



Cyprus GHS financing & sustainability

“The future of healthcare in Cyprus”

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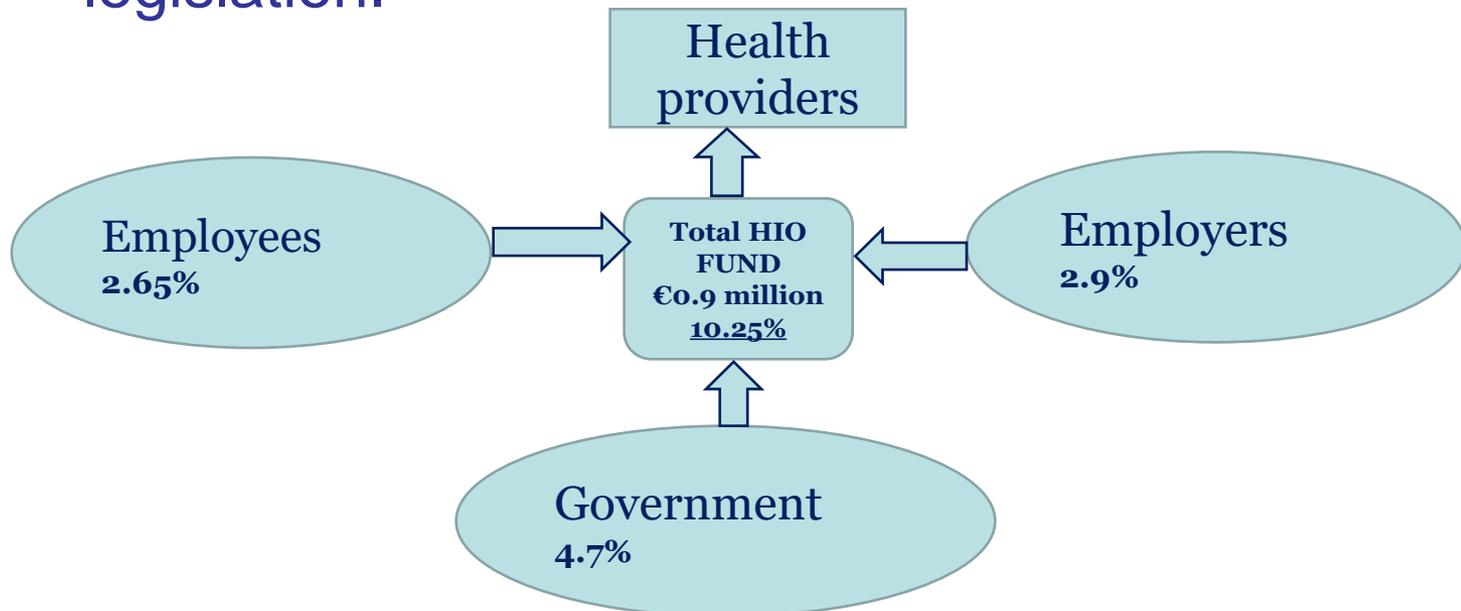
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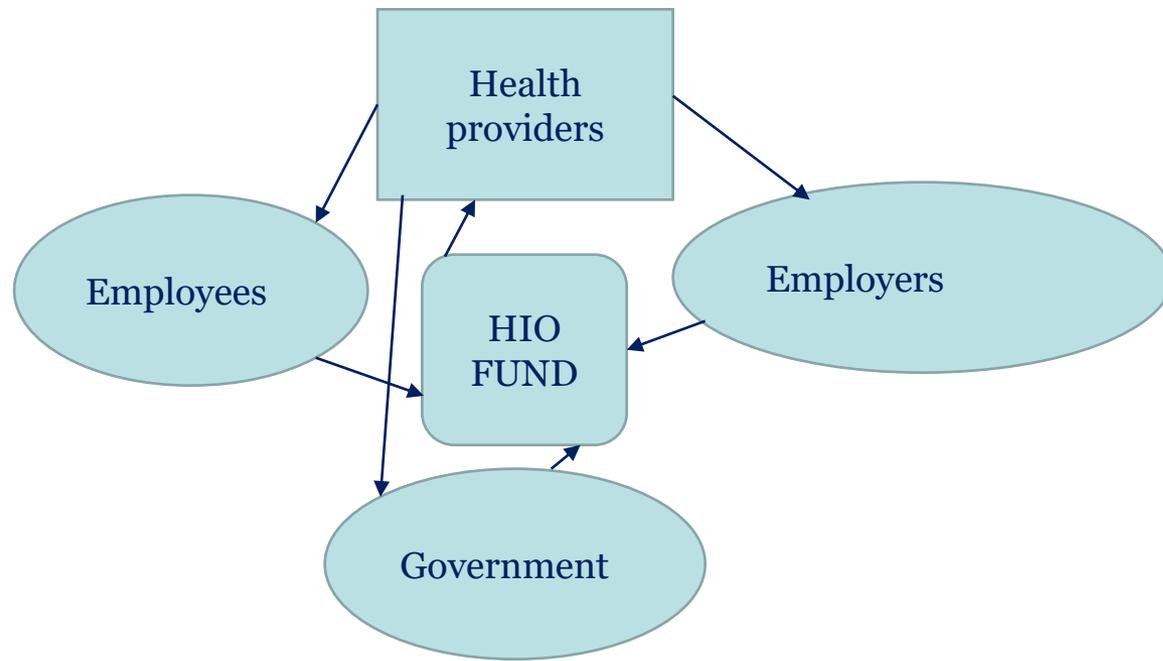
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GHS financing channels

