



The fiscal crisis in the health sector: Patterns of cutback management across Europe



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ABSTRACT

Purpose: The article investigates trends in health sector cutback management strategies occurred during the ongoing financial and fiscal crisis across Europe.

Setting: A European-wide survey to top public healthcare managers was conducted in ten different countries to understand their perception about public sector policy reactions to the financial and economic crisis; answers from 760 respondents from the healthcare sector (30.7% response rate) were analyzed.

Method: A multinomial logistic regression was used to assess the characteristics of respondents, countries' institutional healthcare models and the trend in public health resources availability during the crisis associated to the decision to introduce unselective cuts, targeted cuts or efficiency savings measures.

Results: Differentiated responses to the fiscal crisis that buffeted public finances were reported both across and within countries. Organizational position of respondents is significant in explaining the perceived cutback management approach introduced, where decentralized positions detect a higher use of linear cuts compared to their colleagues working in central level organizations. Compared to Bismark-like systems Beveridge-like ones favour the introduction of targeted cuts. Postponing the implementation of new programmes and containing expenses through instruments like pay freezes are some of the most popular responses adopted, while outright staff layoffs or reduction of frontline services have been more selectively employed.

Conclusion: To cope with the effects of the fiscal crisis healthcare systems are undergoing important changes, possibly also affecting the scope of universal coverage.

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1. Introduction

The paper provides empirical evidence from ten countries in Europe about the pro-cyclical approaches

adopted by public managers to tackle the shrinkage of funds buffeting the health care sector, as a consequence of the ongoing financial, economic and fiscal crises [1,2]. Pro-cyclical approaches to the global financial crisis advocate reducing public spending and achieving savings in times of financial constraints, in contrast to counter-cyclical approaches that advocate public spending to boost the economy [3]. Reduction in spending on public healthcare service in order to curb public debt appears to be quite a popular policy among European governments since the

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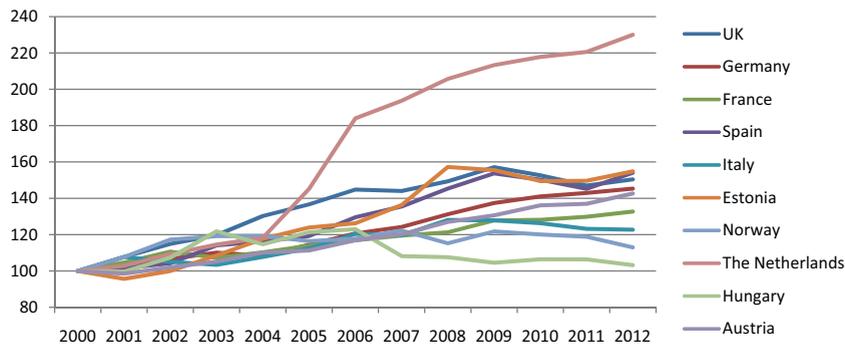


Fig. 1. Per capita public health expenditure trend 2000–2012 (base year 2000).

Source: [8,9].

outbreak of the crisis, though adopted at different speed and intensity [4–6].

Since 2009, health spending has slowed markedly its growth or fallen in many European countries, after years of continuous growth. Data from a representative sample of European countries included in the empirical study, namely Austria, Estonia, France, Germany, Hungary, Italy, Norway, Spain, The Netherlands and the UK show that overall public health expenditure trend has experienced a positive growth from 2000 to 2009 with different magnitude across countries, followed by a persistent decline that started earlier in the eastern European countries (Hungary and Estonia) (Fig. 1). Specifically, per capita government health spending over the period 2000–2009 is estimated to have grown on average, in real terms, by 3.9% annually. In stark contrast, over the subsequent 3 years (2009–2012), average public health spending yearly increased by just 0.93% as an effect of the economic crisis that buffeted public finances (Fig. 2). The extent of the slowdown in public health spending has varied considerably across Europe affecting mainly those in the easternmost part due to severe macroeconomic downturns [6,7]. Estonia, for example, recorded an annual average decrease in per capita public health spending by negative 0.4% between 2009 and 2012, after a yearly growth rate of more than 5% between 2000 and 2009. Also the Netherlands, the UK,

Spain and Italy have experienced significant reduction in public spending during “crisis-time” compared to the average growth rate before “crisis-time” (almost 5 point decrease in the Netherlands and the UK and about 3.5 in Spain and Italy).

Against the backdrop of a tough reduction in the annual average growth rate in per capita health expenditure, it is significant from both a social scientific and a policy standpoint to gain insights into the ways in which public managers coped with the challenges to the quality and universality of health services across Europe. Accordingly, this contribution provides timely and large-scale empirical evidence on the perceptions of executive public managers in the healthcare sector about the patterns of response adopted by their respective countries to manage cuts and the specific measures employed. More specifically, three basic approaches to cutback management have been identified [10]: proportional cuts across the board (i), the adoption of targeted cost containment policies (ii), or the search for productivity and efficiency gains (iii); specific data have been collected about the usage of these approaches. Moreover, a series of cost reducing measures that can be used often in combination as tools for effecting the chosen cutback management approach have also been identified (e.g., personnel policies like staff layoffs or pay freezes and cutting existing programmes or postponing new programmes, etc.); another specific set of data about the usage of such tools have been collected. In fact, the usage of the cutback management approaches and the tools for cutting operational expenses across 10 representative European countries is analyzed by means of primary data gathered from a survey administered to top public healthcare executives. Using multinomial logistic regression analysis, the paper empirically identifies the influence of top managers’ demographic and organizational characteristics, healthcare institutional arrangements and magnitude of public healthcare expenditure reduction on the patterns of cutback management deployed in response to the extant major fiscal crisis in Europe. The contribution also examines country preferences in the use of specific cost reducing measures and tools employed for coping with the reduction in public funding.

Overall, the article contributes to informing the current debates on the strategic and managerial approaches

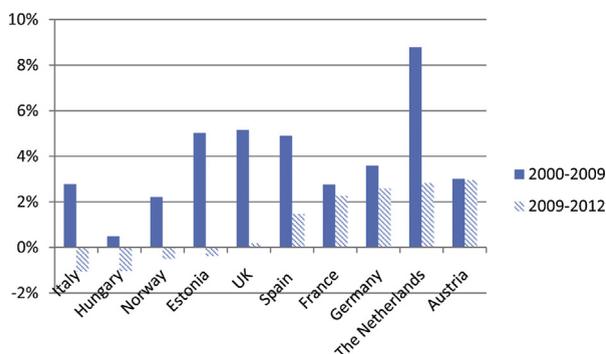


Fig. 2. Annual average growth rates (%) in per capita public health expenditure, real terms, 2000–2009 and 2009–2012. Note: Real growth rate are calculated using GDP deflator. Source: [8,9].

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