



SLOVAK HEALTH REFORM STABILIZED PUBLIC FINANCES

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Content

1. No „Sweedish table“
2. The „Reform boat“
3. The role of profit
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5. Conclusions



1. End of „Sweedish Table“

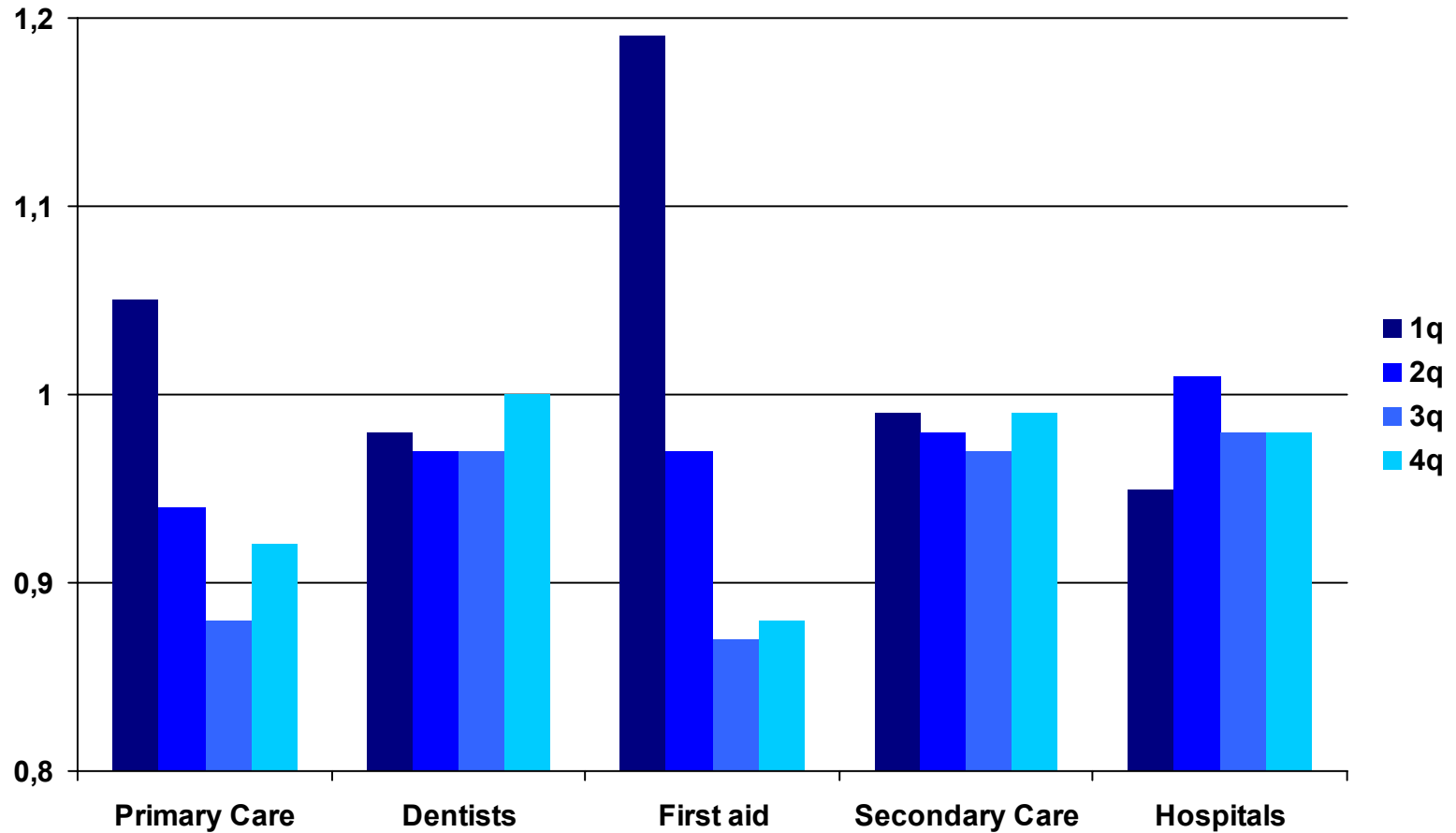


Evidence from application of co-payments

	Patient	Health Insurance Fund	Provider (pharmacy)
Primary care	20 Sk	0 Sk	20 Sk
Secondary care	20 Sk	0 Sk	20 Sk
Accommodation and food in inpatient care	50 Sk	0 Sk	50 Sk
Transport	2 Sk/km		
Prescription fee	20 Sk	15 Sk	5 Sk



