

Health

REFORMING HEALTH AND LONG-TERM CARE TO ENSURE FISCAL SUSTAINABILITY AND IMPROVE SERVICE DELIVERY

- ▶ Although most health indicators in Slovenia are in line with the EU average, healthy life expectancy at birth is one of the shortest.
- ▶ Partly due to demographic trends, the OECD projects a rise in health and long-term care expenditures between 3.6 and 8.2 percentage points of GDP by 2060.
- ▶ The financing and organisation of long-term care is very fragmented and service provision is largely oriented towards costly institutional care.
- ▶ The health care system relies more heavily on secondary and specialist care than on primary care, potentially foregoing opportunities for cost containment and care coordination.
- ▶ A widespread use of voluntary private complementary insurance has a regressive impact on the funding of health care and lowers incentives for practitioners to prescribe appropriate and cost-effective care.
- ▶ Health care reforms are needed to improve long-term fiscal sustainability by addressing existing inefficiencies in service provision, organisation and financing.

What's the issue?

The health care system in Slovenia is in urgent need of reform. Rising costs and the economic downturn following the global financial crisis have resulted in the emergence of severe financial constraints. Total expenditure on health and long-term care amounted to 9.3% of GDP in 2012, which is in line with the OECD average, but higher than in many countries with a similar level of GDP per capita.

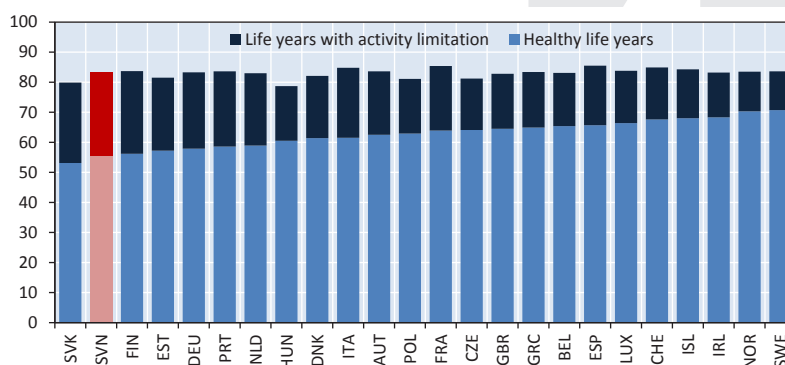
While overall life expectancy in Slovenia is relatively long, and most health indicators are in line with the European Union average, healthy life expectancy at birth is among the

shortest in the EU (Figure 1). Slovenia does better in terms of healthy life expectancy at age 65, which suggests that it is the working-age population that enjoys fewer healthy life years in Slovenia than in other European countries. Large disparities in healthy life expectancy in men by education level suggest that men with less education are those most affected by premature morbidity.

Some of the cost drivers are endemic to the system. Given current demographic trends, an very important component of health expenditure from the perspective of fiscal

Healthy life expectancy at birth is shorter than in most EU countries

Number of expected healthy life years and years with activity limitation at birth, women, 2012



Source: Eurostat.

sustainability, is long-term care (LTC). LTC is provided by the general health system and paid for out of resources from compulsory health insurance, pension insurance, and general tax revenues. Similarly, the regulations governing the sector are spread across several social security laws, and the oversight of LTC activities is split between the Ministry of Labour and the Ministry of Health. The establishment of a unifying framework could address this fragmentation, which represents a source of possible inefficiency. Lessons from other OECD countries suggest that Slovenia could move towards a collectively financed system while maintaining universal access for an essential LTC package. Moreover, LTC is currently oriented too much towards costly institutional care. A move towards home care would generate savings, and at the same time improve quality of life. The government has already taken measures to further develop home care, but additional efforts are needed.

Despite recent growth in the number of general practitioners, their share among all doctors is still low, implying that spending for doctors is skewed to more costly specialist care. Moreover, a third of overall healthcare spending is on inpatient care, suggesting a need to strengthen ambulatory care, which is characterized by a low supply and high salaries for primary care doctors. Slovenia has been seeking to redress the balance between primary and secondary care. This may be further helped by a move towards a mixed capitation/fee-for-service remuneration system in primary care, linked to basic performance indicators, which would preserve high salaries for best performing doctors and provide incentives for a better use of existing capacity.

Another area for reform is voluntary complementary health insurance. It currently covers the full remaining part of the costs of most treatments that are not fully reimbursed by the compulsory health insurance. Hence, neither medical practitioners nor patients have an incentive to ensure that the treatments and drugs prescribed are effective and necessary. In this context, Slovenian Authorities should prioritise a basket of proven and effective drugs and services for coverage under publicly funded insurance arrangements.

The health insurance system in Slovenia has a number of redistribution elements, including the lack of an upper contribution threshold for compulsory health insurance, a lower contribution rate for pensioners than employees and a flat fee for voluntary complementary insurance. To reduce and avoid distortions in the system, the contribution rates of different groups within society may need to be reviewed.

Why is this important for Slovenia?

Projections by the OECD predict health and long term care expenditures in Slovenia to increase by 3.6 percentage points of GDP until 2060 under a cost containment scenario that assumes some policy action to rein in cost pressures, such as measures to limit the growth of relative health prices. A cost pressure scenario that assumes that no policy action is undertaken yields an expenditure hike of no less than 8.2 percentage points of GDP. The increase is expected

to be especially large in long-term care, with expenditure rising up to threefold.

Several dimensions of the financing, organisation and provision of health care would benefit from reforms that would improve the efficiency of the system, its responsiveness to patient needs and its distributional impact on Slovenian citizens.

What should policy makers do?

- ▶ Move towards a collectively financed long-term care system while maintaining universal access for an essential package of services.
- ▶ Consider establishing a dedicated source of funding for long-term care to better monitor and control the expanding costs due to ageing.
- ▶ Promote home care, alongside efforts to promote prevention and healthy ageing, as a means of improving the sustainability of long-term care.
- ▶ Move towards a mixed capitation/fee-for-service remuneration system in primary care to help redress the balance between primary and secondary care, characterized by a low supply and high salaries for primary care doctors.
- ▶ Prioritise a basket of proven and effective drugs and services for coverage under publicly funded insurance arrangements to redress the effects of the current limited incentives to ensure appropriate and cost-effective care.
- ▶ Review contribution rates of different groups within society for the funding of voluntary complementary insurance in order to improve the distributional impacts of health care financing.



Further reading

OECD (2014), *Slovenia Reforms for a Strong and Sustainable Recovery*, OECD Publishing. <http://www.oecd.org/slovenia/2014-05-Better-Policies-Slovenia-EN.pdf>

OECD (2015), *OECD Economic Surveys: Slovenia 2015*, OECD Publishing. http://dx.doi.org/10.1787/eco_surveys-svn-2013-en