouraged municipalities to join in order to form larger primary health care units, develop social and health co-operation, and to further develop health care pathways between social care, primary care and specialized care. Both in general practise and in hospitals, emergency care will be centralised in fewer service centres. Also in the secondary and tertiary health care, centralisation and task distribution have continued.

In 2010, the health care budget increase in municipalities and hospital districts varied from 0 to 3%, which means downshifting due to increase in wages and overall costs. In 2010, hospital districts were to cut their budgets on an average less than 2%. In 2011, the budget increase is still expected to be less than 3%.

The healthcare cuts have created negative impacts on the waiting times and increased the number of patients on waiting lists, with a negative impact on patient satisfaction. Inadequate resources in public health sector will be a problem in the future especially in primary health care, mental health services, school and student health care.

There is today a strong pressure to adopt e-health tools to increase productivity.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

In 2009 and in 2010 wages-free leaves were encouraged and the needs of short term fill-ins were actively scrutinised.

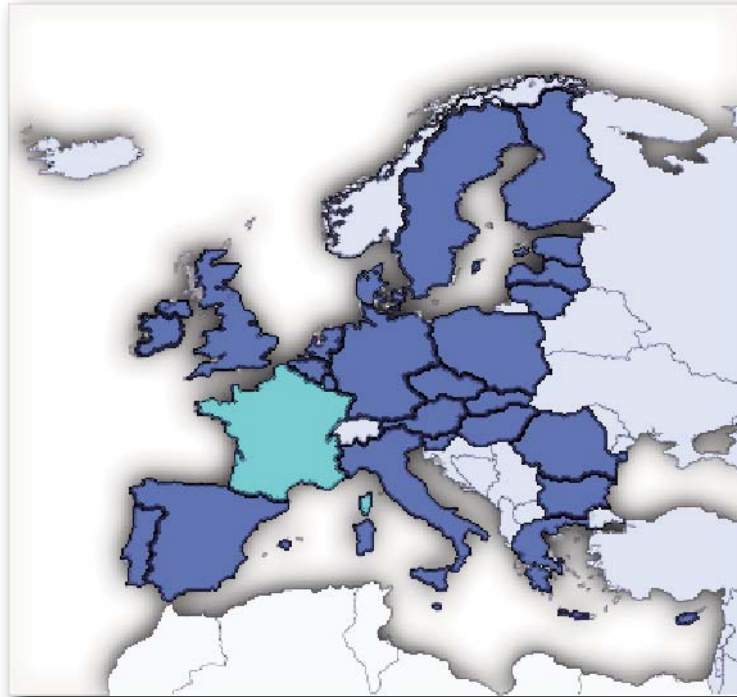
A positive consequence of the crisis is the renewed flow of doctors and nurses to healthcare.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

The only direct effect on patients and citizens is due to the fact that the waiting times to elective care and surgery are longer, thus increasing patient dissatisfaction and lowering the quality of life.

COUNTRY ANALYSIS

France



OVERALL IMPACT AND MEASURES TAKEN

The mid and long-term direct effects of the crisis in France have been quite limited, but the situation of the public finances between 2009 and 2010 resulted to be quite serious.

The general government deficit reached -3.3% of GDP in 2008 and -7.5% in 2009. This significant deterioration reflects largely the impact of the crisis on government finances, notably corporate tax receipts and VAT. The public debt was 67.5% of GDP in 2008, 78.1% of GDP in 2009.

The main challenges left consist in implementing labour market reforms, increasing labour utilization, increase external and internal competitiveness of national firms and, above all, restore the public deficit.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The French healthcare system is managed by the compulsory health insurance, the social security funded by employers, employees and taxpayers. Hence, the negative impact of the financial crisis on the rate of employment meant fewer resources for the social security, whose resources dropped by 1.3% in 2009, a level never experienced since the second world war.

In 2009, the deficit of social insurance, which includes health insurance, reached 20.3 billion EUR; it was already of 10 billion EUR in 2008. The deficit of health insurance reached 10.6 billion EUR in 2009.

The direct consequences of the crisis are mainly visible in the cuts planned for 2011. The government expects to save 2.4 billion EUR on the health insurance side. 40% (860 million EUR) should come from pharmaceutical and medical devices industry as well as on certain activities of health care professionals (biology and radiology). 50% (1200 million EUR) are expected on the efficiency of the health care system. 10% (330 million EUR) will be transferred from the compulsory to the complementary insurance.

The social security funds will also play a part in efforts to reduce expenditure. Increases in the national healthcare expenditure target will be capped at less than 3% per year starting in 2011.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In May 2010, the French President declared that all public hospitals must reduce deficit and reach a balance in their budget. The government is trying to impose the same rate of growth for the hospital and the non-hospital sector: 2.8%. The tool to reach this target on the side of hospitals is the new financing system based on DRGs and implemented progressively since 2004. This policy is expected to produce savings of around 150 million EUR in 2011. In addition, efficiency is encouraged through specific programmes targeting some expenses or processes.

Activities to rationalize and improve mutualisation of hospital purchasing will also be further developed. Started in 2006, this policy will reach a second step in 2011 with 145 million EUR expected to be saved.

The health ministry also fixed tariffs for hospital care without taking into account reality. As a consequence public hospitals do not get enough money. The target planned for 2010 was not enough to maintain healthcare.

The healthcare budget increase reached 3% in 2010 and is planned to be of 2.8% in 2011. This is not enough to maintain staff, and 40% hospitals of public sector were facing deficit in 2010.

The Government is asking efforts to the public and non-profit sector despite not providing them enough money, considering a faster growth of activity. It is on the contrary not putting pressure on private for profit hospitals. However, there has been no impact up to now on quality of care.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Many measures undertaken to improve public finances have the effect of shortening the money for hospitals with direct consequences on unemployment. Some public hospitals cut employment to reduce expenses, firing or at least not replacing staff in order to cut costs. The salaries in the public sector are frozen. In the private non profit sector, the present difficulties are leading to lay-off plans and even in a few cases to hospital closure.

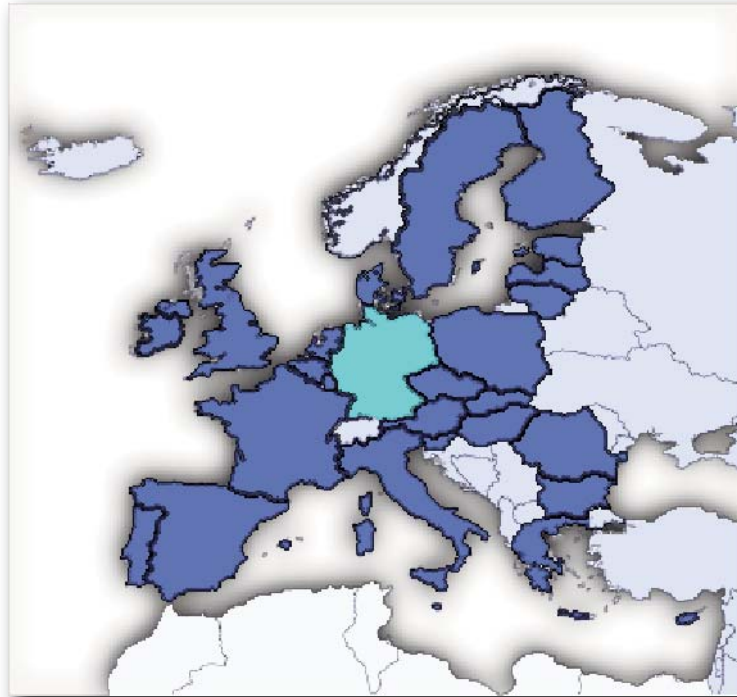
In 2011, salaries are frozen in the public sector but nurses are getting new advantages, so their salaries will increase.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

There were no new measures for 2009 and 2010, but the transfer of charges in 2011 on the complementary insurance will certainly have an impact on their prices. In September 2010, the government proposed to reduce by 5 points the drugs that are currently reimbursed 35%. But in December 2010, it was decided to go further by reducing of 10 points from 35% to 25%. The medical devices will experience also a reduction by 5 points, from 65% to 60%, except for the more severe cases.

