Will austerity cuts dismantle Spain's healthcare system?

In the face of austerity, a series of disconnected "reforms" could, without corrective measures, lead to the effective dismantling of large parts of the Spanish healthcare system, with potentially detrimental effects on health. **Helena Legido-Quigley and colleagues** explain

ANDRESKUDACKI/AP/PA

Protesters in Madrid objected to a plan to sell off six of 20 public hospitals

The financial crisis has hit Spain hard. Initially, given its low government debt, Spain seemed safe, but it was forced to bail out its banks when the housing boom they had been fuelling finally collapsed.[1] In the first quarter of 2013, 27% of the labour force were unemployed,[2] including over 57% of the under 25s. Poverty has increased. Twenty one per cent of the Spanish population lived below the poverty line in 2012, on less than €7354 (£5980; $9599) annually.[3]

In June 2012 Spain negotiated a €100bn intervention with the European Stability Mechanism to support the banks. In 2012, the general government deficit reached 8.1% of GDP,[4] against a target of 5.3%, and its debt rose from 26.7% of GDP in 2007 to 93.8% in 2012.[5]

The system

Public expenditure on healthcare is low. Although, in 2010, Spain spent 9.6% of GDP on healthcare, 26% of this was from private sources (6% private insurance and the remaining 20% paid by individuals) and 74% was public, with the latter equivalent to 7.0% of GDP, compared to an average of 7.6% in the European Union.[6] Yet the Spanish health system is viewed positively by the public. In a 2011 national survey 73.1% of 7800 individuals said that the Spanish system was working fairly well or well.[7] Professional dissatisfaction (attributed to low salaries), procurement problems, and limited access to some specialties were issues before the crisis. However, the Spanish system performed better than neighbouring countries.[8]

The national health ministry is responsible for the equitable functioning of the system, pharmaceutical legislation, border health issues, and international health relations. All other issues are devolved to the 17 regions, which administer 90% of public healthcare funding.[9] Following budgetary shortfalls in some regions in 2012, the central government created an €18bn regional liquidity fund to ensure their financial sustainability,[10] with a further €23bn in 2013.

The cuts

The national situation

The health and social services budget was reduced by 13.65% in 2012, with disproportionately high cuts to professional training (75%) and public health and quality programmes (45%).[11 12] These cuts coincided with increased demands on the health system, in part reflecting the association between unemployment and poor mental health, but also because of a cut of €600m in the dependency fund that supports elderly people and people with disabilities.[11]

These budgetary changes were accompanied by a structural change that was introduced, unusually, not after parliamentary debate, but by a royal decree.[13] Royal Decree-law (*Real Decreto-ley)* 16/2012 came into force in September 2012, excluding undocumented migrants from all but basic emergency care, prenatal care, and paediatric care, so ending the principle of free services at the point of delivery for all.

There have been changes in copayments for drugs. Pensioners now have to pay: those on higher incomes will pay 10% of the cost of medicines, and others will pay between €8 and €60 per month depending on their pension. Those in employment will pay up to 60% more for their medicines, depending on their income, with those earning less than €18 000 annually paying 40% of the cost of medicines. Copayments have been extended to prosthetics, dietary products, and non-urgent ambulance trips—people with disabilities will pay €5 for ambulance trips.[14]

Cuts coincided with increased demands on the health system, in part reflecting the association between unemployment and poor mental health

Drug purchasing will be centralised.[11] A national working group is reviewing the list of reimbursed goods and services that the regions provide and is expected to recommend further cuts.[15] Finally, the national government has announced a further €3134m cut for 2013,[16] including an additional €1108m to be taken from the dependency fund for elderly people and people with disabilities, of which €571m will come from the regions.[11]

