PHRG

Spending cuts and centralization in Hungarian healthcare as a response to the international financial crisis

CEU's Public Health Research Group

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Introduction of Prof. Dr. Péter MIHÁLYI

Born in Budapest (1953)

Education: Karl Marx University of Economics (Budapest)

Author of 9 books and many articles.

Work experience:

1983-1993: United Nations Economic Commission for Europe (Geneva, Switzerland)

1994-95: Deputy Government Commissioner for Privatization

1997-98: Deputy Minister of Finance

1998 - to date: University professor

May, 2006 – December, 2007 Head of the Health Reform Committee of the Hungarian Government

January, 2008 – May, 2008: Special adviser to the Minister of Health

I.

Where the story begins?

September 15, 2008

+ 3 days

September 18: Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke meet with key US legislators to propose a $700 billion emergency bailout through the purchase of toxic assets. Bernanke tells them: "*If we don't do this, we may not have an economy on Monday*."

October, 8-9: A sudden stop occurs at Hungarian government bond market. Hungary contacts IMF and EU.

+ 3 weeks

April, 2010: Regular elections in Hungary

+ 18 monts

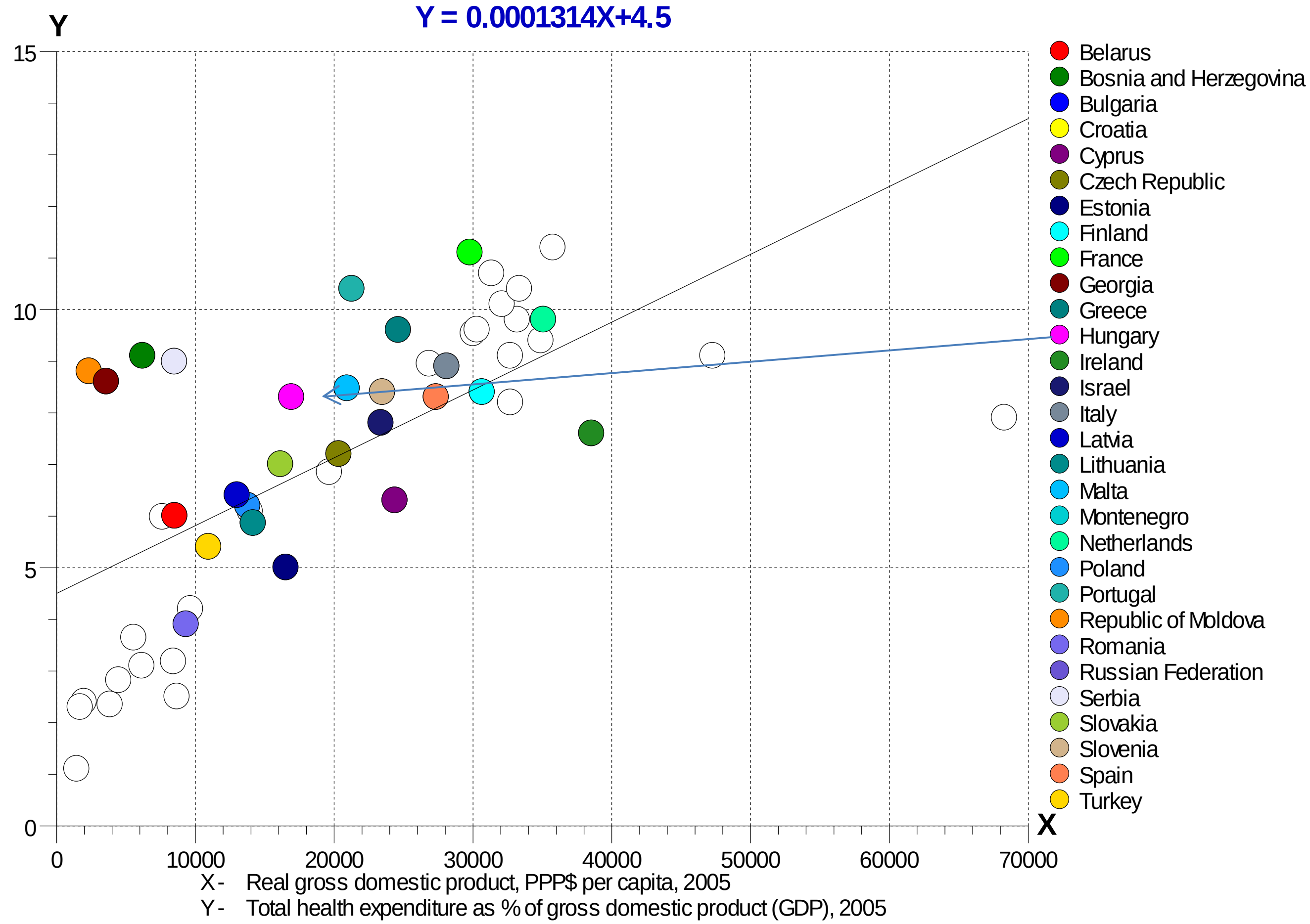
The Financial Crisis and Global Health
Report of a High-Level Consultation
World Health Organization, Geneva
19 January 2009

