

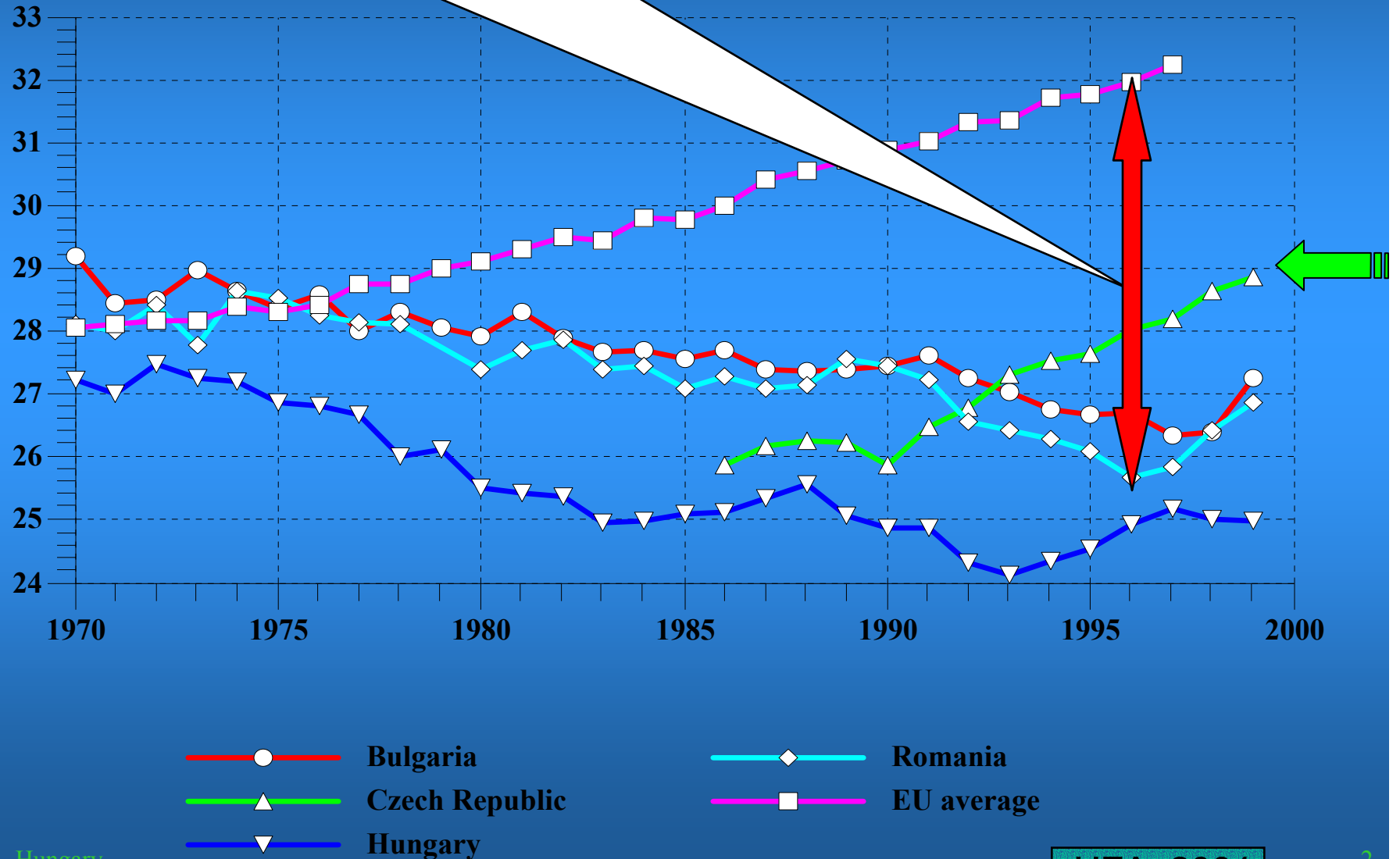
Hungarian Health Care  
Financing Reform:  
Managing the Change  
(Lessons [not] Learned)