The regional situation

Some regions have resisted the centrally imposed austerity, seeking ways to protect migrants and others left without cover. Other regions, such as Madrid and Catalonia, have gone further (see box 1 in the online version for details). They had already cut budgets by 10% and 7% respectively in 2011; both also proposed fees of €1 for each prescription. Both have also made it easier for private companies to run hospitals, which is widely seen as a measure hobbled by conflicts of interest that threaten equitable service provision, rather than one based on evidence of efficiency savings. This perception is supported by the low cost and relative efficiency of the public system as compared to other European countries. The budgetary cuts have been associated with an increase in numbers on waiting lists between 2010 and 2011, by 43% in Catalonia, leading to increasing delays in obtaining treatment. Surgical procedures fell by over 15% in the same period.[16] There have been cutbacks in emergency services in several regions. In the Valencian Autonomous Community and Castilla-La Mancha pharmacists have

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gone on strike, protesting against the regional governments' inability or unwillingness to reimburse them for drugs dispensed.

Demonstrations against austerity

Both the Spanish Socialist Workers' Party (*Partido Socialista Obrero Español*) and, following its election in November 2011, the People's Party (*Partido Popular*), introduced a series of austerity packages including cuts to public sector employee salaries; cuts to budgets for education, science, health, and social services; more restrictive labour laws; and higher taxation, with value added tax rising from 16% in 2010 to 21% in 2012.

These measures have generated widespread popular discontent. Demonstrations on 15 May 2011 led to the emergence of the 15-M Movement (*Movimiento 15-M*). Known as the *Indignants* these protestors complained that the traditional parties failed to represent the views of citizens, offered no solutions to the crisis, and had failed to curb the excesses of the banks and corporations. The *Indignants*, together with other social movements, tapped into a newly awakened popular consciousness, and mounted demonstrations to defend the public healthcare system (the so called *Marea Blanca*, or White Tide), and occupied health facilities. Some now consider that they are witnessing the dismantling of the Spanish healthcare system.

Impact and reaction to the cuts

There has been little research on the impact on the cuts on health. A study comparing patients attending primary care centres in 2006-07 (n=7940), and after the crisis, in 2010-11 (n=5876), found large and statistically significant increases in the proportion of patients reporting depression (19.4 percentage points) and other mental disorders, including anxiety and alcohol related disorders. Individual or family unemployment accounted for 23% of the population attributable risk of attending with major depression in 2010-11, and mortgage arrears added a further 11%.[17] A cross sectional survey of almost 20 000 people reached similar conclusions, with a 17.5% increase in symptoms of depression in the adult population between the two survey points of 2006 and 2010.[18] Police report a 10% increase in suicides in Catalonia between 2010 and 2011, from 492 to 541, and a 20% increase in unsuccessful attempts, from 1953 to 2379.[19]

We undertook 34 qualitative interviews on a convenience sample of doctors and nurses in 18 hospitals and 16 primary healthcare facilities in Catalonia in early 2012 (see box 2 in the online version for methodology and relevant quotes). Although the interviewees cannot be considered as representative, their views seemed consistent with public opinion surveys.

Sampling approximately 2500 adults aged 18 and over in each wave, successive national barometer surveys consistently report the healthcare system as functioning properly with no need for reforms (nearly 24.2%). Nearly 50% thought that it works well but some changes are needed. A majority of Spaniards support increased healthcare expenditure in primary healthcare settings (87%), which suggests a rejection to the introduced cuts.[20] When asked to pick from a list the greatest challenges Spain faces, unemployment came first, at 77%, the economic crisis second at nearly 40%, and politicians third, at 30%. Importantly, fourth position is occupied by corruption and fraud, at 17%. The healthcare system trailed in fifth position at 13%, but increased 4 percentage points between September 2012 and December 2012, the period coinciding with the most recent healthcare reforms.[21 22]

The concern among our interviewees about alleged corruption and conflicts of interest is also borne out by media reports, often involving a perceived revolving door between public employees and private companies. Recent prominent examples in Catalonia,[23] Madrid,[24] and Valencia,[24] have fuelled speculation that some decisions about healthcare reform conceal an intention to divert resources to the private sector.[25 26]

Changes that alter principles of healthcare

The exclusion of undocumented immigrants, increasing copayments, and privatisation of services are the three most important changes.