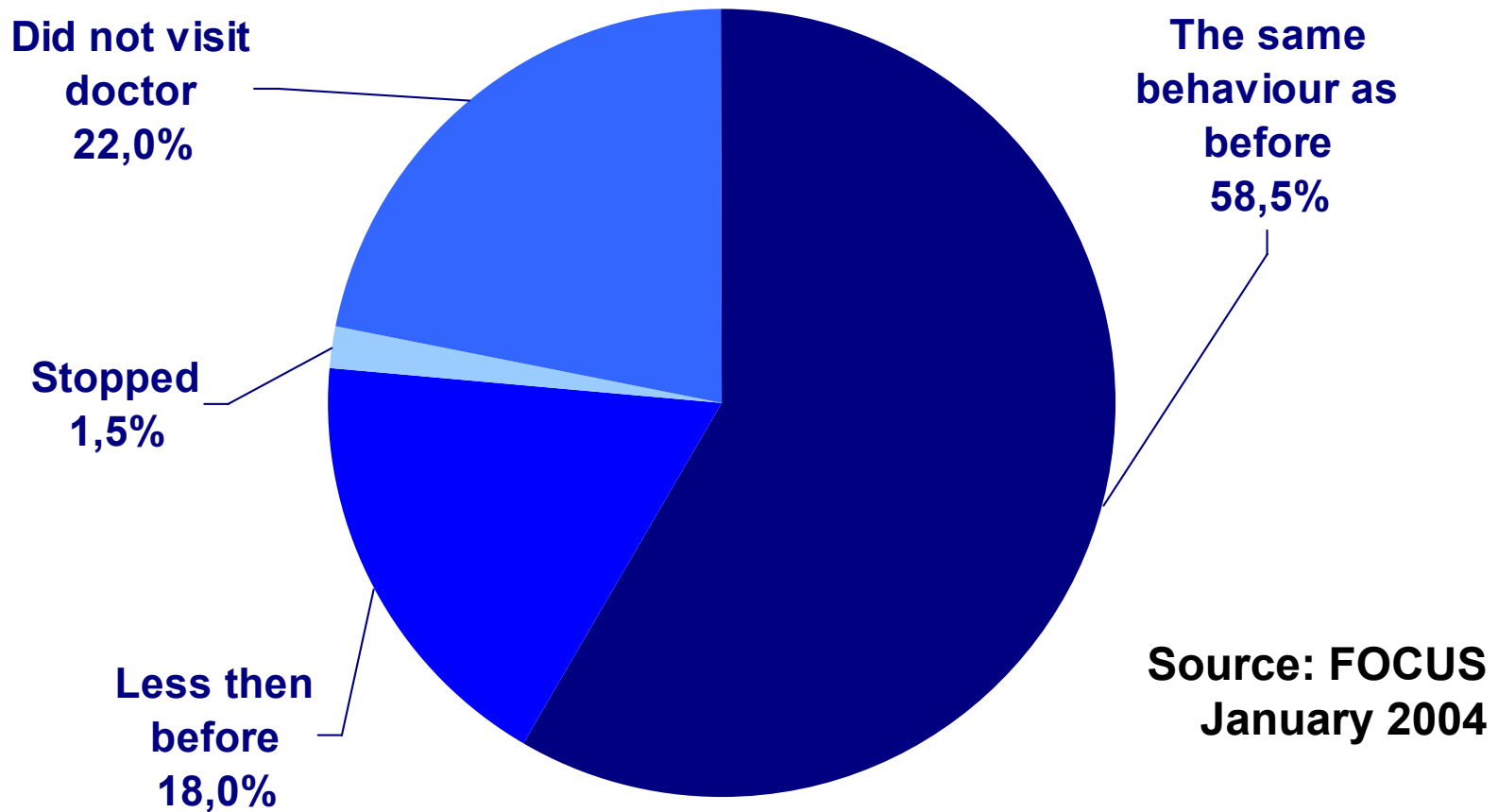
Impact of co-payments (Index 2003/2002)



