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## Volume 14, Issue 3 /2012 - Sustainability

### Sustainability For Financial Success

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No one can deny that these are trying times for most European countries. As austerity measures sweep the continent, we at (E)Hospital want to know how financial constraints are affecting healthcare systems and hospitals in particular. Who better to speak to than those countries most affected: Portugal, Greece, Spain and Ireland. In the first of a two-part series, (E)Hospital spoke to representatives from our Greek and Portuguese hospital manager associations to find out how they are coping and if they have any solid advice for their European colleagues.

After talking to George Stathis and Victor Herdeiro it is clear that difficult financial and political situations in both Greece and Portugal have pushed healthcare providers to shift their focus to patients rather than professional interests. Significant budget cuts coupled with a rise in the number of patients using the public health service has necessitated significant changes in both countries. In fact, both men believe that in some ways, facing the financial crisis has led to positive changes in the healthcare sector. For Greece, positive changes include the modernisation of processes and a clamp down on illegal practices. In Portugal, economic uncertainty has promoted rationalisation and increased efficiency.

**Your country has been severely affected by the ongoing economic crisis. What have been the main effects on your healthcare system and hospitals in particular?**

**(George J. Stathis)** Facing a fiscal deadlock, Greece has been forced to come to agreement with its loan providers and accept the application of a very strict austerity programme and internal devaluation. In both the public and private sector, salaries and pensions have been cut significantly; public servants have been laid off and public spending dramatically cut in all sectors. This also applies for the National Health System with serious consequences for public hospitals where budgets have been curtailed by 50% over the last two years. At the same time, admissions and hospitalisations to public hospitals have increased, as the severe income reductions constrain the citizens in seeking services in private clinics.

Of all consequences of the new financial situation, the problems in the availability of hospital consumables are the most visible to the patients. In some cases patients have to buy consumables at their own expense. There are also cases in hospitals when planned operations are cancelled in order to save materials for emergencies.

**(Victor Herdeiro)** Due to the adjustment programme in the public healthcare system, there was a big cut on the 2012 annual budget (globally and in each hospital in particular). Furthermore, the government determined a 5% cut on public employee salaries above 1,500 euro and a cut on the holiday and Christmas subsidies for public employees whose salaries are above 1,000 euro. The public managers had, in addition, a 5% cut on their salary.

In the private sector, the government abolished the tax benefits of the insurance premiums (health and others). Furthermore, after a negotiation with the pharmaceutical industry there was an administrative reduction on medicine and diagnostic and treatment procedures.

**Is your government making special provisions to protect the healthcare sector? If so, please tell us about them.**

**(George J. Stathis)** Over the last decades the Greek government has ignored proposals by health economists and specialised hospital managers calling for the financial reform of the health sector in order to fight corruption and overspending and contain the costs. Because of the financial crisis, the government was only recently forced to adopt our proposed measures.

So, recently, among other measures, important changes have been introduced: DRGs, e-procurement, digitalised prescription and a quota in generic prescription in both hospitals and pharmacies. The absorbance rate of all these measures at the same time is somehow slow and the true benefits are yet to show. Some physicians who were found to be involved in supplier induced demand or asked for illegal extra fees from their patients have been made redundant from their place of work and legal and financial punishments have been imposed. I believe if these measures had been applied in healthcare in a timely manner and in some other sectors, Greece would not have had the fiscal deadlock it now has to face.

**(Victor Herdeiro)** Yes. The purpose is to have a public healthcare sector similar to the English NHS. There's unanimity in the whole society to preserve the public healthcare sector. So, to make it sustainable, the government is trying to promote the reorganisation of the national healthcare supply, reducing the service surpluses.

**On the hospital level, what are you doing to combat these financial constraints? How are you sustaining high quality healthcare (E.g. new technologies, new initiatives, staff cuts etc)?**

**(George J. Stathis)** Hospital managers have very limited authority in taking these initiatives. New job appointments in healthcare have been prohibited, which directly affects administrative and nursing staff. Medical staff remain abundant in main Greek hospitals and in some cases there are more than needed. On the other hand, physician shortages still occur in some peripheral health units in remote areas.