World Health Organization

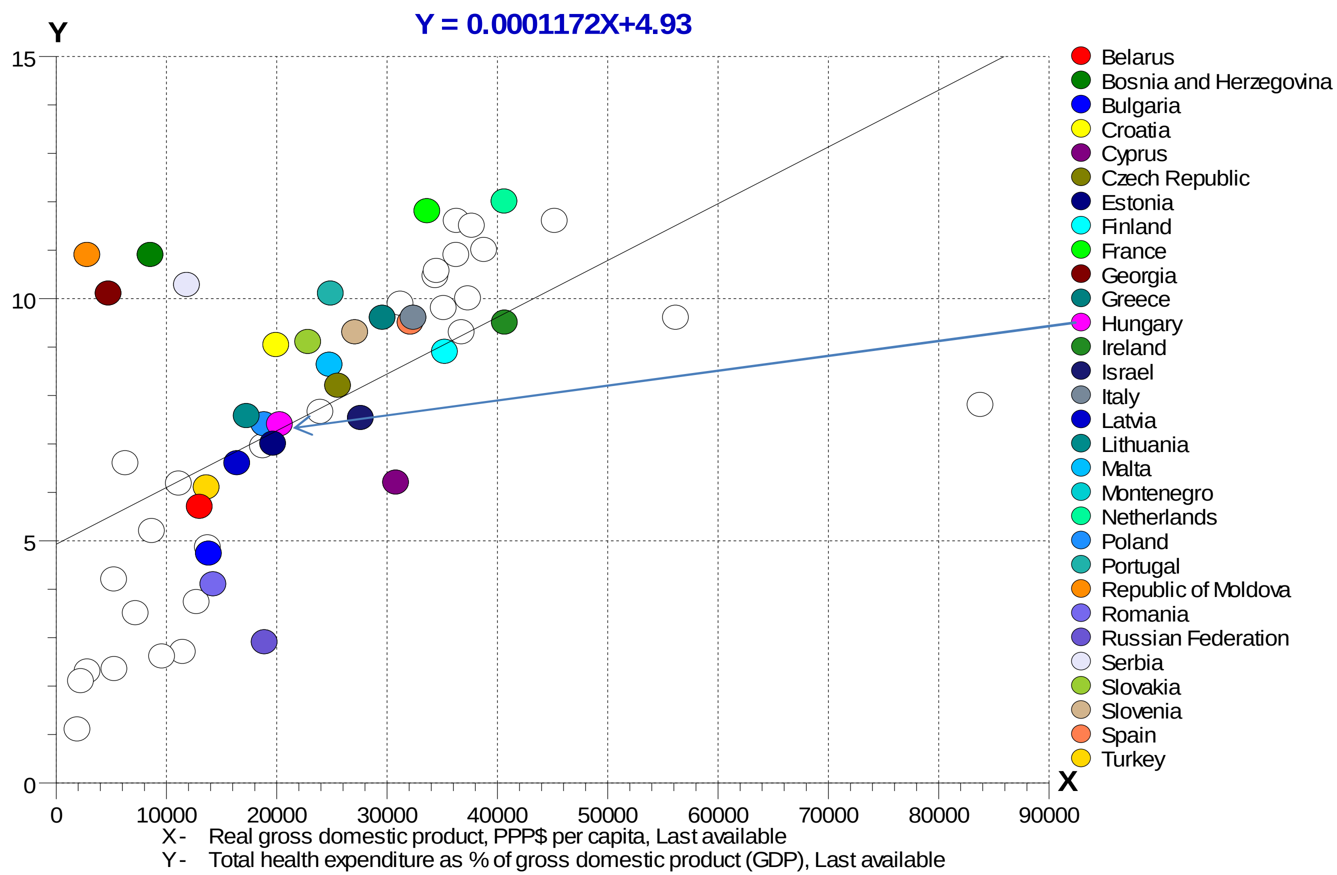
The objectives were:

(a) to build awareness of the ways in which an economic downturn may affect health spending, health services, health-seeking behavior and health outcomes;
(b) to make the case for sustaining investments in health; and
(c) to identify actions – including monitoring of early warning signs – that can help to mitigate the negative impact of economic downturns.

Spending before the crisis



Spending according to the latest data (2009?)



The generic model of post-communist transition in health care

Objectives:

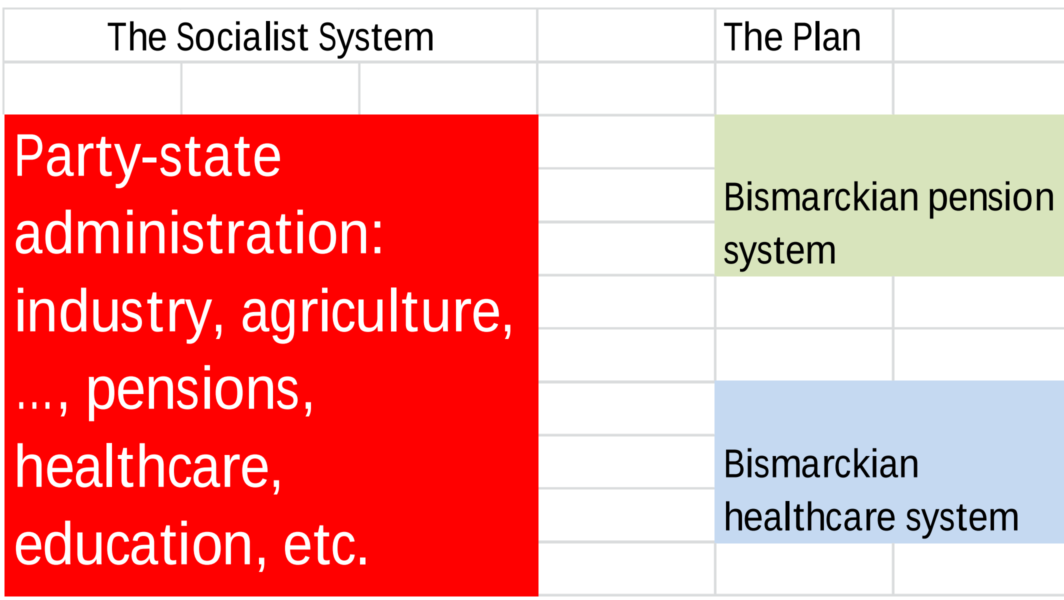
(1) A multi-payer insurance system similar to one the Hungarian medical profession knew from Germany.

