2014 Country Specific Recommendations

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2014 Country Specific Recommendations: EPHA Analysis

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Introduction

On Monday 2 June 2014, the European Commission published its annual series of Country Specific Recommendations (CSRs). CSRs are issued for each member state, as well as for the collective group of Euro area countries, and offer tailored guidance on how states can best achieve the goals of the Europe 2020 Strategy. The Strategy was launched in 2010, as an extension of the Lisbon Strategy, with the aim of delivering smart, sustainable and inclusive growth.

The implementing mechanism of the Strategy is the European Semester, a cycle of economic coordination designed to ensure that national economic planning takes account of EU-level priorities and concerns. The Semester begins with the publication of the Annual Growth Survey (AGS), in which the Commission outlines the relevant EU priorities. This informs the construction of the National Reform Programmes (NRPs), drafted by each member state, to illustrate how the goals of the AGS will be pursued in its fiscal and structural policies. Finally, the Commission evaluates the NRPs and other relevant documents and drafts a series of CSRs, which are debated and approved by the Council of the EU.

The content of the CSRs varies from country to country and year to year – in the first European Semester cycle in 2011, health was barely mentioned, featuring for the first time in the 2012 AGS and the corresponding CSRs of ten member states. The broad references to cost-effectiveness and competition were built upon in 2013, with a shift to specific recommendations on the reform of health systems, issued to almost all member states[1]. In the latest cycle, health-related recommendations have been issued to fewer states but call for concrete action on hospital sector, primary care and pharmaceutical spending reform.

The 2014 CSRs were published alongside a Commission Press Release, a set of 'frequently asked questions' and a Memo on the recommended closure of the Excessive Debt Procedure – a new feature of the EU's economic governance framework – for six member states. Each CSR is also accompanied by a Staff Working Paper (SWP), which outlines the measures taken and progress made in response to the previous year's CSRs and gives further background information. Both documents are reviewed below and some tentative conclusions are offered.

[1] Note that CSRs are not issued to countries involved in Economic Adjustment Programmes, since separate recommendations are made via the Memorandums of Understanding.

The 2014 Country Specific Recommendations

In 2014, the Commission issued recommendations relating to health to 15 member states – these recommendations are examined below. The health-related aspects of the SWP for each country are also presented. The CSRs, along with the corresponding Working Paper and relevant national documents, can all be found on the Commission website.

Euro area

The 2014 CSR for the Euro area does not mention health at any point – it recommends only that member states 'Improve the quality and sustainability of public finances by stepping up material and immaterial investment at national and EU level'. This is by contrast to the 2013 CSR, which urged the pursuit of cost-effective health care, and in even greater contrast to the 2012 CSR, which made specific reference to health system reforms.

Staff Working Paper and background:

"The potential effects of social developments on long-term growth and public debt sustainability are multiple. In fact, poverty matters for productivity via the access to education and health services, while inequality has dynamic effects on growth through private debt accumulation and consumption growth."

"There is scope and a need in many Member States to improve the structure of taxation by shifting taxes away from labour and corporate income towards less-detrimental tax bases such as consumption, environment and recurrent property taxes."

"The at-risk of poverty level stands at 17%, severe material deprivation at 7.6%, the level of people living in very low work intensity households at 10.5%, the in-work poverty rate at 10.6%, and lastly, the poverty gap at 23.4%. Starting from 2010, those countries most severely hit by the crisis have seen their severe material deprivation rate increase steeply, while a number of Member States have kept most of their poverty indicators stable."

Austria

The 2014 CSR for Austria notes that "Medium and long-term pension and health care expenditures and to a lesser degree those for long-term care pose a risk to the sustainability of public finances." It goes on to make a series of detailed observations about the health care system:

"Efficient allocation of resources in the Austrian health system is hampered by a complex governance structure and a relatively strong focus on the large and costly hospital sector. Some measures have been taken to implement health care reform and to increase the cost-effectiveness of public spending. However, they may not be sufficient to address structural weaknesses in the sector and there remains a need to set more ambitious targets for shifting from inpatient to outpatient care and to reinforce preventive health care, for which public spending is below EU average. The measures announced to

strengthen primary care provision and to develop integrated care programmes for chronic diseases are welcomed. The long-term care fund, which was extended to 2016 with an additional EUR 650 million and is planned to be further extended to 2018 with extra EUR 700 million, provides an interim solution for the financing of care services. The financial sustainability of long-term care will require attention also beyond this timeline."