The royal decree prevents around 500 000 undocumented migrants[27] over the age of 18 accessing the full range of healthcare in Spain. Since its announcement the government has said that primary care services will be available to those under 65 years who pay a monthly fee of €59.20 and up to €155.40 for those over 65 years.[28] Such payments may prove unaffordable and are more expensive than existing private policies in Spain—perhaps raising suspicions in some that the policy is designed to favour the private sector. The situation is fluid: in December 2012, the Spanish Constitutional Court upheld the right of the Basque Country to provide free services to undocumented immigrants. The court prioritised health over finances and noted that the central government had not shown how its policy would result in any savings. It is expected that the central government will appeal.

Some regions (Catalonia, Andalusia, Asturias, Canary Islands, and the Basque Country) have refused to exclude undocumented immigrants, arguing that it is unjust, dangerous, and potentially unconstitutional. Professionals and organisations have also expressed concern about their ethical duty to provide care to undocumented migrants. The Spanish Society of Family and Community Physicians (*Sociedad Española de Medicina de Familia y Comunitaria* or semFYC) refused to withdraw treatment. Amnesty International and Doctors of the World have drawn attention to the consequences of withdrawing treatment for HIV and tuberculosis, as well as the risks of drug resistance and spread of disease.[29]

Concerns have been expressed about the copayments[30]; the available evidence indicates that they are largely ineffective in containing costs[31] and may cost more to collect than they raise. The RAND Health Insurance Experiment, a large randomised controlled trial, found that copayments deter necessary and unnecessary care to the same extent.[32 33]

There is a similar lack of evidence to support the privatisation of facilities being pursued in some regions such as Catalonia and Madrid. Claims of the superiority of private sector provision have not been supported by systematic reviews in low and middle income countries[34 35] or by a range of studies in high income countries. A meta-analysis of 31 studies of ownership of US hospitals found no consistent difference once methodological and sampling differences were accounted for.[36] Similar findings were reported in a review of studies of efficiency in German hospitals.[37] Other research has described differences in characteristics and outcomes of public and private healthcare. Lower staffing and efficiency was found in private hospitals in Greece.[38] Research comparing Italian regions found slower reductions in mortality in regions with greater private hospital provision.[39] The UK's private finance initiative (PFI) scheme, and similar schemes in countries such as Australia and Spain, have identified major problems with this form of procurement.[40]

The alternatives

Some commentators have called for savings from other sources, such as a clampdown on tax evasion and on other forms of fraud, which are estimated to account for €80bn per year—

approximately equal to the total cost of the health system.[41 42 43] These observations have led some to ask whether the Spanish health model, which is inexpensive and highly regarded by those who use it, is being changed not because of any particular need to reform it (beyond that of responding incrementally to the challenges faced by all health systems) but rather because of a determination to reduce the size of the state.

Internationally, there is a growing recognition that the policies of austerity being pursued by some European governments are making the economic situation worse.[44] This failure of austerity policies is exemplified by a recent reassessment by the International Monetary Fund of the consequences of cuts for economic growth,[45] coupled with moves to create a Europe-wide regulatory system for banks which, had it been in place, would have prevented many of Spain's current economic woes.

There are still those who see crises as an opportunity to pursue their ideological goals of dismantling the European welfare state, as foreseen by the Canadian author Naomi Klein.[46] On the other hand, there is also a rising chorus of alternative voices, from all parts of the political spectrum and civil society, arguing that different economic policies should be pursued. In addition, there is increasing evidence,[47] often unwelcome to the governments concerned, of the human consequences of their policies.

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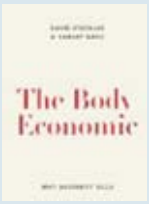
● EDITORIAL, p 7, ● FEATURE, p 16

BOOK REVIEW

Warning: austerity can seriously damage your health

David McCoy concludes that economic policy is too important to be left to economists



The Body Economic: Why Austerity Kills
A book by David Stuckler and Sanjay Basu
ISBN 978-1846147838
Allen Lane; 240 pages; £20
Rating: ★★★★

That austerity kills shouldn't come as a surprise to reader's of David Stuckler and Sanjay Basu's book on the effects of the current great recession on population health. Unemployment, homelessness, and healthcare cuts—direct consequences of austerity—will inevitably increase mortality and suffering. Likewise indirect consequences such as alcoholism and drug use.

