

EXECUTIVE SUMMARY

Since the end of the Cold War significant progress has been made by CEE countries in establishing Bismarckian healthcare reforms which have brought with them notably improved health outcomes. Undertaken in different ways and with different emphases, the reforms have succeeded in bringing about a new mindset, attitude and resolve among many CEE policymakers with regards to the design of modern, patient-centric and sustainable healthcare systems. The success of these reforms had encouraged policymakers to be bold and it was hoped that CEE systems could eventually seek to compete with, and perhaps even surpass, the healthcare systems of the more established European economies.

However, the financial crisis has hit CEE countries hard and there is a growing concern that this confidence is waning. The impact on healthcare systems threatens to expose patients to inferior or inadequate services. International Monetary Fund data shows that 2009 saw a 4.3% decline in the CEE region's GDP, which in 2008 had grown by 3%. When matched with a variety of other discouraging economic factors, not least the drying up of foreign investment into CEE countries, this paints a picture of evermore unsustainable government budgets and highlights the necessity of bringing down public expenditure across the region. For healthcare, the current financial context requires an acceptance that public funding will have to be reduced, which will have a significant impact on the systems' ability to face the most pressing healthcare challenges of the future.

Financial sustainability has always been a major challenge in the CEE region and the crisis is making it even harder for healthcare systems, which are, in the main, heavily indebted and less able to find additional funding revenues. Ultimately, this is leading to citizens paying more for their healthcare, whether it is through informal payments, formal payments, higher premiums, or an increase in general taxation, whilst services in the future will probably deteriorate regardless. In expecting their healthcare systems to perform better with less funding, CEE governments will be asking for a great deal from a healthcare workforce that is largely unhappy and resistant to further cost cuts. Furthermore, if submitted to, demands for higher pay are likely to place a greater strain on the country's fiscal budgets, or will put heavy political pressure on the government, if resisted. For patients, the likely result is that they will have to bear the brunt of unhappy and underpaid staff that are either refusing to work, working-to-rule, or are trying to supplement their wages with informal payments.

Although the financial crisis in itself will not have much effect on long-term demographic shifts in the CEE region, it will certainly place CEE governments who are trying to tackle this shift under significant pressure. The CEE region is ageing and will continue to do so incrementally over time. Each year that passes sees a greater pressure being placed on the working population to fund the current healthcare needs of the elderly. Increased unemployment, as a result of the financial crisis, is therefore exacerbating these problems even further.

The financial crisis is raining down on the public purses of CEE countries and governments are struggling to provide adequate protection for their citizens. However, much of this is because health systems in the CEE region are still connected, either directly or indirectly, to the government budget. If CEE countries are to weather this storm, there is now a need to consider new ways of providing healthcare:

- By encouraging open competition in healthcare, CEE governments will be able to develop a healthcare environment that is more receptive to patients and which obligates providers and insurers to offer high-quality services that will look favourable in comparison to other alternatives;
- By allowing greater use of public-private partnerships, CEE governments could bring about an improvement in the quality of healthcare services, whilst lowering the cost burden on the public purse. Furthermore, by opening healthcare systems up to more private initiative, patients in the CEE region could benefit from a healthcare system that is designed around their needs and choices;
- By fostering more varied sources of healthcare funding, through allowing private health insurance to work more closely alongside social insurance, CEE governments could bring about greater patient choice and empowerment. In doing so, patients in the CEE region would be given the power to choose a healthcare plan that suits their needs and circumstances, whilst maintaining a public social safety net for those unable to contribute.

The CEE region now has an opportunity for healthcare reforms to develop and the financial crisis, however unwelcome, provides an incentive to begin. The problem will be finding the political will to do so, as it is likely that the moves needed to further modernise CEE healthcare will be strongly resisted by voters whose suspicions of the private sector have only been heightened by the scale of the financial crisis. However, reform still presents their best chance of having health systems which are fit to help and cure them in the difficult years to come.