Source: General HIC, 2004

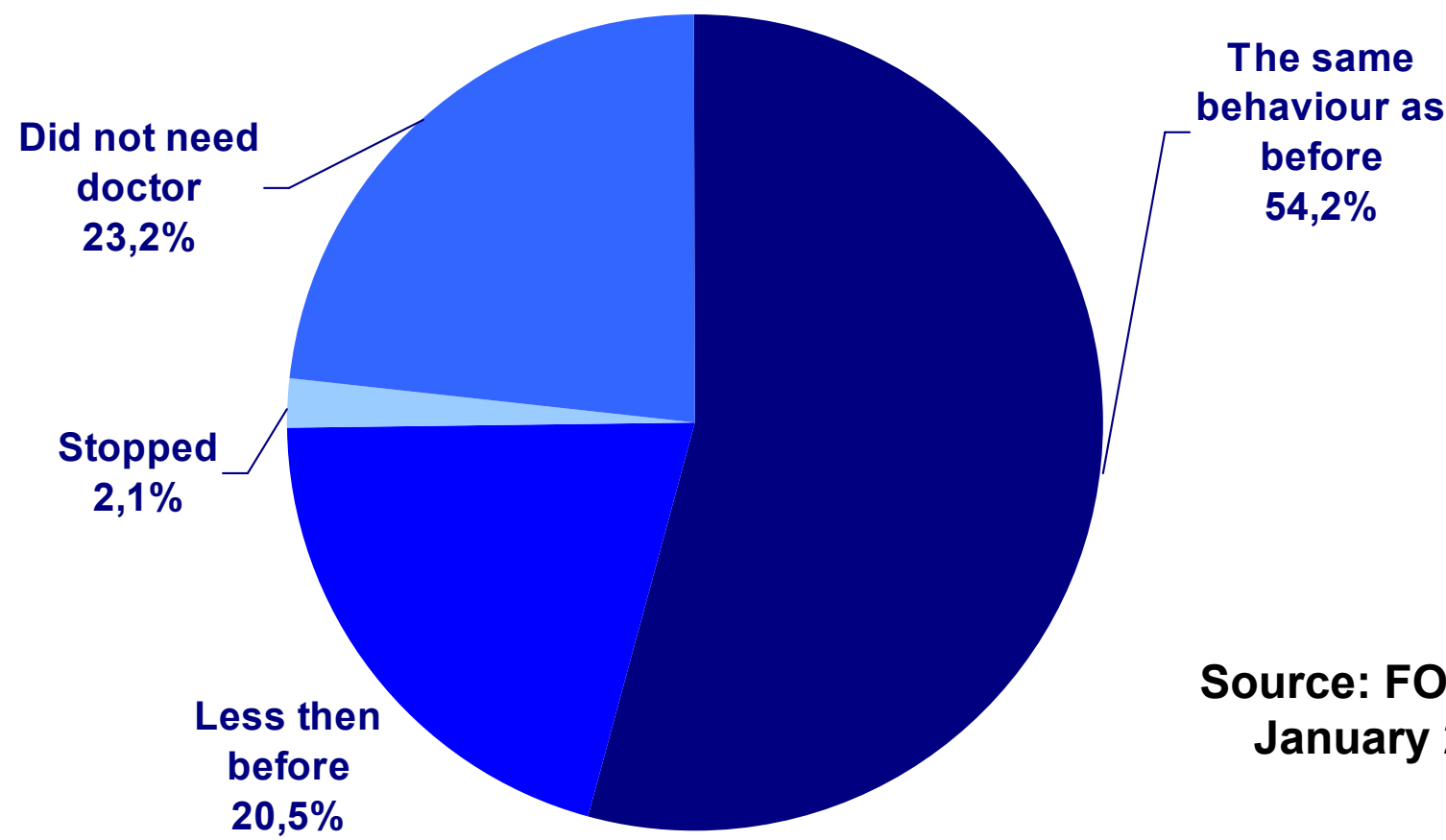


The access to care was not hurt



Source: FOCUS
January 2004

The prescription of drugs was not hurt



Source: FOCUS
January 2004



Access to care was not decreased

The initial hypothesis came true, that

1. Only excessive demand felt down
2. The access to care was not decreased
3. The perception of corruption decreased (from 32 to 10%)