The Body Economic is a readable but depressing account of the tragedy unfolding in many parts of the world today. Lives have been blighted, firstly, by the scandalous failure of politicians to regulate banks and finance capital, and, secondly, by them imposing the cost of bailing out the financial and banking sectors on the backs of millions of ordinary citizens.

But Stuckler and Basu take their argument a step further. They argue that austerity also fails to promote economic recovery and reduce public debt when compared with stimulus spending and policies that protect spending on healthcare, welfare, and housing. The conclusion is that austerity is bad for both human health and economic recovery.

Stuckler and Basu make their case on the basis of epidemiological analysis, observing patterns of association between economic policy and various economic, health, and social indicators. One chapter chronicles the disastrous effects of the rapid transition from communism to free markets in Russia. At least 10 million lives were lost; at the same time, a tiny minority of billionaire oligarchs was created. By contrast, a more gradual transition from communism to a mixed economy in Belarus has resulted in better health and social wellbeing.

When the east Asian financial crisis hit countries in the late 1990s, the International Monetary Fund's prescription of deregulation, privatisation, and public sector budget cuts was rejected by Malaysia, which instead instituted capital controls, a fixed exchange rate, and social protection programmes. Malaysia fared well in the crisis. Those countries that swallowed the IMF's bitter pill fared worse.

No doubt the conclusions Stuckler and Basu draw from their epidemiological studies will come under scrutiny. We are in the territory of complex phenomena and multiple confounders. But they have at least brought to the fore compelling data that questions the neoliberal faith in free markets, privatisation, and small states as an effective mechanism for solving the problem of public debt and economic recession.

Faith in neoliberal economic policy should also be shaken by the book's account of the IMF's use of incorrect assumptions about the "fiscal multiplier" effect of government spending—that is, the estimated effect of government spending on future economic growth. Not only did the IMF assume that the effect of government spending on economic growth would be the same in all countries (irrespective of their differences), but it also assumed that it would be the same for all sectors of the economy. This is clearly ludicrous. When Stuckler and Basu looked at the empirical data, they found that public spending on health and education had much greater positive effects on economic growth. Bank bailouts, on the other hand, represented poor fiscal multipliers.

Crucially, this book demonstrates the importance of subjugating economic policy to social policy; not the other way round. All too often, economic policy is centred on the objective of ensuring economic growth, regardless of the social and environmental effect of that growth. Tellingly, the authors describe how in Iceland, an economic downturn can be accompanied by improvements in health and wellbeing if politicians choose to prioritise social goals.

The case of Iceland thus points straight to the moral and political dimensions of economic policy. It's worth quoting directly from their book: "Icelanders were now faced with a profound moral question. To what degree if any were they as a people and a country responsible for the malfeasance of their business class? Iceland's taxpayers were being asked to pay for a private bank's bad investment decisions. This was serious news in a country where there was already a vast disparity between a rich few who had amassed great debt through a lavish lifestyle and the rest who were now being asked to pay."

While Stuckler and Basu spend much of their book contrasting austerity with stimulus, the case of Iceland is the closest they get to considering the policy option of cancelling or repudiating illegitimate debt as an option for dealing with the financial crisis. But this too is not a question of economic policy, but one of politics.

The book is therefore as much about the "body politic" as it is about the "body economic." It is about distribution: of power and wealth across society; of risk between private creditors, private debtors, speculative investors, governments, and taxpayers; and of the effects of public service budget cuts.

Indeed, a more political interpretation of the policy of austerity would be to view it as a tool by which a financial crisis has been exploited to privatise state assets and further shift wealth from the majority to a minority.

Naomi Klein's *Shock Doctrine* would be worth reading as a companion piece.

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