



Terms of reference for healthcare spending review

The spending review of healthcare expenditures (amounting to 5.24 % of GDP annually) will focus on possible savings in particular in healthcare expenditures. This will identify the resources necessary for required and efficient investments in in-patient facilities. The total healthcare expenditures will not exceed the growth of inflation in the economy (0.17% of GDP in 2017). The objective is to reduce the number of amenable deaths to the average level of V3 countries (Czech Republic, Hungary and Poland).

Result objective

Despite the fact that Slovakia spends a greater share of GDP on healthcare than the average of V3, it lags behind in the result indicators of health status of the population¹. The result objective for healthcare achievable on the horizon of four years is to reduce the **amenable mortality** to the level of V3.

Fiscal objectives

In the last 10 years, Slovakia has considerably increased its expenditure on healthcare. However, this has not translated into substantial investment in hospitals, the growth was mostly limited to current spending. The spending review will focus on possible savings as well as necessary investments:

- We aim to **limit the growth in expenditure** to inflation growth. **The baseline scenario (BS)** foresees growth of expenditure matching the tax revenues of public health insurance (contributions, payment for the insured by the State, outstanding premium, annual settlement etc.).
- **Investments in bed ward facilities** require additional resources at an estimated volume of EUR 633 mil. during four years. New end hospitals would be constructed for them (in particular the University Hospital Bratislava) or several hospitals would be reconstructed.

TABLE 1 - Healthcare resources after taking into account the savings and necessary investments (EUR mil.)

	2015 S	2016 Expected	2017 BS	2018 BS	2019 BS	2020 BS
Resources in healthcare - baseline scenario	4,318	4,331	4,449	4,696	4,980	5,283
Investments in university hospitals (from healthcare resources)			158	158	158	158
Necessary measures (savings compared to the BS)			143	293	471	757
Healthcare resources - Value for Money scenario	4,318	4,331	4,307	4,404	4,509	4,526
Resources in healthcare - GG budget			4,445	4,690	4,970	
Difference in comparison with GG budget			-138	-286	-462	

Source: MoF SR, IFP

Focus

Based on a comparison of international health data and data on the economy of hospitals we have identified the areas with the greatest room for savings:

- Economic rent in the insurance market and from non-transparent relations and interactions between insurance companies and providers.
- Overconsumption, induced and erroneous prescription, and cost-ineffective reimbursement of pharmaceuticals, healthcare aids and specialised healthcare material.
- Operating costs of hospitals (excessive capacities and overpriced purchases)

¹ <http://www.finance.gov.sk/Default.aspx?CatID=8789>



- Emergency rescue (considerably higher costs in comparison with neighbouring and best practice countries suggest room for more efficient competition for licences)
- Laboratories and diagnostic imaging (considerably higher costs in comparison with neighbouring countries).

The Ministry of Finance of the SR will be responsible for the final report, which will be prepared in cooperation with the Ministry of Health of the SR. To prepare the analyses of the above-mentioned areas, the Ministry of Health of the SR undertakes to cooperate in providing complete and detailed (non-anonymised) data on healthcare providers, as well as the data from the register of healthcare employees and providers.

Avoidable mortality indicator description

Avoidable mortality represents the number of deaths (for specific age groups and specific diseases defined in the ICD classification²), which can be avoided. There are two types of deaths - amenable and preventable.

Amenable deaths mean the deaths that could be avoided by high-quality healthcare. These deaths are monitored by the indicator **amenable mortality**, which was selected as a result objective. The preventable mortality indicator consists of deaths, which could have been prevented by means of measures in healthcare aimed at affecting behaviour and lifestyle, social-economic status and environmental conditions.

The result objective for healthcare is to achieve on the horizon of four years the reduction of amenable mortality to the level of V3. Which means the reduction of mortality by 15% (1,872 deaths) in comparison with 2012.

TABLE 2 - Amenable mortality

- standardised rate of mortality per 100 thousand inhabitants	2011	2012	Year-on-year change	Year-on-year change in %	Objective in 2020 per population
SK	237.90	236.60	-1.30	-0.55%	-1872
V3	206.30	201.93	-4.37	-2.12%	
EU28	125.20	122.90	-2.30	-1.84%	

Source: Eurostat

A more detailed structure of expenditures in public healthcare:

TABLE 3 - Baseline scenario of healthcare resources (EUR mil.)