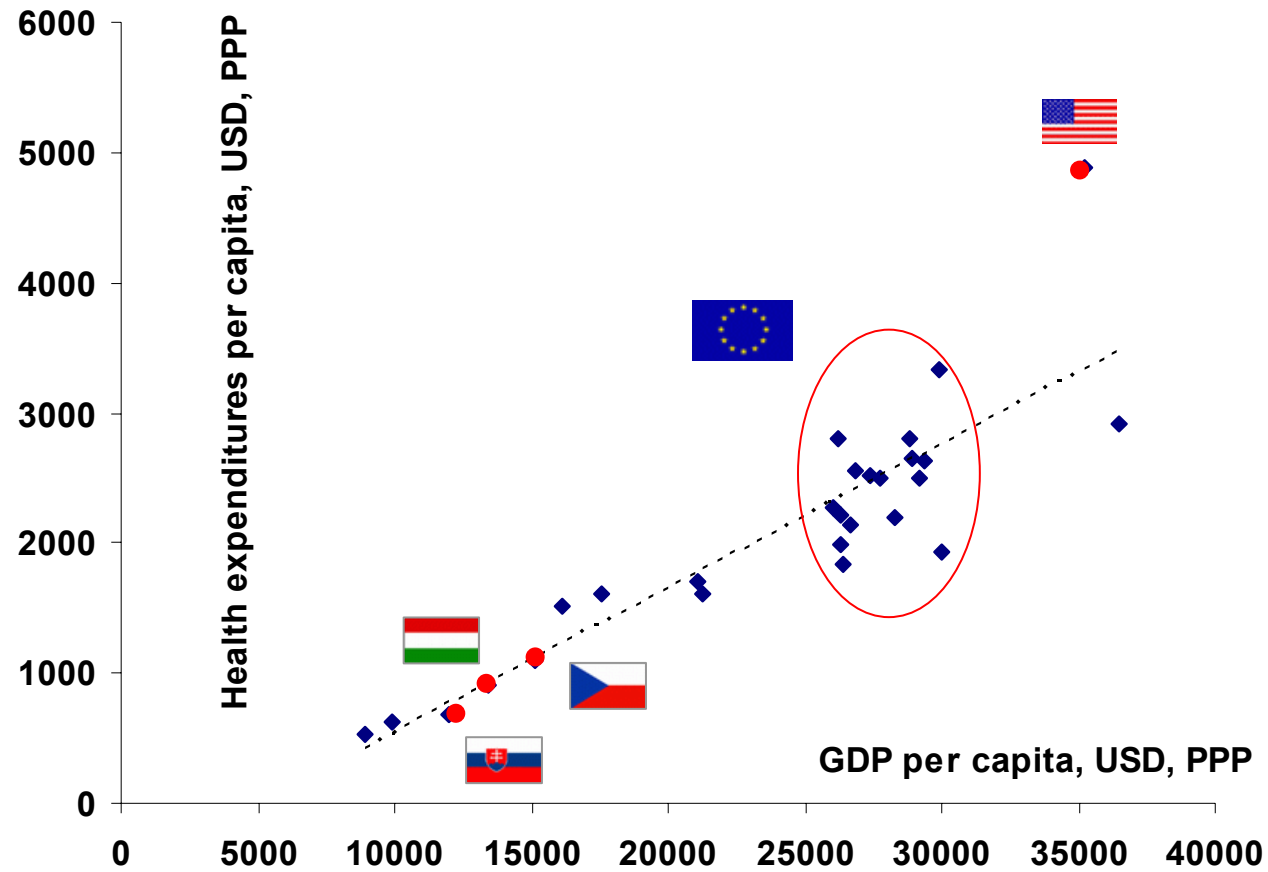
2. Efficiency problems

**We're lucky
that the hole is
not on our side**





GDP and Health

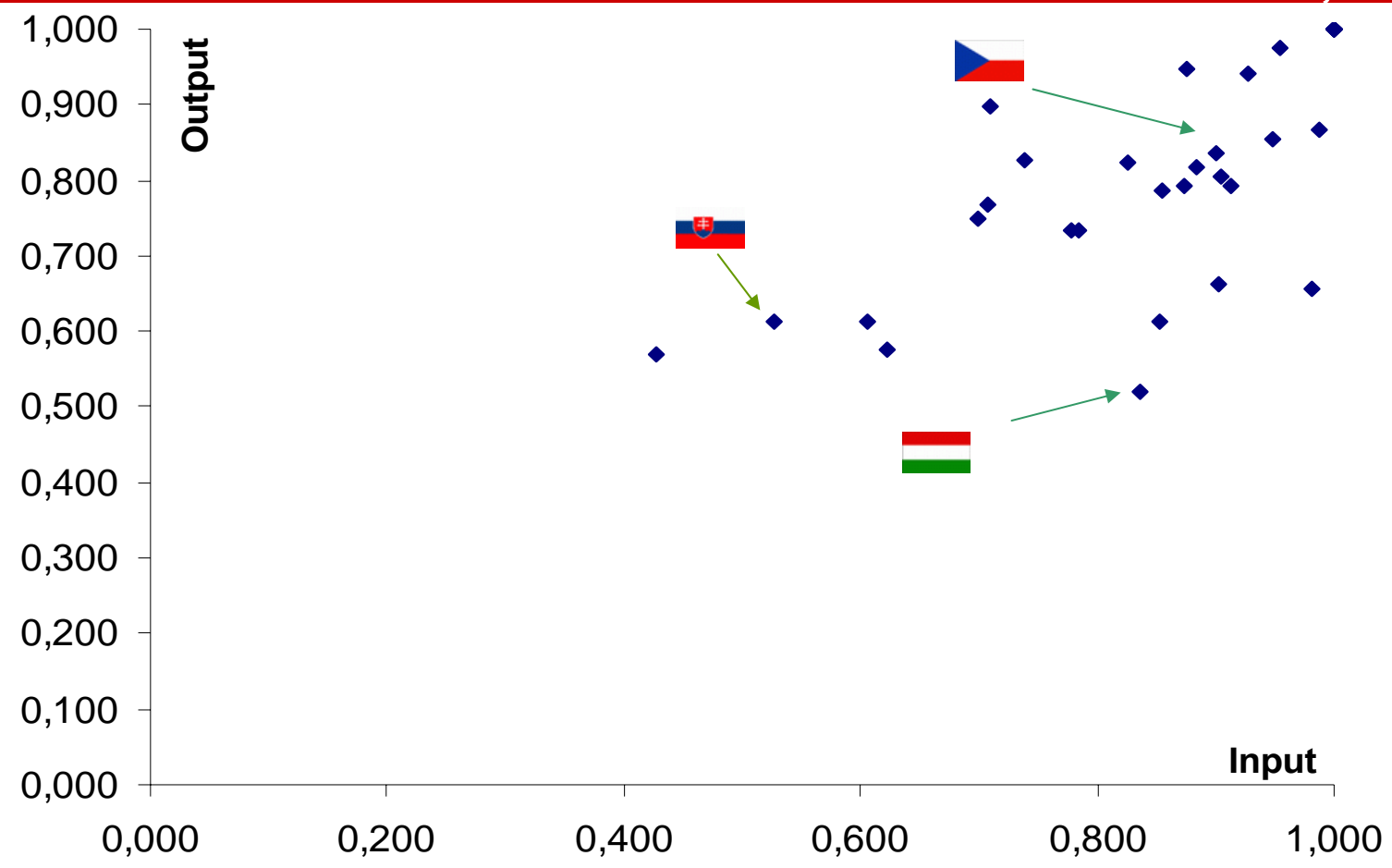


Source: OECD, 2004



Efficiency gap

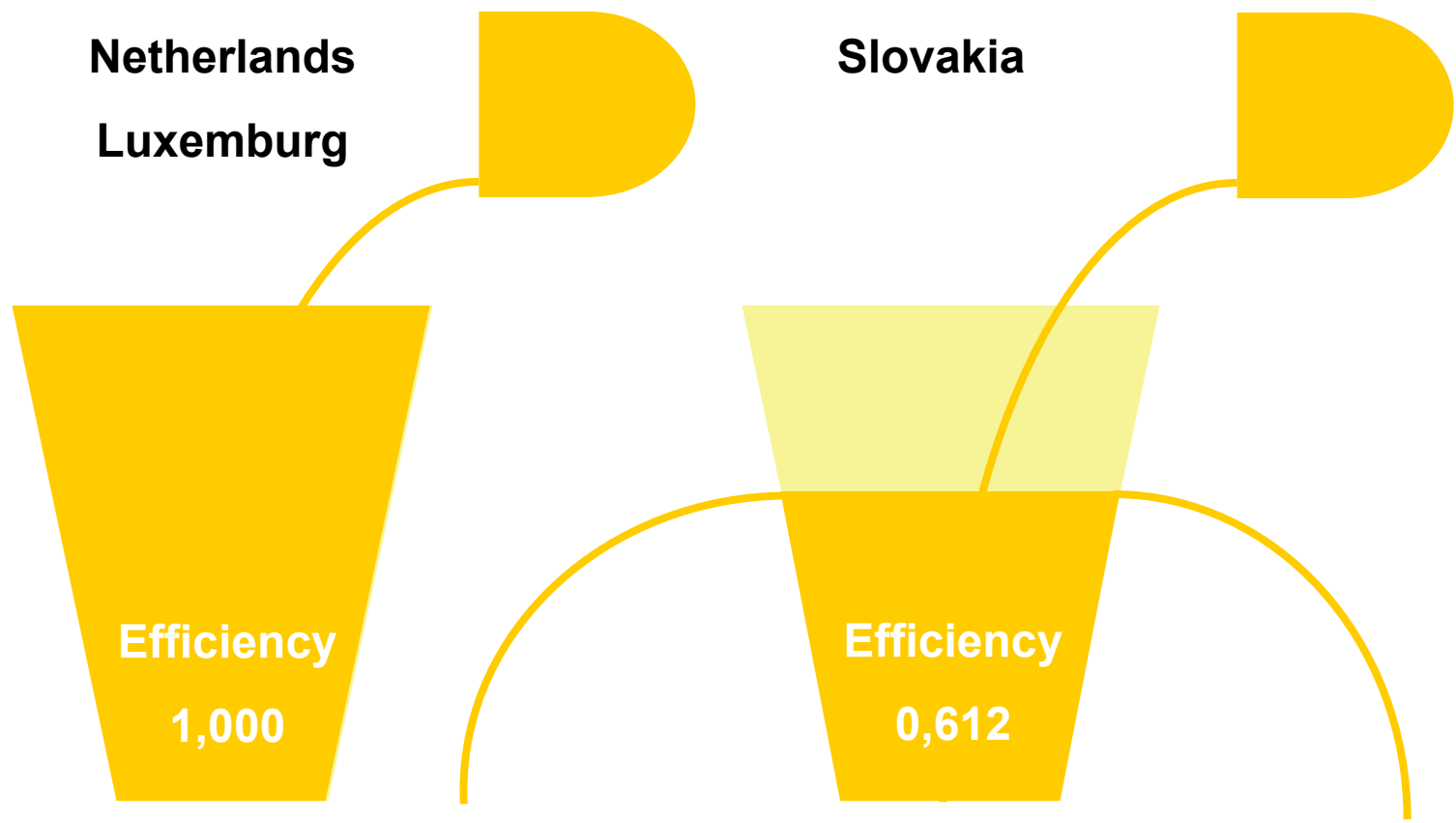
NED, LUX,
JAP, MEX



Source: ifo Institute Munchen, 2004



Problem definition



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Increasing efficiency in drug policy

- **Stabilization**, up to decreasing the expenditures in favor of other areas of health system
- **Increasing efficiency** – more efficient redistribution of expenditures among drugs
 - evidence on irrational and non-effective use of drugs,
 - drugs without EBM,
 - polypragmasia,
 - money abuse,
 - preference of expensive drugs

