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PROBLEMS IN THE STATE AND DEVELOPMENT OF THE HEALTHCARE SYSTEM IN THE EUROPEAN UNION

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Abstract: *The economic and financial crisis has a negative impact on the government deficit and public debt in almost all member states of the European Union (EU). The reduced growth rate of GDP, the decrease in business activity, and the increase in unemployment are just some of the factors that explain the strong reduction of funds collected from taxes; these are the funds that guarante the stability of publicly funded systems like healthcare. Along with this, the rising cost of health casts doubt on the stability of the system and its ability to withstand mostly through government and social insurance. Key questions logically following these issues are: How does economic activity affect healthcare costs?, How can healthcare improve and develop in member states of the EU given the current funding model of the system?*

Keywords: *Healthcare system; Economic crisis; EU*

1. Introduction

The topic of development is in the foot of any human activity during any historic period. Nowadays, it is understood not as a development at any cost, but as a sustainable development, that is to say, a development taking into consideration the interests of both the present and the future generations. The main evidence for that is the European Union Sustainable Development Strategy (EU SDS) approved in Göteborg in 2001. One of the main indicators, measuring the sustainable development is the public health. It is a factor, affecting all spheres of any country's condition and development. There is no human activity uninfluenced by people's health. This is a high priority subject for every country. Due to this reason states' policy in public healthcare sphere is of great importance for both their social and economics development.

The followed politics' complex influence in public healthcare system is the factor, which not only any nation has to take into consideration separately, but as well, this explains the need of an all-round politics on a supernational level. The economic crisis and its consequences place in the foreground the increasing necessity to change both every single country's policy and European Union's general public healthcare policy.

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In conditions of restricted national budgets it is difficult to achieve a balance between reaching economic and social objectives. Due to this reason the need of new heath insurance model stands in front of member states having national public healthcare systems and health insurance models traditionally based on the state and on compulsory health insurance funds as basic, and in some countries the only public healthcare system's funding source. The economic crisis put in the foreground the difference between people's increasing needs of taking care for their heath and the correspondent increase in health expenses and the abilities of the health insurance models to meet these increasing needs. These problems are not isolated only in the countries of the European Union most affected by the crisis. System's concussions are possible in any country relying only on public sources for the healthcare system's funding. After economic crisis' beginning in front of each country, wishing to insure its public healthcare system's stability stands the question: Dose it need new policy and new public healthcare funding model? And also: Should the state keep its monopoly and decisive role in existing health insurance models?

A possible alternative on this stage of models based on publicly funded models is system's funding by the private sector – the private health funds. For now, this seems to be the only alternative for more adequate funding of health providers having in view the increasing expenses they face in their work's realization. In many countries private sector in the public healthcare is significantly underdeveloped. It is strongly influenced by macroeconomic situation, by the gray sector size, by unemployment rate and many other factors.

2. Economic Crisis' Consequences for European Union Member States

The adequate analysis of the EU public healthcare implies looking at community's macroeconomic situation. The necessity of system's changes and possibilities to the end of reaching sustainable development must be considered in the context of world financial, economic, and social crisis' consequences. After its beginning, the question of accumulated foreign debt became very pressing for some EU member states. This caused instability throughout all the community. Data regarding proportion between Gross Foreign Debt/Gross Domestic Product (GED/GDP) for the period 2002–2009 for 24 of EU member countries is presented in Table 1. For the calculations the Gross External Debt of the last three months of the respective year has been taken.

The countries which have joined the EU during Union's second and third extension waves maintain their proportion around 100%. Only Hungary which is in a serious crisis (the GED for 2009 184% of the GDP) and Latvia (the GED for 2009 160% of the GDP) are the exceptions. For the old EU member countries the GFB/GDP is over 150%, 200%. The exception here is Italy which has 121% the GED of the GDP. Proportions' values for all the countries have increased. This has happened extremely fast in Ireland. The fast increase is not only due to the GED's big increase but also due to the GDP's negative growth during the last years. The other countries' movement is almost identical. To a great extent, this is due to EU policy of cohesion between the countries.