The CSR recommends that Austria "Further improve the cost effectiveness and sustainability of health care and long-term care services" and "reinforce measures to improve labour market prospects of people with a migrant background, women and older workers."

Staff Working Paper and background:

"In 2013, the Council Recommendation for Austria included CSRs on the full implementation of the healthcare reform. The purpose of these recommendations was to make sure that the expected gains from improved efficiency do materialise. The recommendations also included developing a financially sustainable model for the provision of long-term care and focusing efforts on prevention, rehabilitation and measures to allow people to continue living independently."

"The employment rate of older workers is below the EU average, the gender pay gap is one of the highest in the EU and limited availability of childcare and long-term care services restricts full-time employment opportunities for women. People with a migrant background face higher than average unemployment and are often not employed according to their qualification level."

The SWP notes that "Work has continued on the implementation of healthcare reform and policies to extend working lives, to improve secondary and tertiary education and to help realise the labour market potential of women, older workers and people with migrant background" but also that Austria needs to maintain momentum in these areas. It also makes reference to a number of measures that have been taken in response to the 2013 CSR:

Finally, the SWP acknowledges the conflict between reducing expenditure and reforming the healthcare system – "In some years…expenditure growth departed considerably from the reference ratio, such as in 2008, when subsidies to the healthcare sector drove up local expenditure growth. The effectiveness of the fiscal rules will therefore depend on their ability to encourage reforms in specific areas such as the healthcare sector."

Bulgaria

The Bulgarian CSR notes that "Bulgaria…faces important challenges in the rationalisation and management of the hospital sector, including a lack of transparency in hospital financing and insufficiently developed services for out-patient care. Furthermore, the high level of formal and informal payments borne directly by the patient effectively excludes certain segments of the population from access to health-care. Health status indicators are weak in comparison with other Member States, indicating that structurally higher public expenditure on health may be required in the future."

It recommends that Bulgaria "Ensure efficient provision of healthcare including by improving transparency in hospital financing, optimising the hospital network and developing out-patient care." It also advises that authorities improve tax collection, follow

up research on the minimum threshold for social insurance contributions, improve access to social services and address weaknesses in the labour market.

Staff Working Paper and background:

"Bulgaria has one of the most rapidly ageing populations in the EU, which has negative implications for the labour market, for growth potential in the economy and for the financing of its pension system."

"Bulgarians experience one of the highest risks of poverty and social exclusion in the EU."

The SWP notes that plans to reform the healthcare system have suffered long delays and remain largely unchanged since 2013. Health is considered to present a risk to Bulgaria's fiscal commitments, particularly since weak health indicators indicate that health expenditure is likely to rise in future years. The 2014-2020 healthcare reform plan is welcomed but lacks adequate infrastructure planning and an implementation timeframe. As in 2013, the main challenges remain: "the lack of transparency of hospital financing, poor access to health services for some social groups and regions and the disproportionately high level of out-of-pocket payments, with informal payments being a particular problem."

Croatia

The 2014 national reform programme and the 2014 convergence programme are the first programmes Croatia submitted following its accession to the EU in July 2013. Croatia participated in the 2013 European Semester on an informal and voluntary basis and consequently was not issued country-specific recommendations.

The 2014 CSR for Croatia notes that "The health sector achieves reasonably good health outcomes and, with some regional variation, services are accessible, but the system contributes significantly to pressure on the public finances." However, it also warns that "High unemployment and low labour market participation have led to a deterioration of the social situation in Croatia. The proportion of persons at risk of poverty and social exclusion has increased in recent years and is significantly above the EU average."

It recommends strengthening the cost effectiveness of the health system, including in hospitals, and harmonising the retirement ages of men and women.

Staff Working Paper and background:

"As regards long-term care, services are dispersed between the health and the social welfare systems, with low coverage rates of formal care associated with a high degree of family care which is mainly provided by female relatives, which alongside childcare responsibilities, may constrain female labour supply."

