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At a turning point: Health care systems in Central and Eastern Europe

December 2022

At a turning point: Healthcare systems in CEE

- Lower spending on healthcare in CEE countries has led to **weak financial protection and high levels of unmet need** – covid-19 has further exposed these weaknesses
- **Current public financing models in CEE countries are no longer sustainable** in the face of changing population demographics and rising economic uncertainty
- **Hospital-centric care still dominates** with less resources allocated to preventative and long-term care. **Workforce shortages and migration** also put current systems under pressure
- The **promising pipeline of new innovative medicines provides an opportunity to transform how care is delivered** – however in CEE fewer innovative medicines are available with longer wait times
- CEE countries falling behind other EU members in terms of **readiness for digital adoption**, the pandemic showed the **need for rapid digitisation across the healthcare sectors.**

Call to action: Closing the gap through improving access, system sustainability and outcomes

1. Position healthcare as a necessary investment that will support economic growth and lead to a more cost-effective health system in the future
2. Transition from SHI to alternative health financing models that support universal access to healthcare
3. Develop a health system, centred on primary & community care that meet the needs of future population and epidemiological demographics
4. Improve access to innovative medicines through adjustments to pricing and cost-control mechanisms and coordination and transparency among stakeholders
5. Invest in digital infrastructure through developing digital capability and capacity at a national level and take advantage of EU funding

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Background and objectives

At a turning point: Health care systems in Central and Eastern Europe is a study conducted by Economist Impact and supported by AmCham EU. The study highlights key differences and commonalities in healthcare financing and policy approaches as governments rise to the challenge of managing the interlinked dynamics of population health, constrained resources and uncertainty following the covid-19 pandemic and current economic slowdown.

Key objectives

- Raise awareness on health system dynamics in CEE
- Generate the latest data and insights on health system financing, available resources, provision of care and health system efficiency and resilience
- Identify priorities and a call to action for the selected CEE countries to support future direction and health system reform

Key data sources: OECD, Eurostat, EFPIA, WHO, European Commission, Medicines for Europe, local statistical institutions and health authorities and interviews with local and regional experts ranging from policymakers, healthcare practitioners, health economists, and academics

Research engagement scope

Geographical coverage

CEE Focus Countries

1. Bulgaria
2. Croatia
3. Czech Republic
4. Hungary
5. Poland
6. Romania
7. Slovakia
8. Slovenia

European Comparison Countries

1. Austria
2. France
3. Germany
4. The Netherlands
5. Portugal
6. United Kingdom

Issue coverage

Healthcare spending and financing

Service delivery and resources

Access to medicines and technology

Health system assessment

Stakeholders engaged

18 interviews conducted with the following entities:

- EFPIA
- Central European Initiative (CEI- ES)
- World Bank
- Maastricht University
- Medical University Varna
- University of Miskolc
- Jagiellonian University
- Advanced Healthcare Management Institute - Czech Republic
- ISPOR - Czech Republic
- National Institute of Public Health Slovenia
- Ministry of Health, Slovenia
- Croatian Public Health Institute
- Ministry of Health, Slovak Republic
- Economic Research Institute, Hungary
- University of Pecs, Hungary
- Independent consultants

The aftermath of covid-19, war in Ukraine, current economic slowdown and evolving EU policy landscape is shaping the future of healthcare in CEE

Aftermath of covid-19

- Higher covid-19 related mortality rates as result of historic underfunding and ill equipped health systems
- Short-term increase in healthcare spending is expected to stabilise and even decline from 2022
- Significant increase in public health expenditure is required to mitigate adverse health effects of foregone care, unemployment, and future economic challenges and potential shocks

War in Ukraine

- Current refugee crisis on a far greater scale than any other European conflict since World War 2 - As of May 2022 Poland received +3m refugees, Romania 900K and Hungary 600K[1]
- As the war continues, national budgets will be constrained, inflation and unemployment will continue to rise, and supply chains will be disrupted
- Surge in cost of living will further weaken economic growth, resulting in ongoing hardship and a decline in private consumption of healthcare

Shifting EU Policy landscape brings an opportunity to address disparities between east and west