The data show that Ireland is an accumulated debt record-holder as for 2009 its GED was 1050% of the GDP. The biggest part of its obligations is due to the bank sector, which is experiencing serious difficulties in the moment. The country is at the edge of a great social conflict, since through the Celtic Tiger myth both the governments and the banks stimulated the citizens to take mortgages, which they could never pay off. After that the government

increased the foreign debt repeatedly and directed all available state recourses to save the banks from the loans the citizens could not pay off. Due to this reason country's rating was decreased. In spite of the government's attempts to guarantee its Bank system and to cut down its expenses, Ireland officially asked for a loan. The EU countries officially approved an international turnaround package for Ireland to the total value of 85 milliard Euros at an interest of 5,8%. 50 milliard Euros of this amount were intended for Irish budget's financing and the remaining 35 milliard Euros were for the banks, of them 10 milliards for "immediate recapitalization" and 25 milliards were on stand-by in case of need. In exchange Ireland agreed to undertake an immediate stabilization of its bank system, to approve and enforce additional financial consolidation measures, to undertake large economic structural reforms, especially in the labor market. This loan's purpose was to guarantee Euro's stability and to prevent "contamination's" spreading into countries like Portugal (the GED for 2009 235% of the GDP) and Spain (the GED for 2009 173% of the GDP).

Table 1. Proportion between Gross Foreign Debt/Gross Domestic Product (GED/GDP) for the period 2002–2009

Country	2002	2003	2004	2005	2006	2007	2008	2009
Ireland	414%	466%	568%	663%	795%	873%	884%	1050%
United Kingdom	-	291%	306%	324%	379%	402%	342%	429%
Belgium	-	250%	266%	261%	290%	335%	316%	305%
Netherlands	-	261%	274%	261%	310%	334%	277%	303%
Portugal	-	168%	168%	158%	190%	210%	192%	235%
Sweden	-	117%	144%	142%	-	-	163%	222%
Austria	-	162%	171%	169%	200%	215%	201%	218%
France	118%	128%	138%	142%	168%	187%	170%	196%
Denmark	-	140%	144%	139%	164%	183%	172%	196%
Hungary	61%	69%	80%	77%	117%	127%	144%	184%
Greece	-	105%	110%	108%	125%	147%	144%	178%
Spain	103%	111%	118%	119%	146%	160%	146%	173%
Finland	111%	113%	120%	112%	127%	129%	128%	170%
Latvia	-	84%	97%	95%	119%	135%	125%	160%
Germany	136%	136%	138%	128%	145%	154%	141%	154%
Estonia	64%	72%	83%	81%	101%	118%	114%	131%
Italy	92%	96%	95%	94%	113%	120%	104%	121%
Slovenia	-	57%	62%	68%	81%	108%	100%	120%
Bulgaria	-	-	-	62%	82%	101%	100%	114%
Lithuania	-	45%	46%	48%	63%	77%	69%	89%
Slovak Republic	-	39%	42%	44%	47%	53%	53%	75%
Poland	43%	49%	51%	44%	50%	55%	46%	65%
Czech Republic	36%	38%	41%	37%	40%	44%	38%	45%

Source: The primary data are from the World Bank, the calculations are done by the author.

Before Ireland, there was another Euro Zone member state experiencing serious problems due to its big foreign debt. In the beginning of 2010 the economic situation in Greece worsened seriously. In difference to the crisis in Ireland the crisis here is due to the obligations accumulated by the State Government sector. This caused the need of cutting down sector's expenses as well as to change the tax burden.

These negative tendencies in the GED increase and slowed down GDP growth rates after 2008, big budget deficits and the impossibility to cope with the increasing unemployment are the main reason for the series of reforms EU member countries' governments performed. A tendency is being observed of expenses shrinkage and tax burden increase aimed to balance the state budgets. The crisis slowed down the process of rapprochement in the community. It seems to be pushed onto attention's periphery by the difficult situation in the Euro Zone and continuing doubts regarding its future existence.

3. General Review of Public Healthcare Expenses According to Funding Sources in the EU Members States

Long time efforts have been made in statistics development to be able to perform public healthcare systems' research in each European Union member state and their comparison. And System of Health Accounts (SHA) methodology's multiple revisions prove this. International Classification of Health Accounts (ICHA) was created. It ranges both public and private heath expenses. It was worked out and applied by the Organization for Economic Co-operation and Development (OECD), World Health Organization (WHO) and the Commission. Thanks to this system national health care expenses data are comparable within entire EU.

The system shows how the resources are being used and allows following health policies' effects. System of Health Accounts is a part of European Statistic System. The SHA is an internationally accepted tool for healthcare expenses' description, summarizing and analyzing, and their funding applying analytic and all-round approach to health systems in a measurement function-executors-funding bodies and expenses data binding to non-monetary indicators of healthcare systems' functions and providing of individual and collective health services (National Statistic Institute, System of Health Accounts). The ICHA uses three main classifications – of financial sources, of functions, of personal and collective health services providing. Applying the SHA the expenses society makes to protect the health (prevention, prophylaxis, and treatment activities) are bound in a system of cross-classification two-dimensional tables and:

- providing health and treatment services (healthcare institutions) and collective health services for prevention, prophylaxis, school healthcare and other public health programs;
- functions and activities performed by the providers classified under SHA Functions Classification.