"The increasing incidence of poverty reflects adverse economic and labour market trends and highlights the limits to the effectiveness and the adequacy of the social protection system."

The SWP notes that a number of measures have been taken, including:

- Partial centralisation of procurement for hospitals
- Reduction of approved prices for pharmaceuticals and medical devices
- Reorganisation of emergency medical services
- Introduction of eHealth in primary healthcare
- New model of referrals for specialist examination

The SWP examines the functioning of Croatia's healthcare insurance system, which effectively exempts a large proportion of the population from co-payments and has a detrimental effect on the sustainability of the system. It notes that taxes are skewed towards consumption and that in April 2014 the government rescinded the two per cent decrease in employers' contribution to health insurance which it introduced in 2012. As such, the tax base remains unstable and authorities continue to face challenges in tax evasion and fraud. It also warns that sector-specific safeguards against corruption are missing in healthcare.

Czech Republic

The CSR issued to the Czech Republic notes the medium threat to sustainability posed by expenditure on healthcare and pensions and states that no progress has been made in improving the cost-effectiveness of the health system.

As such, the Commission recommends significantly improving the cost-effectiveness and governance of the healthcare sector. It advises that harmonisation of the tax and social security contribution bases would alleviate the discrepancies which currently exist between the employed and self-employed. It also encourages a more inclusive approach to education, with particular reference to children from Roma families and socially disadvantaged backgrounds.

The finance, governance and accreditation of higher education must also be improved, according to the CSR, in order to better serve the labour market.

Active labour market policies remain underfunded and do not target women with young children, young people or older workers, whilst limited child care services and low take-up of part-time employment hampers women's opportunities to work.

The SWP notes a handful of measures introduced by the Czech Republic, including:

- An increase of 0.2 per cent of GDP in personal income tax and health insurance contributions
- Strategies on social inclusion, and on preventing and tackling homelessness.

However, it also notes that no progress has been made on increasing the cost-effectiveness of healthcare and the SWP points to poor governance as a root cause of

inefficiencies in the inpatient sector. The procurement process, contract policy and reporting of standards all warrant improvement, whilst plans to improve integrated care practices have not been implemented.

Finland

The Finnish CSR has relatively little to say about the health system. The Finnish government is in the process of undertaking a series of reforms to the municipal structure of health and social care services and, as such, the Commission welcomes the full and effective implementation of these administrative reforms.

Staff Working Paper and background:

"Both shorter working careers and the persistent gender pay gap (18.2%, above the national target of 15% by 2015 and the EU-27 average of 16.2%) have a negative impact on women's income and pension earnings. There are also marked differences between socio-economic groups in health and well-being — people in the lower groups have poorer health and shorter lives."

References to health in Finland's 2013 CSR focused on the upcoming reforms to health and social services, which have now been agreed by the political parties and are underway, to be finalised in 2017.

The SWP notes that in 2013 Finland did not receive a CSR in the field of social policy. However, the risk of poverty for women older than 65 is above the EU average and almost twice that for men. Social inclusion and combating poverty, however, are key priorities for the country's 2014-2020 strategy for utilisation of the European Structural Funds and the European Regional Development Fund. Similarly, despite receiving no CSR related to tax in 2013, Finland has introduced a number of measures, including continual increases in the level of consumption tax. Labour market challenges continue to revolve around the number of persons leaving the Danish labour market each year, whilst employment of the elderly remains insufficient.

France

The 2014 CSR for France states that "While public expenditure on health has been kept under control over the last few years, further efforts are needed to improve the cost-effectiveness of the health system. In particular, there is a need to implement further cost-containment policies as the health system is projected to face a significant rise in expenditure over the medium and long term. Areas where efficiency should be enhanced include pharmaceutical and administrative spending as well as hospital care."

As such, the 2014 CSR advises that France "Take steps to reduce significantly the increase in social security spending as from 2015 as planned, by setting more ambitious annual healthcare spending targets, containing pension costs, and streamlining family benefits and housing allowances...Beyond the need for short-term savings, take steps to tackle the increase in public expenditure on health projected over the medium and long term, including in the area of pharmaceutical spending". Other recommendations suggest a streamlining and simplification of the social security system, reduce unjustified restrictions on the regulate professions, including healthcare professionals, and increase the efficiency of the tax system.

