

THE SYNERGY BETWEEN HEALTH EXPENDITURE AND ECONOMY

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Keywords: health, expenditure, GDP

Abstract: Although health indicators in Romania have seen a steady improvement in the last decade, the effects of recent economic crisis have led to a profound imbalance of the Health Care Services. With an aging population, a much lower number of employees and retirees and a institutional reform discrepancy favorable to hospital care, the current government response, the massive amputation of the public expenditure would entail the collapse of the Health System. With a public expenditure share in GDP less than half of EU average and that of health expenditure by 9 times lower than the EU average, Romania occupies for the last two decades the last place in Europe regarding the health expenditure and the last but one place regarding the public expenditure. In this context, it is expected to increase public spending on Health sector. At the same time, Romania must change the structure of Health expenditure and to increase its cost effectiveness for Health Care.

Cuvinte cheie: sănătate, cheltuieli, PIB

Rezumat: Deși indicatorii de sănătate în România au înregistrat o îmbunătățire constantă în ultimul deceniu, efectele recente crize economice au condus la un profund dezechilibru al sectorului serviciilor de sănătate. Cu o populație îmbătrânită, un număr de salariați mult inferior pensionarilor și o restructurare discrepantă, în favoarea asistenței spitalicești, reacția guvernării actuale, de amputare masivă a cheltuielilor publice, riscă să genereze colapsul sistemului de sănătate. În condițiile în care ponderea în PIB a cheltuielilor publice este mai mică decât jumătate din media UE, iar cea a cheltuielilor cu sănătatea de 9 ori mai mică decât media UE, România ocupă în ultimele 2 decenii ultimul loc din Europa în privința bugetului alocat sănătății și penultimul în ce privește cheltuielile publice. În acest context, este de așteptat o creștere a cheltuielilor publice destinate sectorului sanitar. În același timp, România trebuie să își modifice structura și să își mărească eficiența cheltuielilor sale pentru serviciile de asistență medicală.

SCIENTIFIC ARTICLE OF BIBLIOGRAPHIC SYNTHESIS

In a report published on June 29, 2010, The Organization for Economic Cooperation and Development (OECD) showed that Total Health Expenditure in OECD countries increased faster than the economic growth. Average expenditure on health as percentage of GDP increased from 7.8% in 2000 to 9.0% in 2008.

Thus, in Ireland, the proportion of GDP devoted to health increased from 7.5% in 2007 to 8.7% in 2008. In Spain, it increased from 8.4% to 9.0%. France and Switzerland allocated to health over more 50% than OECD average. United States spent \$ 7,538 per person in the health sector in 2008, more than double the average of all OECD countries.

The growth rate of expenditure on Health Care Services (16-27%) is much higher than the expenditure on Education Social System (around 3%) (upon Beraldo and Montolio and Speed, quoted 3).

According Eurostat (3), the profile of EU spending in the health sector shows that:

- EU-25 spends on average 7.76% of GDP for health care. EU-15 are allocated on average 8.6% and 5.8% in new member states;
- Cardiovascular diseases, the main cause of mortality in Europe and all industrialized countries, consume about 3% of EU GDP annually (about 135 billion);
- Mental illnesses affect over 27% of adults and costs the

European economies up to 4% of GDP;

- Tobacco is the first cause of avoidable deaths in the EU. Diseases and deaths caused by smoking in EU countries require more than 1% of annual GDP (100 billion);
- Obesity conditions costs between 70 and 150 billion per year, representing 2-8% of total healthcare costs in Europe.

Today, the main causes of death are noncommunicable diseases, many avoidable, often caused by lifestyle factors.

This means that the lifestyle determinants, Health, Education and cultural factors are closely related, and Health politics must involve more than the investment in a traditional Health Care System.

The message of these macroeconomic studies is that Health can have a positive impact upon Economy and not merely a result of economic progress.

This is also the opinion of Barcelona Process (2000) (apud 11) and the Commission (2005) for the EU Health Strategy 2007-2013 (9.10) which concludes that the actions and investments are necessary both to prevent disease health and improve economy.