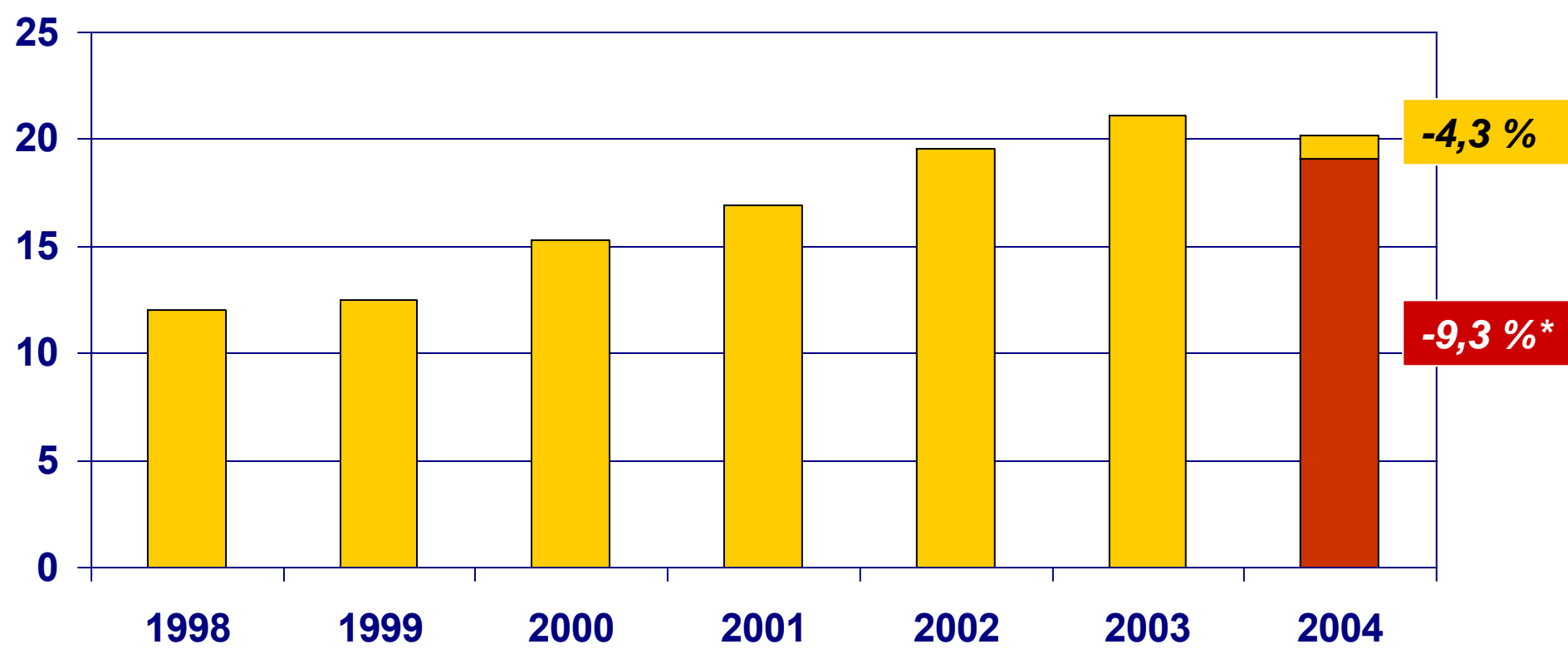


Price for DDD risperidon

Categorization	Price/DDD	Price decrease	
15.11.2003	180,0		1. genericum
1.2.2004	160,0	-11,1%	
15.3.2004	144,0	-10,0%	2. genericum
1.5.2004	80,0	-44,4%	
1.7.2004	68,4	-14,5%	- 85,8%
1.10.2004	44,1	-35,5%	
1.1.2005	35,0	-20,6%	
1.4.2005	25,5	-27,1%	

Drug expenditures

(SKK billion)



* Without VAT increase in 2004

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3. The role of profit

- Only profit guarantees improvement and reproduction of assets, otherwise assets deteriorate
- When the profit is not allowed by law, negative motivations occur
 - Corruption
 - Rent seeking behaviour
 - Hiding of the profit – into costs (no benchmarking possible)
 - Deficits and debts
- Balancing the motivations



Slovakia (2005)

- For-profit oriented Health Insurance Companies
- Initial capital SKK 100.0 million (EUR 2.8 million)
- Strong supervision by Health Market Authority
- Regular reporting
- Corporate governance (standard bodies)
- Solvency criteria (3% of prescribed premiums)
- External Audit
- Transformation of current 5 HIC from public funds to joint stock companies
- Open market for investors
- After 10 years of deficits as public funds, last year all HIC in Profit



Netherlands (2006)

- The Health insurance system will be operated by private health insurance companies
- They are allowed to make profits and pay dividends to shareholders
- HIC are regulated by Pensions and Insurance Supervisory Authority
- Both existing social health insurance funds and private insurance companies can operate health insurance policies under the Health Insurance Act
- New insurers can also enter the market



Poland (2007?)

