

EXPENDITURE ON HEALTH AND ITS IMPACT ON PUBLIC HEALTH

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Abstract: *The amount and structure of health expenditure has a great influence on the health status of the inhabitants of one country. Extended studies have been carried out in order to show the relation between health care investments and health indicators such as life expectancy. In order to foster an increase in the quality of life the European Union has developed and implemented two action plans that have a strong focus on health promotion. Romania, as an EU member has undertaken these plans together with other initiatives to support the quality of life. In spite of that, the economic crisis along with other factors is undermining these efforts.*

Key words: *health expenditure, life expectancy, health promotion.*

1. Introduction

The public health of a nation has had and still has a great impact on the economic situation of that country. The relation is valid the other way round all the same. In fact one could highlight a vicious circle between health expenditure and life expectancy as a proxy for the health status. The more one invests in health, the more the longevity of a nation grows and so does its need for healthcare. Nevertheless the circle can be broken if one invests in health promotion. In these way, as the investment grows people live longer but are also healthier and don't require additional investments.

These are the two main hypotheses that the current paper will consider. Moreover the impact of the financial crisis on the prospected EU action plans in this domain will be discussed along with its effects in Romania.

2. Relation between Health Expenditure and Public Health

Several studies have focused on the relation between the amount that a government invests in health and the health status of a nation. [1, 3] If one considers life expectancy at birth, as a proxy for the health status, the relation between the two variables seems to be a strong one. If one uses the OECD data to analyse the relation clusters of countries are formed. The only outliers in this case prove to be the United States and Mexico.

The relation between the variables (Figure1) appears to be a direct and strong one. As health expenditure grows so does life expectancy. Nevertheless there are some important issues that have been debated over time. For instance, many authors doubt the fact that life-expectancy is indeed a well-suited proxy for the health status of a nation. In addition, considering the United States case, the nature of the expenditure, whether public or private is, could bias the results.

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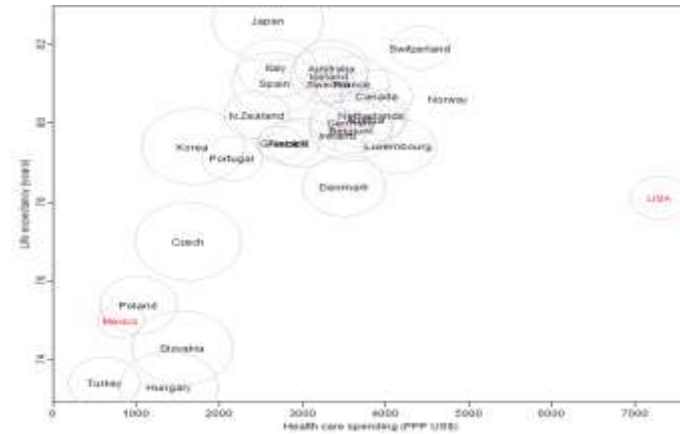


Fig. 1. *Relation between health spending and life expectancy*

In light of this relation it is interesting to consider the following: the longer a person lives the more has the state to invest into his/her health. In fact, it seems that the growth rate of the health expenditures surpasses the economic growth in EU member states. Therefore this is a case for a vicious circle that could be broken in one particular case. If the persons that are living more, due to the state's investment in health, are actually healthier. That situation could be shaped by redistributing some on the public health funds towards preventive health. According to a

Romanian health magazine, more than 70% of all diseases could be prevented, especially if one adopts a healthy lifestyle.

2.1. Health Expenditure in Romania Compared with the EU Members

The European Union Member States spend an important share of their GDP on public health. In fact this amount has been constantly growing over the past decades. Romania has followed the same trend. However there is a big difference in terms of starting point.



Fig. 2. *Total health expenditure as % of gross domestic product (GDP), WHO estimates*

If one considers as a reference year 1998, the old member states were allocating two times more of the GDP for health compared to Romania [WHO]. The differences were still there 7 years later.

The discrepancies are still of actuality. In fact the Romanian public health system is fighting a crisis of acute under-financing after two decades of reforming the health care system.

2.2. Life Expectancy in Romania Compared With the EU Members

The other key variable of the model-life expectancy - presents different patterns in Romania compared to the other member states. The starting point is rather different if one considers as a reference year 1997. If in the old EU member states the life expectancy was around 78 years, in Romania it was 68 years. In spite of the similar upward trend the differences in terms of longevity is still consistent. Ten years later the old member states had life expectancy around 82 years of age while Romania was still below 75.