- GHS financing is 3 fold as shown below:
- Contribution rates determined in the relevant legislation.



GHS financing channels



Macro & Micro foundations of health care services

A. Macroeconomic foundations

- Public finances via higher health care expenditures
- Health inflation usually $>$ headline inflation \rightarrow jeopardizes macroeconomic stability

B. Microeconomic foundations

- Health goods & services are necessary and without many substitutes
- Their price elasticity is very low, i.e. <0 , about -0.17
- Larger price elasticity exists in certain types of care such as preventive care, chronic diseases, mental care and medicines.
- Income elasticity is found positive, >0 and depends upon income deciles, age and health profile

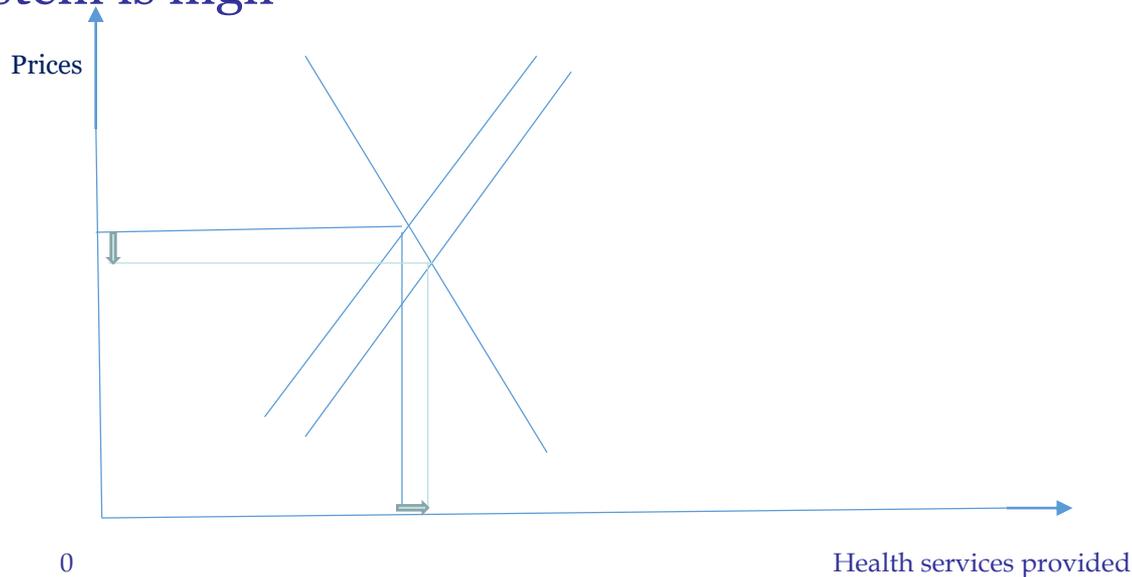
Macro & Micro foundations of health care services