COUNTRY ANALYSIS

Germany



OVERALL IMPACT AND MEASURES TAKEN

The economic and financial crisis demonstrated the exposure of Germany to the global development. Crisis-related revenue shortfalls and higher expenditure brought the general government deficit from a level below 3% in 2008, to -7.5% in 2009. The Government public debt was 67.5% of GDP in 2008 and 78.1% in 2009.

Apart from the increase in the deficit and the decline in GDP growth, a significant stock-flow adjustment reflecting primarily bank rescue operations contributed to the rise in the debt ratio.

The widening of the deficit was mainly expenditure-based due to increased social transfers, higher public investment and subsidies to support short-time work. In fact, among the interventions set up by the government there have been household relief measures, such as tax deductibility of healthcare and long-term-care contributions, reduced contribution rate to healthcare insurance, increased child allowance and higher basic personal allowance and investment in public infrastructure.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The total health expenses are in general around 250 billion EUR. In July 2009, the contribution rate to statutory health insurance was reduced by 0.6 percentage points in order to ease the burden on both

employers and employees, keeping social security contributions – which are paid in equal parts by employee and employer – below 40% in 2010. This was made possible by an increase in the federal transfer, in fact, to compensate the lack of revenues of the social insurances 3.9 billion EUR were spent in 2010 by the federal government using tax money. Thanks to these measures, until the beginning of 2011 there has been no bad impact on the overall healthcare budget.

For 2011, it was assumed that up to 11 billion EUR would have been missing in the budget out of a total of 180 billion EUR insurance funds resources. Hence, additional 6 billion EUR have to be paid by raising fees by the insured persons in the statutory system. Furthermore, a contribution of 2 billion EUR from tax payers is used to close the gap of resources.

In 2011, also new contracts will be signed, however the budget situation will be quite normal and the balance between private and public expenditure is expected to remain on the same level.

At the end of 2010, a reform of the health insurance financing system was released, having main impacts on hospitals. Altogether, hospitals will have to contribute with 500 million EUR in 2011 and even 600 million EUR in 2012. Effects of the cost saving measures will last even beyond 2012.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

Between 2009 and 2010 there has been even a positive effect of the crisis on hospitals: the States (Bundesländer) invested extra money for financing healthcare infrastructure. Additional 1.5 billion EUR have been invested in hospitals.

However, for 2011 service providers will have to contribute to the cost saving measures of the federal government concerning the costs of treatment: charges from 3.5 to 4 billion EUR are expected for 2011. It will address mainly pharmaceutical industry, while hospitals will face charges of approximately 0.5 billion EUR.

Moreover, until now, the development of costs occurring in hospitals (personnel and non-personnel-costs) has been closely connected to the development of the revenues of the statutory health insurance funds, so to the development of wages: hospital costs can only rise to the amount of the rise of the wages. For 2011, a reform established that the development of hospital costs should orientate to a rate, which should be calculated by "Destatis" (Federal Agency of statistics). The new system has the scope of implementing more fairness when mapping the raising of costs for hospitals. However, the execution of this reform has now been stopped to avoid an increase in hospital costs. Additionally, for hospital services delivered beyond the amount of hospital services agreed on with the statutory health insurances, a rebate by 30% has to be given by hospitals. This should lead to a further contribution of hospitals by about 150 million EUR for one year.

Finally, one of the main consequences of the crisis has been the reduction of the increase of DRGs prices, corresponding to half of wage increase, which means less than 1%. Additional DRGs produced compared to the previous year are only paid at 70% of the price. Those different measures should lead to savings of around 500 million EUR.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

No measures or impacts directly affecting health professionals have been discussed or implemented until now.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

No measures or impacts directly affecting patients and/or citizens have been discussed or implemented until now.

COUNTRY ANALYSIS

Hungary



OVERALL IMPACT AND MEASURES TAKEN

In the second half of 2008, Hungary came to face the crisis in a particularly fragile period. In fact, the mid-2006 fiscal policy reversal, which was aimed at correcting the existing economic imbalances and restraining the accumulation of the public debt, had successfully reduced the budget deficit to 3.7 % of GDP, but was still incomplete.

The Government public debt was 72.3% of GDP in 2008 and 78.4% of GDP in 2009. Between late 2008 and 2009 investors' concerns about the sustainability of the budgetary position, the country's high external debt, and the drop in potential growth required a stronger economic policy response, measures to support the banking sector, and significant external assistance. 20 billion EUR came from the international institutions, including the EU.

The general government deficit stabilized from -3.7% in 2008 to -4.4% of GDP in 2009 in spite of the crisis thanks to the implementation of structural reforms and specific saving measures adopted in 2009 and with a budgetary impact in 2010. These reforms tackled the pension system, social benefits, public wages and transfers to the local governments as well as to the long distance public transport.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The impact of actual economic recession and crisis on the social and economic determinants of health has a number of key dimensions, but most importantly, the crisis hits first the most vulnerable.

In 2010, the main challenge for the public health community (decision-makers, researchers and practitioners) was to find innovative ways to reduce the effects of the crisis and to protect and promote the health of the Hungarian population. This was not an easy task, in particular because of the several months of instability that preceded the political election of April 2010 and secondly because of the absence of a Ministry of Health from June 2010. As of the first months of 2011, there is no Ministry of Health in Hungary, but an undersecretary position of Health Minister within the Ministry of National Resources was created in July 2010.

Particular attention in using the EU Structural Funds has been dedicated to public health issues. The “New Hungary National Development Plan” with a robust health component and explicit concern on equity might be an example of good practice.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

Hospitals have a strict limit to produce DRGs. Over the limit, they do not get more money. This led to a reduction by 25% to 30%. Hospitals finally got money by a specific and limited account mechanism authorized by the government.