	2015 S	2016 Expected	2017 BS	2018 BS	2019 BS	2020 BS
Total	4,318	4,331	4,449	4,696	4,980	5,283
Public health insurance - economically active population	2,881	2,888	3,066	3,268	3,487	3,720
Public health insurance - the insured by the State	1,349	1,350	1,291	1,334	1,394	1,460
Contribution to OS ZZS activities (Rescue Service Command Centre)	13	14	14	14	15	16
Contribution to NCZI activities (National Health Information Centre)	10	16	17	17	18	19
Expenditures of the chapter of the Ministry of Health SR without above-mentioned (without EU and COFIN)	64	62	61	63	66	68

Source: MoF SR, IFP

² International Statistical Classification of Diseases and Related Health Problems 10th Revision <http://apps.who.int/classifications/icd10/browse/2015/en>



TABLE 4 - Baseline scenario of public health insurance (EUR mil.)

	2015 S	2016 Expected	2017 BS	2018 BS	2019 BS	2020 BS
Total revenues	4,274	4,268	4,388	4,632	4,911	5,210
Tax revenues	4,237	4,238	4,357	4,602	4,880	5,180
EAP	2,881	2,888	3,066	3,268	3,487	3,720
The insured by the State	1,349	1,350	1,291	1,334	1,394	1,460
Grants and transfers	0	0	0	0	0	0
Non-tax revenues	36	30	30	30	30	30
Total expenditures	4,220	4,304	4,444	4,690	4,970	5,268
Healthcare expenditure from insurance	3,993	4,079	4,206	4,442	4,711	4,997
Other expenditures	227	225	238	248	259	271
Wages	46	46	50	52	55	58
Goods and services	76	93	78	79	81	83
Of which: current transfers	56	52	59	62	66	69
Contributions for the activity of HCSA, NHIC, OS ZZS (Rescue Service Command Centre)	52	48	55	58	61	65
Other	4	3	4	4	4	4
Capital expenditures	49	34	52	55	58	61
Difference	54	-36	-56	-58	-59	-57

Source: MoF SR, IFP



BOX 13 - Baseline scenario - methodology

The preparation of the baseline scenario (BS) is based on the manual for No-Policy-Change Scenario (NPC manual). NPC is a scenario of development of public finance provided that the Government or Parliament does not adopt any measures and their development is only conditioned by macroeconomic development and existing policies including effective legislation.

Assumption for BS preparation:

- Resources in healthcare and expenditures of the chapter of the Ministry of Health SR
 - contributions from EAP are taken from the tax committee forecast
 - payment for the insured by the State is indexed by the growth of the average wage in the year two years prior to the base year and by the change of the number of the Insured by the State, the initial base must be adjusted for one-off measures (such as debt relief for hospitals, wage increase etc., which are financed by payment for the insured by the State only transitionally, through an increase in the base rate)
 - contributions for the activity of other organisations in healthcare (e.g. NCZI, OS ZZS etc.) adjusted identically as current transfers according to the NPC manual
 - the expenditures of the chapter are adjusted by the respective index, depending on whether they are expenditures on wages, goods, services, subsidies and transfers, or capital expenditures (more in the NPC manual)
- Revenues of public health insurance
 - contributions from EAP are taken from the tax committee forecast
 - payment for the insured by the State is indexed by the growth of the average wage in the year two years prior to the base year and by the change of the number of the Insured by the State, the initial base must be adjusted for one-off measures (such as debt relief for hospitals, wage increase etc., which are financed by payment for the insured by the State only transitionally, through an increase in the base rate)
 - other revenues of public health insurance are indexed by the respective index according to their economic classification
- Expenditures of public health insurance
 - insurance expenditures depend on the growth of tax revenues of public health insurance
 - other expenditures are adjusted by the respective index on the basis of the economic classification (more in the NPC manual)
 - contributions for the activity of other organisations in healthcare (e.g. NCZI, OS ZZS etc.) are adjusted the same way as expenditures of public health insurance related to insurance as their volume directly depends on the amount of tax revenues of individual insurance companies