

# Poles Apart?

What advances are the citizens of the EU's 10 new member states expecting from reforms to their healthcare systems, and can they live up to the rose-tinted view of Western Europe?

Jan 1, 2006

By: [Helen Disney](#)

European Pharmaceutical Executive

It is often assumed that East and Western Europe must be poles apart, not just geographically, but also when it comes to the state of their healthcare systems and their voters' attitudes towards them.

**CHOICE AND COMPETITION**  
In Slovakia, two of the architects of the recent reforms, Peter Fazlity and Henrieta Madarova, have recently set up a new health think tank to push for greater choice and competition in healthcare. From their experience of studying the system, they conclude that now: "The problem is not the shortage of available healthcare sector funds and capacity, but rather the lack of effective allocation of these funds and utilization of capacity. We should focus our efforts on the reduction of bad management caused by too much state regulation and too few market drivers, and on the introduction of incentives for private ownership, profit-seeking, entrepreneurship and innovation."

Choice And Competition

Slovakia, Poland and Hungary all emerged from the yoke of communism with state-run, state-funded systems that were highly bureaucratic, mismanaged and often corrupt. For many citizens, the only way they could get access to healthcare treatment was to offer under-the-counter cash bribes to their physicians — and some still do today. Systems were also largely underfunded, especially compared with other EU nations.

However, since the fall of communism, all three countries have undertaken healthcare reforms. Slovakia, in particular, has been at the forefront of pushing for a more consumer-driven system. This urgency has been created in part because of the economic strictures imposed by EU membership, and partly because of demand from citizens for better services.

The new member states from Central and Eastern Europe (CEE) seem at first glance to be a rather compact group, measured by history and gross domestic product (GDP) per capita and historically used to living with the communist model where many treatments and medicines were rationed.

## A closer look

A closer look reveals significant differences in funding, organization and recent developments in their respective systems. This suggests that it would be a mistake to treat them as a single bloc, just as it is impossible to talk about other European systems en masse, since their history,

**PHARMA FACTS: THE 'NEW' EU**

- In 2005, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the EU in May 2004.
- Poland and Hungary contribute 47% and 23% of the pharmaceutical market. Total pharmaceutical market sales in the newly joined states have grown by almost 20% since 1990.
- Pharmaceutical advertising in Poland alone exceeded 500 million zlotys (€100 million) between 2000 and 2003.
- The Estonian government planned to spend 1 billion kroons (€100 million) on health during 2005.
- Europe's first research centre to investigate the economic impact of marketing research to operate in Riga, Latvia, in November 2005.
- In March 2005, Teva managed announced plans to build a \$100 million (€75 million) factory for the production of generic pharmaceutical ingredients.
- According to research, the majority of EU member states managed substantial growth in research expenditure in the 5 years up to 2003, with the fastest growth rates registered by Austria, Cyprus and Hungary.
- In May 2005, Sanofi-Sintabo's largest pharmaceutical production signed an agreement to purchase research facilities in drug manufacturing in the Slovak Republic.
- Lithuania's largest pharmaceutical company achieved a turnover of 10.4 billion litas (€1 billion) over January-September 2004, up 11.3% year-on-year, according to Baltic Business News.

Pharma Facts: The New EU

funding systems and types of provision vary so widely.

On the funding side, the Czech Republic and Hungary spend almost 60% more per capita than Poland or Slovakia, measured by purchasing power parity. These relatively high levels of spending are, nevertheless, significantly lower than in all of the 'old' EU member states. The share of public expenditure devoted to health ranges from 70% in Hungary to over 90% in the Czech Republic.

Despite these differences, all of the new member states currently face a significant deficit in healthcare financing. Czechs and Slovaks rely on multiple competing payers, while Poles and Hungarians finance their providers through a single payer, albeit with regionally organized outposts.

On the delivery side, the patterns range from highly centralized, government-dominated systems in Poland and Hungary to a rather decentralized Czech system with a significant number of privately-run hospitals. There are also great differences in waiting times and access to modern technologies.

## **Reform**

Health reform is a hot political issue in all of these countries. However, so far only Slovakia has started producing any real remedies. The Slovak parliament adopted brand new health legislation at the end of 2004. The extent and depth of the changes has made Slovakia a frontrunner in market-oriented health reforms, not only among new member states but in the whole of Europe. Changes include the introduction of user charges, an explicit definition of the basic benefit package covered by statutory health insurance, for-profit status of health insurers and providers, and selective purchasing of care by insurers. These reforms have already led to a sharp reduction in the annual health system deficit.

In the Czech Republic, Hungary and Poland, reform has been put on hold until the next elections, which are all planned for 2006. However, a reform similar to the Slovak one seems inevitable. Randy Simor, business development director of Kelen Hospital, a private clinic in Hungary which works under contract with the state system says: "The best solution is for the government to really bring in far-reaching reform — which would lead to more money."

In the past decade, all of these countries have to a large extent copied western European healthcare systems. But they do not have the deep pockets to feed them. The lack of individual responsibility these systems evoke, in combination with less efficient public institutions than in the west, are bringing them close to bankruptcy even before population ageing strikes with its full strength.

