DIRECT PAYMENT OF HOUSEHOLDS FOR HEALTHCARE

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Abstract

While European governments finance about three-fourths of its expenses for healthcare with public resources, in Bulgaria the portion of private expenses for healthcare is stably high and has had a tendency of increase during the past two centuries. Direct payment of households for certain health services, medicaments, and supplies, occupies significant part of private expenses.

Key words: *direct payment, expenses for healthcare, health services*

1. DIRECT PAYMENTS MADE FOR HEALTHCARE

These are direct payments effected by the households to the general practitioners and the pharmaceutical product suppliers, for therapeutic devices and other commodities and services used for health status restoration or improvement of individuals or population groups. The direct costs are components of the private ones. According to the research conducted by the Institute for Market Economics from 2001 onwards we noted slight decrease of the direct cost share in the private costs incurred for healthcare, even though the first ones still amount to 97% all private costs. We could conclude that the role of private insurance/social insurance, donations and payments by private corporations slightly increased. Bearing in mind that this indicator is around 77% on the average in the European Union (EU), the growth potential of the role of private health insurance in Bulgaria is still significant. [5] Figure 1 presents comparison of the share of current health expenditure by type of financing.

2. TOTAL HEALTHCARE COSTS

Even if low compared to the EU standards, generally they are aligned to the income level according to the World Bank experts. The healthcare costs in Bulgaria amount to around 7% of GDP, and this level is comparable to the one in many of the new member-states. The fact that in view of absolute values Bulgaria spends less for health than the other EU member-states could be mostly explained with the lower income level.

In 2010 the greatest GDP share spent for healthcare (12 %) is attributable to the Netherlands, with Germany and France ranking after it with 11,6 % each. In terms of healthcare costs per capita the first ranking among the EU member-states is the Netherlands (3 890 EUR), Luxembourg (3 607 EUR) and Denmark (3 439 EUR). Among them we could mention Austria, Germany and France with over 3 000 EUR of healthcare costs per capita. The lowest healthcare costs (around 700 EUR) are attributable to Bulgaria and Romania.