- By assuming that GHS kick off would cause a moderate increase in supply of health care services and under price inelastic demand, not much price and income fluctuations are expected on health care products and providers.
- Hence, $(\Delta P_{\downarrow}) \approx (\Delta Q_{\uparrow})$
- As a result, the budget level with respect to contribution rates plays a key role in the determination of providers' financing under a global budgeting setup.

Macro & Micro foundations of health care services



- If $\Delta P = \Delta Q$, then prices and incomes changes are envisaged to be limited thus, strengthening stabilization in the health care market.
- In case the above situation prevails, then financial stability is more safeguarded and the probability of a sound transfer under the new system is high



What happens if financing gaps exist?

- GHS financing method is based on global budgeting; thus any deficits implicitly are avoided from the beginning!...
- **One risk arising is the negotiations procedure between the HIO and health providers, which can lead to some pressures and price hikes to their budgets.**
- In cases where more money is needed there are 4 options the HIO and the government could elaborate on.

What happens if financing gaps exist?

- Option A: Increase accordingly contributions rates 10.25%
 - Option B: Reduce health care services provided-HIO costs
 - Option C: Combination of the two above 
 - Option D: Adjust upwards co-payments, (€45 million = 5% of HIO fund)
- ❖ Each option entails different impact on the overall economy.
- ❖ The MoF is in favour of transferring the burden/impact on the health user rather than the tax payer as well as not on the employer and therefore labour cost.
- ❖ This can mitigate the economic impact so that not to burden the overall economy with adverse effects.

Implementation risks of GHS

1. On going dialogue between private physicians with HIO provides serious uncertainty on GHS implementation.
2. Uncertainty in the number of private doctors to contract with HIO.
(dialogue with private doctors should regulate in an efficient way the issue of the provision of private health care while HIO contracted and best practices are useful)
3. Number of private hospitals to contract with HIO & public hospitals autonomy process.
(social dialogue on hospitals should have prioritized clinical guidelines, protocols and accreditation procedures to run first)