Undoubtedly, one advantage of the adopted single policy in the field of statistics on health care in the European Union is the opportunity for benchmarking (comparative analyses) within the European Union and outside it, as well as the opportunity for investigating the effects of the EU Health Strategy. The fact that there is missing data on most of the member-countries in EUROSTAT since 2009 represents a certain difficulty.

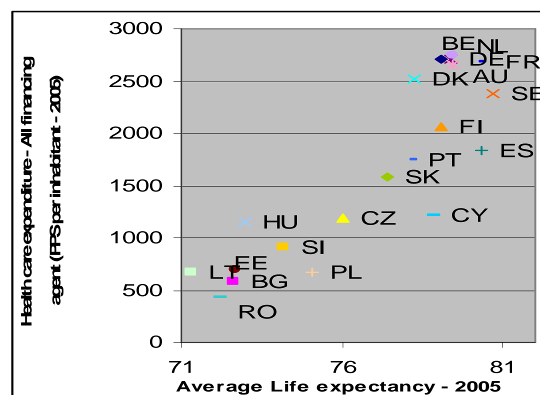
The second programme of Community action in the field of health is the main instrument the European Commission uses to implement the EU Health Strategy. It must therefore help to achieve a high level of protection for the health and safety of European citizens. It aims to improve citizens' health security, promote health and generate and disseminate knowledge and information on the subject. The funds allocated for the

implementation of the programme for the period from 1st January 2008 to 31st December 2013 amount to 321.5 million EURO, that is, 54 million EURO per year, on average.

The third programme of Community action in the field of health (2014-2020), entitled 'Health for Growth' strengthens and emphasizes the connection between the economic growth and the good health status of the population. The programme is aimed at actions with an added value for the EU, in keeping with the Europe 2020 strategy and the current political priorities. The financial crisis brought forward the need to improve the economic efficiency of health care systems. The member-states are pressed by the need to find the proper balance between providing access to high-quality health services to everyone and complying with certain budget restrictions. In this context, it is of utmost importance for the member-states to be supported in their efforts to improve the sustainability of their health care systems so as to ensure that these systems have the capacity to provide high-quality health services to all their citizens not only in the present but also in the future. The 'Health for Growth' Programme contributes to finding and implementing innovative solutions for boosting the quality, efficiency and sustainability of health care systems, emphasizing human capital and the exchange of good practices. The funds allocated for the implementation of the programme for the period from 1st January 2014 to 31st December 2020 amount to 446 million EURO, that is, 64 million EURO per year, on average.

It is typical for EU member states that in the last ten years each country's health expenses grow unceasingly. The reason for that is not only population's aging tendency (from 15.6% of population over 65 years of age in 2000 to 17.4 % of population over 65 years of age in 2010) in Europe and people's worsening health status, but general prices rise reflecting in this sector too. Simultaneously, introduction of new technologies aiming treatment's quality improvement is an additional factor reflecting permanent increase of health expenses. Average percentage of healthcare expenses growth rate during stated period shows that for almost all Member state countries there are strongly expressed positive growth rates. After 2006 the rates are much faster than in period's beginning.

Figure 1: Healthcare expenses of all financial agents per person of the population per purchasing power parity and the average life expectancy level for 2005



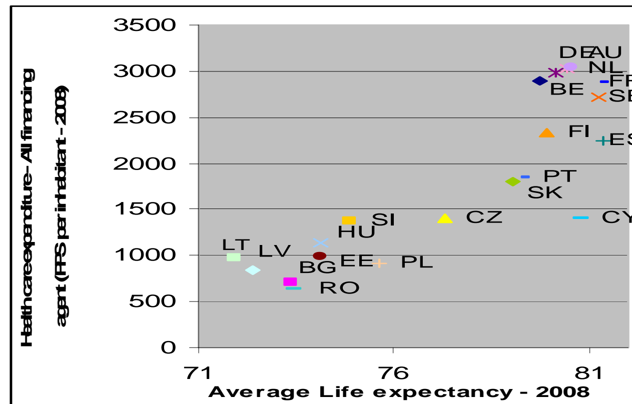
Source: EUROSTAT
http://epp.eurostat.ec.europa.eu/portal/page/portal/health/public_health/data_public_health/database

In the same time duration of life expectations for both men and women have increased from 2005 to 2008 respectively with average one and half year and a little bit over one year. This shows that health expenses increase aims population's health status improvement. In spite of this big expenses for healthcare and their increase don't lead to life expectancy index better level equally everywhere. Besides, high health expenses not always mean index's better level. This raises the question about healthcare system's efficiency.