- EU4 Health Programme (2021-27) - €5bn investment over 7 years[2]
- EU Recovery and Resilience Facility - €724bn to support covid-19 recovery[2]
- EU Health Union (including the Regulation on Serious Cross-Border Threats to Health, reinforced roles of EMA and ECDC, and Council Regulation on Health Emergency Response Authority)
- European Health Data Space
- Pharmaceutical Strategy for Europe
- Health Technology Assessment (HTA) framework
- Orphan Medicinal Products & Paediatrics legislation revision
- Antimicrobial Resistance (AMR) Council Recommendations
- Europe's Beating Cancer Plan
- Europe's Digital Decade
- WHO Europe: Joint Stakeholder Platform establishment

Sources: 1. UNHCR. Ukraine Refugee Situation, 2. European Commission

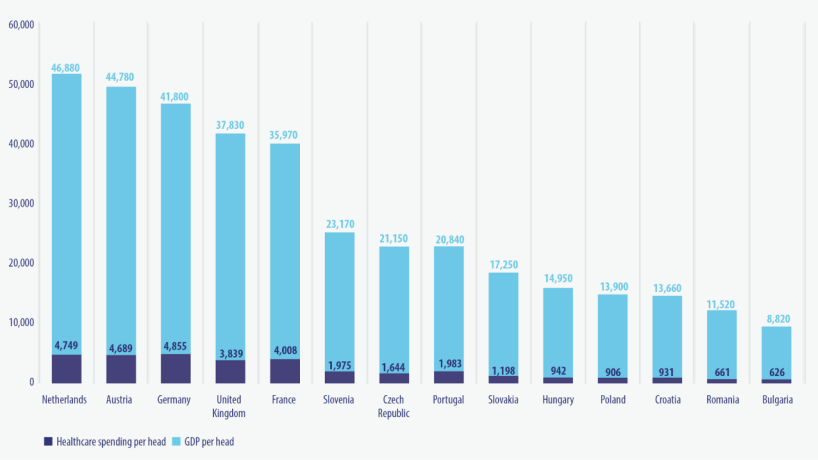
Spending on healthcare is lower in CEE countries both in terms of total healthcare spending per head and as a percentage of GDP

- Link between health and wealth - overall CEE countries record lower levels of wealth and spend less on healthcare
- Healthcare spending as a proportion of GDP is lower than the EU 27 average of 9.9% across all CEE countries (with Hungary and Romania recording the lowest levels, at 6.3% of GDP and 5.7% of GDP respectively)[1]
- Spending on health varies from less than €626 per head in Bulgaria (or €1,354 per head in PPS terms) to over €4,855 per head in Germany (or €4,659 per head in PPS terms)[1]
- Healthcare spending in Europe will continue to grow due to rising incomes, new medical technologies, increasing drug prices and volumes, and the shifting demographics of a growing, ageing population[2]

Sources: 1. Eurostat. 2019, 2. WHO

FIGURE 1.

Health expenditure and GDP per head in 2019



Source: Eurostat. 2019

A failure among CEE countries to prioritise investment in healthcare in the immediate future could further widen the gap with western Europe

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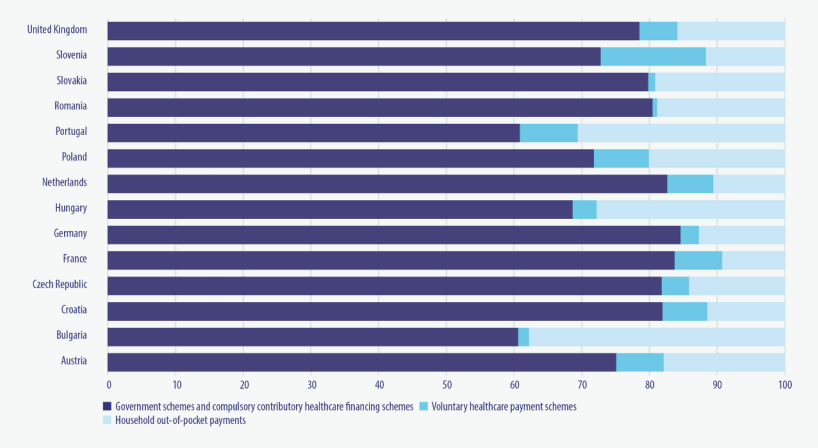
The SHI model of funding healthcare is no longer sustainable in the face of changing population demographics and rising economic uncertainty