Staff Working Paper and background:

Social security expenditure accounts for nearly half of all public expenditure. The savings target announced for 2015-2017 is dependent upon sticking to an ambitious healthcare spending budget. "Recent estimates from the OECD suggest that the savings potential in the area of healthcare in France is sizeable (1.3 % of GDP) although below the OECD average (1.9 % of GDP)."

The SWP finds that France has made limited progress towards reducing public expenditure on health in the medium and long term, even though spending has come in below target for four consecutive years. "Savings measures in 2014 include a further cut in pharmaceutical prices, efforts to eliminate prescriptions and treatments deemed medically unnecessary and further lowering tariffs for laboratory and imaging services. Savings in administrative costs are also planned, although it remains to be seen how precisely these will be achieved."

The social situation in France remains above the EU average but is worsening, particularly for those in-work employees on part-time contracts, and is deteriorating for those in vulnerable situations.

Initiatives have been launched to shift the tax burden from labour to the environmental and consumption tax.

Germany

The 2014 CSR for Germany states that "Only limited progress has been made by Germany in enhancing the cost-effectiveness of public spending on healthcare and long-term care, although new initiatives have been announced. While their aim is to improve the cost-effectiveness of health care, these plans might not be sufficient to contain expected future cost increases." As such, it recommends that the government "make additional efforts to increase the cost-effectiveness of public spending on healthcare and long-term care."

The Commission recommends reducing taxes and social security contributions, which discourage domestic demand, for low-wage earners. It also suggests broadening the tax base, specifically mentioning consumption taxes as a potential option. It advises the provision of childcare facilities in areas where this is still insufficient as part of labour market measures.

Staff Working Paper and background:

The SWP notes that there is scope for greater cost-effectiveness and efficiency in the healthcare system and finds that Germany has made only limited progress on its 2013 CSR in this regard. Measures introduced have mainly targeted the pharmaceutical sector – a price moratorium has been extended to 2017 and there has been an increase in the standard manufacturer discount for patented medicines. Though planned reductions in the social security contribution rate will benefit low-wage workers, future spending increases in health will again put pressure on the tax system.

The SWP also talks about the disincentives facing women in the labour market, such as joint income taxing for married couples and free health insurance for non-working

spouses. Poverty is not considered of great concern in the SWP, but the risk of poverty amongst the elderly is highlighted, as a result of the expansion of the low-wage sector.

Ireland

The 2014 CSR for Ireland states that value-for-money gains are needed if the country's current level of service provision is to be maintained in the face of demographic challenges. It notes that "Challenges to the health sector are multifaceted. Financial management and accounting systems and processes are fragmented across healthcare providers. This causes delays and hurdles in collecting and processing information. It also hinders the monitoring of healthcare expenditure and efforts to achieve value-for-money and an appropriate allocation of resources. The high level of pharmaceutical expenditure is another challenge, with expenditure on out-patient drugs being comparatively high."

In its recommendations, the Commission suggests that Ireland "Advance the reform of the healthcare sector initiated under the Future Health strategic framework to increase cost-effectiveness. Pursue additional measures to reduce pharmaceutical spending, including through more frequent price realignment exercise for patented medicines, increased generic penetration and improved prescribing practices. Reform the financial management systems of the national health authority to streamline systems across all providers and to support better claims management. Roll out individual health identifiers starting in January 2015."

The CSR also notes that "low work intensity is particularly severe among single-parent households with children. This has contributed to a growing risk of poverty or social exclusion of children in Ireland and exacerbates the issue of the unequal labour market participation of women which stood at 67.2% in 2013, as compared with 83.4% for men. As a result, attention has turned to access to and affordability of childcare, a significant barrier to parents finding employment and avoiding the risk of poverty."

The Commission recommends that Ireland "Tackle low work intensity of households and address the poverty risk of children through tapered withdrawal of benefits and supplementary payments upon return to employment. Facilitate female labour market participation by improving access to more affordable and full-time childcare, particularly for low income families."