Because of the crisis, the 12 hospitals privatized faced disruption and they were then resocialized.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

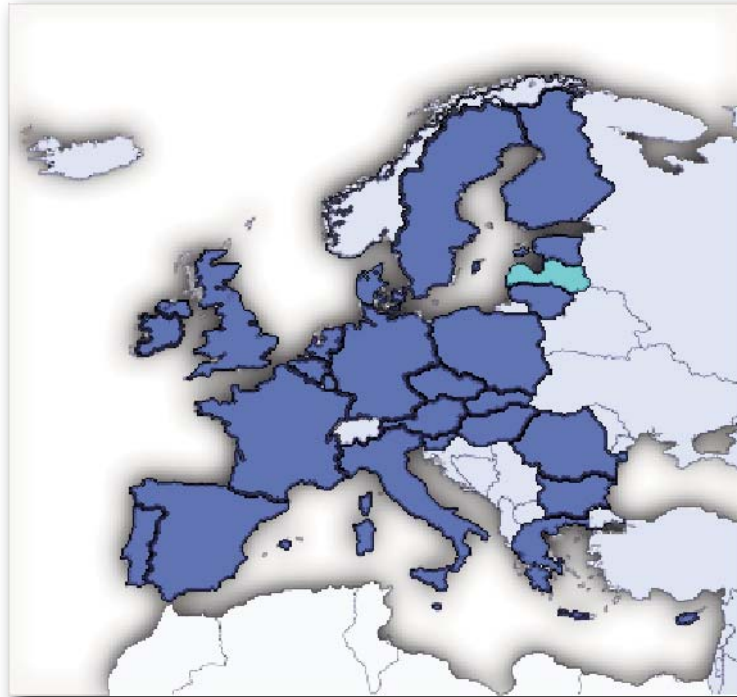
No measures or impacts directly affecting health professionals have been discussed or implemented until now.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

No measures can be identified directly concerning citizens and patients.

COUNTRY ANALYSIS

Latvia



OVERALL IMPACT AND MEASURES TAKEN

From October 2008 on, Latvia has been hit very severely by the crisis and needed international financial assistance.

In 2009 the general government deficit deteriorated at -10.2% of GDP from a deficit of -4.2% of GDP in 2008. This reflects the impact of the crisis on government finances, despite the adoption of a restrictive supplementary budget in consultation with international lenders, and the collapse of tax revenue despite increases in VAT and excise rates at the beginning of 2009. The public debt was 36.7% of GDP in 2009, up from 19.7% of GDP in 2008.

In the second half of 2009, the export-oriented sector of the economy stabilised and started to show some early signs of a recovery. However, the fall of domestic demand remained very severe, due mainly to a sharp deterioration on the labour market and negative credit growth. Nevertheless, the disbursements of international financial assistance, the rigorous implementation of the 2009 budget and the successful adoption of the 2010 budget with further fiscal consolidation measures helped to stabilise confidence and improved market sentiment towards Latvia.

During these years, unprecedented budget consolidation measures have been introduced. In particular, work has been carried out on structural reforms in education, health, public administration, social protection.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

During the crisis, a reform planned long time ago was being implemented. The reform was launched in the health sector in 2009 with the aim of ensuring operation of health care system in conditions of limited financial resources, optimising functions of management institutions, improving management of the health care system, optimising financial resources administration mechanism.

Healthcare budget decreased by 25% between 2008 and 2010 (from about 822 million EUR to about 617 million EUR).

The health expenditure per capita also significantly decreased, and the Ministry of health resigned as a reaction to restriction in the budget.

Budget cutting had the following impact: -40.4% in treatment, -88.6% for public health, -58.6% for central administration, -41.7% in medical and health education at university, -67.0% in administration of health care financing.

For 2011, a 70% of budget cut is foreseen plus a 30% of further cut. All the health care, education and social protection reforms that have been started in collaboration with the World Bank will be continued. This is aimed to optimise public spending in medium term.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In 2009, the healthcare reform, today still in progress, had the main objective of achieving more rational and cost-effective distribution of available resources and workload. With this aim, emergency care services were strengthened and separated from other health care institutions, the provision of in-patient care was reduced, while out-patient care, rehabilitation services and home-care were increased.

From September 2009, at least 1 129 beds have been changed into care beds or have been used for provision of day-care or paid services. Between September 2009 and January 2010 the number of medical institutions providing inpatient health care was reduced from 59 to 42 hospitals: with these amendments it is provided that 24 hours Emergency Medical Assistance (EMA) is provided by 22 hospitals, patient care services is provided by 7 hospitals, 13 hospitals ensure specialized assistance.

Health care services in out-patient medical institutions have been facilitated. Certain medical rehabilitation services and oncology services are provided in out-patient conditions rather than stationary. Home-care has been developed rapidly and the number of home-cared patients has increased. Selection and contracting procedures have been launched with in-patient medical institutions on development of state and municipal funded in-patient health care services. These procedures include some quantitative and qualitative requirements; in particular hospitals providing emergency medical assistance should provide hospitalisation of at least 7000 patients receiving state-funded health care services, ensure maternity assistance in at least 400 childbirth cases.

The reduction in healthcare expenditure had its impact almost exclusively on the budget devoted to hospital care, which decreased from about 192 million EUR to about 152.5 million EUR. Due to the healthcare reform, between 2006 and 2010, the number of hospitals in Latvia decreased from 106 to 39 and the number of hospital beds decreased from 761 to 493. But above all, the reform did not foresee a compensatory mechanism for outcomes of closing hospitals, the budget restriction practically stopped planned care in hospitals and this put increasing burden on emergency care.

Today no planned hospital care is offered free of charge and medical rehabilitation services have to be paid. Consequently, population access to healthcare has dramatically reduced; in 2010, primary hospital mortality had increased to 15%, while patients with primary disability accounted for 30%. At the same time, primary health services and the social services are still underdeveloped and the shortage of medical staff is a rising problem for the entire healthcare sector. Future reforms in the hospital sector are possible, but difficult to anticipate.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Medical wages have undergone some cuts, the working places have been reduced, while the income of healthcare professionals is still low, fostering health workers to emigrate to other EU countries.

Some changes, even if less relevant than those for hospitals, also affect primary health care (PHC). In particular, to improve and make primary health care services more available the quality indicator system for PHC physician performance evaluation has been updated and specified stating patient coverage indicators for each patient category, thus putting greater emphasis on financial assessment of the work quality of PHC physicians. The PHC team has been enlarged supplementing practice of family doctors with the second nurse, thus reducing the waiting time to receive services of the family doctor.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

Patients and citizens are greatly affected by the reduction in healthcare services, which almost never is free of charge. The main consequences are visible in the decrease of access to emergency care and, more generally, to healthcare services, and in the increase in the rates of hospital mortality and primary disability. Moreover, the difficult situation in the country is leading to a high level of emigration and to a reduction of birth rate by 10%.

COUNTRY ANALYSIS

Luxembourg



OVERALL IMPACT AND MEASURES TAKEN

The Luxemburgish economy was severely hit by the crisis: real GDP, after zero growth in 2008, dropped by 3.9% in real terms in 2009, as all demand components went down, with the exception of public expenditure. It was in particular the financial sector to be affected, with the governmental authorities having to organise a support operation for two of the country's largest banks, which belong to international groups.

Unemployment increased from 4.9% in 2008 to 5.7% on average in 2009, despite the massive recourse to short-time working encouraged by the authorities.

The general government deficit in 2009 was at -0.7% of GDP. This significant deterioration from a surplus of 3.0% of GDP in 2008 essentially resulted from a sharp increase in public expenditure, only partially compensated by an increase in the revenue ratio. The public debt ratio doubled from 6.6% of GDP in 2007 to 13.6% in 2008 and 14.5% of GDP in 2009, essentially because of the financial support to the financial sector and a decline in revenues by 2 percentage points of GDP. The increase in expenditure resulted chiefly from higher spending in the fields of education, family policy and public infrastructures. The decrease in revenues was the consequence of a fall in direct tax receipts due essentially to the effects of the crisis, especially on corporate tax and to a lesser extent from a decline in indirect taxes and social security contributions.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In 2010, there was a deficit of 5% because while expenses were still growing at about 5%, the income was rising less than other years: in 2008 it increased by +7.3% against +2.5% in 2010.