Professor Tivadar L. Miko

MD, PhD, FRSTMH, FRCPath

# Life Expectancy at Age 45, *in Years, Males*

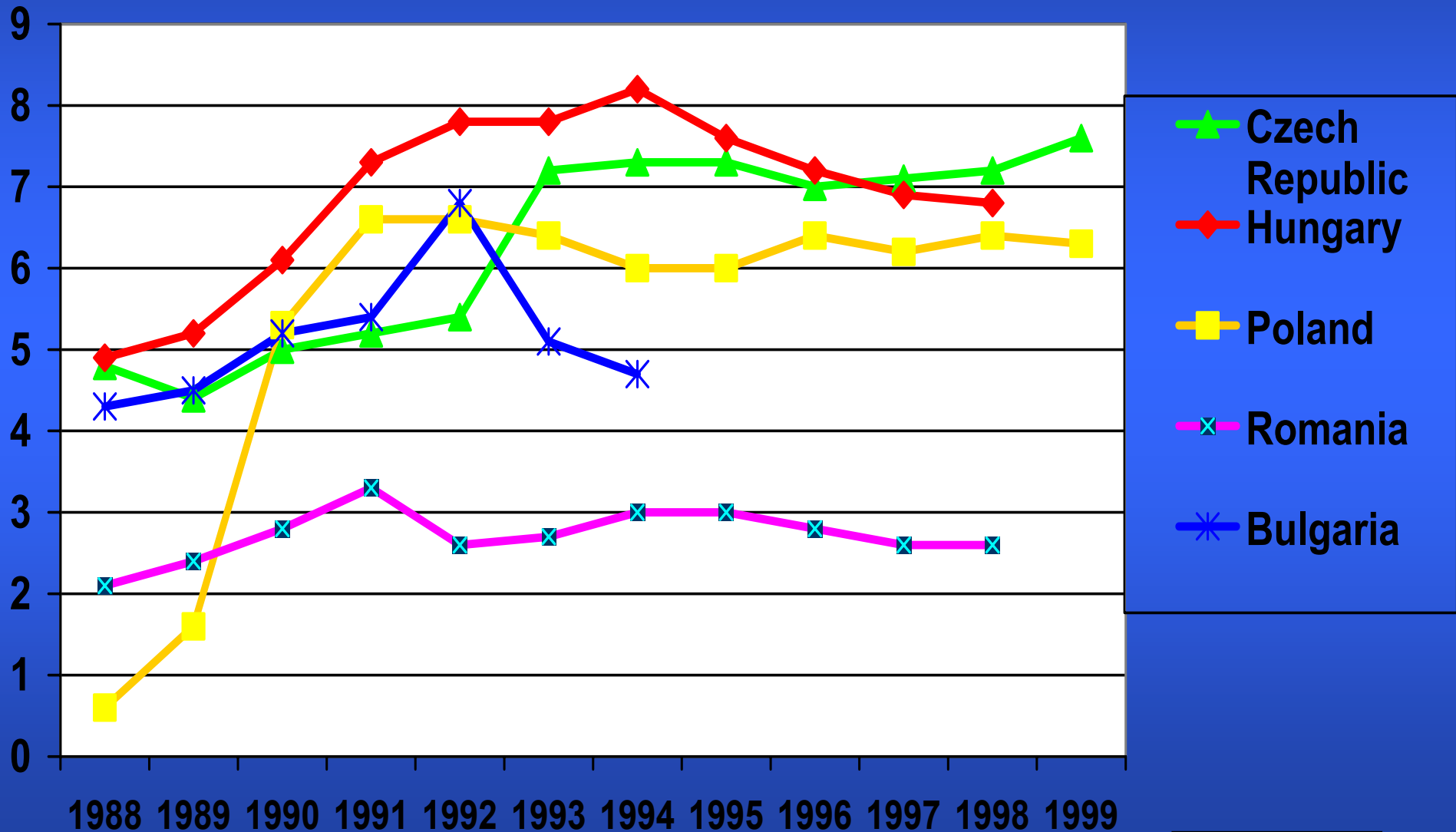
## Life-expectancy gap



# Further Health Care Problems

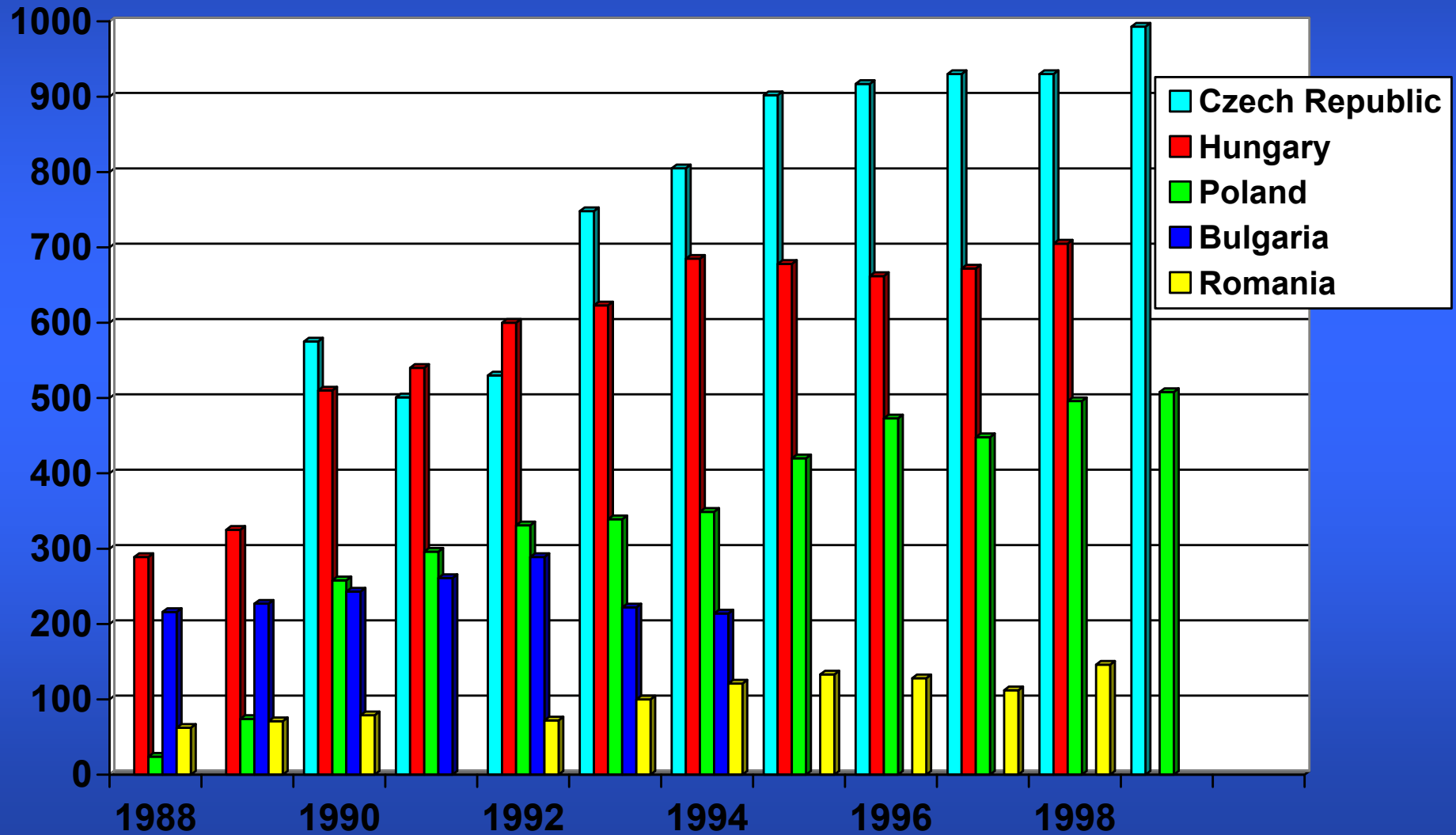
- Wide-spread **tax evasion** in the private sector has led to **shortage of resources** and to growing burden on public sector employees.
- **Free benefit scheme beneficiaries** (5-7 % of population) **abuse equity**: e.g. drug consumption by this group is 7.5 times higher than by the rest of the nation.
- The introduction of **fee-for-service** type payment methods (e.g. DRG, German point system) have led to **significant increase in output threatening the sustainability of the insurance system.**

