Health Policy 119 (2015) 563–568

Contents lists available at ScienceDirect

Health Policy

journal homepage: www.elsevier.com/locate/healthpol

Health reform monitor

Cyprus in crisis: Recent changes in the pharmaceutical market and options for further reforms without sacrificing access to or quality of treatment☆

Panagiotis Petrou[a,b,*], Sotiris Vandoros[c]

[a] Open University of Cyprus, HealthCare Management Programme, PO Box 12794, 2252, Latsia, Cyprus
[b] Health Insurance Organization, 17-19 Klimentos Street, 1061 Nicosia, Cyprus
[c] King's College London, Department of Management, Franklin-Wilkins Building, 150 Stamford Street, London SE1 9NH, United Kingdom

ARTICLE INFO

Article history:
Received 25 November 2013
Received in revised form 26 January 2015
Accepted 6 March 2015

Keywords:
Pharmaceutical policy
Reform
Cyprus

ABSTRACT

The pharmaceutical market in Cyprus has been characterised by high volume and a steep increase in per-capita expenditure over the past decade. Most importantly, the market is fragmented due to the absence of universal health insurance, and the uninsured have to rely exclusively on the private market. The objective of this study is to examine the weaknesses of the Cypriot pharmaceutical market before the financial crisis; to discuss the measures recently introduced after recommendations by the Troika; and to propose interventions that can improve access to pharmaceuticals and efficiency without compromising health outcomes. Apart from the introduction of new pharmaceutical policies, we also recommend the swift implementation of universal health insurance.

1. Introduction

In 2013 Cyprus became the fourth Euro zone country (after Greece, Ireland and Portugal) to resort to IMF, EC and ECB (the so-called Troika) funding as a result of the financial crisis. As in other countries that were bailed-out, the Troika recommended the implementation of measures in (among others) the pharmaceutical market in order to cut costs.

What makes the pharmaceutical market in Cyprus unique in the EU context is that, in contrast to other member states, there is no universal health insurance scheme. While employees in the public sector, people with an annual income below a certain threshold and patients suffering from certain chronic diseases are covered by public health insurance (accounting for 85% of the population [1]), anyone who does not fall within these groups has to rely on the private sector for insurance and treatment. Cyprus is also the only EU country where out-of-pocket expenditure is higher than public health expenditure (Fig. 1) [2]. As demonstrated in Fig. 1, there has been a steep increase in total pharmaceutical expenditure, from 128 million Euros in 2006 to 217 million Euros in 2011 [3].

While studies normally focus on public sector health insurance in EU countries, it is important to include the private health sector in Cyprus in the discussion, because part of the population relies exclusively on this as they do not qualify for public health insurance. In addition, patients who are covered by public health insurance often have to resort to the private market and pay for treatment out-of-pocket, as a result of unsatisfactory waiting times [4].

Regardless of the macroeconomic environment, governments should always seek to increase efficiency and reduce waste in health markets, in order to increase access to care

☆ Open Access for this article is made possible by a collaboration between Health Policy and The European Observatory on Health Systems and Policies.

* Corresponding author. Tel.: +00357 99587597.
E-mail address: p.petrou@gesy.org.cy (P. Petrou).