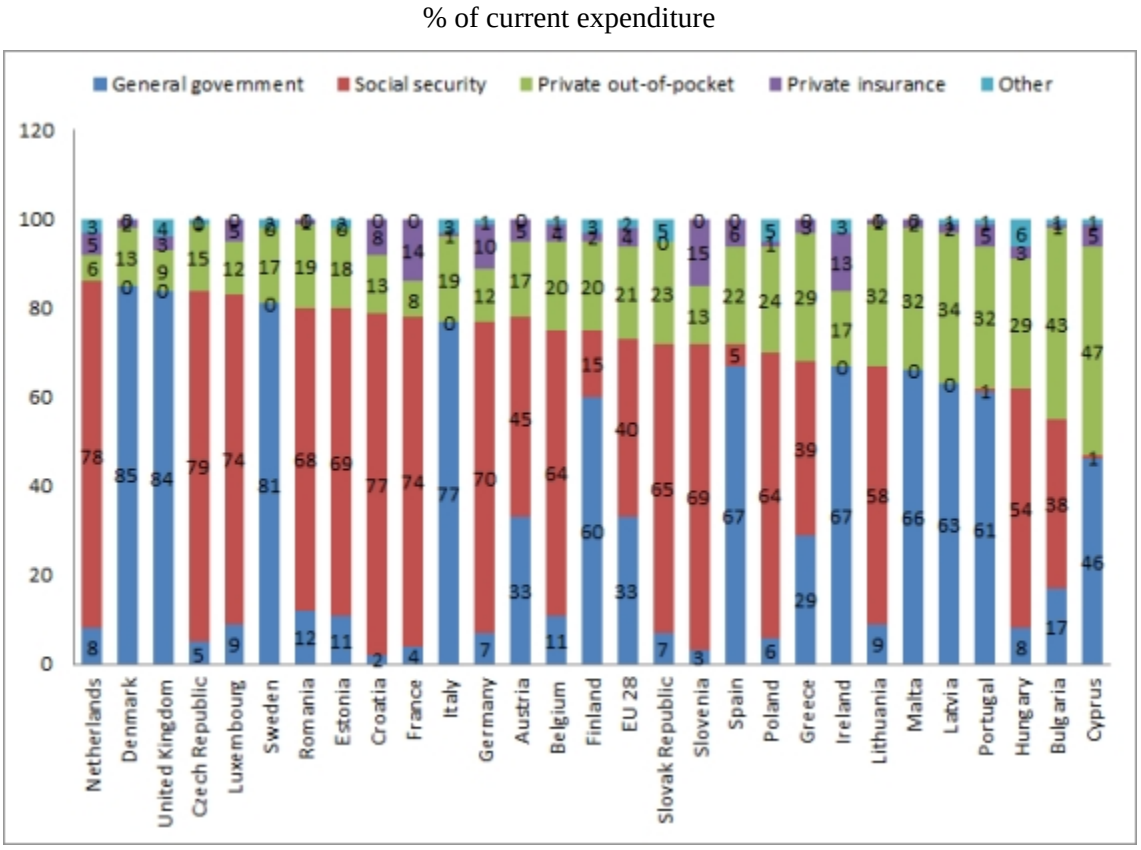


Fig. 1. Expenditure on health by type of financing, 2012 (or nearest year)

Note: 1. The Netherlands do not account for fixed deductable payable by patients (350 EUR per year) as out-of-pocket spending, resulting in an underestimation of the share of out-of-pocket payments.

2. Italy, Ireland, Malta, United Kingdom – Data refer to total health expenditure.

Source: OECD Health Statistics 2014, http://dx.doi.org/10.1787/health-data-en; *Eurostat Statistics Database*; *WHO Global Health Expenditure Database*.

3. THE PUBLIC SECTOR

The public sector is the main healthcare funding source in all European countries, except for Cyprus. In 2010 on the average around three-fourths (73 %) of all healthcare costs were funded with public resources in the EU member-states. Funding with public resources amounted to over 80 % in the Netherlands, the Northern states (except for Finland), Luxembourg, the Czech Republic, the United Kingdom and Romania. The share of public funding was lowest in Cyprus (43 %), Bulgaria, Greece and Latvia (55—60 %). [8]

In 2010 the public healthcare costs in Bulgaria amounted to 3.7% of GDP and less than 10% of the total public costs in all sectors. Both numbers are very low compared to the European standards. On the opposite, the private costs – in particular the costs incurred by households for payments with their own funds when they need medical cares – are a great share (44%) of the total costs. Figure 2 presents comparison of this number with the 1997 level in Bulgaria and in Europe. The comparison shows that richer countries are inclined to relying less on payments out of patients' pockets and Bulgaria is outstanding in this light among the EU member-states: the share of payments with own funding is currently among the highest in the region and it significantly increased throughout time. [7]

