



IPOKE
Research Institute



***The pursuit of efficiency
in the Greek Health System
with reference to
Pharmaceutical Sector***



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Overview

The pursuit of efficiency in the Greek Health System with reference to Pharmaceutical Sector

The Pursuit of Efficiency

The pursuit of Efficiency constitutes an important global goal since around 25% of the health resources are wasted in the developed world (USA 25%) and more than 55% in the developed countries (Ethiopia 54% and Eretria 68%)¹



The efficiency aspects in public spending have also been highlighted by the European Commission as a top priority in the political agenda and Member States should implement efficient public policies: “At

a time when Member States have to deal with increased pressures on public balances, stemming from demographic trends and globalization, the improvement of the efficiency and effectiveness of public spending features high on the political agenda... Clearly, there is potential for increased efficiency in public spending”.²

TROIKA (European Commission, IMF, and the European Central Bank) recommended “urgent” reforms in the Greek health and pharmaceutical sectors under the provision of three rescue packages ³

In addition, several Studies have revealed that the Greek health sector lacks efficiency in several ways, such as: absence of continuity of care, overuse of hospital services, weak primary and community care, low investment in prevention and public health, underuse of e-health tools, suboptimal management of chronic conditions,

¹ World Health report 2010 Improving health system efficiency as a means of moving towards universal coverage. World health report 2010

² European Commission (2008) Directorate-General for Economic and Financial Affairs “The Effectiveness and Efficiency of Public Spending” Economic paper 301. Feb (2008)

³ European Commission (2010) The Economic Adjustment Programme for Greece. Occasional Papers 72 December 2010

overprescribing, inappropriate use of medicines, excess consumption of antibiotics and low medicinal adherence. The current financial environment in Greece does not encourage development and investments in health.

Health Expenditure

- ✦ Healthcare expenditure is on the rise worldwide owing to many reasons, such as population growth, demographic ageing, increase in the prevalence of chronic diseases and costly technological innovations.
- ✦ As a result, healthcare expenditure containment is of paramount importance for health systems' long-term fiscal sustainability.

✦ Almost 20% of total healthcare spending can be considered wasteful. Hence, the pursuit of efficiency is the only viable solution in the long run.

- ✦ Minimizing waste and optimizing the value of pharmaceutical spending are important goals for effective and sustainable health systems
- ✦ This is particularly relevant for Greece, as the aftermath of the economic crisis was a plethora of reforms that turned public financing of the healthcare system to be more frugal and stringent which is in discordance with the increased health needs of the population.

Reforms

✦ A priority area of the Greek reforms was the pharmaceutical sector, where containment of public pharmaceutical expenditure was pursued by shifting a large part of the pharmaceutical cost onto the pharmaceutical industry, in the form of excessive clawbacks and rebates, and the consumers, by means of increasing cost-sharing charges.

- ✦ Overall, a staggering 48% of the new measures shifted pharmaceutical cost to the pharmaceutical industry, and 30% of them to the consumers.
- ✦ As a consequence, the economic contribution of the pharmaceutical industry as well as that of the consumers to the pharmaceutical care in Greece have soared in both absolute and relative terms.

Pharmaceutical Expenditure

- ✦ Specifically, the share of public pharmaceutical expenditure in total pharmaceutical spending has decreased from 76.8% in 2012 to 45.3% in 2018, while the respective shares for the pharmaceutical industry and the consumers have increased from 7.2% to 32% and from 16% to 22.7%, respectively

- ✦ **A substitution effect is observed in funding pharmaceutical expenditures in Greece. A 10% reduction in public pharmaceutical expenditure imposed an increased financial burden in the pharma industry in the form of clawback by 53% and in the form of rebate by 21%**

Clawback and rebates

- ✦ Overall, the present state in the Greek pharmaceutical sector is unsustainable.

- ✦ **The current form of the payback mechanism (clawback and rebates) entails several risks for the public finances, the industry as well as the pharmaceutical system at large. Specifically, it doesn't provide any incentives to seek efficiency enhancements in the health system.**

- ✦ Although the collection of clawbacks and rebates continues to support public finances and the pharmaceutical care in Greece for the time being, the rate of their increase suggests that this will not be feasible and sustainable for much longer.
- ✦ The viability of the pharmaceutical industry is at stake, and soon this business hazard will transform into a fiscal hazard for the government.
- ✦ Assuming that no change in the regulatory framework, it can be expected that the contribution of clawback and rebates will be larger than that of the government by the year 2024.

Hospital Efficiency

- ✦ **In particular, our analyses revealed that efficiency remains significantly suboptimal in the hospital sector, and, as a matter of fact, it appears to decline from 2016 onwards.**

- ✦ Since hospital clawback came into force in that same year, this is yet another real-world example that attempts to boost efficiency via fixed hospital budgets have not at all or only short-lived fiscal benefits.
- ✦ Fixed budgets cannot only discourage pharmaceutical industry from further investments and innovations, but it can also disincentivize public administration and hospital management as well as the other actors (i.e. patients, physicians and pharmacists) from pursuing further efficiency improvements and encourage wasteful spending.

The pursuit of efficiency in the Greek Health System with reference to pharmaceutical sector

- ✦ Overall, there are several and significant opportunities for efficiency improvements in the Greek health sector, which, if leveraged, can contribute to significant cost-savings, and, ultimately, towards a more efficient and resilient health system.

Out of Pocket (OOP)

- ✦ Furthermore, high private pharmaceutical spending in the form of out-of-pocket (OOP) pharmaceutical payments may redirect a large part of the financial resources of households to the purchase of health goods and services.
- ✦ This situation may disrupt their living conditions, exposure them in financial risk or even significant economic hardship, while some patients are forced either to delay or refrain from necessary pharmaceutical care.

✦ **Our analyses demonstrated that the burden of OOP pharmaceutical expenses is increasing in both absolute and relative terms over time.**

- ✦ We estimated that over 241,660 people were impoverished in Greece in 2018 due to OOP pharmaceutical expenses alone.

Negative Redistributive Effects

✦ **It was demonstrated in our study that the negative redistributive impact of OOP pharmaceutical spending on the income distribution has increased significantly in the last decade. Consequently, OOP pharmaceutical payments are worsening income inequality to a much greater extent than the other components of OOP health expenditure.**

- ✦ All things considered, the privatization of pharmaceutical care in Greece generates additional social inefficiencies and welfare losses and endangers the financial fairness of the health system.

Macro instead of Micro Policies

✦ **Greece was among the few countries that sought macroeconomic instead of microeconomic efficiency during the economic crisis.**

- ✦ However, this easily implemented policy course can only generate short-term savings, while the long-term economic prospects and fiscal sustainability are in jeopardy.

Long Term Viable Solutions

- ✦ Overall, the only long-term viable solution is A) to rationalize the payback mechanism as well as B) the pharmaceutical demand.

✦ **A) The payback mechanism should be redesigned in a way that promotes efficiency, sustainability and co-responsibility between the stakeholders. Furthermore, the pharmaceutical budget ought to be reframed with respect to the current and the future pharmaceutical needs of the population.**

✦ **B) Rationalization of both outpatient and inpatient pharmaceutical demand is the second pillar of our proposed course of action. This group of measures aims at minimizing wasteful consumption by rationalizing prescription and consumption behaviour**

- ✦ Finally, there are many other initiatives that could potentially be introduced to enhance efficiency in the pharmaceutical sector in Greece, such as reviewing of the HTA process, to improve its transparency, effectiveness and speediness, simplifying the regulatory framework concerning clinical trials, introducing Managed Entry Agreements, and promoting patient involvement in the decision-making.