- Healthcare systems in CEE are generally funded through social health insurance (SHI) models reliant on employment based contributions
- Widespread out-of-pocket (OOP) and informal payments constitute a major financial burden and weaken financial protection for the most vulnerable—leading to increased morbidity, mortality and higher healthcare costs
- In Bulgaria and Hungary, OOP payments, account for over 37% and 27% of current health expenditure (CHE) - well above the EU average of 20.3%[1,2]
- Achieving true Universal Health Coverage (UHC) should be a priority for alternative funding models with the aim of reducing vulnerability of public health insurance to economic or employment fluctuations

Sources: 1. Eurostat. 2019, 2. WHO

FIGURE 2.

Financing sources as % of current health expenditure



Source: Eurostat. Health care expenditure. 2019.

Reducing the reliance on OOP payments and diversifying revenue streams should be a key feature of immediate and future policy reforms to address the unmet need for healthcare access and reduce financial hardship

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How money is spent (and how efficiently) also has a significant impact on healthcare outcomes and resource optimisation

CEE countries allocate less resources to preventative and long-term care

- All CEE countries spend lower than the EU average of 16% of CHE on long-term care with Bulgaria spending just 0.12% an Slovakia 0.39%[1]
- With the exception of Slovenia and Croatia spending on preventative care is also lower than the EU average across CEE countries[1]

A legacy of hospital-centric care still dominates

- Link between more beds and higher hospital admission rates[2]
- Higher covid death rates indicate that a higher number of hospital beds can not compensate for underinvestment in infrastructure, equipment and healthcare personnel

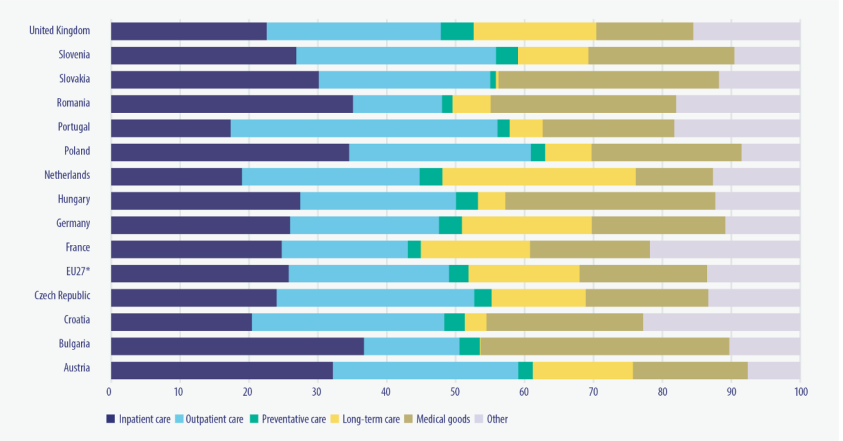
Combating workforce shortages remains a priority in Europe

- Outward migration as a result of the free movement of healthcare professionals within the EU is putting CEE health systems under pressure
- Many countries have employed various retention strategies, such as increasing salaries and improving working conditions

Sources: 1. Eurostat. 2019, 2. OECD

FIGURE 3.

Healthcare expenditure by function (% of current health expenditure)



Source: Eurostat. Healthcare expenditure by function. 2019.