# Total Health Care Expenditure % of GDP

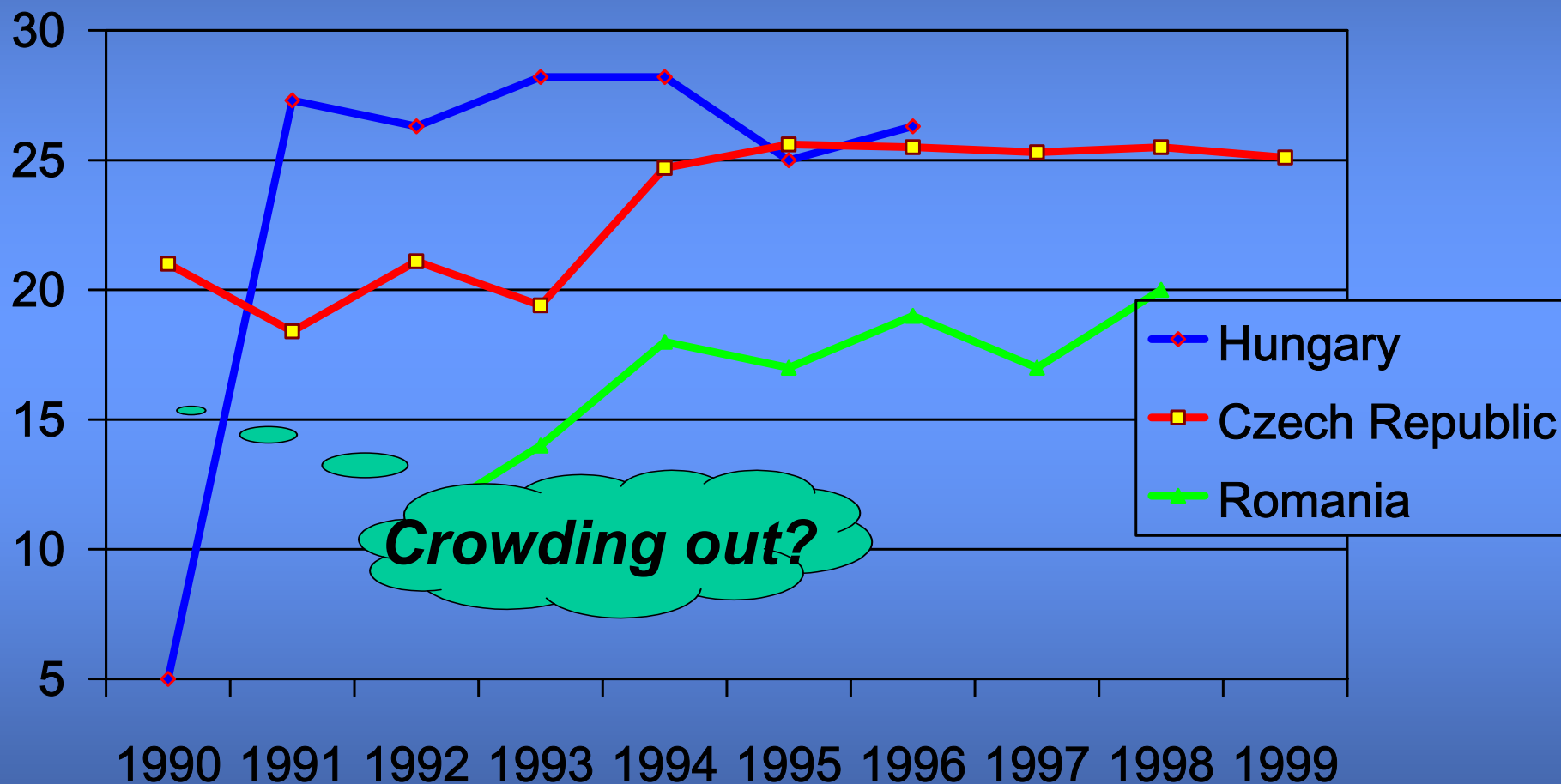


# Total health care expenditure

US \$ PPP / capita



# Total Pharmaceutical Expenditure as % of Total Healthcare Expenditures



# Cost-containment Efforts: Partial Success Story

- **Capped budget** with floating point values was implemented for all the sub-budgets from 1998.
  - **Quasi-capped budget** on **pharmaceuticals**, medical devices and spa resulting in **crowding out phenomenon**.
- **Reduction of (acute) hospital beds.**
  - **Beds reduced** by 18 thousand between 1990-1998.
- Increasing **cost-sharing** has been implemented in pharmaceutical and medical device reimbursements.
- **De-listing** certain dental, eye, etc. **services**.
- Introduction of **voluntary supplementary insurance** (hardly works).

# Macroeconomic inefficiency

- **Oversupply** of physicians and specialists meanwhile **shortages** in nurses, technicians, paramedics:

	<i>per 1,000 population</i>	
<i>specialists</i>	2.7	(EU average 1.3)
<i>GP</i>	0.7	(EU average 0.8)

Distorted pattern worsened in the last ten years:  
high recruitment rate at medical faculties.