## **Public opinion**

What about public opinion? A new survey conducted by Populus for the Stockholm Network think tank,<sup>1</sup> which compares attitudes in east and west, shows that the new member states clearly differ from the 'old' Europe on many performance indicators while scoring close to the average on values-related indicators.

When it comes to prioritizing equality of treatment for all over the quality of treatment received by individuals and their families, there is no clear difference between old and new member states. Citizens across Europe as a whole consider fairness and equality of access to be a very high priority.

On the other hand, citizens of the new member states are strongly persuaded that their systems are not able to fulfil their expectations, accompanied only by Britain, with its state-run, state-funded National Health Service.

Those living in the four new member states we surveyed (Czech Republic, Hungary, Poland and Slovakia) have a more negative view of their healthcare systems on average than those living in the seven members of the EU15 we looked at.

Indeed, there is often a real issue with access — and not just in the case of the latest technologies. While healthcare systems in western Europe already have some problems with waiting lists and rationing of expensive new treatments and medicines — and there will be many more problems on the horizon — judged by mere provision of necessary care they mostly work quite well. This is not always so in the new member states.

Unsurprisingly then, new member states currently suffer from an inferiority complex, believing other European systems to work better than their own. The real state of their health systems, combined with (sometimes unfounded) admiration of the EU leads to a rosy picture of western Europe — although this view may be altered as more citizens from the new member states gain personal experience of other health systems within the EU. Perceptions of performance are closely linked with perceived level of funding.

The eastern states occupy the top places among those countries who believe on balance that their health systems have too little money. As a group, 73% think their healthcare systems are underfunded. Among EU7 countries only Sweden has a similar sized majority believing this — perhaps ironically, given the well-known generosity of the Swedish welfare state!

## **Funding and delivery**

The delivery and funding gaps are very well reflected in readiness for reform. Rather than differing widely, it seems that the east is just as impatient for change as the west, if not more so. As a group, the four new member states scored an average Reform Index rating of 84%, higher than any single EU7 country and comfortably higher than the EU7 average of 73%.

In the absence of reform at home, what can citizens in the east do to get around their lack of access to care. Would they, for example, be willing to travel to other parts of Europe to be seen sooner or offered a range of treatments and services they cannot get at home?

Given the low performance rankings of current systems in the east and the readiness for change of would-be political reformers, new member states should be in a good starting position to enact major changes to their systems. But what do their citizens actually expect them to do in the areas of funding and delivery of services and will they trust their intentions?

Where should the extra money for healthcare come from, for example? Citizens in the new member states clearly share their western counterparts' illusion of a 'free lunch' gained by shifting higher healthcare costs onto business. However, putting this idea of improving care at someone else's expense aside, people in the new member states are considerably less supportive of higher taxation and, at least in the Czech Republic and Hungary, more prepared to pay more out of pocket. In Poland, patients are prepared to pay under the counter but do not yet seem to equate this with the idea of private payment. Yet Adam Kruszewski, a former Polish physician turned healthcare entrepreneur says: "Given the worsening cash flow situation in hospitals, and the increasing public demand for improvements in the situation, the government's only chance will be to invite private capital to invest in the sector, as well as allowing private individuals to buy better services officially instead of obtaining them unofficially."

Besides increased funding, what do they believe would lead to increased quality of care? With the exception of Hungary, all countries surveyed point to giving patients more health information as the most powerful tool. They also put increasing the number of medicines and treatments, as well as increasing the range of doctors and hospitals, lowest in the range of needed reforms and so do not differ markedly from their western counterparts. This is especially surprising in the case of Poland, where citizens have not been reimbursed for the newest medicines for the past 8 years. It also, however, no doubt reflects a time lag in expectations between east and west.

As yet, the new member states are not accustomed to high levels of service or access to new therapies, and are therefore likely to be more realistic (or more accepting) of problems. Patient groups, for example, which are now a common phenomenon in the rest of the EU, tend to drive up expectations and awareness of new treatments and to exert additional pressure on politicians to make them

available. Such groups are only beginning to be established in the east and, as they emerge, are likely to drive up patient demand.

There is no doubt that the required reforms will be painful, at least in the beginning. Who will then be able to persuade citizens to bear the burden? Politicians seem to be a lost cause, being trusted even less in the new Europe than in the old member states. The favourite sources of information on healthcare besides citizens' own experience are health professionals. Official statistics and non-governmental organizations (NGOs) are also not to be underestimated in future, especially given the current lack of useful content and user-friendly format of reports in the case of the government and the relative underdevelopment of NGOs in the east. Once such groups start publishing reliable and understandable information on quality of care, they are likely to be gratefully accepted by the public.

Differences in opinion between the 'new' and the 'old' Europe seem to be caused by differences in access, because of significantly lower levels of funding, and by a sometimes unfounded admiration of western Europe. Yet the challenges facing healthcare systems and the way people view them are remarkably similar across the board. The likely outlook is that health reforms in the new member states will go on to provide valuable inspiration and experience for policy experts in Western Europe. Poles Apart? Not really.

**Helen Disney** is director of the Stockholm Network (UK), a pan European think tank.

## **References**

1. H. Disney, D. Hill, P. Hrobon, A. Kruszewski, H. Madarova, R. Nye, M. Stefunko, *Poles Apart? Eastern European Attitudes to Healthcare Reform* (Stockholm Network, London, UK 2005).