More problems will be faced in 2011 and 2012 and five working parties have been set up to look for possible action for the future. As a result, a law has been adopted on 17th December 2010 realizing a reform of the healthcare system.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In general, following the crisis hospital managers have to reduce expenses, "care better by spending better" said the Minister. However, no action on prescription is possible for hospitals managers since doctors are self employed.

The reform of the healthcare system adopted by law on December 2010 introduced a global budgetary envelope for all hospitals, on a two years basis and a raise of the envelope limited to 3% for the years 2011 and 2012 (the average raise in the past has been of over 5%). In order to be financed, some activities may have to be organised on a national level rather than individually in each hospital, e.g. administrative and logistic services. Finally, the reform introduced the mutualisation of medical services and moved a first step in the direction of the creation of centres of reference.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Doctors, in particular specialists in hospitals, have to work more efficiently. The objective is to stop the inflation created by medical doctor specialists. The new legislation approved in December 2010 states that a minimum and a maximum number of medical doctors could be determined (for 5 years) by the National Hospital Plan.

Coordinating medical doctors will receive the mission of harmonizing and planning medical activities of hospital services and will monitor the quality of services, the standardization of care and the efficient use of existing resources.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

The directing committee of the National Health Insurance decided a raise of contribution by citizens and employers of 0.10% each starting from January 1st 2011.

As from January 1st 2011 several other measures affecting patients have been introduced:

- Patients in an out-patient's clinic will pay a lump sum of 2.5 EUR per visit. Details still have to be decided.
- Out of pocket payments for hospital stay have risen from 12.96 EUR to 19.44 EUR. In case of a semi stationary stay they have risen from 6.48 EUR to 9.72 EUR.
- The contribution by patients in the payment of some medical and paramedical services and acts, such as spectacle frames, supporting stockings, medical dental care, physiotherapy, funeral allowance, etc. has been increased.
- A patients' contribution of 12% in the payment of nursing care has been introduced.

Finally it has been approved the right (and obligation) of doctors and pharmacists to substitute drugs according to a list of groups of generics based on the "anatomical therapeutically chemical classification".

COUNTRY ANALYSIS

Malta



OVERALL IMPACT AND MEASURES TAKEN

The global crisis affected Malta chiefly through the trade channel, with the impact on the financial sector remaining contained. In 2009, economic activity tightened as exports, but also investment, contracted sharply, while private consumption have been relatively stable on the back of resilient employment and some recovery measures.

The general government deficit was in 2009 at -3.8% of GDP, improved compared to 2008, when the deficit was -4.8% of GDP. Public debt was at 68.6% of GDP in 2009, up from 63.1% in 2008.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The health budget grew by 8% in 2010, with several reforms. However, further significant growth is not expected in 2011.

The realization of the new Rehabilitation Hospital had to be delayed in 2010, due to difficulties in determining the appropriate site for this hospital. This resulted in a substantial saving in recurrent expenditure and therefore no further reductions in operational costs were needed.

However in the health care system, efforts are largely being focused on improving efficiency of expenditure.

The ratio of expenditure on health to GDP rose to 6.0% in 2009, mainly reflecting higher compensation of employees, as well as increased outlays in respect of operational and maintenance expenses as the new hospital became fully operational.

During the period 2010-2012, the ratio of expenditure on health to GDP is expected to fall marginally.

Government's efforts to address the sustainability of the health care system are in particular focused on health promotion and disease prevention, improvement of financial management and control systems. Various efforts are being undertaken to improve management of resources and achieve better value for money, including through reviews of procedures regulating the procurement, distribution and utilization of medicines, through improved productivity and accountability levels and through a strengthening of mechanisms to verify entitlement. The shortage of specialized human resources is also being tackled, mainly through the set up of structured training.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In 2010, as in the previous years, Malta has financed 80% of its health care through public funds, while it has reduced by 2% the operational costs of the Health Service.

The Budget 2010 established measures aimed at improving the quality of public healthcare services. These included an allocation of 4 million EUR to reduce waiting lists for hospital procedures, and 3 million EUR to finance the expansion of the list of medicines provided by the national health service to eligible patients.

As of the beginning of 2011, other measures are being implemented to improve the quality and the efficiency of hospital care: the building on the new oncology hospital has started; local specialization of professionals is being successfully implemented, as the necessary structures are now in place; and a detailed study identifying the factors contributing to the delays in admission to hospital is underway. Moreover, the participation of private GPs in primary health care is being encouraged.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

There are some positive aspects; in particular, more professionals are available. The economic increase registered in 2010 allowed the recruitment of nurses and more spending on human resources.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

A pilot study has been performed between June and August 2010 through a questionnaire about the patient's experience while at Mater Dei Hospital (the main acute hospital). This questionnaire not only empowers patients by giving them the opportunity to provide feedback about their experience in hospital but also highlights gaps in the system. This study is now going to be performed on a regular basis. This initiative forms part of an increased commitment towards patient safety initiatives mainly at Mater Dei Hospital.

COUNTRY ANALYSIS

Netherlands



OVERALL IMPACT AND MEASURES TAKEN

Dutch economy was tackled by the economic crisis relatively hard. The negative contribution of net exports to growth, the decrease in domestic demand and private consumption, due to important negative wealth and confidence effects, and suffering investments due to lower profitability and tightening credit conditions called for governmental interventions.

The recovery measures put in place brought the budgetary position to be eroded very quickly from a surplus of +0.6% of GDP in 2008 to a deficit of -5.4%. The public debt was 58.2% of GDP in 2008 and 60.8% of GDP in 2009.

Against this background it will be essential to accelerate the pace of structural reforms with the aim of supporting potential growth in particular undertaking reforms in the area of the labour market, especially by developing further measures, including fostering labour market transitions to improve the participation of women, older workers and disadvantaged groups with a view to raising overall hours worked and in the area of R&D, by continuing to create favorable R&D incentives.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The Netherlands has been facing an economic as well as a political crisis. A task force was organized and is pleading for budget costs in healthcare with a target of -20%. Cost-containing measures with respect to healthcare should be presented.

In the second half of 2010, with the creation of a new cabinet, there have been important developments, which especially affect hospitals. This government in fact is trying to diminish growth of hospital expenditures, it wants to take further steps in the field of covering hospital financing based on performance and will continue the trend towards a more active role of the market system in which insurers and hospital will negotiate prices and volumes of hospital care to be delivered, being it under a budgetary ceiling fixed by the government. Also it will be possible for hospitals to more easily attract private capital as the possibility of distribution of profits will be created.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

One of the problems is the regulated regulation. Today hospitals have a share of free negotiation by 33% and the NVZ is trying to get 70%. However, the crisis might affect the system.

In 2009 the turnover of hospital care increased by 6.7%, approximately 10.7 billion EUR. The B sector - the part of the market in which the price is the result of negotiations between hospitals and insurers - accounted for more than 30% of the total income. The income of the A sector - the part of the care for which there is a budget - declined by 6.2% in 2009.

As of the beginning of 2011, the new coalition appointed in mid-2010 is trying to diminish growth of hospital expenditures from an average rate of over 4% in the most recent years to only 2.5% in the coming years. It remains however to be seen how (and whether) this goal will be reached. Most probably, insurers will be stimulated to take up their role in a more active way than how has been seen until recently.