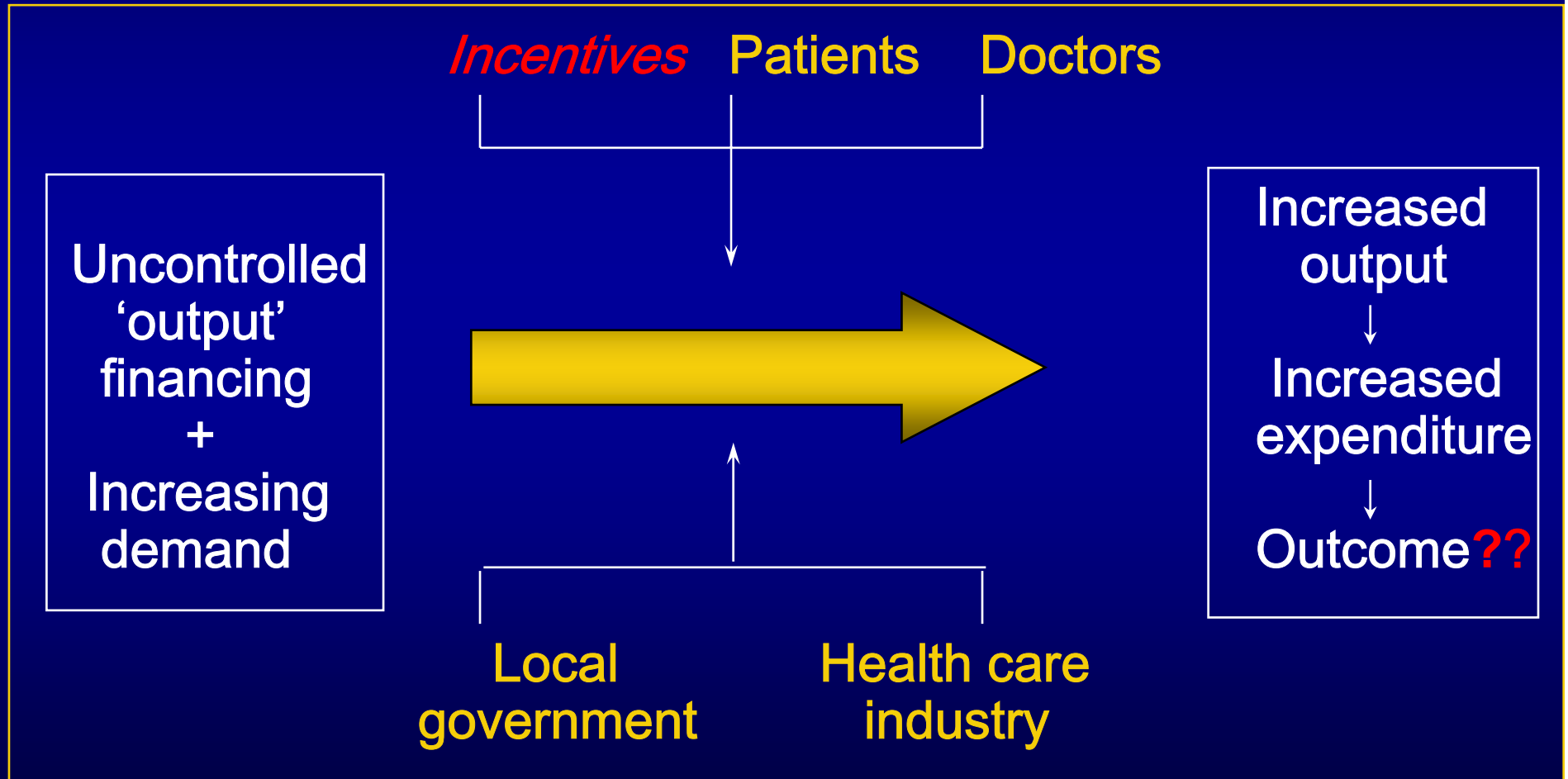
- **Still excess acute hospital bed capacity** (following 1998):
  - Total hospital beds per 1,000 population: **8.3** (OECD average: 7.8)
  - Acute beds per 1000 population: **5.8** (OECD average: 4.4)
  - Beds per hospitals: **537** (UK: 187, Austria: 225, Netherlands: 308)
  - Nursing homes per 10,000 population: **1.0** (OECD average: 2.7)



# Microeconomic inefficiency

- **No efficient primary care gatekeeper:**
  - only **30 %** of medical visits happened between patients and GPs in 1995. (NHIF survey)
  - Second highest number of medical visits/capita/year (**14.6**) among OECD member states (OECD, 2000)
  - Too many self-referrals (**50-60% of patients**) to secondary and tertiary care. (Phare report)
- **Slow cultural change:**
  - **Evidence-based medicine** has little impact on quality and efficiency of care.
  - **Cost-effectiveness criteria** is opposed by most of the providers.