“Back to the Bismarck model” (Marrée – Groenewegen, 1996).

Hungary was the first, followed by Macedonia (1991), Estonia, Serbia (1992), Czech Republic, Slovenia, Croatia, Montenegro, Russia (1993), etc.

(2) Purchaser/provider split.

A unique feature of the Hungarian developments

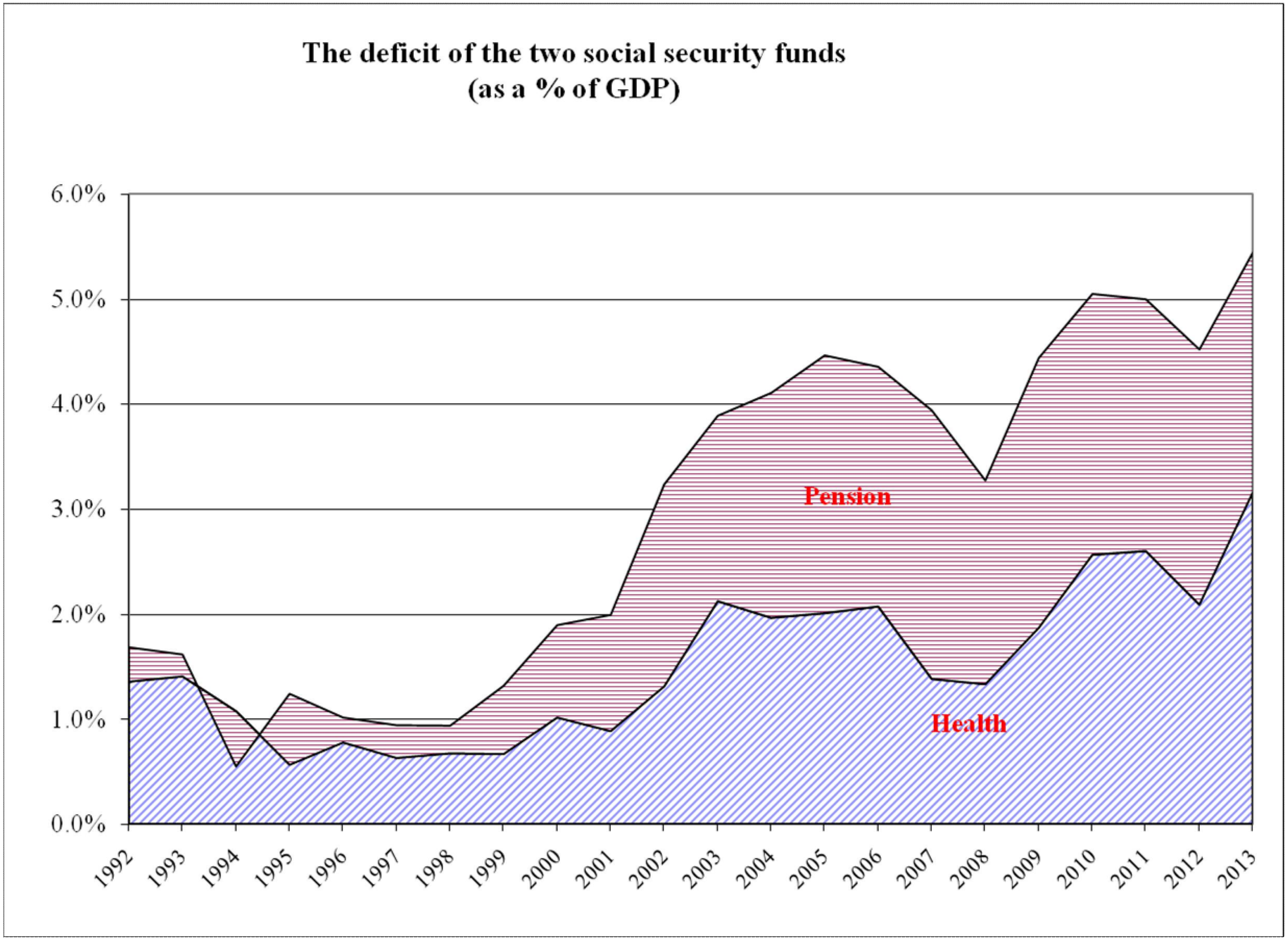


Almost full symmetry.