Moreover, the government wants to take further steps in the field of covering hospital financing based on performance. One condition for this is the introduction of uniform project definitions that has been announced. The abolition of so-called functional budgeting, the abolition of ex-post compensations for insurers and the expansion of free pricing also complement the decision to cover the finance of performance. The NVZ also supports the new cabinet's plan to allow for payments of profits in the care sector under certain conditions. Additional investments from the private market could be attracted in this way and this will above all facilitate innovations in hospitals.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

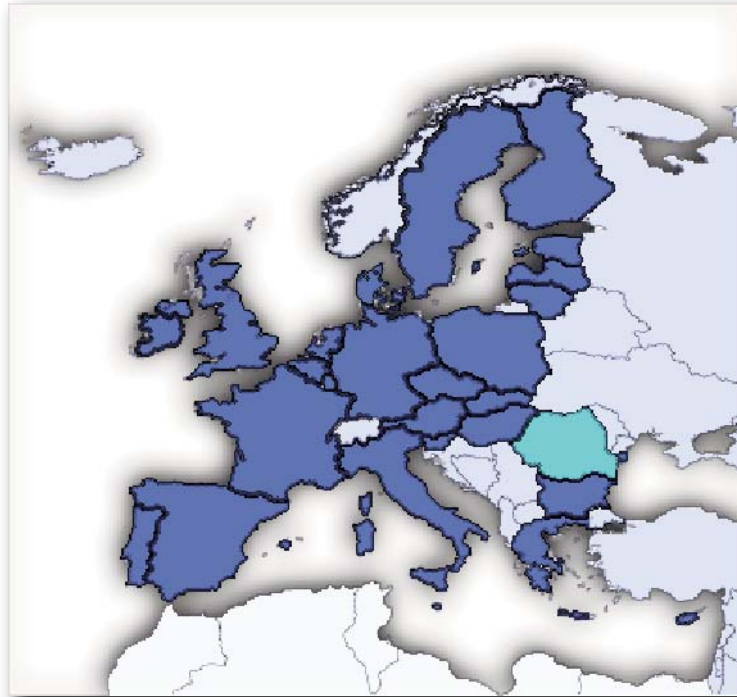
The modification of income for hospital workers is a possible future threat, since it might affect the position of healthcare in the labor market. Indeed the government can make decision to affect collective agreement in hospitals.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

The Government is reluctant to take measures to directly curb down the consumption of hospital services by patients. The amounts Dutch citizens are paying out-of-pocket for medical services remain quite modest as compared to other European countries.

COUNTRY ANALYSIS

Romania



OVERALL IMPACT AND MEASURES TAKEN

After a long period of growth, the drop in capital inflows, the balance-sheet effects of the currency depreciation and a sharp decline in export demand caused a severe recession in late 2008 and in the first half of 2009, which was reflected in a 7.1% decline of GDP in 2009.

Given the strains generated by this development, the authorities decide to seek external financial support while committing to implement a comprehensive economic policy programme aimed at addressing not only the external and fiscal imbalances, but also structural bottlenecks that limit competitiveness and progress in terms of convergence.

Public debt was at 23.9% of GDP in 2009, up from 13.4% in 2008. The general government deficit in 2009 deteriorated to -8.6% of GDP, from -5.7% of GDP recorded in 2008. This reflected largely the impact of the crisis on government finances and was mainly due to a shortfall in revenues, with the sharpest drops observed in VAT receipts and in social security contributions. Moreover, absorption of EU funds and non-tax revenue were lower than anticipated. In 2009, the government also made efforts to contain the increase in the deficit. In 2009, measures also included a restructuring of state agencies and cuts in goods and service spending.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

In 2010, only 3.6% of GDP was spent on healthcare. The total insurance resources decreased by 18% because of unemployment. A political decision was made to balance the income with money of the national budget. In 2010, the International Monetary Fund demanded that the government pay about 446 million EUR in arrears to companies mainly in the healthcare sector before it released the country's last loan tranche and the new funds allocated to healthcare in 2010 were mainly used to cover the huge amount of debts in the sector.

The Ministry of Health is in the final phase of the realization of a healthcare institutions' rationalization strategy, achieved with the support of the technical expertise of the World Bank's specialists. Main objectives of the reform are: elaborating an institutional and legal framework for the Romanian healthcare system; increasing the access to the curative and preventive medical services; improving decisional and organizational decentralization and reducing bureaucracy; cutting down the costs of the hospital medical assistance; increasing the capacity of the ambulatory medical assistance increasing the access of the patient to the modern medical treatments; creating and consolidating the qualified first aid and the emergency national medical assistance system.

In view of ensuring the necessary funds to facilitate the access to an European health system level, the following measures have been taken: increasing the taxation base by increasing the number of contributors; adjusting the functioning of the private health insurance system (complementary) in order to diversify the resources base and increase the competition in the system; introducing and finalize the co-payment concept and the minimal health package services; additional involvement of the private sector in supplying the medical services.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

The Ministry of health has launched restructuring and decentralisation of local authorities, fee for service of 150 EUR per year and cut off one manager for several hospitals to reduce costs.

9000 beds will be cut; 10% to 12% of the total and the local hospitals are transferred to municipalities.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

In 2010 salaries have been reduced by 25%. This is worsening the already high amount of licensed doctors that each year leaves the country and goes working abroad. In 2010 about 2500 doctors are estimated to have left Romania.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

From the 1st July 2011 a new additional fee for medical services will apply for patients. The total year amount for medical services will be 150 EUR for hospitalization and outpatient clinics. For one episode of hospitalization the fee will be 13 EUR, and for a consultation 2.5 EUR.

COUNTRY ANALYSIS

Slovenia



OVERALL IMPACT AND MEASURES TAKEN

In the last quarter of 2008 Slovenian economy was hit hard and rather abruptly by the global crisis, chiefly through the trade channel, given Slovenia's high degree of openness, after a period of solid economic growth, driven by buoyant exports and investment. The crisis led to a sharp increase in the general government deficit, from -1.8% of GDP in 2008, to -5.8% of GDP in 2009. Government public debt markedly rose as well from 22.5% of GDP in 2008 to 35.4% of GDP in 2009. A significant stock-flow adjustment reflecting recapitalisations and liquidity operations to support the financial sector mainly contributed to these increases.

In 2010 recovery measures included a further reduction in the corporate income tax rate and an additional tax allowance for socially vulnerable people on the one hand and the further increase in excise duty rates and revised CO2 emission tax on the other; moreover, a further postponement of public sector wage increases, less generous indexation rules of social benefit rates, including pensions, and lower capital transfers were applied. To recover from the crisis, measures to increase productivity and contain labour costs, such as reforms in the area of innovation and research and in the labour market are needed. Moreover, increasing spending efficiency becomes particularly important when trying to contain expenditure growth without compromising the level of services provided. For this purpose, a number of initiatives are envisaged, such as a unified information system and a single entry point for social transfers and the redefinition of the standards for public services, taking into account quality aspects, possibly with an increase of co-financing by users.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The financial crisis has increased unemployment in all sectors. The ones left have suffered reduction of wages. With fewer wages and less health insurance contributions, there are consequently fewer funds for healthcare. In principle, the system of compulsory health insurance in Slovenia provides that insured persons have access to necessary health-care services, but only to the extent covered under the Health Care and Health Insurance Act. For all other services, most insured persons must pay a certain percentage of the total value of the service or pay for a voluntary health insurance that covers risks for supplements of this kind.