Our economic everyday reality does not allow for new investments in medical technology, but in general, hospitals are well equipped in technology dating from the previous economic period. Moreover, construction and refurbishment of hospital infrastructure is not permitted..

Overall it is fair to say that the quality of medical services has been preserved as before, although the quality of the hospitality, nursing care services and the timely responsiveness of the healthcare system to patient needs have deteriorated.

**(Victor Herdeiro)** The boards implemented several measures, such as:

- Price and quantity renegotiation with the pharmaceutical industry;
- Services centralisation;
- Internalisation of diagnostic and treatment procedures; and
- Only substitution investment.

**Has anything positive come out of this situation?**

**(George J. Stathis)** The positive outcome is that politicians are eventually forced to apply modernised measures to public health and to face the moral issues surrounding illegal practices from a considerable part of physicians. The once powerful medical lobby is now under acute public scrutiny and in the medium term it will comply. The same applies to pharmacists and pharmaceutical companies. Another positive aspect is that private clinics and diagnostic centres as well as private practices have reduced their fees.

**(Victor Herdeiro)** This financial and economic crisis has highlighted the need to focus on our core business: patients' needs rather than professional interests. We are now eliminating redundant services, promoting rationalisation and making services more efficient.

**What is your outlook for the future?**

**(George J. Stathis)** My view is that in the next few years the Greek healthcare system will move from being doctor-centric towards becoming patient-centric. But this will need to operate in a much smaller budget compared to what it was up until 2009, when Greece had a leading position in expenditure among other European states.

Thousands of physicians would need to either change profession or emigrate. Already, representatives of the German service EURES have visited Greece in May in order to offer placement opportunities in German hospitals. Approximately 6,000 Greek doctors are currently employed in Germany, with many others preferring other countries as far as Australia. Note that Greece has the greatest ratio of medics per inhabitants among OECD nations and probably the rest of the world. But now more than ever there is an absolute necessity to shift healthcare expenses to where they are truly needed, i.e. to the patients, as it is unjust to use these scarce resources in order to fuel unnecessary medical payments.

**(Victor Herdeiro)** With the increase of the average life expectancy and the increasing number of new technologies, the challenge in the healthcare system will be to maintain the healthcare service level without increasing the citizens' taxation. This means that it's going to be difficult to keep up with the launch of new technologies and on the other hand, it will be difficult to keep waiting times short as it is nowadays.

**How has your national association of hospital managers addressed the financial crisis? What are they doing to help?**

**(George J. Stathis)** Unfortunately, until today hospital manager positions are not considered technocratic but political. Every government and every Health Minister would change the serving hospital managers and replace them with acquainted professionals of any sort and arguable ability to manage. In our national association, members are strictly specialised healthcare professionals who strive to change this ill-fated situation. We try to promote those measures that target the real issues, which are innovative practices, tested and successful in other healthcare systems. We believe that the crisis will highlight the need to pass hospital management over to specialised and experienced professionals. This will be a significant progress for the Greek healthcare system, which will enable a faster resolution of the crisis. **(Victor Herdeiro)** The association promoted meetings with hospital managers around the country to help them to deal with the main constraints imposed by the adjustment programme and by the government.

**Finally, what advice do you have for other countries in similar situations?**

**(George J. Stathis)** I believe that the healthcare sector should not be compressed by austerity policies, except for cases of proven overspending and bad management.

Ageing population and advancements in technology will increase health costs in the medium term, but every country must find ways so that the utilisation of the additional budgets would directly target patients and quality of service. Healthcare systems must become more patient-centric. **(Victor Herdeiro)** First of all, it's important to have a good overview of the healthcare sector situation (demand, supply – public and private, financial, social, epidemiologic and demographic characterisation). For countries with a public healthcare sector, with the increasing of the

average life expectancy and the need to make the system sustainable and to preserve the welfare state, it's important to make a reflection about the healthcare service level without increasing the citizens' taxation.

#### **Interviewees**

**Greece: George J. Stathis**

*President, Hellenic Health Services Management Association*

**Portugal: Victor Herdeiro**

*Chairman of the Board of Directors, Unidade Local de Saúde de Matosinho*

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