Staff Working Paper and background:

The SWP notes the threat to long term finances posed by the projected level of spending in the health system, though social and health expenditure cuts are planned. It finds that "When adjustments are made for the age profile of the population, expenditure on outpatient drugs in Ireland is higher than in all countries against which it benchmarks its pharmaceutical prices."

The CSR states that "Even though Ireland has a relatively young population, public healthcare expenditure was among the highest in the EU in 2012 at 8.7% of GNI, significantly above the EU average of 7.3%." It also notes that "Ireland has one of the highest proportions of people living in households with low work intensity in the EU, which generates serious social challenges. The proportion was higher than the EU average prior to the crisis and surged from 14.3% in 2007 to 24.2% in 2011."

The SWP also details the healthcare reforms already underway in Ireland as part of the Future Health Strategy. Measures begun to date include and new financial management system and a programme of eHealth, with universal primary healthcare due to be rolled out in 2016.

Latvia

The 2014 CSR for Latvia notes that "Access to healthcare is hampered by costs, including high out-of-pocket payments and prevalent informal payments, leaving a high proportion of the population with unmet health-care needs. There is significant room to enhance the efficiency of the system, ensure cost-effective financing and promote disease-prevention activities." Furthermore, it finds that "overall, a high proportion of population is at risk of poverty or social exclusion, and such proportion is even higher for children. Families with children, the unemployed, people with disabilities and people living in rural areas are at a particularly high risk of poverty and social exclusion." Latvia's spending on social protection, which is the lowest in the EU, is identified as a key factor here.

The Commission recommends that Latvia "Reform social assistance and its financing further to ensure better coverage, adequacy of benefits, strengthened activation and targeted social services. Increase coverage of active labour market policies. Improve the cost-effectiveness, quality and accessibility of the health care system."

Staff Working Paper and background:

"Latvia has one of the highest proportions of the population with unmet healthcare needs in the EU. The cost of healthcare is the main barrier to equitable access — not only for the lowest income quintile, but also for the second lowest."

The CSR notes that "Latvia has taken some steps to reform social assistance and has completed a large-scale assessment of the social security system providing a solid basis for an evidence-based reform. It has significantly increased various child-related benefits, and raised the non-taxable thresholds in personal income tax for dependants. However, the effectiveness of social protection in terms of poverty reduction remains poor and designing an effective social safety net remains a challenge."

The proportion of consumption taxes in Latvia is relatively high, and the tax system as a whole is considered to be quite growth friendly. Some progress has also been made in tackling tax evasion.

The SWP notes that, contrary to many other member states, the healthcare system in Latvia does not, at first glance, pose a major threat to the sustainability of public finances. However, it warns that if the funding necessary to improve healthcare provision and ensure access to healthcare for vulnerable were provided, this would change. In pursuit of this goal, Latvia plans to implement a mandatory state health insurance programme, so as to increase financing of the system by up to 4.5% of GDP in the coming years. These reforms are in too early a stage to be evaluated as yet.

The SWP finds that "one of the biggest social challenges is related to income inequalities, as well as access to healthcare services and the high proportion of the population with unmet healthcare needs; these factors also create barriers to labour market participation.

In addition, cross-border access to health care and professional education should be improved." Poor health is, in turn, considered one of the main barriers to employment.

Malta

The 2014 CSR for Malta notes that "Despite still facing challenges regarding the sustainability of Malta's public finances, little progress can be registered as yet on its pensions system reforms and the sustainability of its healthcare services." A particular problem is presented by the disconnection between life expectancy and the statutory retirement age.

Age-related expenditure increases are considered a threat to financial sustainability and whilst a draft national health system strategy has been recently launched, "it is unclear how this will be implemented and what gains it will bring in terms of cost-effectiveness and sustainability."

The Commission recommends that Malta "Step up the ongoing pension reform, notably by significantly accelerating the planned increase in the statutory retirement age and by consecutively linking it to changes in life expectancy. Ensure that a comprehensive reform of the public health system delivers a cost-effective and sustainable use of available resources, such as strengthening primary care." It also suggests that the government "further improve the labour-market participation of women, notably those wishing to re-enter the labour market by promoting flexible working arrangements."