Strengthening primary and community care will increase equity of access and reduce pressure on overstretched healthcare workers
➔The evolution of community-based primary healthcare in Slovenia is a notable case study for the rest of the CEE region

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CEE countries lag behind the rest of the EU in terms of accessibility and availability of innovative medicines

CEE countries allocate a higher proportion of their healthcare budget to medical goods

- However net spending per capita in euro terms is 2-3 times lower than the EU5[1]

Pricing and reimbursement policies in CEE have traditionally prioritised cost-containment

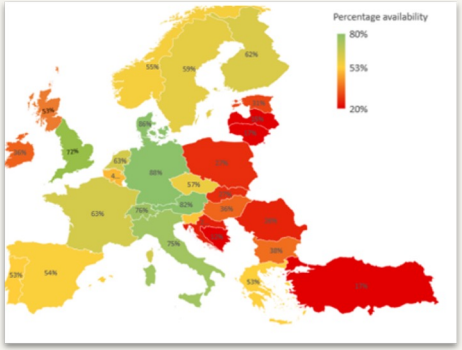
- Heavy focus on cost-containment measures regardless of the long-term benefit of new health technologies on healthcare costs and outcomes
- Pressure is growing on all governments to improve access to clinically effective innovative medicines for all prevalent diseases

The EFPIA Patients W.A.I.T Indicator 2021 shows inequalities in patient access and disparities between east and west

- CEE countries have 23-55% of innovative medicines available while comparative EU countries have access to 51-91% of medicines[2]
- The average delay between market authorisation and patient access can vary by a factor greater than x7 across Europe - from as little as 4 months in Denmark to over 2.5 years in Romania[2]
- Root causes of access inequalities are multifactorial ranging from regulatory process delays, late initiation of reimbursement assessment, duplicative evidence requirements, reimbursement decisions delays, local formulary decisions and limited budget[3]
- EU policy reforms that aim to address patient access inequalities include the Pharmaceutical Strategy for Europe, EU HTA Regulation, Orphan Medicinal Products & Paediatrics legislation revision and the AMR Council Recommendations

FIGURE 4.

Access to innovative medicines across European countries



Source: EFPIA. Patients W.A.I.T. Indicator 2021

The impact of new innovative treatments not reaching patients in CEE countries is likely to lead to higher mortality and avoidable deaths, lost quality of life and an increase in preventable healthcare costs

Sources: 1. Eurostat. 2019, 2. IQVIA. EFPIA Patient W.A.I.T. Indicator 2021 Survey, 3. EFPIA, 2020

The pandemic showed the need for rapid digitisation across the healthcare sector however CEE countries lag behind in readiness for digital adoption

CEE countries lag behind other EU members in terms of readiness for digital adoption

- The 2022 Digital Economy and Society Index (DESI) index shows a clear gap between CEE countries and western Europe - with the exception of Slovenia, which ranks 11th out of the 27 EU countries[1]
- Romania and Bulgaria sit at the bottom in 26th and 27th place - with less than 50% of the population having basic digital skills and low capability on connectivity and digital integration[1]

Investment in innovative medical technology is essential to support access to screening and early diagnosis and improving overall health system performance

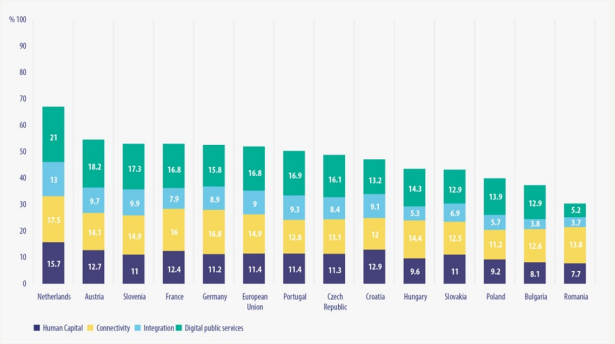
- According to analysis by COCIR, the majority of countries in Europe have fallen behind in improving equipment over the past five years - a high percentage of medical equipment is +10 years old
- Europe's Beating Cancer Plan recommends that cancer screening technologies reflect the latest available scientific evidence

Digitisation is at the heart of EU reforms and covid recovery plans

- EU Digital Decade target for all key public services to be fully online by 2030[2]
- European Common Health Data Space (EHDS) aims to provide a common framework for the sharing and exchange of health data
- Next Generation EU offers EU members funding to address the fallout from the pandemic, kick-start economies and develop digital infrastructure

FIGURE 5.