- Decentralization of NFZ (National Health Fund)
- Into 5 independent national health funds
- Allow establishment of private health funds (permission from Health Insurance Supervision Commission and they have to be joint-stock companies)
- Initial capital PLN 15.0 million (EUR 3.8 million)

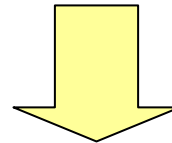
Why in many countries the share of private capital is low (Government failures 1)

- Cost and value of capital are ignored, thus removing any incentive to manage assets efficiently.
- Generally revenue and capital funding streams are separated
- Ignored opportunity cost of capital
- Payment mechanisms do not cover ammortization
- Direct discrimination of private hospitals



Government failures 2

- Political control
- Over-regulation
- Alibism
- ESA 95



Hybrids



Hybrids

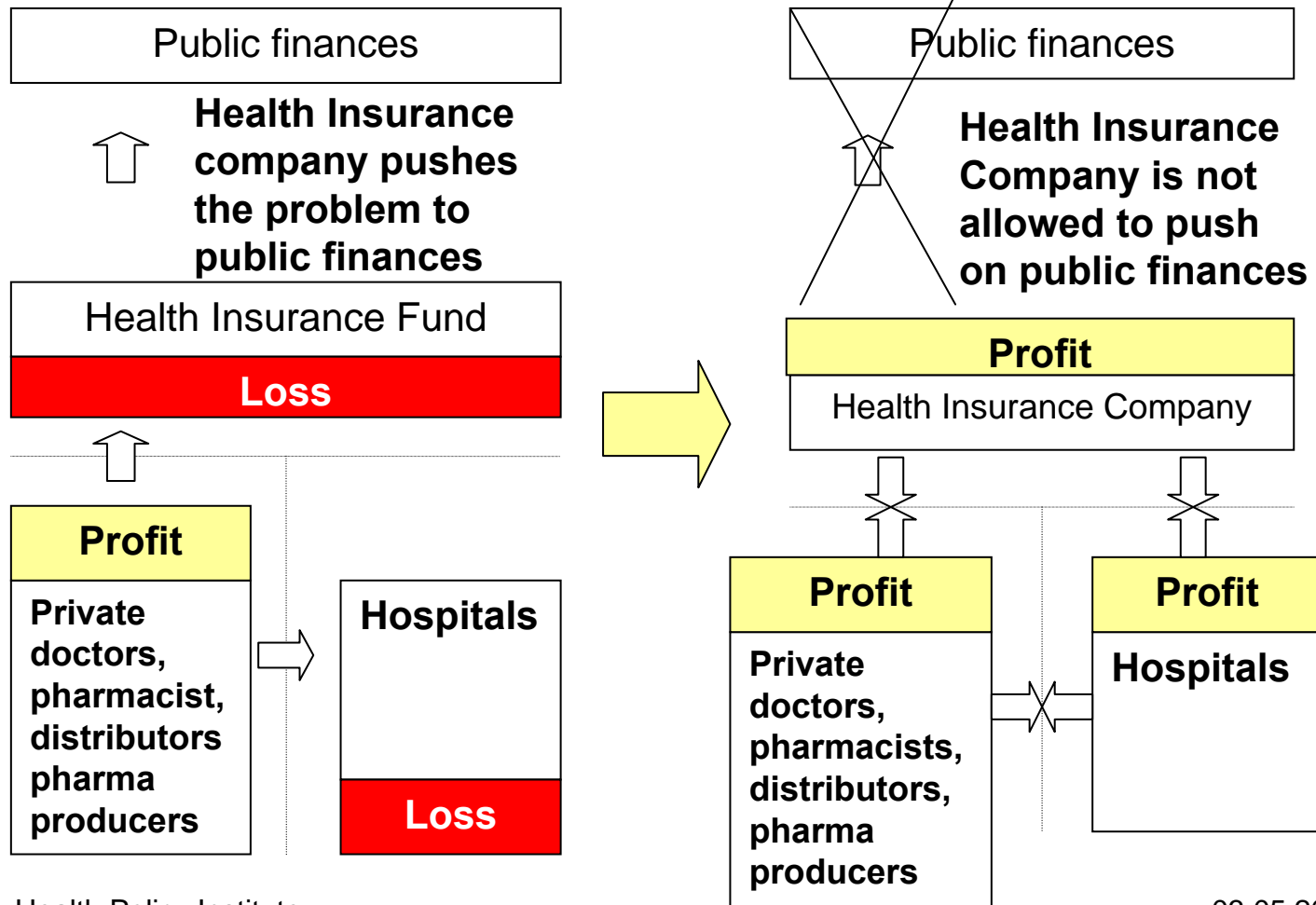
	Ownership	Public	Private
Management			
Public		Government owned and managed Public sector autonomous hospital Public not for profit hospital	Hybrid Privately owned and publicly managed hospitals (PFI)
Private		Hybrid Publically owned but privately managed hospital (PPP)	Private not for profit hospitals Privately owned and managed

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Slovakia - creating an investor friendly environment

1994 - 2004

2005 -





4. No „Animal Farm“

- No equal and „more“ equal
- No soft budgetary constraints
- No double streaming of finances
- No discrimination
- No market barriers



Governments tend to

- Have political control over healthcare
- Over-regulate healthcare
- Be very alibistic
- Like investing and hiding deficits



Market friendly health policy should



- Abolish double streaming
- Include ammortization into the payment mechanisms
- Minimize political „alibism“ and allow private investors operate on the market
- Allow profit function in the whole health-care sector
- Prefer clear and transparent ownership and legal subjectivity
- Minimalize the creations of hybrids
- Prefer corporate governance also in publicly owned hospitals
- Create free market entry and standard economic environment
- Act as a **wise** regulator, not as an insurer or producer

