Can people afford to pay for health care?
New evidence on financial protection in Europe

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Can people afford to pay for health care?

households using health services without financial hardship

all formal & informal out-of-pocket payments for any health service from prevention to palliative care
Two indicators of financial protection: both use national household budget survey data

**Catastrophic out-of-pocket payments:**
OOPs that are >40% of a household’s capacity to pay

**Impoverishing out-of-pocket payments:**
push households below the poverty line or further below it
What do the numbers tell us?
How many households are impoverished after out-of-pocket payments
How many households experience catastrophic out-of-pocket payments

Weaker protection

Stronger protection

WHO Barcelona Office for Health Systems Strengthening
Who experiences catastrophic health spending: poor people suffer the most
Which health services are responsible for catastrophic spending among all households
Which health services are responsible for catastrophic spending among poor households

Catastrophic OOPs (%)

- Inpatient care
- Diagnostic tests
- Dental care
- Outpatient care
- Medical products
- Medicines

Stronger protection

Weaker protection

WHO Barcelona Office for Health Systems Strengthening
Financial protection is stronger where out-of-pocket payments are low as a share of total spending on health.

Catastrophic incidence (%) vs. OOPs as a share of total spending on health (%)

- R² = 0.66

Countries and years:
- WHO Barcelona Office for Health Systems Strengthening
- Slovensko (2015)
- Czechia (2012)
- Ireland (2015/16)
- UK (2014)
- Sweden (2012)
- France (2011)
- Slovenia (2015)
- Germany (2013)
- Austria (2014/15)
- Turkey (2014)
- Croatia (2014)
- Moldova (2013)
- Latvia (2013)
- Portugal (2010)
- Lithuania (2012)
- Poland (2014)
- Estonia (2015)
- Ukraine (2013)
- Georgia (2015)
- Kyrgyzstan (2014)
- Cyprus (2009)
- Slovakia (2012)
- Netherlands (2013)
- Cyprus (2009)
Coverage policy is the primary mechanism through which people are exposed to out-of-pocket payments.

Population: who is covered?

Universal coverage of needed services with financial protection

Cost: how much do people have to pay out-of-pocket?

Services: which services are covered and of what quality?

Adapted from the World Health Report 2010
What’s the story behind the numbers?
Population coverage is a prerequisite for financial protection – but not a guarantee.

Lack effective mechanisms to enforce participation
Gaps in **service coverage** can lead to financial hardship for the rich and unmet need for the poor.

Everyone uses outpatient medicines – but the poor suffer the most.

Breakdown of catastrophic out-of-pocket payments **by quintile** in **Lithuania**

- **Diagnostic tests**
- **Outpatient care**
- **Medical products**
- **Inpatient care**
- **Dental care**
- **Medicines**

This pattern is even more likely to occur when preventive services are not fully covered.

Poor people aren’t using dental care – unmet need for dental care is nine times higher among poor people.
User charges shift the burden of paying for health care onto those least able to afford it.

Lise experiences financial hardship because she has to pay out of pocket for medicines to treat her diabetes and heart disease.
Co-payments can lead to financial hardship

Share of households in Germany with catastrophic out-of-pocket payments

catastrophic incidence rises and falls

co-payments for outpatient visits introduced in 2004 and abolished in 2012
Countries can improve financial protection by carefully redesigning co-payment policy

**STRONG**
- ✓ exemptions
- ✓ protective caps
- ✓ low fixed co-payments

**WEAK**
- ✗ no exemptions
- ✗ no caps
- ✗ percentage co-payments

protects against system failures

people pay for system failures
1. Percentage co-payments have disadvantages – especially for medicines

Fixed co-payments

Percentage co-payments

Catastrophic incidence (%)
2. Exemptions protect those who need it most

- Fixed co-payments
  - Poor people exempt from co-payments
  - Older people + people with chronic illnesses exempt

- Percentage co-payments

Catastrophic incidence (%)
“Poor people were like gold”

High co-payments with volume quotas

2009: very poor people exempt from co-payments and waiting

2010: more poor people exempt

2012: exemptions abolished for all except very poor people

Who Barcelona Office for Health Systems Strengthening

Share of households in Latvia with catastrophic out-of-pocket payments
3. Caps protect everyone

- Fixed co-payments
- Percentage co-payments
- Annual cap on co-payments
- Poor people exempt from co-payments
- Weak protection mechanisms

Countries:
- SVN
- FRA
- CRO
- SVK
- CYP
- UNK
- CZH
- IRE
- AUT
- NET
- SWE
- DEU
- EST
- HUN
- POL
- LTU
- GRE
- POR
- LVA

Yearly cap on co-payments range from 0% to 14%. Percentages are calculated as a percentage of average annual income.
Effective caps are applied to people not products – and to all co-payments

2008: new income-related cap on co-payments for prescribed medicines (2% of income)

No change in catastrophic incidence, just in the structure of catastrophic spending

A cap on all co-payments would have reduced catastrophic incidence
Simple & people-centred co-payment design works best for everyone

1. Replace percentage co-payments with low fixed co-payments
2. Exempt poor people and regular service users
3. Cap all co-payments per person
The numbers tell us: protect poor people and improve coverage of medicines

The stories behind the numbers reveal a wealth of good practice in Europe

But this is not yet widely applied
To improve financial protection put people first