Digital performance and progress in the EU



Source: Digital Economy and Society Index (DESI) 2022

For CEE countries to realise the full potential of digital health solutions, addressing a number of areas outside of the health sector to establish the needed foundations for telehealth, e-health and health information system solutions will be critical

Sources: 1. The Digital Economy and Society Index (DESI), 2022, 2. European Commission 3.Emerging Europe

Lower spending on healthcare translates into generally poorer health outcomes and higher amenable and preventable mortality rates

Life expectancy and infant mortality reflect spending on healthcare

- Countries that spend the least on healthcare - Bulgaria, Romania, Hungary, Poland, Slovakia & Croatia - have lower life expectancy at birth and higher infant mortality[1]
- Slovenia and Czech Republic are outliers among CEE countries - lowest infant mortality rates in this study at 2.1 and 2.6 per 1,000 live births in 2019, among the lowest rates of infant and child poverty in Europe[1]

Burden of ischaemic heart disease and cancer is significantly higher in the CEE region

- CEE region has the highest CVD mortality in the world[2]
- Prevalence and mortality rates for most types of cancer are higher in the CEE countries - due to lack of population screening, less-effective control strategies, lower coverage, quality and frequency of primary prevention and lower availability of cancer treatment options[3]
- Prevalence of smoking, obesity and diabetes - key risks factors for heart disease and cancer - are among the highest in Europe and continue to rise[4]

Health systems (and economies) need to prepare for changing population demographics

- Drop in fertility rates together with lower infant mortality are resulting in an ageing population and increasing old-age dependency ratios[5]
- Ageing populations create a double-edged healthcare challenge - growing pressure on healthcare systems and demand for long-term care & smaller working population reducing taxes & compulsory insurance contributions

Treatable deaths (per 1,000) 2019		Preventable deaths (per 1,000) 2019	
Netherlands	61.29	Netherlands	123.51
France	62.05	France	129.9
Slovenia	71.98	Portugal	135.48
Austria	73.15	Germany	149.6
Portugal	79.02	United Kingdom	150.43
Germany	81.72	Austria	151.94
United Kingdom	87.41	EU27	160
EU27	92.09	Slovenia	173.33
Czech Republic	120.3	Czech Republic	188.3
Croatia	128.28	Poland	218.5
Poland	133.69	Bulgaria	230.8
Slovakia	163.53	Slovakia	231.1
Hungary	173.21	Croatia	232.61
Bulgaria	188.95	Romania	295.8
Romania	208.34	Hungary	315.33

Source: Eurostat 2016, IHME Global Burden of Disease 2019

Reducing the burden of these diseases and their adverse impact on life expectancy, labour productivity and national economies will depend on investment in (and timely access to) diagnostics and the most effective available treatments

Sources: 1. Eurostat 2. Eurostat, OECD 3.IHME, 4. Eurostat, WHO, IDF, 5. World Bank

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Closing the gap with Europe through improving access, system sustainability and outcomes

1

Position healthcare as an investment rather than a cost

- Need to allocate more of the national budget to health now and continue to increase this investment
- Additional investment needed in the short term to offset the current economic downturn and mitigate the demand for diagnosis and treatment that accumulated during the pandemic
- Commitment to a multi-year strategic plan for the development of the healthcare system

2

Transition to alternative health financing models

- SHI/Bismarck model which relies on employment-based contributions is no longer sustainable
- Governments should lean toward providing universal access to healthcare
- Ways forward include using taxes or central government transfers to supplement SHI funding, or inviting the private sector to play a greater role in voluntary or supplementary health insurance

3

Develop a health system, centred on primary & community care

- Ageing populations and rising NCD prevalence will result in more pressure on health systems
- Preventing or delaying the progression of these diseases is important to reduce pressure and improve quality of life
- Developments in health infrastructure should prioritise primary & community care services

4

Improve access to innovative medicines

- The challenges contributing to inequitable access are not insurmountable
- Solutions include adjustments to pricing and cost-control mechanisms
- Reform will require coordination of multiple stakeholders within each country and across the region

5

Invest in digital infrastructure

- Developing digital capability and capacity at a national level is a priority for all CEE policymakers
- Opportunity to take advantage of EU funding directed towards digital infrastructure
- Create a system ready to accept and implement advanced technology driven by big data and AI

Thank you

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