On Figure 1 cross-drawings are presented showing healthcare expenses of all financial agents per person of the population per purchasing power parity on the ordinate and the average life expectancy level for 2005 and 2008.

On Figure 2 cross-drawings are presented showing healthcare expenses of all financial agents per person of the population per purchasing power parity on the ordinate and the average life expectancy level for 2008.

Figure 2: Healthcare expenses of all financial agents per person of the population per purchasing power parity and the average life expectancy level for 2008



Source: EUROSTAT

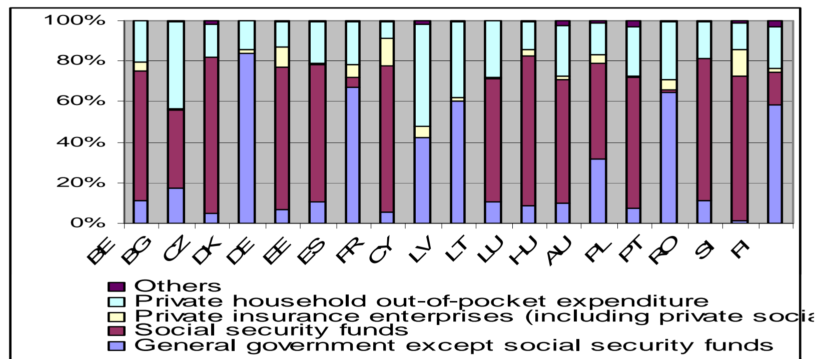
http://epp.eurostat.ec.europa.eu/portal/page/portal/health/public_health/data_public_health/database

The drawings show the simultaneous growth of both healthcare expenses and life expectancy. As well, two groups of countries are clearly differentiated. In the first group the countries which have joined the EU during Union's second and third extension waves are: Lithuania, Latvia, Estonia, Slovenia, Hungary, Poland, Bulgaria, and Romania (average life expectancy – 73 years of age, healthcare expenses – 700 PPP). In the second group the old member countries are: Belgium, Denmark, Netherlands, France, Austria, Germany, Spain, and Finland (average life expectancy – 81 years, healthcare expenses – 3000 PPP). They have significantly bigger healthcare expenses per capita, but in the same time health expenses are many times higher than the ones of the first group countries. Exceptions from these two groups are Slovakia, Portugal, and Cyprus. They have medium expenses levels but high life expectancy levels. These countries' healthcare systems are more efficient, i.e. positive result was reached using fewer resources. These countries show a possible way for each member country's healthcare system's development, namely looking no only for system's sustainability regarding funding sources but in the same time for system's efficiency improvement.

All EU efforts, common policies, and programs aim member countries' convergence. This regards the healthcare too. In spite of that, the rapprochement which was looked for since 2005 has not been reached regarding life expectancy indicator. The clear differentiation of two groups of states (the old member state on the one hand and the new ones on the other hand) both in 2005 and in 2008 shows the insufficiently good results of multiple EU programs. Undoubtedly, the economic crisis exerted its strong negative influence and the rapprochement which was looked for turned to be something rather advisable than a really reachable goal on this stage of Community's economic development.

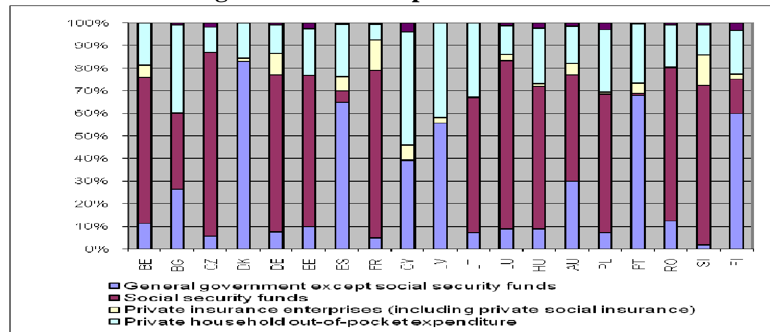
Health expenses structure (Figure 3 and Figure 4) shows each EU member state policy's peculiarities regarding healthcare system they use. In spite of differences between the states there is one common thing for them and it is that Social Security Funds (SSF) and NHIF and the General Government have 50% participation in health expenses made in 2008. The data for the period 2005-2009 present in the EUROSTAT don't show any significant changes in this structure. This period of all member countries' economic upswing and lack of concussions explains the general stability in healthcare field.