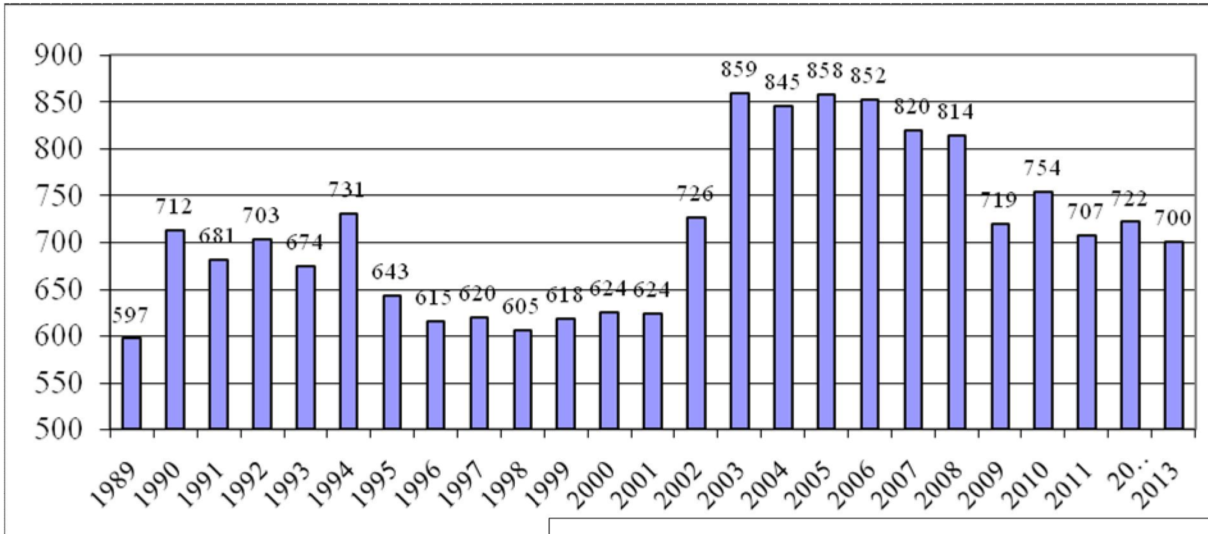
Basic rules:

1. Pay-as-you-go funds, independent from the state
2. Mandatory, 100% coverage
3. Fully financed by employers and employees from payroll based contributions.
4. Partly funded from pre-privatization state assets (e.g. stocks)
5. Tri-partite supervision

The structural shift



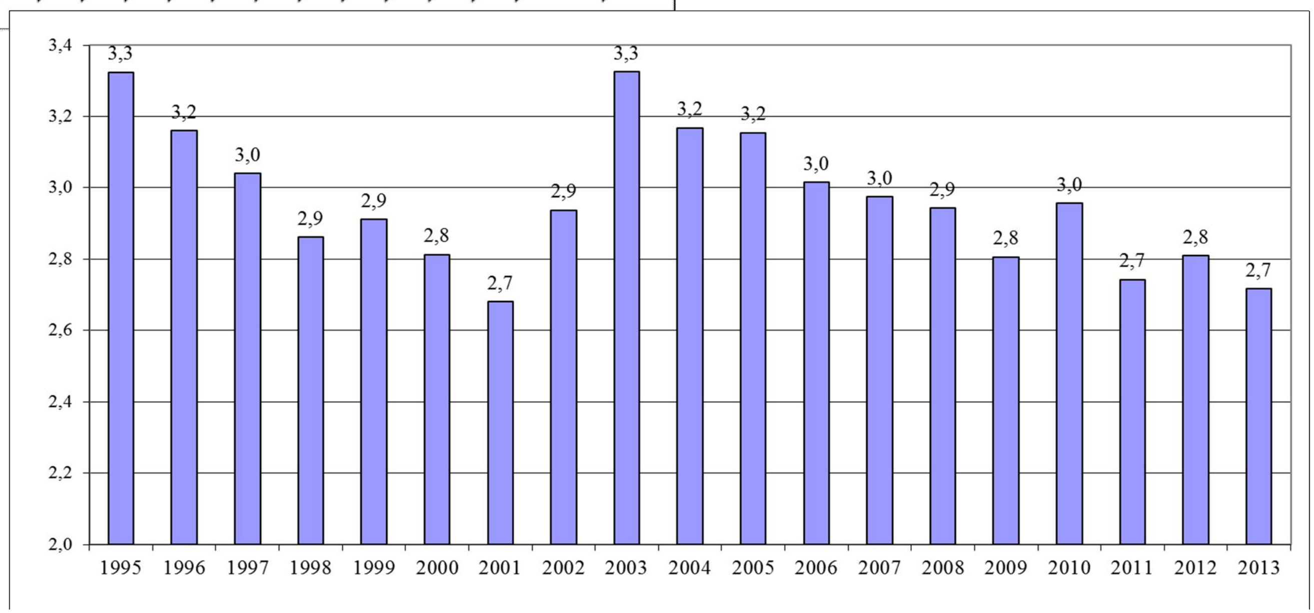
The fiscal adjustment in Hungary started well before the present crisis



Curative-preventive healthcare provisions in kind financed from the Health Insurance Fund

At constant prices of 2009 (HUF billion)

As a percentage of GDP



The dismantling of the Bismarckian system started as early as 1997

1. The pension system was gradually converted into a three-pillar World Bank type model.
2. The healthcare system was partly privatized on the provision side, but on the financing side it was gradually re-integrated into the central budget.

Developments since May 2010

The Minister for Human Resources (health + social + pension + culture + education + sport + youth, etc.)