# All Forces Drive Health System into the Same (and Wrong) Direction. *Only Chance: Change the Incentives!*



# SLIDES FOR DISCUSSION

SLIDES 11-17

# History of Hungarian Health Insurance

- **1888-1948 Bismarckian** compulsory **social insurance**.
- **1948 - 1989** Mixed system: Bismarckian model was gradually replaced by the **Semashko** (Soviet) **model** reaching universal coverage by 1975.
- **1989-2002 Back to Bismarck** - Compulsory health insurance: **Health Insurance Fund is the single payer**.
  - Continual political debates about shifting towards **multiple** (private) **insurance system** and **privatisation** of services.
  - (Healthcare market liberalisation resulted in the **emergence of new strong stakeholders** pharmaceutical & medical device lobbies, etc.)

# Overview of Hungary (source: CSO)

Relatively good economical transition but **widening life expectancy gap** between EU and Hungary (7- 8 yrs)

**Population:** 10,169 million (2002)

- population growth: **-0.3 %** (between 1992-1998)

**GDP / capita:** **12 213 USD PPP** in 2000.

**Inflation rate:** 18.3 % in 1997 and **5.6 % in 2002 (May)**

**Annual growth rate (GDP) :** **2.9 % in 2002** (1st quarter)

**Unemployment rate:** **5,7 % in 2002** (1st half)

- Less than the EU average

# Macro-economic Data

- Total health care expenditure (1998):  
*(including informal payments and some social care)*

**7 - 7.5 % of GDP**

- Per capita health care expenditure (1998, HFA):

**USD 705 PPP**

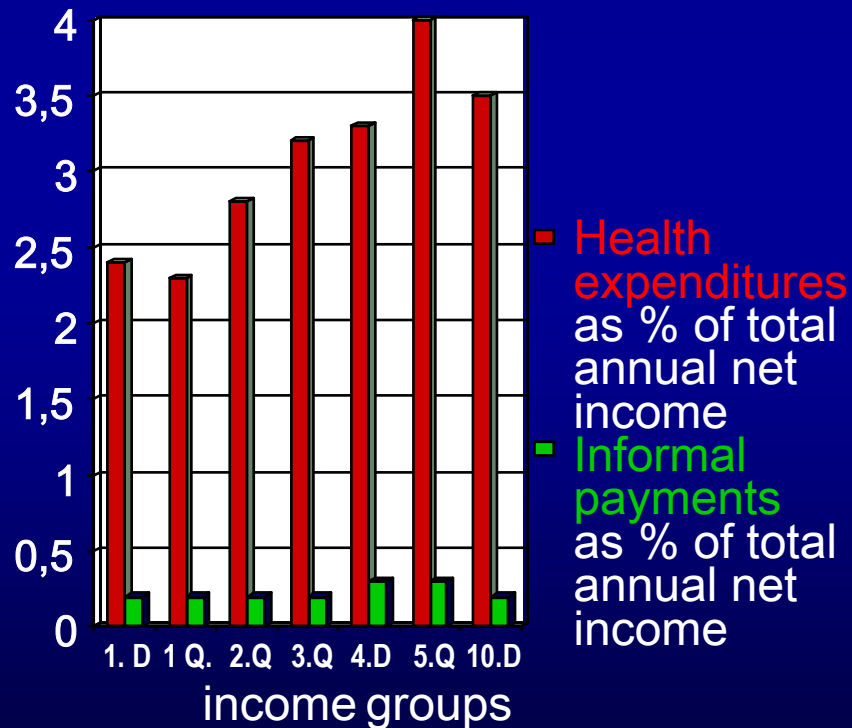
**higher than in most of the former socialist economies, but amongst the lowest in the OECD**

➤ OECD average	USD 1,558
➤ United Kingdom	USD 1,347
➤ Poland	USD 371
➤ South Korea	USD 587