Due to the crisis, private healthcare funds will be decreased, but not as intensely as public funds.

Data from the Health Insurance Institute of Slovenia show that the share of public expenditure is relatively stable, amounting to 71% of all healthcare expenditure. In 2009, the share of public health expenditure increased by 2 percentage points, especially because of increased funds from compulsory health insurance and funds from the national budget (investments, health expenditure). However, no changes between public and private health expenditure are likely to happen in relation to the crisis.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In 2009, the total income of hospitals established by the Republic of Slovenia increased in nominal amounts by 6.05% (or 69.8 million EUR) compared to 2008. The increased income in public hospitals is especially the result of the wage-system reform in the public sector implemented on 1 August 2008 and with fully visible results in 2009.

In 2009, additional programmes or extension of programmes brought hospitals additional funds in the amount of 4.7 million EUR.

In the first half of 2010, in comparison with the first half of 2009, decrease of total income by 0.12% was recorded; the total decrease was close to 1.0%. In general, the Health Insurance Institute of Slovenia and the Ministry of Health have been implementing measures, which reduce hospital financial resources in various ways.

In 2009, the Government issued decisions determining that competent ministries in the entire public sector must adopt the following measures concerning the provision of public services:

- reduction of costs in payment for goods and services and for the purchase of tangible assets or construction by at least 20%;
- reduction in the number of employees through natural attrition, non-replacement of employees whose employment ceases;
- optimisation of internal organisation.

Hence, the Health Insurance Institute of the Republic of Slovenia adopted several measures to ensure the financial sustainability of the health-care budget: reduction of health-care service prices by 2.5%; selective reduction of material costs in health-care service prices; rationalisation of operations for provision of funds for the promotion of employees; reduction of the calculated share of wages in the price of health-care services by 5%. In 2009, these measures brought 96.3 billion EUR of savings, while the savings at the annual level amounted to 138.9 billion EUR.

The measures adopted in 2009 also apply in 2010. Moreover, in 2010, Slovenia amended the Decision on determining the percentage of the payment of health services provided in compulsory health insurance, which increased the share of the cost of certain health services covered by voluntary health insurance.

In 2009, partners that annually agree the extent and funding for the health-service programme also encouraged the restructuring of programmes to reduce acute hospital care and consequently increase outpatient specialist activity. Public hospitals thus recorded a 0.84% drop in acute hospital care compared with 2008 (at national level, which covers both public and private providers of health-care services, the level of

reduction was 1.4%), while specialist outpatient activities increased by 2.8%. In addition, the partners supported the restructuring of acute hospital care to favour day-hospital care and specialist outpatient clinics in the field of primary health care (learning clinics and reference centres). They also agree on the need to reduce the number of patients in mental hospitals and on the introduction of multidisciplinary teams.

All savings measures at the national level were adopted with the aim of preserving the level of health-care programmes and accessibility of services. Thus, the scope of the health-care service programme was not reduced; instead, certain rationalisations are expected from providers focused on the optimisation of labour and material costs with no impact on the quality of health services.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

With regard to the public sector, in 2009 the recommendation of the Government of the Republic of Slovenia was implemented by non-replacement of retired employees and non-renewal of temporary employment contracts. However, due to the shortage of key operators (especially doctors), this orientation was not implemented in the field of healthcare.

Wages in the public sector were not reduced, but some measures were taken to limit the remuneration of public employees. In 2009, the amount of performance-related bonus associated with an increased amount of work was reduced so that, on aggregate, it cannot exceed 30% of a public employee's basic wage.

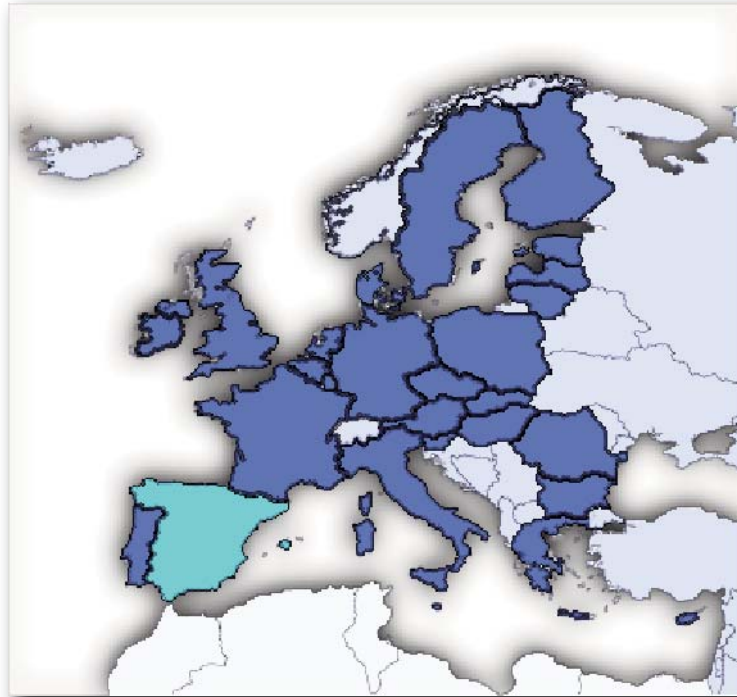
In January 2010, the wages of all public employees were partly adjusted to inflation, which means that they increased by 0.2%. In July 2010 this adjustment involved an increase by 0.65%.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

No direct measures affecting patients and citizens can be highlighted.

COUNTRY ANALYSIS

Spain



OVERALL IMPACT AND MEASURES TAKEN

After more than a decade of strong GDP growth, Spain went through a severe recession in 2009.

The general government deficit was -4.2% of GDP in 2008 and -11.1% of GDP in 2009, which reflects largely the impact of the crisis on government finances. Government public debt was 39.8% of GDP in 2008 and 53.2% of GDP in 2009. Apart from the sizeable increase in the deficit and the decline in GDP growth, a significant stock-flow adjustment reflecting primarily credit support contributed to the rise in the debt ratio.

In 2009, as exceptionally regional and local administrations were allowed to present higher deficits than initially foreseen within the budgetary framework. For 2010, it was also decided to reduce official development aid by 600 million EUR, public investment will state at 6 billion EUR, while the autonomous regions and municipalities will operate a saving of 1.2 billion EUR.

Measures implemented to foster the economic upturn include inter alia hikes in VAT rates as of July 2010, an increased progressivity of the saving tax system and a temporary reduction of taxes on SMEs that favours employment, tax hikes on alcohol and tobacco introduced in mid-2009; extension of the investment package addressed to local governments, a freeze in public sector hiring process, a pension reform.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The main component of the healthcare expenditure in Spain is the cost of the Healthcare Services of the Autonomous Communities, which are funded by transfers from Central Government and their own taxation. The rate of increase of the budgets of the Healthcare Services of the Autonomous Communities has progressively declined. It was 8.45% between 2007 and 2008, 4.61% between 2008 and 2009 and 1.84% between 2009 and 2010.

The rate of increase of the budgets for healthcare of all public administrations (including Central Government) has also decreased. It was 7.82% between 2007 and 2008, 2.71% between 2008 and 2009 and 2.49% between 2009 and 2010.

As a way to face the crisis it was introduced a NHS Central Purchasing, to adopt common policies on pharmaceuticals. In 2010 it was established an aggregate procurement process for the whole NHS, to which the Autonomous Communities may join voluntarily. Moreover, it was developed and implemented a system for sharing information between the Autonomous Communities negotiating prices from different providers.