5. Conclusions – Successes of SLOvak Health Reform



- Marginal user fees
- Health Insurance Companies as for-profit Joint Stock Companies
- Hospitals as for-profit Joint Stock Companies (not all yet)
- Drug policy
- The Creditor Project
- Decrease of debt
- Market friendly environment
- Health Market Authority as market regulator
- Stabilization of public finances

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Why for-profit orientation in social health insurance

- Motivation
- Hard budgetary constraints
- Sustainability of public finances
- Solvency criteria
- Efficient purchasing (market cleaning)
- Innovations
- No political pushes
- Corporate governance



Outlook

- Recession phase – elimination of ineffective investments
- Reduction of number of providers (respecting minimal network)
- Introducing new cost-effective protocols (respecting patient safety and access to care)



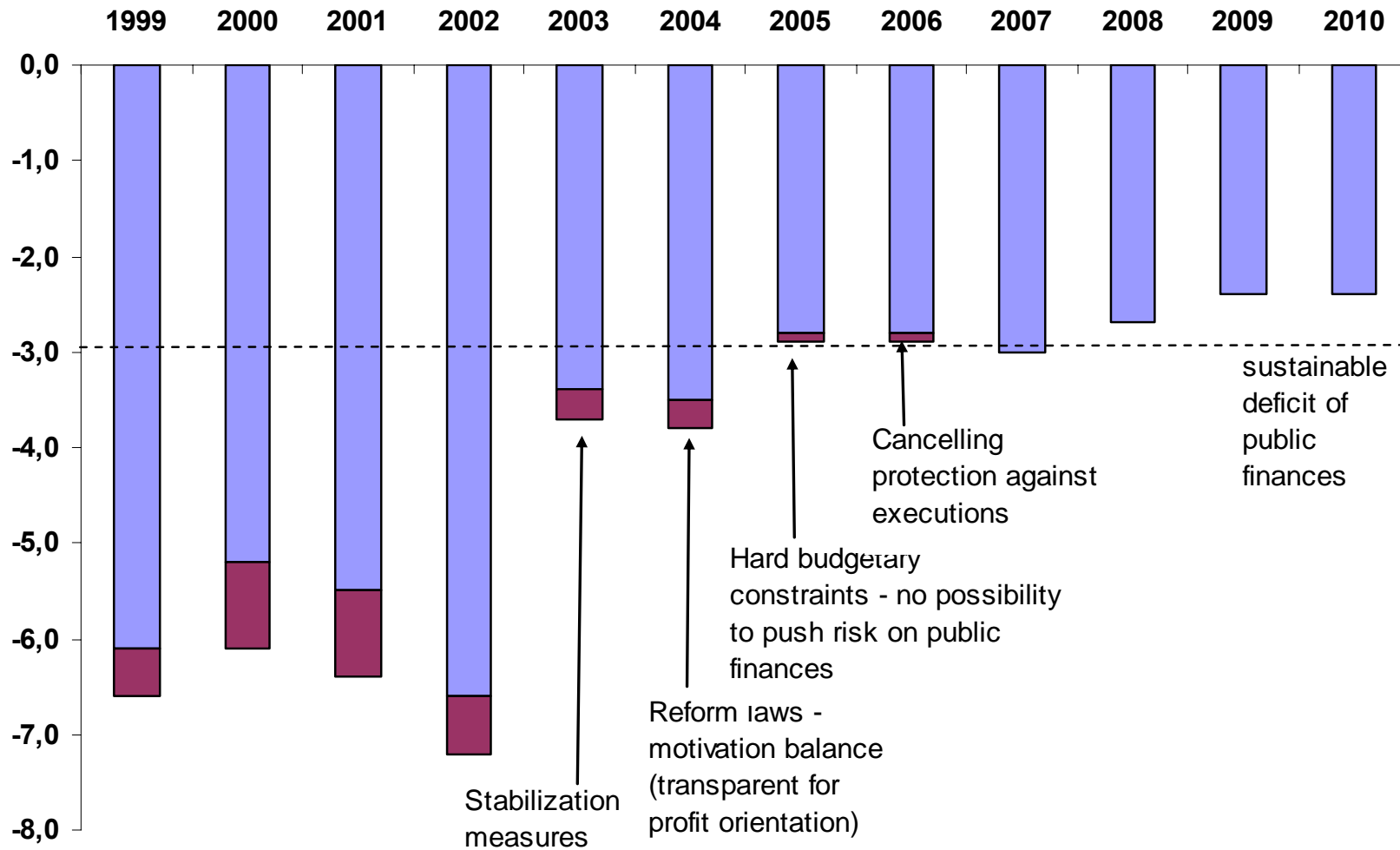
RATING of Slovakia

(Standard and Poors)



Rating	Date
A	19.12.2005
A -	13.12.2004
BBB+	2.3.2004
BBB	19.12.2002
BB+	17.9.1998
BBB-	11.4.1996
BB+	5.4.1995
BB-	15.2.1994

Health reform stabilizes public finances





Thank you for your kind attention



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