Staff Working Paper and background:

"Overall female labour market participation is still among the lowest in Europe, reflecting a combination of cultural and historical factors, as a result of which many women choose to leave the labour market after having children and then find it difficult, or choose not, to return in employment."

The SWP finds that no significant steps have been taken in reforming the pension or healthcare systems in Malta. Though spending is currently among the lowest in the EU, projected increases are among the highest. "This reflects limited resources for ambulatory care, combined with limited provision of public primary care and few general practitioners and nurses."

Employment and labour market participation for women and older workers remains the lowest in the EU. Furthermore, "Malta has continued to experience an increasing at risk of poverty or social exclusion rate, especially in the case of children and the elderly." The SWP also notes that tax evasion continues to present a challenge to public finances.

The SWP concludes that "Although the government has published a document proposing a health strategy, which addresses many of the major challenges that the Maltese health system faces, there are no clear timeframes and financial estimates of the potential savings they might generate. Overall, the implementation of the healthcare reform has been slow."

Poland

The 2014 CSR for Poland notes that "the burden on public finances could be lowered and the access to healthcare improved through strengthening primary care and referral systems and exploiting the potential for cost-efficiency gains in hospital care." It also notes that low tax compliance is an issue.

As such, the Commission recommends that Poland "minimise cuts in growth-enhancing investment, improve the targeting of social policies and the cost effectiveness of spending and the overall efficiency of the healthcare sector, broaden the tax base by addressing the issue of an extensive system of reduced VAT rates, and improve tax compliance, in particular by increasing the efficiency of the tax administration." It also suggests that the government "Continue efforts to increase female labour market participation, in particular by taking further steps to increase the availability of affordable quality childcare and pre-school education and ensuring stable funding."

Staff Working Paper and background:

The SWP notes that "Already, due to existing inefficiencies, Poland faces difficulties in delivering adequate healthcare and long-term care services. The extent to which waiting times in Poland restrict access to medical care is the highest in the EU. As a result, the proportion of unmet needs for medical care has risen significantly in recent years. Patients are often forced to opt for private medical services, and usually have to pay for them in full. The indebted hospital sector has a relatively high number of acute beds. This number has been steadily decreasing, but not getting closer to the EU average. There is a lack of transparency in the contracting of services in hospital and specialist medical care. Poland has relatively few general practitioners, so the role of these as care coordinators is relatively weak."

Furthermore, "...the proportion of the population living at risk of poverty and social exclusion is high compared to other EU countries, even for those in employment." Poland lacks an effective social protection system to address this problem.

The SWP notes that efforts to increase the involvement of women in the labour market go in the right direction, but must be maintained. It also points out that the proportion of people living at risk of poverty and social inclusion remains high.

The government has started reforms to improve the efficiency of the tax system and tax compliance, but scope for improving the efficiency of healthcare spending remains and more needs to be done to reduce the number of people at risk of poverty and social exclusion.

Portugal

The 2014 CSR for Portugal notes that social and healthcare spending must be tightly controlled and that improvement in tax compliance would greatly benefit public finances. It also notes that "Despite efforts to alleviate the negative social impact, the necessary economic adjustment following the crisis has had negative repercussions in terms of poverty" and suggests a better alignment of skills and the labour market.

The Commission recommends that Portugal "Control health care expenditure growth and proceed with the hospital reform. Review the tax system and make it more growth-

friendly. Continue to improve tax compliance and fight tax evasion by increasing the efficiency of tax administration."

Staff Working Paper and background:

Hospital reform and cost optimisation in healthcare, as well as increases in taxes on tobacco and alcohol, have helped to improve Portugal's financial situation. The SWP notes the scope which remains for improving tax compliance but also the contribution of increased consumption taxes in reducing the deficit. Labour market reforms have proven fruitful.

The SWP notes that reforms in the healthcare sector have resulted in considerable savings and improvements have been made in ensuring access to a family doctor and the implementation of electronic medical records. However, it also states that "The number of jobless households not covered by social benefits remains one of the highest in the EU, notably as a result of the stricter eligibility rules applied to the minimum income scheme after the reforms of 2010 and 2012" and highlights a recent OECD study which found Portugal's social protection expenditure to be poorly targeted. Though the Emergency Social Plan is still in operation, it lacks regular evaluation and review mechanisms.