However, despite of the crisis, the Spanish NHS has made a major management effort providing a set of high quality and cost-efficient services that ensure a good quality in relation to the budget per inhabitant per year. In regard to financial problems, not only sufficient resources for health are needed, but it is necessary to ensure that these resources are used in a rational and efficient way. For this reason, a general plan has been designed for general administration for 2011, 2012 and 2013. It must act to maintain the sustainability of quality, innovation and technology infrastructure, and to make viable the response to the needs of aging population as well as to the emerging health needs of the society.

The government has also started the study of mechanisms of compensation of the expenditure supported by health services with a view to labour contingencies, whose financing corresponds to the Mutual ones of Accidents at work and of occupational diseases. The national budget has been approved. The social impact is minimized.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

The main measures adopted concerning hospitals address human resources and pharmaceuticals. In 2009 the drugs expenditure per medical prescription was reduced by 2.36%. Between 2010 and 2011 a package of new measures including reduction of staff salaries, enhancement of retirements and cuts of new hiring have been adopted to cut spending by 1.5 billion EUR. For 2011, the managers must ensure the effective, efficient, and equitable sharing of public resources allocated to them to save 1.2 billion in the autonomous regions and municipalities.

Moreover, in 2010, reductions of general expenses by 15% and investments by 25% were established and it was decided to develop a common strategy for the care of chronic patients in the NHS.

From 2011, common policies on pharmaceuticals will be adopted. A package of rational drug use has been developed which includes measures to boost the quality of pharmaceutical care and control of pharmaceutical expenditure amounting to 1.5 billion EUR through an amendment system of reference prices, rebates, generic drugs, and setting maximum prices for medicines for minor symptoms.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Healthcare professionals' wages, as for the other civil servants, have been reduced by 5% due to the Government Adjustment Plan for 2011-2013.

A package of new measures has been adopted to cut spending at 15 billion EUR between 2010 and 2011 through:

- reduction of staff salaries by 5% in 2010 (in proportion there have been more cuts in higher salaries, including a discount of 15% of payroll for members of the Government) and freeze of staff salaries in 2011;
- reduction of the replacement rate: every 10 retirements only one employee can be replaced in the State General Administration.

Moreover, this package establishes a common mechanism to increase the participation of professionals in the management and direction of health services and the allocation of resources will be developed: professionals have to continue to cooperate as much as health spending depends on their clinical performances.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

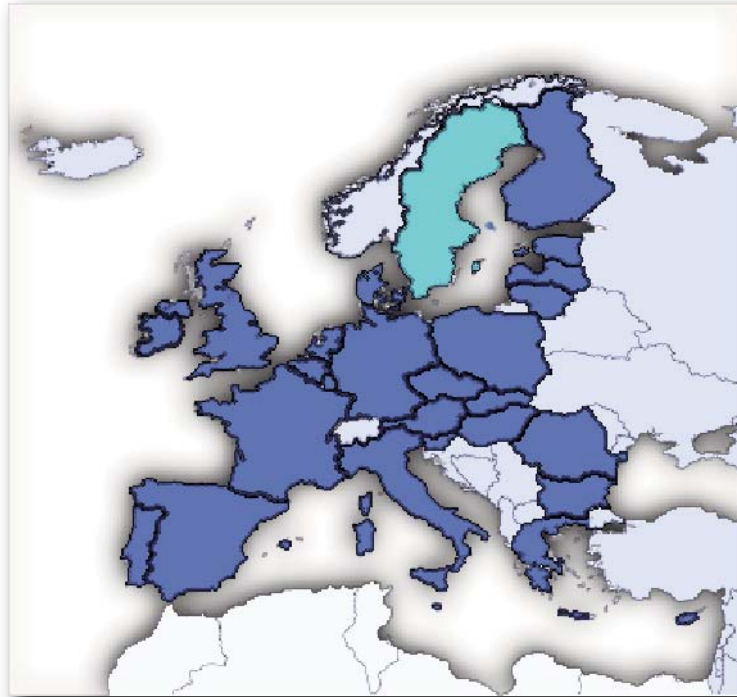
The balance between private (out-of-pocket, complementary insurance...) and public expenditure is not likely to change. There is in fact a debate about co-payment but it seems there is not enough political consensus for implementing it. The number of persons with private insurance is stable or slightly decreasing.

The government is implementing measures to enhance the self-responsibility of users and their ability to share responsibility for their health as well as their involvement and commitment in making good use of the system. To explain the cost of health services or by bills shadow or by using standard tables. That does not include the copayment.

About drugs, it has been decided to adapt the number of units in packaging to the duration of the treatment. By fractionation of packaging, the patient can purchase the exact amount he needs. It will also be dispensed drugs in Unidose.

COUNTRY ANALYSIS

Sweden



OVERALL IMPACT AND MEASURES TAKEN

The Swedish economy was severely hit by the recession at the end of 2008, it stabilized later on in 2009, but GDP growth remained negative throughout 2009. In 2010, the Swedish GDP recovered substantially (+5%) and was in the end of the year back on the same level as before the crisis. The Swedish economy is expected to grow by 3-4 percent per year in 2011 and 2012.

The recession and the consequent fiscal policy response swung the public sector balance from a surplus of +2.2% of GDP in 2008 to a deficit of -0.9% of GDP in 2009. In 2010, the public sector deficit is expected to be -0.5% of GDP (prognosis). Public debt was at 41.9% of GDP in 2009, up from 38.2% of GDP the year before.

The main measures taken in 2010 had as an object the so called in-work tax credit scheme, reduction in the taxes on pensions and, on the expenditure side, additional state transfers to municipalities and county councils/regions, additional resources to crime control and judicial system, education and training activities and measures to support the growth of small enterprises.

From 2011 onward, the main goal of the budgetary strategy for Sweden is to reach its surplus target that stipulates that general government net lending should show a surplus of 1% of GDP over the business cycle. Moreover, it is important for Sweden to undertake reforms in the areas of competition and labour market participation.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

A basic trait of the Swedish welfare model is an extensive welfare system whereby individual rights, like education and health care, are financed collectively through taxes. The county councils/regions provide most of the healthcare services. Healthcare represents in fact about 90% of their budgets and is financed almost entirely through own taxation and grants from the state.

Due to temporary increases of government grants and other income enhancements, the international financial crises has had limited effects on the health care system. Sweden was hit in the end of 2008, but recovered substantially in the end of 2009 and 2010. In these years, the county councils/regions as a whole showed an increased surplus.

In 2009, five of twenty county councils/regions, less than in 2008, had a deficit. For 2010, almost all county councils/regions forecast a surplus. Among the reasons for this positive development, are temporary extra government grants to municipalities and county councils/regions, but also efforts to save costs.

In 2010, the county councils/regions received approximately 534 million EUR in additional government grants. Of these, additional resources, about 377 million EUR were temporary grants and about 157 million EUR a permanent increase of the yearly general grants.