As mentioned before life expectancy is neither a very reliable nor a completely accepted proxy for the health status of the population. Another suggestion for measuring the performance of a public health care system could be the EU indicator: "Self-reported un-met need for medical examination, or treatment by income quartile". The differences between Romania and the old member states are still high in spite of the fact that the share of the population that faces this unmet need is decreasing in all of them (in 2008 compared to 2007. For instance, there are less than 2% facing this need in Belgium and France in 2008, compared to around 10% in Romania. [eurostat])

If one considers the unmet need for medical examination by income quintile

the differences expand. It seems rather incredible that even in the last quintile there are 3% Romanians that face this strain. The percentage almost doubles if the previous quintile is considered. On the other hand in France this percentage is less than 1. [eurostat]

Therefore there are great differences in terms of health spending and cost-efficiency when comparing Romania to the old member states. In my opinion these differences could be partially alleviated by restructuring the health expenditure in Romania in concordance with the European Union action plan.

3. Breaking the Cycle: Investing in Health Promotion

So far there have been two major action plans in the field of public health at the European Community level. They are separated in time. The first one has been folding over a period of 5 years, between 2003-2008. It had three main focus areas:

- "improving health information and knowledge for the development of public health;
- enhancing the capability of responding rapidly and in a coordinated manner to threats to health;
- promoting health and prevent diseases through addressing health determinants across all policies and activities."

It is interesting to point out that two out of three are addressing health promotion. It appears that the European Union favours health promotion as an effective way to improve the health of the population and, at the same time, diminish the spending. This shows once more the potential it has to break the vicious circle between health expenditure and life expectancy.

The second action plan that was launched in 2007 and covers the time period 2008-2013 is stressing once more

the importance of preventing rather than treating. The three objectives are aimed at directing health initiative towards broader scopes as:” prosperity, solidarity and security”

- improving citizens’ health security;
- promoting health to improve prosperity and solidarity;
- generating and disseminating health knowledge.

Once more, significant emphasis is placed upon health communication as an important manner to generate prosperity. The more people know about diseases and about ways of preventing them, the less they have to resort to health care. In this way a lot of money from the government could be saved and re-directed.

There are a lot of programmes at the European Union level that support health promotion in the member states. Moreover in 2005 the base was set for a European Centre for Disease Prevention and Control (ECDC). The ECDC is supporting the

initiatives of member states and monitoring the implementation of the European Union programmes.

The effectiveness of health promotion is still to be proved. Among the extensive research in this area there is a study carried out in 1994 in Canada. With the help of longitudinal data it managed to prove that the introduction of health promotion in 1975 had a positive impact on life expectancy. [2] Nevertheless more studies are needed in order to prove without any doubt that indeed the suppositions are met. Unfortunately, at the moment there is no database that allows such a study. Moreover in the Romanian case the information is scarce and rather difficult to obtain.

If one follows a logical reasoning it is very likely to come to the same conclusion. The relation between health status of a nation, health care and health promotion spending should follow the pattern from Figure 3.