# Free Benefit Scheme Beneficiaries

## Abuse Equity

Out-of-pocket health expenditures as % of the yearly net income per capita  
(Household survey results, 1999)

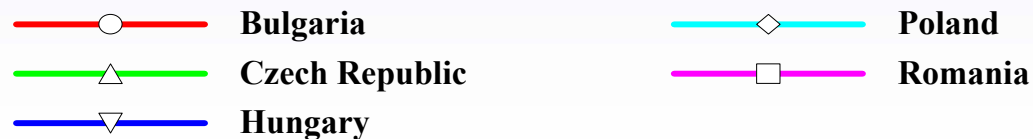
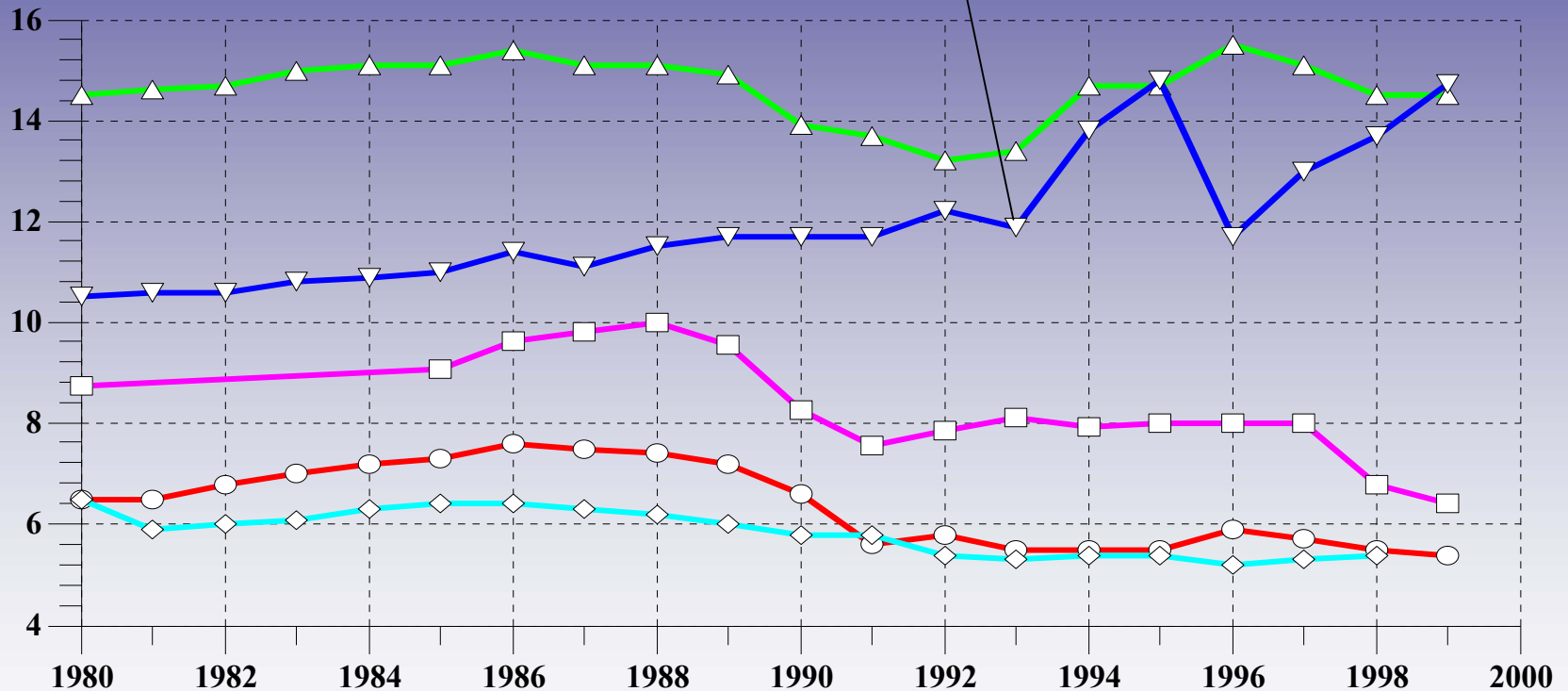


### Free benefit scheme

- covers the disadvantaged: about 5 - 7 % of the population
- reimburses co-payments for “cardholders”
- **unwanted side-effect is overutilisation:**
  - 7.5 times higher utilisation of drugs,
  - 16 % of the total national pharmaceutical co-payment is covered by this scheme.