This argument provides heavy justification for politicians in order to invest more in Health as a means to achieve their economic objectives.

However, the opinion leaders in the medical world have different positions regarding the allocation of health resource.

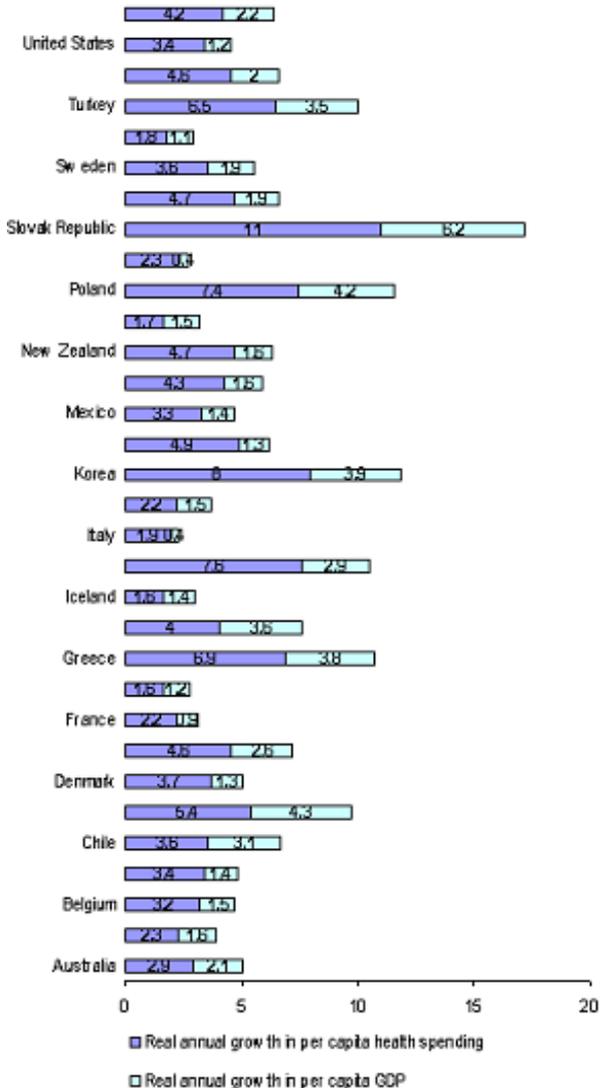
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Article received on 01.03.2010 and accepted for publication on 09.03.2010

ACTA MEDICA TRANSILVANICA September 2010; 2(3)167-169

PUBLIC HEALTH AND MANAGEMENT

Figure no. 1. Annual growth in Health expenditure and GDP, 2000-2008 (%)



Source: OECD (3)

Pfizer and GlaxoSmithKline supports the role of the Pharmaceutical Industry as a key partner for governments, physicians and patients in order to achieve a "better health status for a greater number of people" and underlines also the potential contribution of medical research, innovation and use of high technologies to improve clinical care. (Apud 11)

European Federation of Pharmaceutical Industries and Associations believes that national governments should give higher priority to improve regional Healthcare. The objective of these reforms is to encourage greater investment and structural reforms in both systems, financing and providing Health Services. Also need incentives, guidance, coordination and expertise to regional Healthcare providers responsible for preparing and administering projects with EU funds. (ibidem)

European Public Health Alliance believes that investment in Health should not be devoted to infrastructure improvements in Health or Pharmaceutical industry, but as an allocation of more resources for disease Prevention and Health Promotion. (ibidem)

