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Focus notes: Greece

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Health system's prior actions to March disbursement

- Activate the claw-back mechanism that maintains outpatient pharmaceutical spending within budget limits; €2.88bn in 2012, €2.44bn in 2013 and €2.0bn in 2014
- Revise downward the price of medicines, based on the three EU countries with the lowest prices
- Revise the fees for a number of diagnostic and physiotherapy services contracted by EOPYY to private providers with the aim of reducing related costs by at least €80mn in 2013.

Overview

Health sector reforms are a crucial component of fiscal consolidation efforts, thus measures to reduce health sector expenditure are prior actions to March disbursement of the EU-IMF loan. The government continues to implement the comprehensive health sector reforms with the objective of stabilising public health spending at or below 6% of GDP and outpatient pharmaceutical spending at about 1% of GDP i.e. €2bn in line with the EU average. The authorities have committed to address vested interests in the sector. Reforms have progressed and today stand in the middle of the road. The government continues its efforts to reduce pharmaceutical spending and promote the use of generic medicines. Moreover, in an attempt to improve the current financial situation of EOPYY, the government started reviewing the provision of medical services contracted by EOPYY.

Prior actions to March disbursement

Measures to meet the 2013-14 fiscal targets include reduction in the health sector by 0.6% of GDP. More precisely, reduction in pharmaceutical expenditure of social security funds accounts for 0.4% of GDP in 2013-14. To start with, prior to March disbursement:

<u>In order to reduce outpatient pharmaceutical spending the government should:</u>

1. Activate the claw-back mechanism that maintains outpatient pharmaceutical spending within budget limits; €2.88bn in 2012, €2.44bn in 2013 and €2.0bn in 2014
2. Repeal the current provisions of the law which hamper the collection of the rebate from pharmacies in case of delays in payments on the part of EOPYY effective January 1, 2012
3. Reduce average profit margins of pharmacists to no more than 15%
4. Extend the application of the 5% rebate on pharmaceutical companies (which exists for hospital-priced medicines) to all products sold in EOPYY pharmacies
5. Revise downward the price of medicines, based on the three EU countries with the lowest prices (quarterly update of price list)
6. Re-price medicines now cheaper than €10, including implementing a 10% reduction in the price of generics and a 5% reduction in the prices of off-patent medicines (in late January 2013, the government announced a 7% weighted average

reduction in medicines prices which is expected to spare €150mn in the following year)

7. Restrict entry of non-generics drugs into the positive list and expand over-the-counter products
8. Select a number of the most expensive medicines currently sold in pharmacies, to be sold in hospitals or EOPYY pharmacies
9. Set up its efforts, and further develops the set of incentives and obligations for all participants along the medicines supply chain (including producers, wholesalers, pharmacies, doctors and patients) to promote and increase the use of generic medicines.

The goal is to reduce the pharmaceutical spending by €450mn in 2013 and by additional €450mn in 2014. Lately, related reforms have shown a progress with implementation index standing at 3 (see previous Focus on Health sector reforms' implementation http://www.eurobank.gr/online/home/AnalysingDetails.aspx?CategID=40&Year=2012&lang=gr). The authorities need to continue with the implementation of the policies just legislated despite the resistance which is clearly apparent in the sector. The government has the difficult task to address vested interests along the medicines supply chain (including producers, wholesalers, pharmacies and doctors) and at the same time limit unnecessary increase in the burden to patients. To this direction is the announcement of a 7% weighted average in medicines prices from February 1, 2013 onwards.

In order to review the provision of medical services contracted by EOPYY the government should:

1. Revise the fees for a number of diagnostic and physiotherapy services contracted by EOPYY to private providers with the aim of reducing related costs by at least €80mn in 2013
2. Restrict the benefit package by delisting selected services, establishing utilization caps, and reducing reimbursement prices to save €180mn in 2013
3. Increase cost-sharing for private care to at least 30%
4. Negotiate price-volume discount agreements and revise case-mix agreements with private health care providers to generate savings of at least €70mn in 2013
5. Introduce a reference price system for reimbursement of medical devices
6. Introduce legislation to increase the contribution paid by OGA members (farmers) for their healthcare to €25 per month to reach the average amount paid by other members of EOPYY
7. Revise co-payments.

The aim is to improve the current financial situation of EOPYY. This would be rather hard given that already the expenditure to private clinics has gone out of control in the second semester of 2012 when all health insurance funds merged into EOPYY. To this aim, the government started revising the fees for a number of diagnostic and physiotherapy services contracted by EOPYY to private providers. However, it remains to be seen whether the target of related costs reduction would be achieved.

In order to reorganize the health care sector, among others, the government should:

1. Reduce hospitals operational spending and merge underutilized facilities
2. Reduce administrative costs notably by removing deputy managers posts
3. Reduce cost by outsourcing services such as IT services, laboratory services and hospital servicing costs (e.g. cleaning services)
4. Implement mechanisms that fight corruption and eliminate informal payments in hospitals.

Conclusions

Taking into account the high share of public expenditure that is spent on healthcare, health sector reforms are a crucial component of fiscal consolidation. Therefore, measures to meet the 2013-14 fiscal targets include reduction in the health sector by 0.6% of GDP. Moreover, a prior action to March disbursement is the reduction of pharmaceutical spending by revising downwards the price of medicines, based on the three EU countries with the lowest prices. The government re-affirmed its commitment to achieve agreed targets and continues the implementation of reforms in the health sector.

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