A) Abolition of the mandatory social health insurance system

1) Surprised abolition of the Constitution and replaced by the Basic Law.

2) The „term” social security is discarded from the Basic Law.

3) Parallel to these developments, the government confiscated 95% of the accumulated funds of the II. Pillar of the pension system. Cca. HUF 3000 bn, more than 10% of GDP.

4) The system of „contributions” has been replaced by a system of taxes (the NHS model).

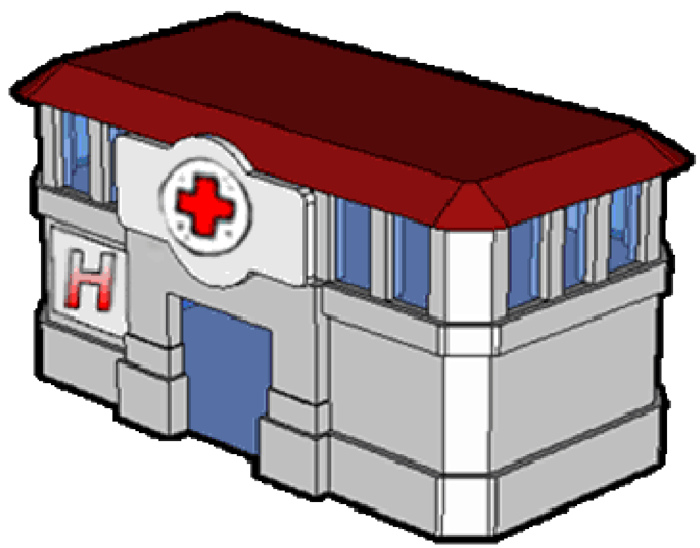
B) The pension system has swallowed the health care system

- True proportions: 2:1
- Pensions must be paid, there is little room of maneuvering (Entitlements: 1, 2, …. 4 million)
- Healthcare expenditures are inhomogeneous.

C) Centralization of ownership

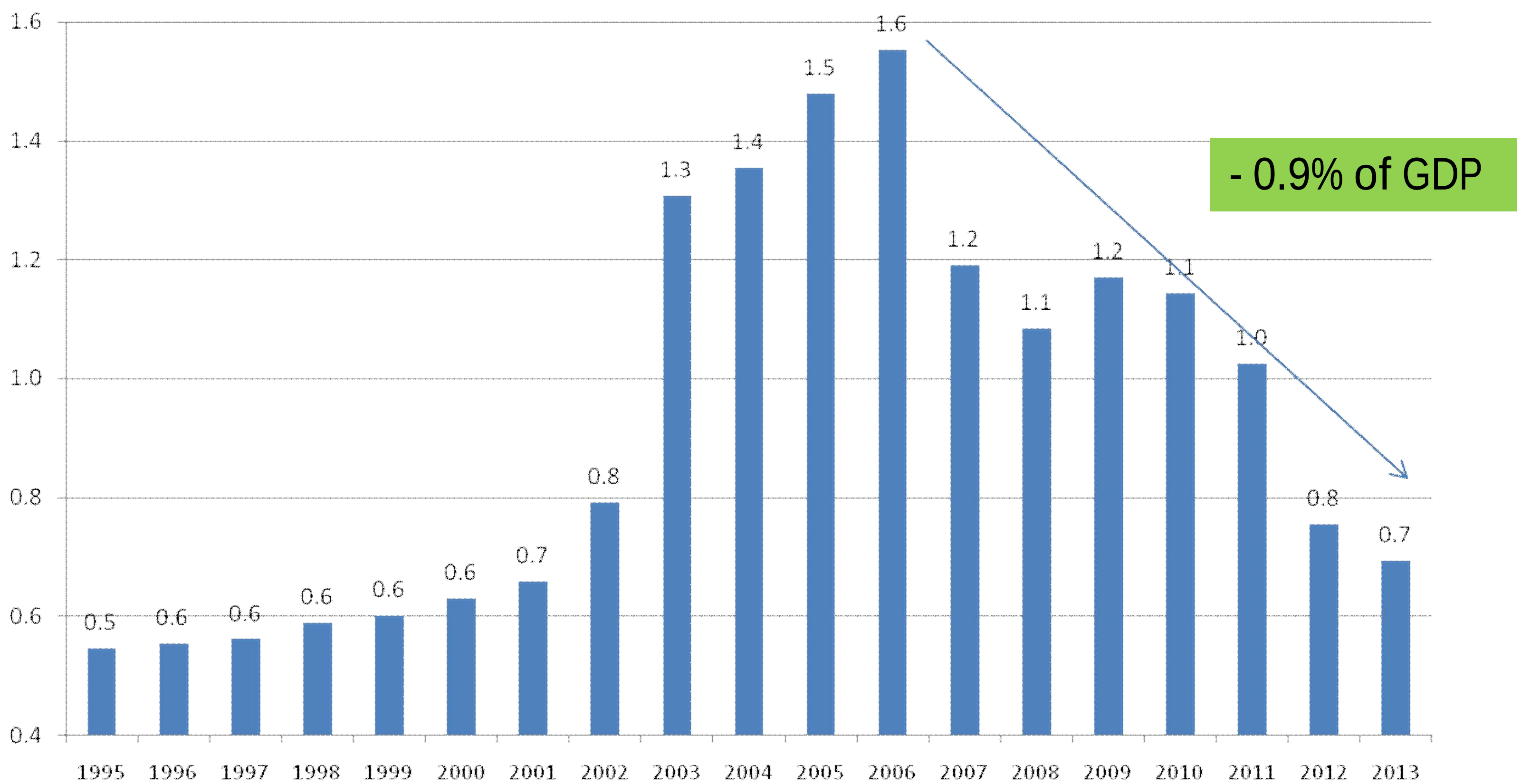
Symmetry again: Education and healthcare

--- the ownership rights were taken over from municipalities.