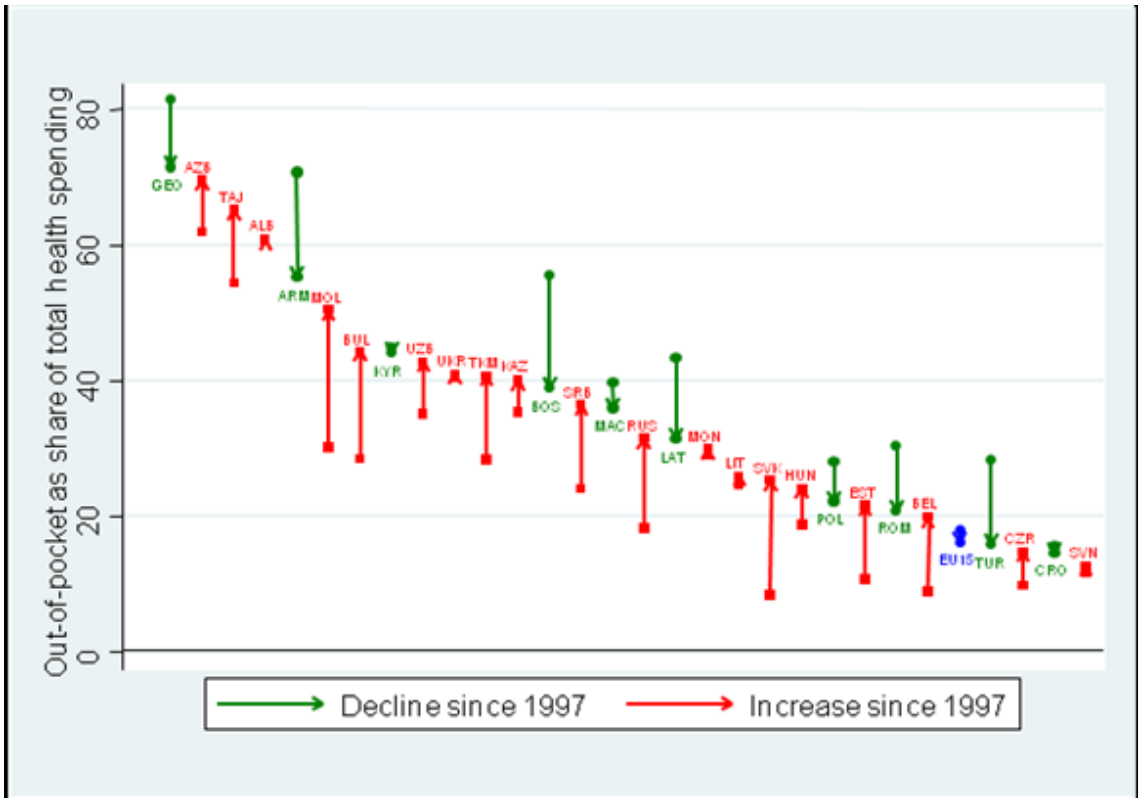


Fig. 2. Changes in the payment share with own funding (1997-2010)

Source: WHO, Global database of healthcare costs.

In most states the second largest source of healthcare funding after the public funding is direct payments effected by the patients. Funding with resources of the private healthcare insurance plays a significant role in few countries. In 2010 the share of direct payments on behalf of patients was highest in Cyprus (49 %), Bulgaria (43 %) and Greece (38 %), and lowest in the Netherlands (6 %), France (7 %) and the United Kingdom (9 %). In nearly half the EU member-states this share increased during the last ten years, mostly in Bulgaria, Cyprus, Malta and the Slovak Republic.