Figure 3: Health expenses structure for 2005



Source: EUROSTAT
http://epp.eurostat.ec.europa.eu/portal/page/portal/health/public_health/data_public_health/database

Figure 4: Health expenses structure for 2008



Source: EUROSTAT
http://epp.eurostat.ec.europa.eu/portal/page/portal/health/public_health/data_public_health/database

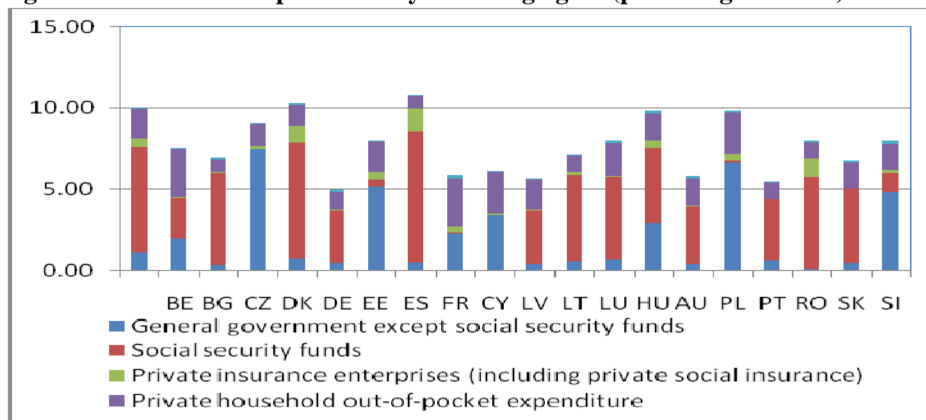
Bulgaria though is an exception form the general situation. In this country, up to 2008 Government Budget's expenses decreased with almost 14% in structural expression in account of 9% increase of National Health Insurance Fund (NHIF). In the same time healthcare expenses grew as a percentage of GDP, but it stay in low level againts average percentage in EU. These changes are a consequence of long time attempts to reform Bulgarian healthcare system. These attempts didn't lead to any significantly good results regarding both the stability and the improvement of life expectancy. The funds spent on health care in Bulgaria have been increasing on an annual basis without achieving a positive effect on the health status of the population.

Member country's different healthcare expenses' structure and their corresponding health systems define different problems appearing after the crisis in this field as well as differences in the measures taken to overcome it. For the countries where governments have the main input into system's funding through gathered taxes (Denmark, Spain, Lithuania, Portugal, Finland) the undertaken restrictions regarding Government Budgets (GB) put forward the need of reforms in the healthcare and the need of reaching a more balanced model for the system. In Spain where budget deficit for 2008 was 4.2% of the GDP and for 2009 was 11.1% of the GDP, and the danger of a debt crisis similar to the one in Hungary, Greece, and Ireland imposed a number of measures aiming to limit the expenses and increase the income, for example the increased VAT.

These problems are not set isolated in only these healthcare systems' models. They can be found in the countries relying on models based on system's funding from public health funds too. The permanent unemployment growth from 7.2% in 2007 to 9.7% in 2011 had its negative influence on gathered health insurance payments level. A target for all Member countries should be to achieve a balance in the funding models, i.e. it should be sought a competitiveness in the system.

Reaching the required cohesion and sustainable development in the healthcare is difficult to be achieved under the current status quo of the system. Figure 5 and Figure 6 present the percentage of the expenses for healthcare by financial agents to the GDP for 2005 and 2008.