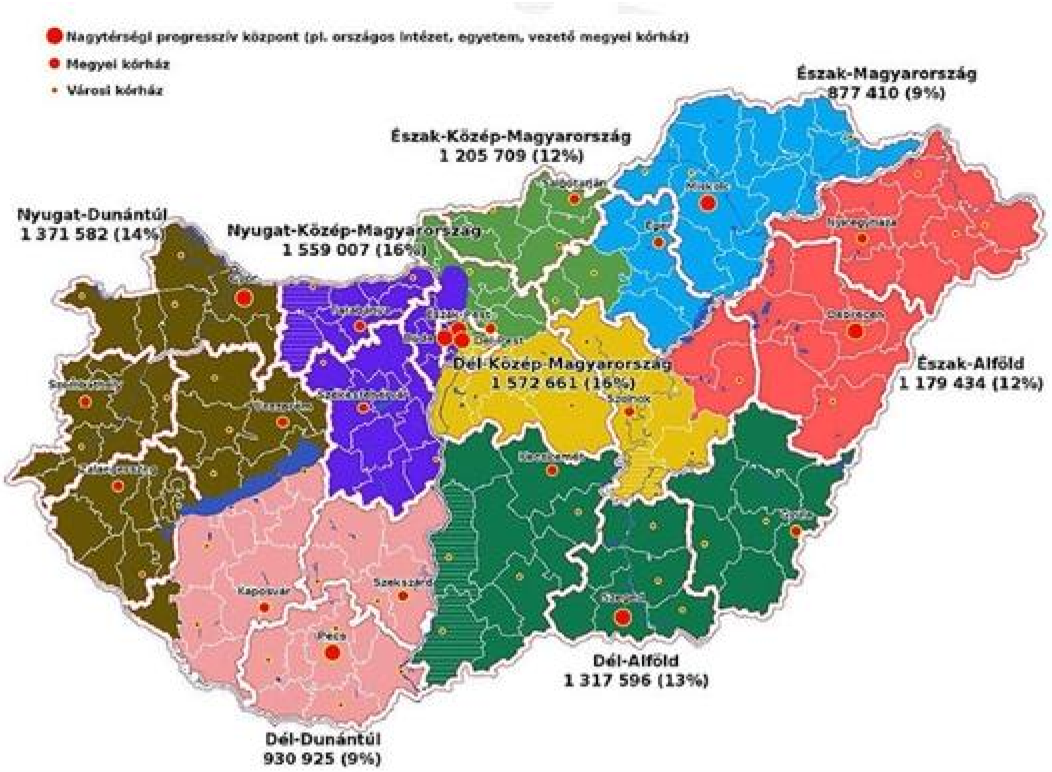
D) Drastic cuts in pharmaceutical expenditures