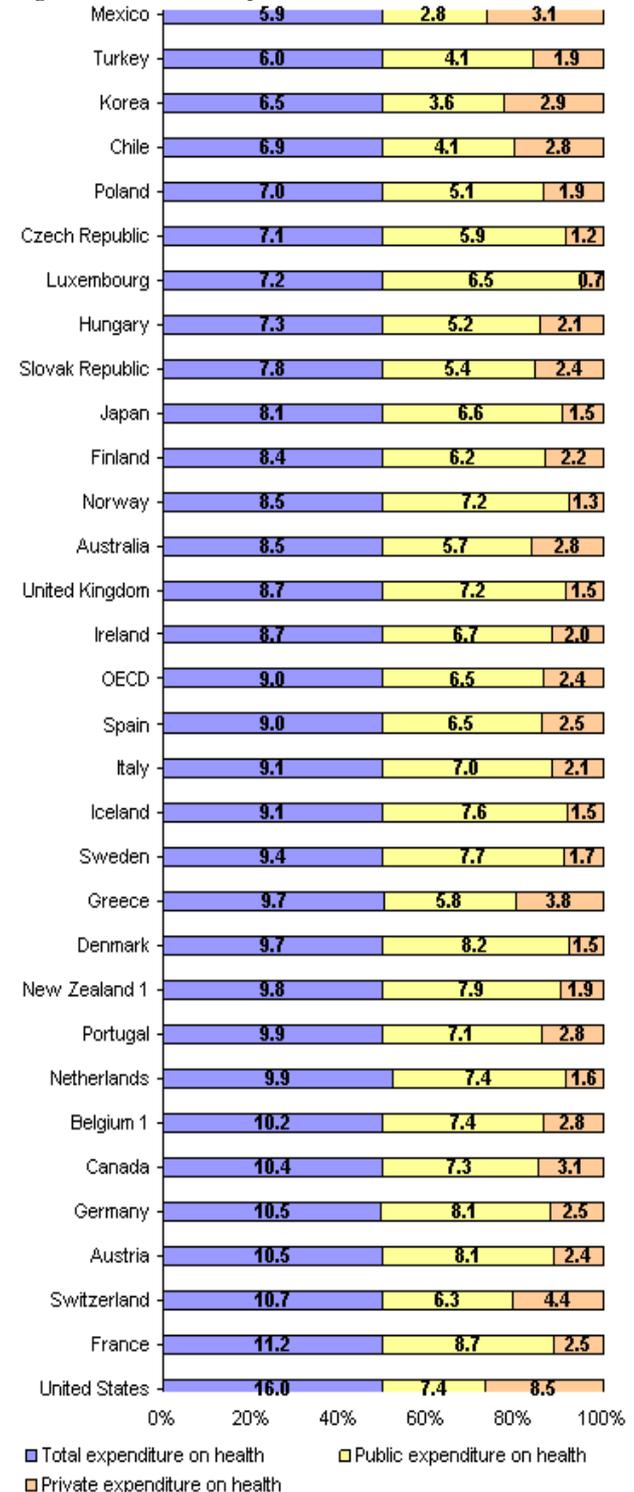
European Healthcare IT Steering Committee and Industries (ibid) believes that "Health infrastructure is (...) an essential condition for economic growth. The process of building an infrastructure of "modern Healthcare should cover not only hospitals, as traditional symbol of health, but must

address also to the other conditions necessary to maintain healthy people (education and prevention).

Standing Committee of European Doctors believes that it is necessary to strengthen the role and activities of The Health and Consumer Protection Commissions and other bodies with similar functions that should have the right and responsibility to influence policies affecting Health. (Ibid)