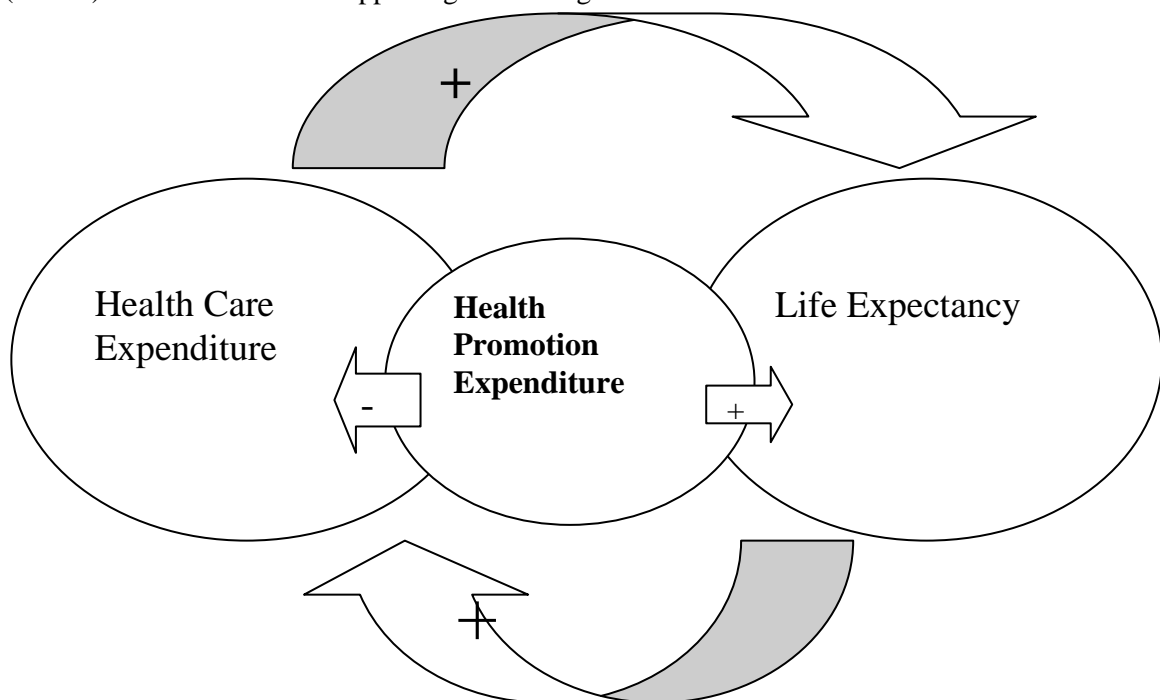


Fig. 3. *Vicious Circle*

In spite of the evidence brought so far there are papers that offer counter-evidence. A good example in this case is the study conducted by Lubitz at all. It suggests that there is no significant difference, in terms of health care spending, between a healthy elder person and a less healthy one. [Lubitz2003] My opinion is that it is rather impossible for a healthy person to need as much health care as a less healthy one, no matter what the age would be.

In light of the evidence presented so far it is clear that a study, considering total health expenditure, life expectancy and health promotion expenditure, should be conducted. Nevertheless, due to data limitation this was not possible for now.

Still it should be taken into consideration as future research.

4. The Economic Crisis and Health Expenditure in Romania

According to the European Network of Social Policy Analysis (ESPANET) the crisis will have a negative effect on the social spending. Therefore, health expenditure will decrease as well. However, this can not be considered as a trend since the United States stands as a counter example. [ESPANET]

The analysis conducted by Priyan, Senior Analyst at Frost and Sullivan, reveal the fact that indeed the health care expenditure have decreased in EU member states in 2009, compared to 2008 (Figure 4.)

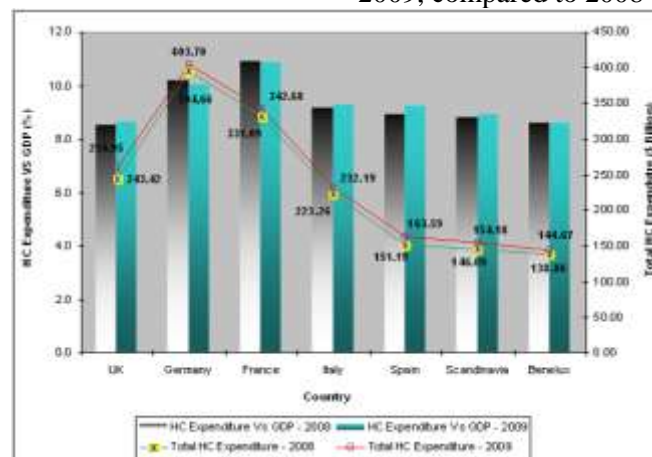


Fig. 4. *Decreasing investment in healthcare (Frost and Sullivan)*

If the same scenario would happen in Romania it could have disastrous effects on the public health system. In fact, the system was struggling to survive for a long time now. The share of the GDP allocated to public health was, and still is, well below the EU average. Moreover the economic crisis seems to lower even more this share.

According to Petru Craciun, director of a consultancy company for the pharmaceutical industry, the share of the GDP needed for the system to surpass the crisis should be definitely larger than 3%.

In addition, if it is not at least 4.5% than more than 1500 pharmacies and drugs will disappear from the market. This could also lead the system to collapse. [financiarul]

The current situation seems to reinforce Petru Craciun's prediction. In spite of several good proposals that were aiming at a total health expenditure of 6% of the GDP (from which 5% would go to public health programmes, including health promotion and the other 1% to investments in infrastructure) the current value is 4%. Therefore, the economic crisis seems to have had a strong negative impact on

health spending in Romania. Under these circumstances it is interesting to study what the effect will be on the health status of the population. It might be possible that, in a decade from now on, the consequences of the financial crisis in Romania would be lowering even more the life expectancy.

Health promotion is not a solution in this case. The European Union level programmes are adopted but rarely implemented in Romania. The opinion was shared, in 2007, by the president of the country which stated that preventive health care is disorganized. [presidency.ro]

Moreover, it is under-funded from and under-funded public health budget. The same was the case even before the crisis. The official data, however, showed that in 2008 more resources were allocated to health prevention than to health care. [1] Unfortunately, the health promotion programmes were not implemented with significant results or not implemented at all.

5. Conclusions and Discussion

The main purpose of this paper was to cast a light on the importance of investing in health as a way of achieving economic growth and increasing the quality of life. Moreover, health promotion role of re-shaping the relation between health expenditure and life expectancy to benefit both has been stressed.

Considering all aspects presented above there are important differences between the old member states and Romania. From my point of view, they are not insurmountable ones but they are getting wider due to the economic crisis. Therefore, special attention should be given to finding ways of preventing that from happening. It might be the case that attracting money from the European Union to use for health promotion could stand out as a possible solution. However, further research is needed in this field.

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