Net pharmaceutical expenditures of HIF as a percentage of GDP



E) Limitation of patient choice in specialized care

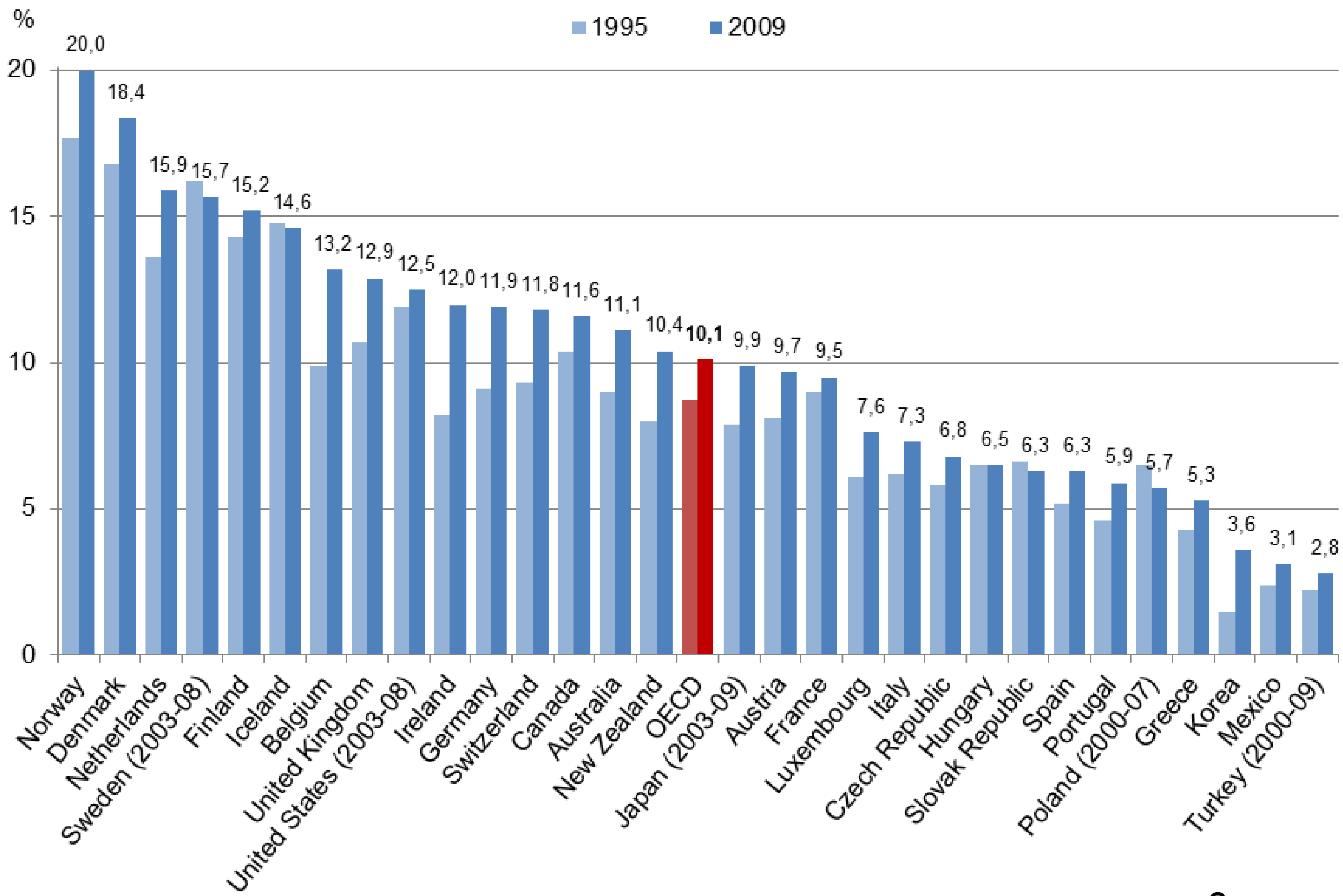
1) The Semmelweis Plan : 9-10 newly defined Health Regions, as of mid-2011.
2) There will be only 7-8 regions, Budapest will be exempted.
3) Start: January 2013.



F) Mandatory pensioning at age 62?

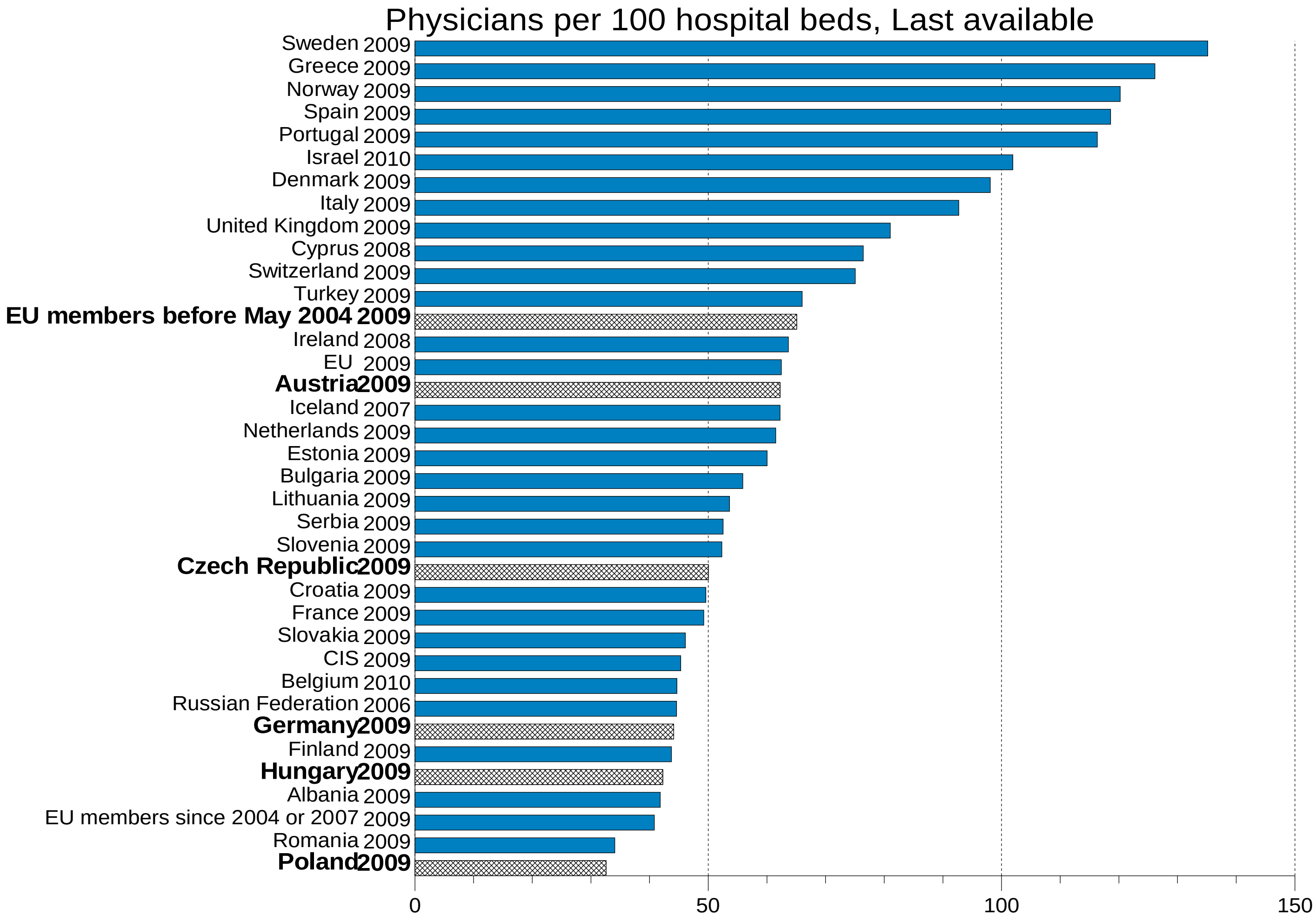
1) The political issue is the mandatory requirement of pensioning judges. An issue challenged by the EU.
2) But if all public servants must retire at age 62….
3) If this plan materializes, it will affect the specialists only, because GPs are not public servants. There are no detailed data on the age-profile of this group, but anecdotal evidences suggest that thousands of experienced physicians might be affected in a growing proportion year after year. According to the OECD (Health at Glance) more that 35% of the Hungarian doctors were above 55 years of age in 2009.