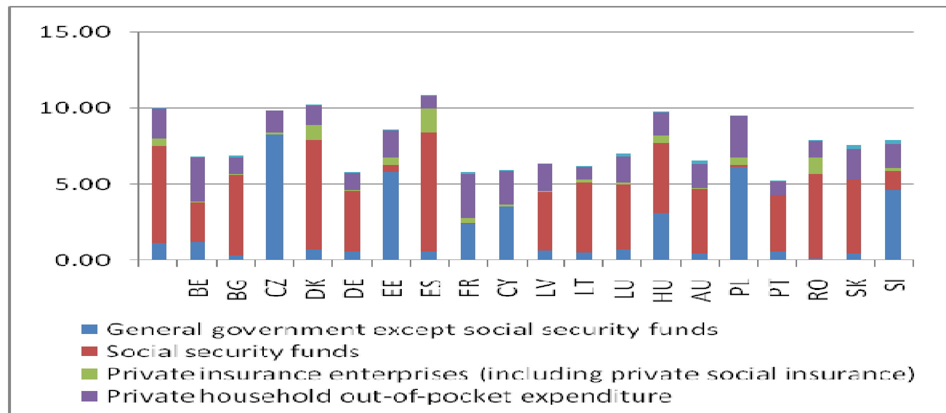
Figure 5: Health care expenditure by financing agent (percentage of GDP) for 2005



Source: EUROSTAT

http://epp.eurostat.ec.europa.eu/portal/page/portal/health/public_health/data_public_health/database

Figure 6: Health care expenditure by financing agent (percentage of GDP) for 2008



Source: EUROSTAT

http://epp.eurostat.ec.europa.eu/portal/page/portal/health/public_health/data_public_health/database

The main conclusion that can be drawn is that there is no country that makes major structural changes in its healthcare system. There are no significant changes in the funding and the percentage of the GDP for it, which indicates that the slowing of the growth in the economy has a direct negative impact on the system.

Despite the worldwide tendency for increasing the share of the voluntary health insurance, it turns out to be hard to establish in most of the European Union member states due to the conservative financial models of their healthcare systems. The economic instability in the region puts further constraints to the sector growth by forcing the governments to involve additional funding sources for the health provider. This challenges the opportunity of each member state to fulfill its social responsibility to improve the health status of the population. Furthermore, the demographic aging in the entire Community impacts negatively not only the healthcare system, but also the pension system. Consequently, the need for reforms and improvement of the government policies in these two areas is more important than ever.

The difference between the fast growing costs for healthcare and the ability to meet them will put to a test the capability of the General governments of the Member countries of the community to respond appropriately and quickly to the negative changes in the macroeconomic in the region. The desired results of the measures that are taken for getting the crisis under control and shrinking the gap between the growing needs of the people for expensive treatment and the ability to undertake these costs, do not have such fast impact.

4. Conclusion

The healthcare is a complex system including activities of management, financing, and health services providing aimed to improve population's health status. Nowadays health systems are based on the principles of solidarity, right of choice, and efficiency in system's resources spending. In its nature, it has both social and economic features. State's

part in the healthcare is still essential in the majority of EU countries in spite of world tendencies for higher liberalization of health services' market and competence's introduction. All this aims the improvement of system's efficiency and reaching lower levels of health expenses.

The financial crisis has highlighted the conflict between the increasing needs for healthcare and the associated rise in healthcare expenses, and the extent to which healthcare models can meet these needs. Also the economic crisis escalated the necessity of reforms in the healthcare field in a number of European countries. For some of them the crisis was may be only a pretext but not a basic reason for the changes in applied financial models. Strong dependence of community's healthcare systems on public funds definitely does not guarantee stability in their condition and development. The connection between macroeconomic situation in the region and healthcare funding possibilities are explainable having in view the possible funds' sources for its feeding. The states relying mainly on public health funds have two ways: one is connected to increase competence in healthcare field and to develop private health insurance funds, and the other is to increase existing system's control and efficiency. I.e. the choice for each country is extensive or intensive development.

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PROBLEMI U DRŽAVI I RAZVOJ ZDRAVSTVENOG SISTEMA U EVROPSKOJ UNIJI

Rezime: Ekonomska i finansijska kriza imaju negativan uticaj na budžetski deficit i javni dug u gotovo svim zemljama članicama EU. Smanjenje stope rasta BDP-a, pad poslovne aktivnosti i povećanje nezaposlenosti samo su neki od faktora koji objašnjavaju veliko smanjenje sredstava prikupljenih od poreza, a to su sredstva koja garantuju stabilnost javno finansiranih sistema kao što je zdravstvo. Uporedo sa ovim, rast troškova u zdravstvu baca sumnju na stabilnost sistema i njegovu sposobnost da opstane kroz državno i društveno osiguranje. Ključna pitanja koja logično slede iz ovog su: Kako ekonomska aktivnost utiče na troškove zdravstvene zaštite? Kako se zdravstvena zaštita može unaprediti i razviti u zemljama članicama EU, s obzirom na sadađnji model finansiranja?

Ključne reči: sistem zdravstvene zaštite, ekonomska kriza, EU