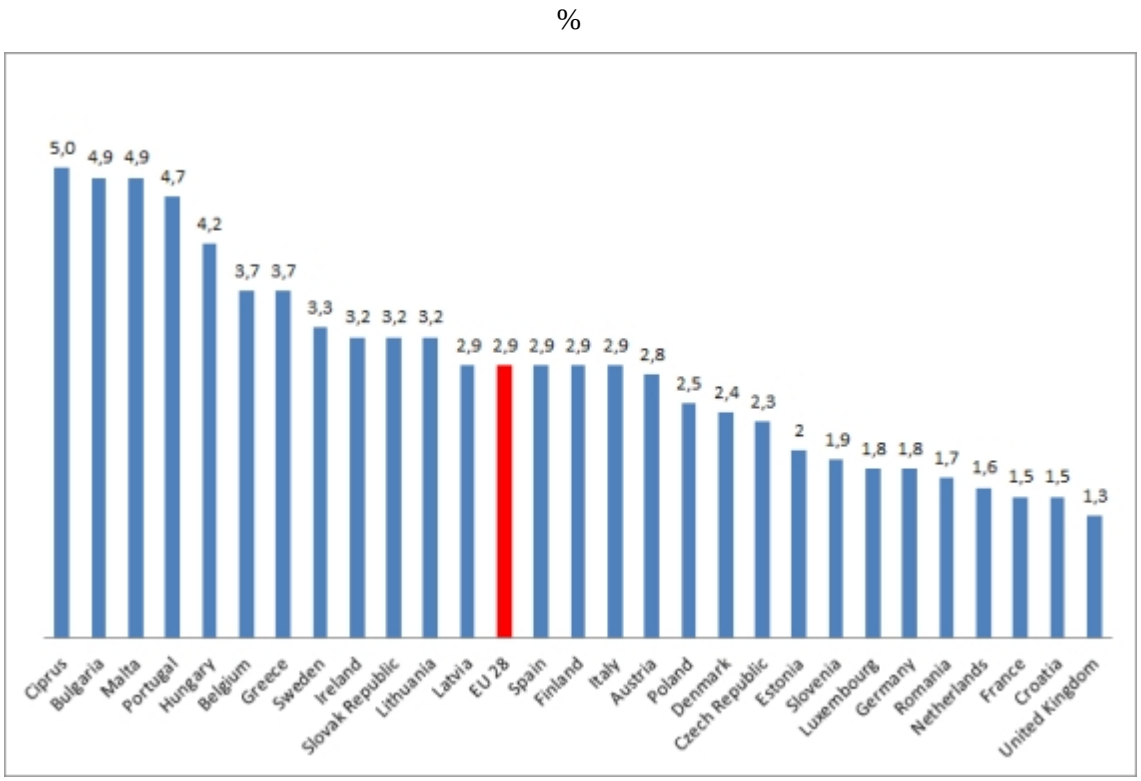


Fig. 3. Out-of-pocket medical spending as a share of final household consumption, 2012 (or nearest year)

Note: This indicator relates to current health spending excluding long-term care (health) expenditure

Source: OECD Health Statistics 2014, http://dx.doi.org/10.1787/health-data-en; *Eurostat Statistics Database* and *WHO Global Health Expenditure Database* for non-OECD countries.

4. THE HIGH SHARE OF PAYMENTS WITH OWN FUNDING LIMITS THE FINANCIAL PROTECTION PROVIDED BY THE SYSTEM

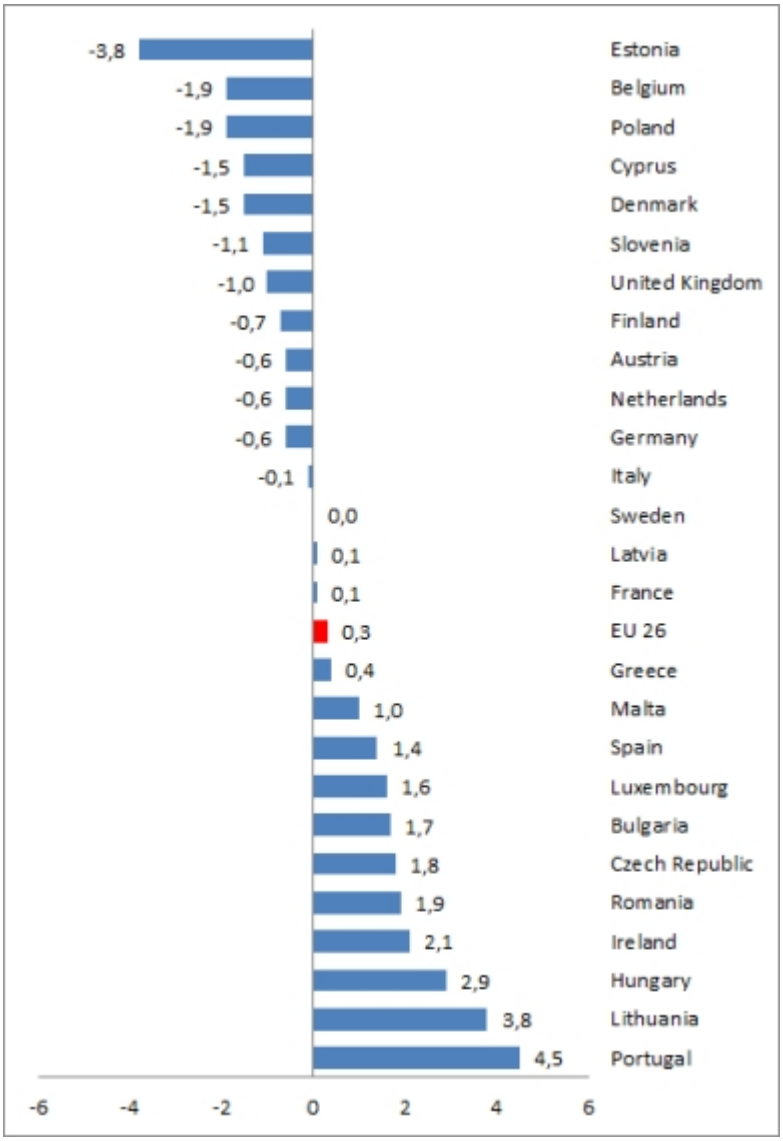
In 2012 payments with own funding in our country amount to almost 5% on the average of the household costs, as shown in figure 3. According to the World Bank experts, if payments with own funding exceed 10% of the household costs, they are considered to be catastrophic. In Bulgaria such catastrophic costs are incurred in 20% of the households, compared to only 7% in the households of the EU15 member-states. The costs of one's own pocket have significant effect on poverty in Bulgaria. Should we use $5 per day as a poverty threshold, the costs incurred with one's own funding contributed for poverty increase from 12 to 15.7%. [7]