Romania

The 2014 CSR for Romania notes that "Inefficient use of resources and poor management increase the fiscal sustainability risk in the health sector. Widespread informal payments in the public healthcare further hinder the accessibility, efficiency and quality of the system. Reforms to improve the efficiency of the healthcare sector and its financial sustainability have begun but continuous efforts are needed. Some of the measures are incurring delays and suffer from insufficient funding and the services' low capacity. Reducing the excessive use of hospital in-patient care and strengthening primary care and referral systems will increase cost-effectiveness. Further reforms of the healthcare system aimed at improving the health of the population by promoting, among other things, equitable access to quality health services have been launched." It also states that poverty reduction remains a major challenge, as does the battle against tax fraud and evasion.

The Commission recommends that Romania "Step up reforms in the health sector to increase its efficiency, quality and accessibility, including for disadvantaged people and remote and isolated communities. Increase efforts to curb informal payments, including through proper management and control systems." It also suggests that the government "improve tax collection by continuing to implement a comprehensive tax compliance strategy, stepping up efforts to reduce VAT fraud", equalise the pensionable age for me and women and "increase the efficiency and effectiveness of social transfers, particularly for children, and continue reform of social assistance, strengthening its links with activation measures". The plight of Roma communities and the barriers they face to employment are also highlighted.

Staff Working Paper and background:

The SWP notes that "Life expectancy is considerably below the EU average, the rate of infant mortality is the highest in the EU and life expectancy at birth among the lowest. There is a mismatch between spending commitments and available funding. In the past,

this led to the accumulation of arrears, particularly in the hospital sector and to large budget overruns. Yet, Romanians are the second highest in the EU likely to have unmet needs for medical examination because of the cost."

Furthermore, "The extent of informal payments in health care is estimated to be at around 280 million euros annually. According to the 2013 Special Eurobarometer on corruption, 28 % of Romanian respondents who visited public medical facilities in the preceding year had to make an extra payment, or offer a gift or donation besides the official fee. This is the highest percentage in the EU, far above the EU average of 5%."

The SWP states that "The overall health status of the population is still worrying, with very high rates of infant mortality and low life expectancy at birth. Recent progresses in health care reform have not yet been consolidated. Informal payments are widespread and hinder the efficiency, quality and accessibility of the system." It finds that some progress has been made in the reforms, however, particularly in areas of financial and quality control and strengthening outpatient care.

With regards to the labour market, the SWP notes that "Labour-market participation has seen only limited progress and the skills and productivity of the labour force remain a challenge. Youth unemployment and the integration of the most vulnerable groups of the society both in the education system and in the labour force must continue to be addressed. Education and training need to improve and be better correlated with the requirements of the labour market."

The SWP also highlights the barriers facing Roma populations in accessing health care, social services, employment and housing, as well as the impact of tax evasion upon public finances.

Slovakia

The 2014 CSR for Slovakia describes health expenditure as a medium level risk to public finances, though its projected increase in costs is the second highest in the EU. Good progress is noted in the implementation of reforms to the tax system which are helping to reduce tax evasion and fraud. However, mothers still struggle to return to the labour market as a result of the lack of adequate childcare facilities and Roma employment remains very low.

The Commission recommends that Slovakia "Improve the long term sustainability of public finance by increasing the cost-effectiveness of the health-care sector, in particular by rationalising hospital care and management and by strengthening primary care."

Staff Working Paper and background:

"Slovakia is expected to have one of the highest increases (3 pps between 2010 and 2060) in the ratio of public healthcare expenditure to GDP in the EU28. At the same time, health outcomes for the Slovak population continue to lag behind the rest of the EU."

The SWP finds that Slovakia has made limited progress in assuring the cost effectiveness and long term sustainability of health expenditure. The problems are most visible in inpatient care, resulting in excess capacity, but improvement is also needed in management of outpatient services and GPs, tackling informal payments and provision of long term care services.

The number of people at risk of poverty and social exclusion in Slovakia is acknowledged in the SWP to be quite low, but Roma and children are highlighted as groups which are affected disproportionately and the national action plan for children does not go far enough to address these issues.