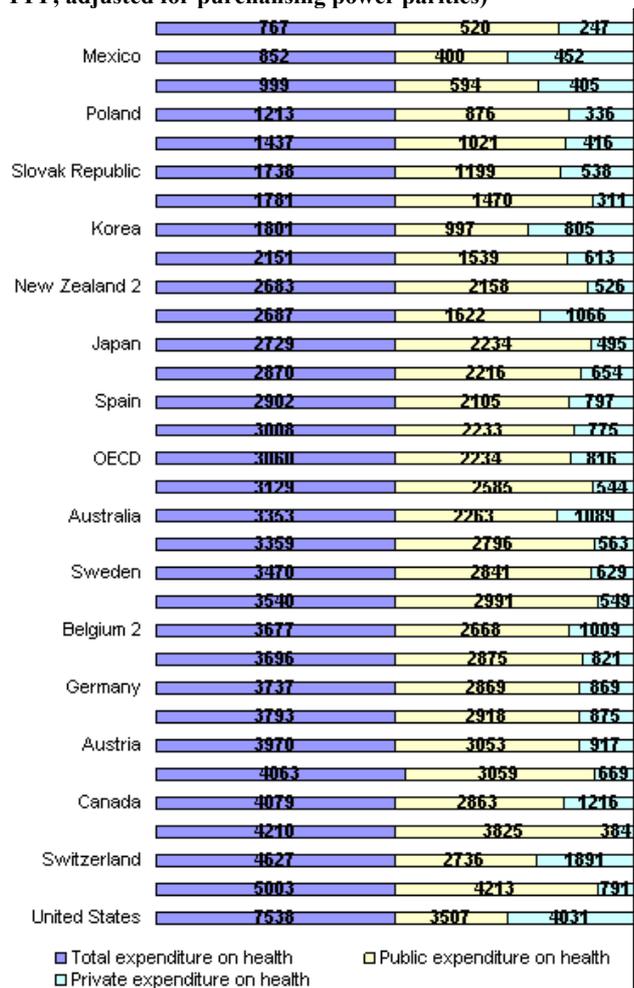
However, the EU budget for 2007-2013 ignores the critical link between a healthy man and healthy economy. (Ibid)

Figure no. 2. Health expenditure as a share of GDP, 2008



Source: OECD (3)

Figure no. 3. Health expenditure per capita, 2008 (USD PPP, adjusted for purchasing power parities)



Source: OECD (3)

Health expenditure in Romania

Share in GDP of public social expenditure is a synthetic indicator of State's accountability in the production and balancing the welfare. The Social Report of Romanian Academy (1) shows that during the years 1998-2009 Romania has invested less than half of the EU average in the area of social policies: 16.4% of GDP in all European countries that have undergone transition and are now EU member states. This places our country in last position in Europe in terms of revenue and in the last but one position in terms of expenditure.

According to Eurostat (3), the Health Policy of our country invests less than 8.9 times of the European average, 3.5 times less than Hungary, 5.5 times less than Portugal and 6.5 times less than Spain. The co-payment level in 2009 reached 41% starting from 24% in 2007 and 38% in 2008. Romania annually spends 400 euros for a policyholder, less than to 2500 Euro as it gives the EU and 75 euros for drugs compared with 260 euros which is the average of the European community. Regarding private Health System, the Romanians will spend 420 million euros this year for medical services, 13% more than in 2009.

At this level of Health spending, according to Merck (9), Romania is in the last place in Europe as a percentage of GDP allocated to Health, given that most countries of the world grow THE Health budget allocation of GDP from year to year.

In 2012 will end up out of pocket even more than 600 million for medical services in private Health System, according to Merck Company (9). The cause is obvious: dissatisfaction

regarding the inadequate conditions and treatment in most public hospitals. According to the sources (1,3,9), the situation would improve significantly only if Romania will spend more on Health System so that in 2012 to reach 6% of GDP and in 2014 the level of 8%. Average rate of increase of Health budgets would be around 21% and the proportion of GDP allocated to Health in 2014 would allocate close to 85% of EU average in 2009. Estimated Health expenditure per capita in 2014 would reach half the European average today.

As a conclusion

However public services and investment in these services are beyond the phenomena that lead to social blockings the dominant ideology hypothesis seems to wrongly considered the State as being a major consumer of the welfare, ignoring his total amplitude of main welfare producer through Education, Health, Science, Public and Social Security.

Although in terms of crisis / restructuring / social policy similar almost all states lead to increase social protection, in Romania, the present government response is to balance the budget through massive cuts in social areas: Education, Health and Social Assistance, pensions and other social benefits for high social risk groups. This policy is likely to continue into 2011. In addition, there is a trend of disintegration both of public education and Health Systems by underfunding and discretizing by the generalization of individual negative examples. It is a strong policy of privatization of these services, with all their negative social consequences. While the poorest segment of the population extends, the likely effect is to increase the social polarization, and to sentence this people to a poor education and poor Health condition. (1,2,3)

Finally, after 20 years, Romania has still a large number of poor and greater inequality than in 1989, and an additional burden on external debt and their accompanying social costs.

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