http://dx.doi.org/10.1016/j.healthpol.2015.03.004

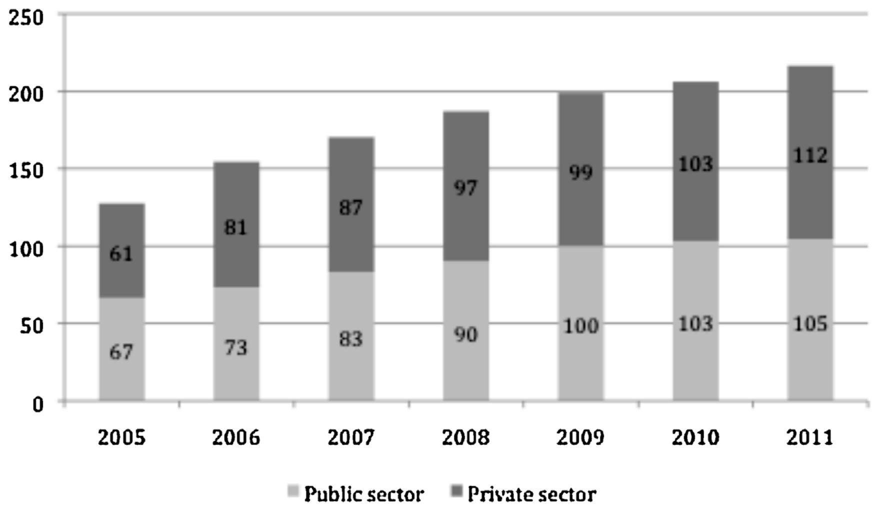

Fig. 1. Pharmaceutical Sales in Cyprus, by sector (private or public) in million Euros. *Source*: Ministry of Health of Cyprus, unpublished data

without sacrificing outcomes. This means that either the same level of treatment can be achieved at a lower cost (thus releasing funds that can be used elsewhere in healthcare), or additional services can be provided at the same cost. Whether in crisis or not, reforms towards better and more efficient healthcare should be a constant policy goal. Especially in a country like Cyprus without universal health insurance, reducing waste can help fund the expansion of health insurance to the entire population. In this context, a country in crisis can implement measures that increase efficiency, rather than simply resorting to blunt cuts, as the latter can be a threat to public health [5–7].

Given the interest in reforms in bailout countries, we follow the example of a recent publication by Vandoros and Stargardt [8] who studied the reforms in the Greek pharmaceutical market during the financial crisis. The objective of this paper is to present the Cypriot pharmaceutical market and its weaknesses prior to the crisis; to discuss the measures that were implemented in Cyprus as a result of the financial crisis; and to propose measures to help achieve the goal of higher efficiency without sacrificing quality of and access to healthcare. In contrast to the changes imposed by the Troika (which focused on cost-containment), we recommend reforms in the Cypriot market that will reduce waste, increase access to care and allocate resources in a way that would increase social welfare, which should be implemented regardless of the macroeconomic situation.

2. The Cypriot pharmaceutical market before the crisis

The structure of the Cypriot pharmaceutical market differs significantly compared to other EU countries, and is in a sense unique with regards to insurance coverage, pricing and procurement of medicines. This originates not only from the fact that public health insurance is not universal, but also that both in-patient and out-patient drugs in the public segment of the market are supplied exclusively via tenders.

Patients covered by public health insurance can receive pharmaceuticals for free from any public pharmacy, when presenting a prescription from a public sector physician. Prior to the crisis there were no volume-control measures in place, resulting in overprescribing and overconsumption of drugs, as in the case of antibiotics [9]. 39% of all prescriptions included more than five products [10], while patients could also receive OTC drugs and vitamins for free from the public sector. Apart from an unnecessary burden on the health budget, drug overconsumption has been associated with adverse drug reactions and increased risk of hospitalisation [11]. The complete absence of demand-side measures exacerbated this phenomenon: Intergraded prescribing guidelines for physicians were limited, and there were no physician budgets nor any prescribing monitoring; in addition there were no incentives for rational prescribing, or user charges as in other EU countries [12].

While tenders are popular for the procurement of medicines in most hospital markets in the EU, these are only used for a limited number of products in few outpatient markets, such as the Netherlands and Germany. In Cyprus, however, the procurement of all drugs in outpatient and hospital markets for the public system is done via tenders, whereas the bidder offering the lowest price wins the right to supply the entire market for two years (a form of a reverse auction) [13]. In general, when there is no monopoly power at the molecule or therapeutic level, tendering leads to lower prices than reference pricing or price caps, and shifts in market shares [14,15], meaning that for such markets in the public sector, the Cypriot authorities have taken advantage of all possibilities for price reductions. However, this is not always the case, as some drugs are on patent, which may lead the government to purchase drugs at the therapeutic class level, whereas one drug per class is purchased. If the product is the only drug in a therapeutic class, meaning that there are no close substitutes, the provider has additional market power, and the tender