



HEALTH CARE COSTS. 2008 UPDATE AND PERSPECTIVE ON PUBLIC HEALTH

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Abstract. The article provides a quick review of the healthcare costs in Romania, for the 2004-2008 period, with a further interpretation of possible evolution of spenditure components. Although the funding of public healthcare system has been increased, the current economic and financial context imposes a profound analysis of underlying mechanisms. The economic recession introduce supplementary pressure on healthcare providers by reduced financing and increased number of uninsured and underinsured persons, imposing reforms and costs restructuring.

Keywords: healthcare costs, public health, Romania

Recent reports clearly underline a worldwide tendency of healthcare costs increase. Romanian costs for healthcare products and services have rise progressively, from 3.5% in 2004, to 4% in 2007 and 4.5% in 2008, from the Gross Domestic Product (GDP). The current paper presents a 2008 update of costs structure, underlining the factors playing a crucial role for growth in spending, in particularly for drug products.

According to Hartman M. et al, 2009 [1], the US healthcare spending in 2007 reported a lowest growth rate since 1998. The retail prescription drug spending and government administration were identified as the major factors leading to the unexpected 16.2% health care portion of GDP. On the other hand, the projections performed by

Keehan S. et al, 2008 [2], indicate a 19.5% of GDP by 2017, with a further increase of uninsured and underinsured population. Although the structure and ideas behind the two healthcare system is different, the key issues seem to be the same: an increase need for identifying the driving factors influencing healthcare spending and whether or not the current and future costs composition can be controlled by the decision factors, in order to assure the fundamental, socially equal "access to health and healthcare".

Interestingly, an important event back in 1993 clearly indentified one of the major problems for healthcare spenditure control. The American Pharmaceutical Manufacturers Association proposed a voluntary cost-control plan, mentioning, in particular, an annual increase limit for prescription drug products [3]. The plan was rejected by Justice Department, considering agreements on both maximum and minimum prices equally illegal, but also as a proof of major concern on getting together companies with control on healthcare system, in order to change it.

A quick analysis over the last 5 years reveals a

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2.3 increase in Romanian public healthcare costs from 8.5 billion in 2004 RON to 20 billion, in 2008 (Figure 1.0). This continuous growth in spending reached even more than 30% for consecutive years. The National Unique Fund for Health Social Assurances represents approximately 82% of the total costs, the remaining percent being covered by state budget allowances.

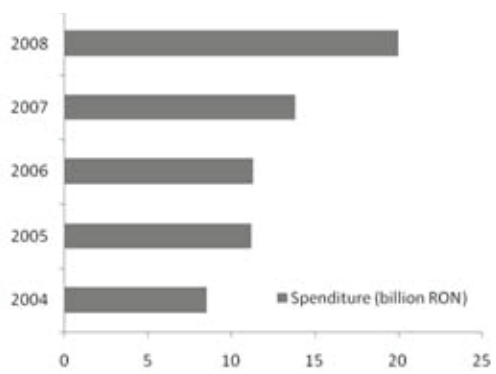


Figure 1. Public healthcare costs, 2004-2008

Source: Romanian National Health Ministry, National Centre for Organizing and Assurance of Informatics and Informational in Health field, Bucharest, 2009.

The funds provided by the Public Health Ministry are represented by sources available from state budget, Ministry or other state budget-financed public institutions own-income. Expenditures on health care from the Public Health Ministry was planned to surpass 4 billion Ron in 2008, as can be seen from figure 2.

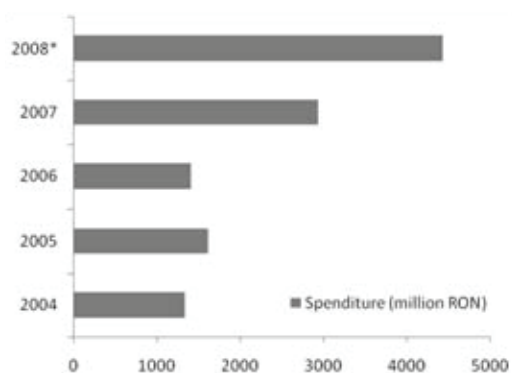


Figure 2. Funds provided by the Public Health Ministry, 2004-2008

As shown in the figure 3., hospital care accounts for the largest share on health costs and a 38% increase was reported between 2005 and 2007. In the same time, although in real terms, the hospital

prescription drugs costs have increased, the percentage from total healthcare expenditure decreased from 15.1 to 11.5%. In the context of the reduced number of expiring patents and assumed constant or increased drug consumption, this fact could be used as an indicator of a critical healthcare cost component: the increased consumer involvement in purchasing. Hoffman JM et al [4] reported for the US market for the same segment a moderate increase rate of 1.6% from 2006 to 2007 and 2.8% for the first nine months of 2008, fact mainly explained by increasing availability of important generic drugs, but also by drug safety concerns.

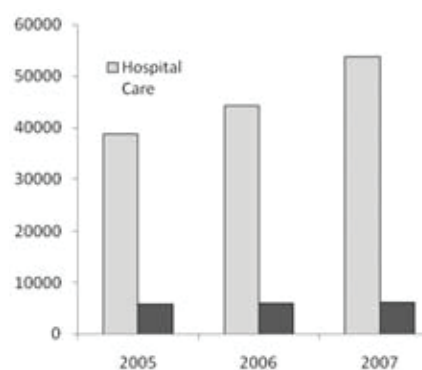


Figure 3. - Comparative evolution of hospital care and hospital-provided drugs costs

The analysis of the hospital healthcare costs, as the driving element of the total expenditure, by 4 of the main departments, revealed, for the mentioned 3 years period, a net increase for Surgery, a slightly fluctuant, almost constant levels for Internal Medicine, Obstetrics-Gynaecology and Paediatrics, maybe due to increased involvement of private healthcare providers and patient so-called out-of-pocket payments, not covered by health insurance.

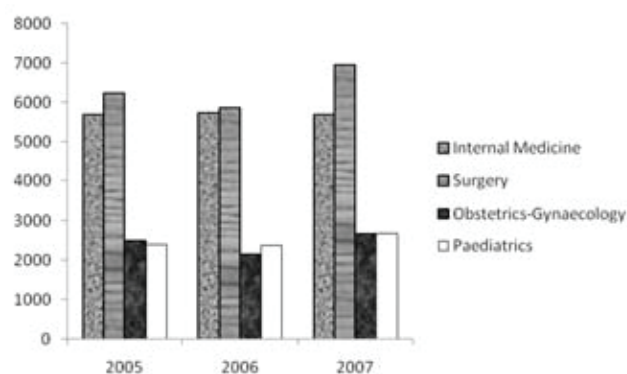


Figure 4. - Hospital healthcare costs for four main departments

The control of health care costs imposed a better understanding in the main factors involved, most often hidden behind the major, constant concern of healthcare system under financing: high prevalence of chronic diseases, with consequent several diagnostic procedures and long-term polymedication and care systems, aging of population and last but not least, healthcare system management costs. Although, after a long time interval without any critical therapeutic agent available for generic development, 2010 is reported to have five blockbuster drugs with expired patent protection [5], the economic context will definitively lead to a further, even more accelerated increase of healthcare costs.

Setting and changing any healthcare system and costs structure needs a profound analysis of underlying mechanisms. The economic recession introduce supplementary pressure on healthcare providers by reduced financing and increased

number of uninsured and underinsured persons, imposing reforms and costs restructuring.

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