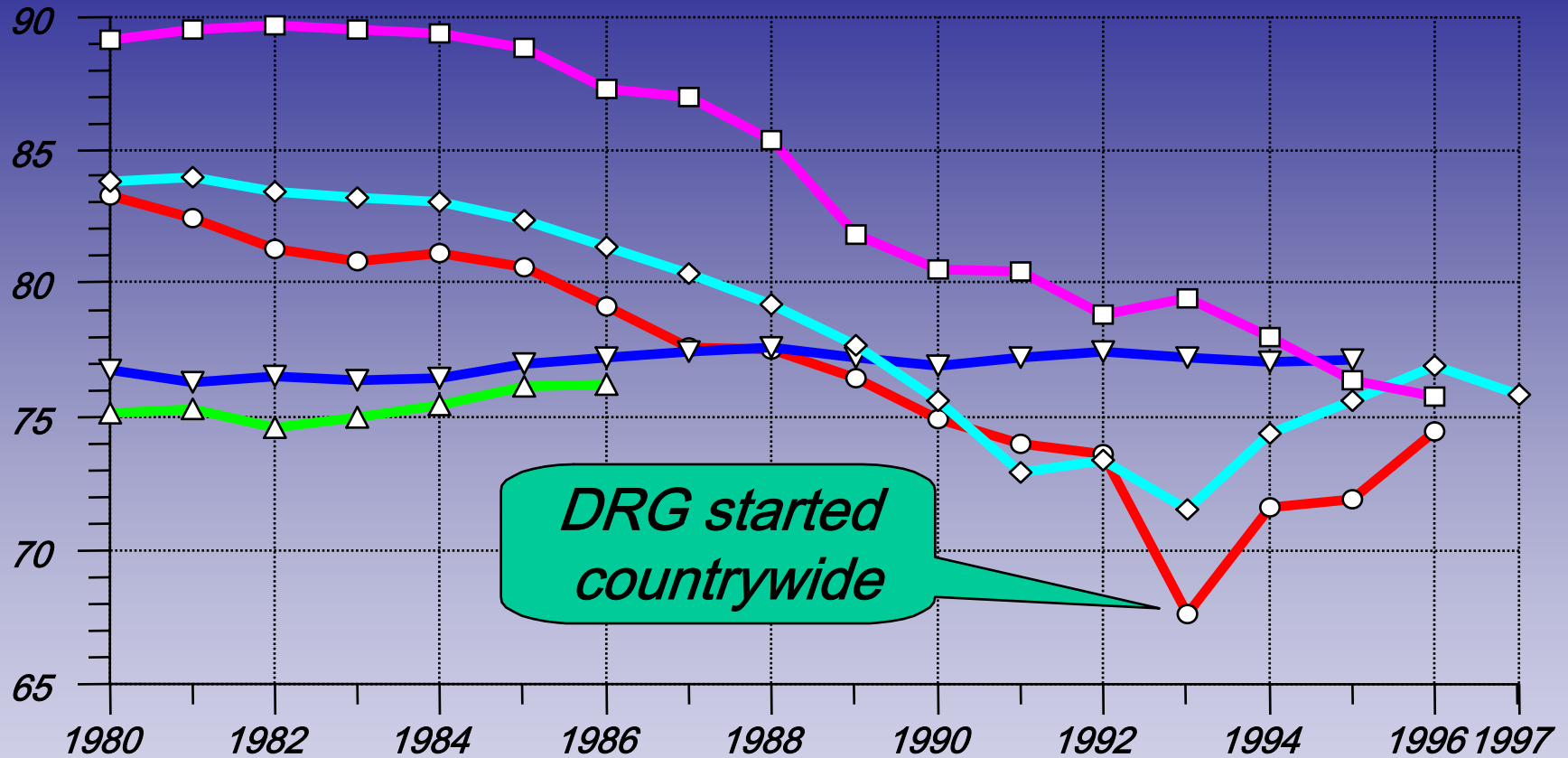
# Number of Outpatient Contacts/Person/Year

German point system started to operate





# Bed Occupancy Rate (%) in Acute Hospitals



*DRG started countrywide*

- Hungary
- △— United Kingdom
- ▽— EU average
- ◇— CEE average
- NIS average