Nevertheless, the data provided by the World Bank presents quite negative fact, namely that those with healthcare insurance pay contributions and taxes directed for healthcare and at the same time they give the same amount out of their pocket as additional payment for treatment, consumables and medications. So it proves that the institution that provides the highest funding for the system is not the health fund, but the cash payments. 47% of the total costs incurred for health are covered via cash payments and the health fund covers only 40%, followed by the Ministry of health, municipalities and private health insurance funds.

This way actually the healthcare system does not perform its main function – protecting the individuals against the high and/or unexpected healthcare costs that they cannot afford. According to the World Bank criteria when it comes to providing adequate financial protection, payments with own funding effected by patients should not exceed the threshold of 15-20%, while in Bulgaria they are 47%, or 3.8% of the Gross Domestic Product. The additional costs incurred for health outside the

scope of the contributions exceed 5.3% of the total household budget in 2013, while in the countries of Western Europe this per cent is down to 3. Each year over 4% of the population impoverishes because of the additional payments. [6]

We introduce changes in private spending as a share of total health expenditure for 2007-2012 in Figure 4.



Percentage points

Fig. 4. Change in out-of-pocket expenditure as share of total expenditure on health, 2007 to 2012 (or nearest year)

Note: Portugal - data refer to current health expenditure.

Source: OECD Health Statistics 2014, http://dx.doi.org/10.1787/health-data-en; *Eurostat Statistics Database*; *WHO Global Health Expenditure Database*.

Due to the fact that the amount of public resources is limited, the weight of paying this price is shifted towards the personal payments effected by the population for certain healthcare services and medications. The public healthcare costs for the period 1999 – 2009 increased with 278% or nearly

three times, the consumer costs incurred by the households for healthcare increased for the same period with 581% or nearly six times. These costs include the following: medications for home treatment, consumer fees, access to specialized medical cares in outpatient conditions, payment for consumables and medical devices that are not included in the clinical pathways, in the case of hospital cares, clinical-laboratory testing and in the cases of avoiding the waiting lists in the healthcare institutions. Around 74% of these costs are incurred for medications and consumables, 16% - for outpatient services and around 10% - for hospital services. We should pay special attention to the payments effected by the population for "selection of team" in the hospital cares sector. From patient's right to choose it turns into his/her obligation without any assurance of better quality, and if it is not performed, often results in treatment denial. [4]

According to the information contained in the "Health and healthcare – current condition" to the "National health strategy 2014-2020" while the European governments fund around three-fourths of their total healthcare costs with public resources (France and Germany – on the average 77-79%, Poland and Hungary – on the average 70-72%), in Bulgaria this indicator is around 55-60%. Bearing in mind the unofficial, non-regulated payments or the payments under the counter that are not reported by the official statistics, the relative share of public costs out of the total healthcare costs in our country would go below 50%.

The state pays for the persons insured by it three times less and it would be fair to turn this around. Since the average cost for treating a retired person is 85% higher than the costs incurred for the other insureds. The approximate calculations show that the revenues of the National Health Insurance Fund (NHIF) consist of around 2,5 million employed whose contributions make up 1,6 billion BGN, and for the 4 millions insured by the state the contributions amount to 940 million BGN. This means that the employed contribute on the average with 53 BGN per person a month, while the state pays 19 BGN for the people insured by it. [4]

In the last two decades significant position is attributable to the unofficial, non-regulated payments or the payments under the counter. The unofficial payments are about bribing, small gift amounts provided by the patients for medical services rendered in faster and better quality manner, giving cash to the health workers.