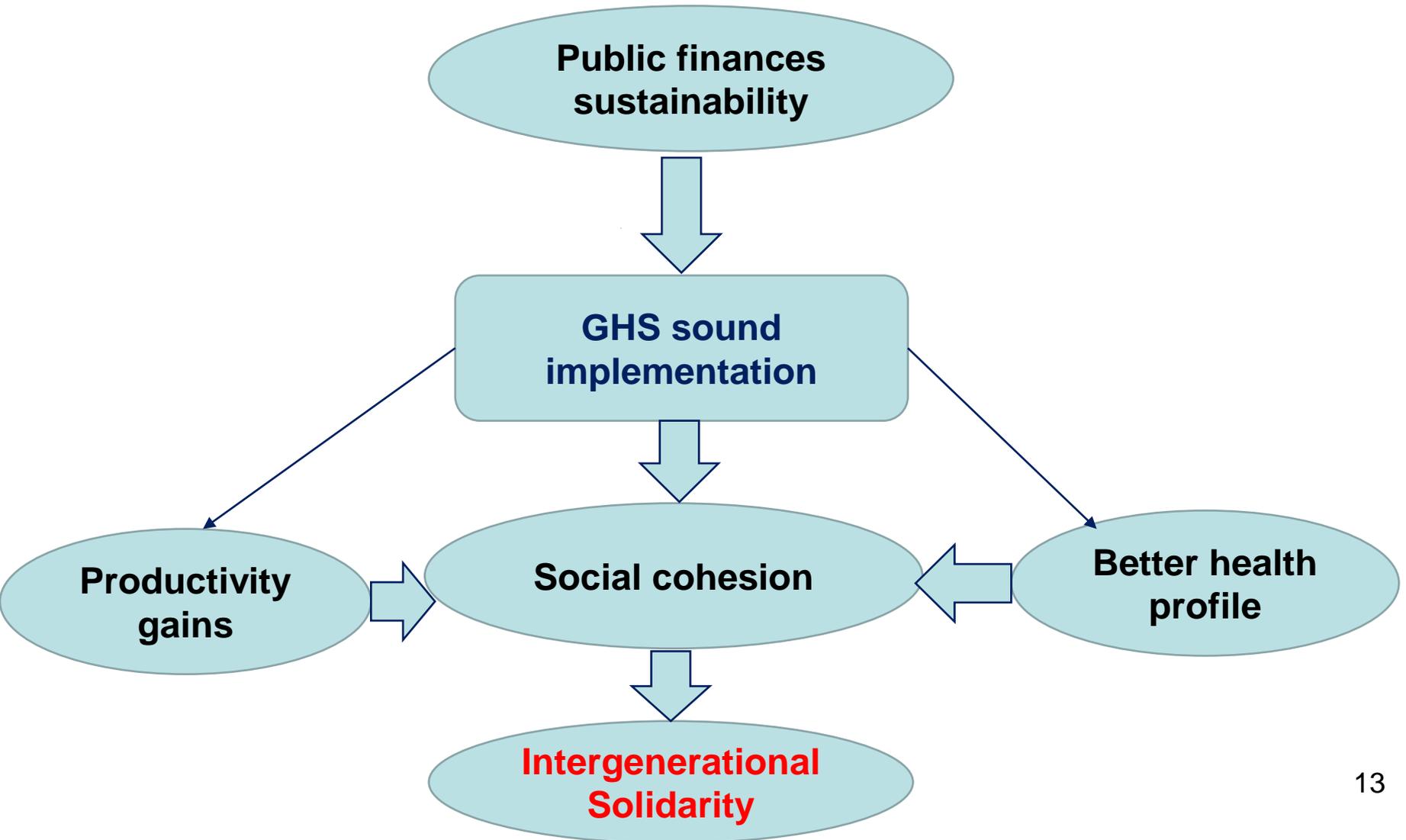
Implementation risks of GHS(co'nued)

4. Process of autonomization of public hospitals necessary to ensure equal competitive opportunities with private hospitals.
 5. Deficiency of risk management analysis by HIO and MoH to confront with essential stakeholders' vested interests.
 6. Necessary to identify strategic alternative policy to face such situation.
- ✓ GHS IT system is envisaged to mitigate some implementation risks regarding financial fraud, mismanagement practices and malicious use of the system
 - ✓ Tools necessary to be available upfront to face extreme situations so as to be able to combat any financial, management and thus health risks on the society
 - ✓ Effective coordination of HIO-MoH-MoF is more than essential

GHS financial sustainability passes through fiscal sustainability

- Maintaining fiscal sustainability is imperative to retain public finances viability, through which smooth health expenditure adjustment could keep GHS sound in the long run
- The public sector contribution to GHS is more than 50% of total GHS financing; that renders the public sector the biggest contributor
- The use of expenditure ceilings on ministries' budgets has had multiple merits upon public finances sustainability
- Under GHS environment one way to preserve sustainability after the full scale GHS implementation is via a GDP growth rate rule;
 - Such rule could be adjusting health expenditure without causing unnecessary financial instability in public finances, based always upon the health needs of the society
 - Such rule could also retain health prices at a moderate level and ensure long run health financial sustainability

GHS financial sustainability passes through fiscal sustainability



Concluding remarks

- GHS prime priority implementation should be the efficient service of the Cypriot citizen by providing quality health care services at reasonable and affordable prices
- The financing component of GHS is the most important reforming blueprint to ensure health care & fiscal sustainability
- Without public finances sustainability the GHS could find itself under severe risks in both money and implementation terms
- Henceforth, any unnecessary public spending endangers the risk of derailment of GHS sustainability and thus, the decision making process should be pursuing facts, best practices and avoid strict political intervention

Thank you for your attention!