In 2011, the county councils/regions receive approximately 94 million EUR in temporary government grants.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

In 2009, and even more in 2010, most county councils/regions showed a surplus, thanks to temporary increases of government grants, other income enhancements and efforts to save costs. In this way, county councils/regions, which are responsible for the provision of most healthcare services, have been able to ensure their inhabitants adequate healthcare.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

The purpose of the temporary increase of government grants to the local government sector was to help the municipalities and county councils/regions to retain personnel despite strained economic conditions, and in that way maintain key welfare services such as schools, health care and care of the elderly during the recession. Nonetheless, some county councils/regions have adopted restrictive policies concerning new recruitment of staff, appointment of substitutes and further education for professionals.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

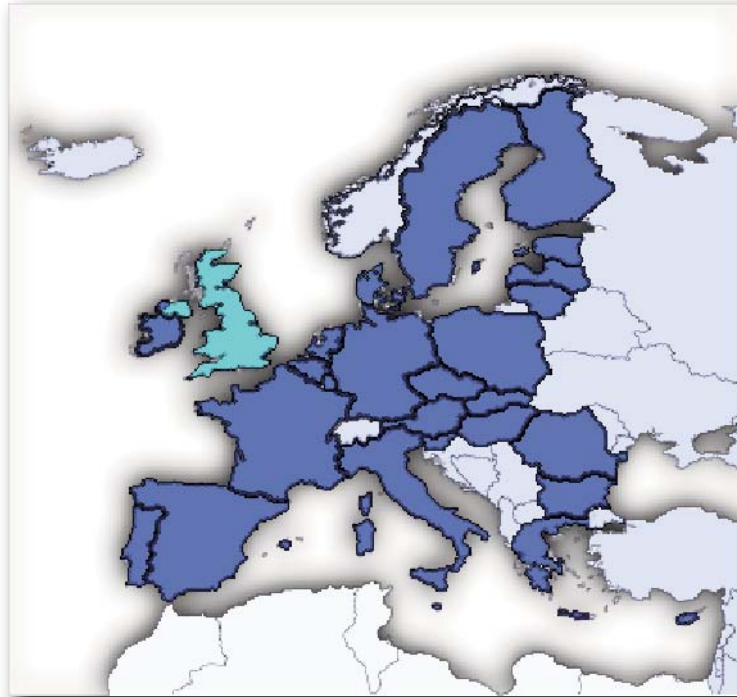
In order to increase employment and reduce the high ill-health figures (ohälsotal), the Government has also made extensive reforms in health insurance. One of the central reforms is the introduction of fixed time limits for the receipt of sickness benefit and a review of rehabilitation entitlement. The fixed time limits are expected to lead to shorter sickness cases and reduce the total amount of sickness absence, as many players in the sickness certification process are now expected to act earlier.

The health insurance package also includes other reforms, like a more consistent review of the entitlement to both sickness benefits and sickness and activity compensation.

Expanded occupational health services, a rehabilitation guarantee and measures to stimulate a return to work for sickness and activity compensation recipients have also been added.

COUNTRY ANALYSIS

United Kingdom



OVERALL IMPACT AND MEASURES TAKEN

The financial sustainability of the United Kingdom was aggravated by the fact that the country was already in a situation of deficit in the period leading up to the crisis.

In the period 2009-2010 the government deficit increased to -11.5% from -6.9% in the preceding year. The public debt was 55.9% of GDP in 2008-2009 and 71.3% of GDP in 2009-2010. This situation reflects to a large extent the impact of the crisis on government finances. The fall in the government revenue ratio and the increase in the expenditure ratio in 2009/2010 are estimated to have contributed around 45% and 55% respectively of the deterioration in the government deficit. The government subsequently focused on improving skill levers and increasing productivity.

IMPACT ON HEALTH SYSTEM AND MEASURES TAKEN

The NHS budget was 'ring-fenced' by the Coalition government following the general election in May 2010 (in itself a controversial move which has heightened cuts elsewhere). Despite this, independent commentators have indicated that the demand for healthcare from a growing and ageing population, new technology and ever higher patient expectations mean there is increasing pressure on the NHS budget amounting to

approximately 4-5% per annum. The NHS therefore needs to find around 17.6 billion to 23.5 billion EUR in efficiency savings over the next four years that can be reinvested within the service so that it can continue to deliver year-on-year quality improvements.

Hence, in the three-year Comprehensive Spending Review on 20 October 2010 the Chancellor George Osborne announced that the NHS budget would increase from 121.7 billion EUR in 2010 to 133.7 billion EUR by 2015; and an extra 2.3 billion EUR for social care by 2014/15, although the NHS will have to set aside funding up to 1.2 billion EUR for joint working with social services.

Value for money savings in the next year will be achieved through initiatives including:

- improving how the NHS buys services for patients and adjusting the price it pays, enabling all hospitals to reach the productivity levels achieved by the best, ensuring that people get the most appropriate treatment in the right place at the right time;
- delivering more efficient, integrated and people-centred community and mental health services, including by developing common prices to reduce variation and transforming the care and lives of those with long-term conditions; and
- driving down back office and procurement costs.

The Chancellor also announced plans to expand access to talking therapies, confirmed that a new Cancer Drugs Fund of up to 235 million EUR a year will be available, and said there will be real terms growth in health research spending. He reiterated that 23.5 billion EUR in efficiency and productivity savings are needed by 2015, the end of the three-year funding cycle.

The Coalition government's recent White Paper outlined plans to abolish regional health authorities by 2012 and current primary care commissioning organisations from 2013. This is expected to impact significantly more on the cost of NHS management, rather than healthcare professionals, with substantial management cost savings publicly stated.

IMPACT ON HOSPITALS AND HEALTHCARE SERVICES AND MEASURES TAKEN

While the NHS has received growth in 2010/11, the tariff used to pay providers has been frozen and subject to some reductions to make headroom for pay for quality schemes.

Hospitals are planning to make efficiency savings of at least 5% in each of the next 3 years and a national programme has been launched to improve efficiency, productivity and to safeguard quality. The tariff paid to hospitals for the next 2-3 years has also been reduced. Providers will be allowed to offer services below the mandatory price, if both commissioners and providers concur. It is intended to significantly broaden the scope of the mandatory tariff after 2012.

A small number of local payers are examining the options for restricting some services where there are doubts about clinical effectiveness.

In the coming years, hospitals will no longer be reimbursed for emergency readmissions within 30 days of discharge following an elective admission. All other readmission rates will be subject to locally determined thresholds, with a 25% decrease where achievable.

The government has launched a review into the long term options for changing the funding basis for social care.

In non-clinical terms, the recent budget raised VAT from January 2011 to 20%, which could have significant financial implications. It is also worth noting that the new Coalition government did announce the high-profile cancellation of a new hospital, which was to be built in the North East of England.

Tariffs to pay hospitals will be reviewed and this will be a way to negotiating. In any case, cuts of 25% at the local authorities' level in the social sector could have the result of increasing admissions and stays in healthcare settings.

MEASURES DIRECTLY AFFECTING HEALTHCARE PROFESSIONALS

Salaries have been frozen for public sector workers earning over about 24,650 EUR per annum, and a review on public service pensions is underway. This review examines in particular the growing disparity between public service and private sector pension provision.

Local employers were also strongly encouraged to restrict recruitment, with new recruitments requiring senior sign-off.

A Mutually Agreed Resignation Scheme (MARS) was launched by the UK government to support service redesign and create vacancies for staff that are being redeployed or are at risk. Work is also underway to develop a single set of HR principles and associated HR frameworks to support the proposed changes in the health white paper, reductions to management costs and the outcome of the arms-length review.

MEASURES DIRECTLY AFFECTING PATIENTS AND CITIZENS

Locally, some commissioners have restricted eligibility for some non-core procedures; however this has proved controversial and is not national policy.



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