According to the interviewed employers (directors or managers of state and private healthcare institutions), the corruption in the "Healthcare" sector is about non-regulated payment for: surgeries; post-surgical cares; issuing documents of false contents; reception for treatment; purchase of medications, consumables etc.; donations of various patterns; accommodation in VIP room; provision with referrals for diagnostics and treatment. [2]

The amount of these payments significantly increased and according to the unofficial data it goes up to 1,5 billion BGN. This significant financial burden is borne by the population and the persons that do not have or cannot afford to provide financial resources are just deprived of access to medical cares [4]

The financial protection assured by the system is very low and poor people are extremely vulnerable. The three-stage research of households that was conducted in 2010 and 2011 showed that numerous households cut their health costs as a result of crisis. [7] Around 20–40% of our country's population suffers actual limitations when it comes to accessing the healthcare – when it comes to buying the prescribed medications (37.6%), and getting medical-diagnostic tests done (30.6%). Every fourth person refrains from exams and/or tests outside the populated area where he/she lives (25.8%); every sixth – from getting received in hospital (16%), every seventh – from various medicinal services because they are rendered away of his/her home (13.7%).[4]

5. COSTS INCURRED FOR MEDICATIONS

The costs incurred for medications paid with patients' own funds are very high. Of the total market costs, less than 40% are attributable to those paid by the state. So the costs for medications paid with patients' own funding are very high in Bulgaria and actually they exceed 70% of the household costs incurred for healthcare. The healthcare costs are very heavy burden, especially for the poor ones. The

fact that the consumption in the poorest households is significantly lower (80 BGN) than the one in the other households (around 140 BGN) shows that poor people probably refrain from purchasing some medications. Actually, the patient opinion research in Bulgaria show that 23% didn't have money to purchase at least some of the medications prescribed for their treatment, even with the rules for supplementary payment in place. [7]

In order to overcome the abovementioned negative facts about Bulgarian healthcare funding, the Ministry of health of the Republic of Bulgaria put the following measures in its "National health strategy 2014-2020":

The policy of reforming the financial healthcare system includes activities of legal, fiscal and organizational nature. When it comes to implementing them we will have to achieve extensive consensus with the professional organizations of the medical specialists and the civil society organizations:

- Making modifications in the Healthcare Insurance Act that in the case of public consensus would provide opportunities for introducing reformed health insurance model that operates in market environment and creates the "positive sum" competition;

- revising the minimal healthcare service package ensured by the mandatory healthcare insurance pro rata to the amount of financial funding and introducing packages of services additionally offered by the insurance companies that are upgrading;

In the end of the strategic period when it comes to performing the activities we expect the following

OUTPUTS

- Assurance of the financial independence of the healthcare sector;
- Increase of the public costs incurred for healthcare in the state budget and decrease of the private payments effected for healthcare services. [4]

CONCLUSIONS

1. After reviewing the 15-18-year period we concluded that the share of private costs in the total healthcare costs incurred in Bulgaria is continuously higher with the smooth increase trend. As of 2012, in our country the share or private costs amounts to 44%, while in EU this share is nearly two times lower – 23%.

At the same time, during the particular period the share of public costs in the EU is significantly higher than the one of the private costs and remains above 80%. It is worth mentioning that this share remains stable in the last 18 years, i.e. the increase of total healthcare costs in EU keeps this proportion unchanged. Unlike the average EU indicators, the burden of the healthcare cost increase in Bulgaria is vastly borne by the private costs.

2. One of the greatest payment sources is medications. These are around 37% of the healthcare costs and nearly three-fourths of the healthcare services paid with own funding. Bulgaria didn't promote the competition among generic medications and this would have saved funding and it didn't review the economic effectiveness of new medications that would be paid for by the National Health Insurance Fund.

3. The presented data once again illustrate the need of urgent reform in the healthcare system in Bulgaria since problems are not that much about resource provision but about the available resources optimization. We should consider the patterns and manner of funding the system and we could follow the examples of numerous European countries. Breaking the monopoly of the National Health Insurance Fund and creating real competition with private funds is the first step towards cost optimization, better control and improvement of their effectiveness. The potential of enhancing the

role of private fund insurance and correspondingly – bearing ever increasing share of the healthcare costs is clearly visible as a result of juxtaposing Bulgaria to the EU. [5]

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