Employment in the health and social sectors as a share of total civilian employment, 1995 and 2009 (or nearest year)

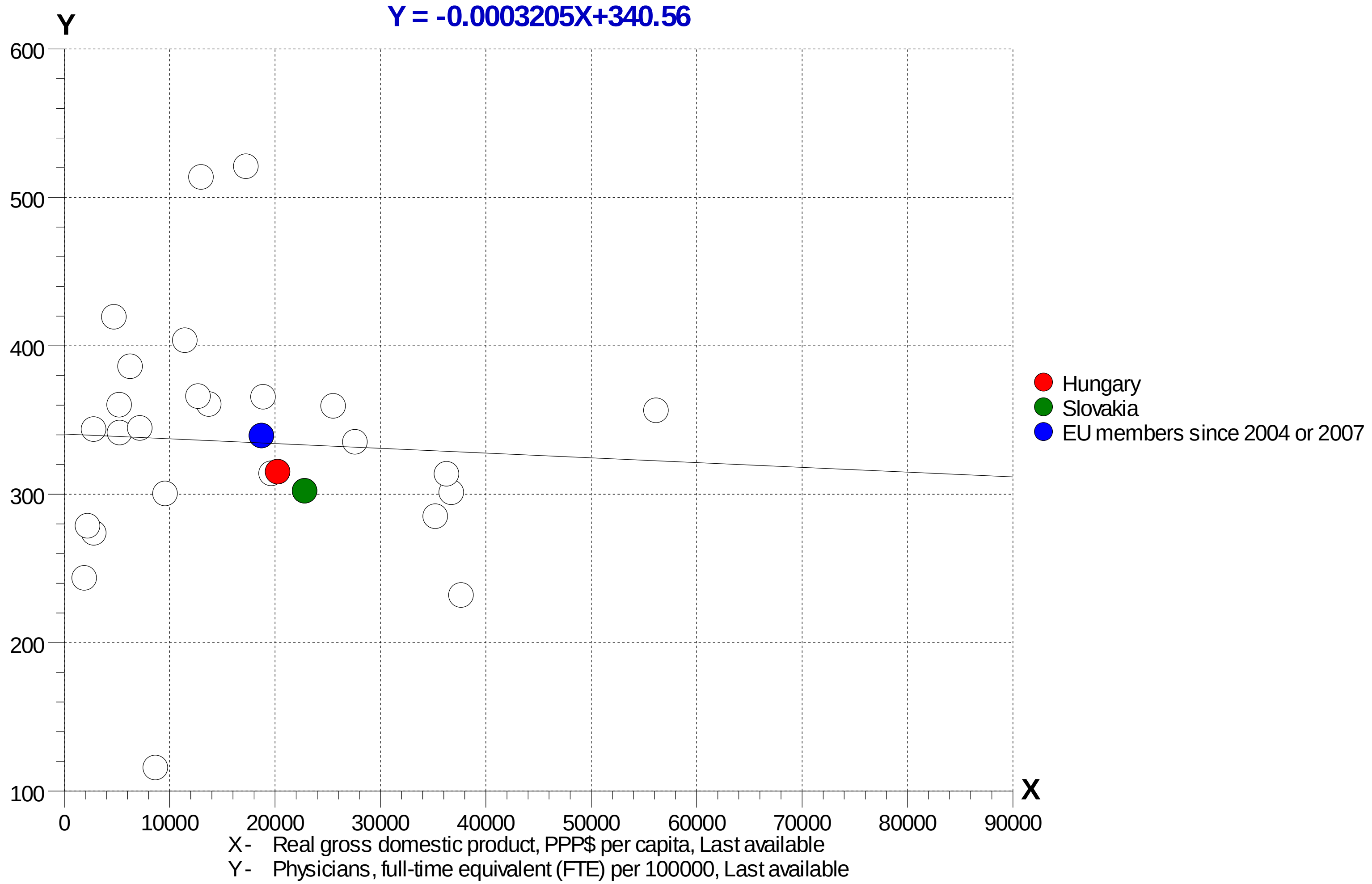


Source: OECD

The unfavorable L/K ratio will deteriorate further



There is not enough practicing doctors in Hungary, anyway



Thank you!

- Questions?
- Comments?
- Unclear points?
- Anything wrong or unconvincing?

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