Improvements in tax collection are noted, but suggestions to broaden the base do not include via consumption taxes.

Spain

The 2014 CSR for Spain includes the health sector as an area in which a systematic review of spending would be beneficial for targeting cost-containment measures. Spain remains below the EU average for indicators targeting poverty and social inclusion, due to the ineffectiveness of the social protection system, but no recommendation is made in this area.

The Commission recommends that Spain "Continue to increase the cost-effectiveness of the health-care sector, in particular by further rationalising pharmaceutical spending, including in hospitals and strengthening coordination across types of care, while maintaining accessibility for vulnerable groups." It also suggests a shift in taxation towards less distortive taxes, such as consumption, environmental and recurrent property taxes.

Staff Working Paper and background:

The SWP notes that a comprehensive framework for increasing the efficiency and control of healthcare expenditure was introduced in 2012, which included "viewing the services covered; introducing co-payments for some services; changing the reference pricing for pharmaceuticals; building a centralised purchasing platform for buying medicines, medical devices or services; developing digital clinical records and electronic prescriptions; and, preparing for the introduction of clinical management where physicians have more responsibility for their budgets in health establishments." The SWP finds that the measures implemented thus far have been successful in helping to bring healthcare expenditure down.

The SWP highlights the ongoing problem of poverty and social exclusion, particularly for migrants, those with disabilities and Roma communities, all of whom face disproportionate burden. The social protection system, the SWP states, has faced difficulties in responding to these needs. The SWP also notes the existing scope for increasing the VAT base via consumption taxes.

The labour market, the SWP notes, is showing signs of stabilisation but unemployment remains very high. Gender, age and regional inequalities also exist, but measures to improve the labour market are not explicitly focused on particular groups, but on whole market recovery.

Conclusions

In its summary of the health-related elements of the 2014 CSRs, the Commission notes that:

"The Commission has made recommendations on health to 15 *Member States...The recommendations emphasise the need to* ensure the cost-effectiveness and sustainability of health systems and call for concrete, targeted reforms to optimise the hospital sector, strengthen primary care and rationalise pharmaceutical spending. Going beyond fiscal aspects, accessibility to high-quality healthcare has become an explicit policy aim reflected in 3 recommendations: to Latvia, Romania and Spain. The Commission's communication 'On effective, accessible and resilient health systems', adopted in April 2014, offers guidance on what Member States should focus on to reform their health systems and *cope with the ageing challenge ahead."*

Experts are already warning that over-reliance on cost-cutting is dangerous and questioning the power and impact of such recommendations, particularly for countries outside of the Euro area, which tend not to receive CSRs on health.

The 2014 CSRs have included recommendations on health for more member states than any previous year and the recommendations made are more detailed and prescriptive than those that have been issued before. Generally speaking, countries which have been severely impacted by the economic crisis have received recommendations which focus upon the provision of high-quality care, whereas those which suffered to a lesser extent have been issued CSRs which focus on specific cost-containment measures, such as reducing pharmaceutical expenditure.

The potential for the recommendations to improve the health and well-being of Europeans rests not only upon uptake and implementation by the member states, but also upon the inclusion of health actors, civil society and social partners in the drafting of the CSRs. Historically, the European Semester has proven problematic for civil society organisations wishing to engage with it, whilst the European Parliament and health experts within the Commission have found their influence curtailed. The legitimacy, effectiveness and success of the CSRs is dependent upon the involvement of these stakeholders and though some progress has been made in this respect, there remains considerable scope for improvement.

About EPHA

EPHA is a change agent – Europe's leading NGO advocating for better health. We are a dynamic member-led organisation, made up of public health NGOs, patient groups, health professionals, and disease groups working together to improve health and strengthen the voice of public health in Europe. EPHA is a member of, among others, the Social Platform, the Health and Environment Alliance (HEAL), the EU Civil Society Contact Group and the Better Regulation Watchdog.
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www.epha.org

Rue de Trèves 49-51
1040 Brussels
BELGIUM

TEL: +32 (0) 2 230 30 56
FAX: +32 (0) 2 233 38 80
MAIL: epha@epha.org