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# Healthcare Reforms in France

*HITM Editorial Team*

***The French healthcare system, in some senses, resembles "a riddle wrapped in a mystery inside an enigma". This may seem an unflattering comment for some; it was the expression used by Winston Churchill to describe the Soviet Union on the eve of the Second World War. However, one could make a case for at least some degree of editorial license, given the huge conflicts in perceptions about France's healthcare system, internally and overseas.***

#### 'Best in World' or 'General Confusion' and Crisis ?

In 2000, the World Health Organisation ranked the French healthcare system as the "best in the world." This was in spite of the fact that France lagged much of Europe in terms of standard benchmarks for high-tech healthcare (such a MRI or CT scanners per capita), and also faced other, major structural challenges.

Indeed, barely four years later, a French official body (the High Council for the Future of Health Insurance) warned that the country's health system was in a state of "general confusion" and faced a severe crisis – including a six-fold rise in its public budget deficit by 2020. Such self-criticism, however, did not prevent the prestigious 'New England Journal of Medicine' urging the US government to take lessons from the French healthcare system.

#### Slowing the Roller Coaster

More recently, perceptions of healthcare in France have become little less of a roller coaster ride.

The French continue to seek ways to trim spending and increase efficiency, given the fact that spending on health

as a share of GDP, at 11+ percent, continues to remain Europe's highest. This will be exacerbated by the global financial crisis, as borne out by the turmoil on the streets of France with regard to first phase reforms to the pension and retirement systems.

#### American Admiration Remains Feverish

Nevertheless, American admiration for France has not waned.In 2008, NPR Radio ran a series of features comparing global healthcare systems, and observed that at "half the cost of US health care, France offers universal coverage without sacrificing choice."

In May 2010, Veronica de la Cruz, a celebrity news anchor at CNN, said America had a lot to learn from France's health system – above all, an issue dear to Europeans - fairness versus the "purely commercial values" of the US. Ms. de la Cruz says she witnessed this first hand after her taxi had an accident, and she bumped her head. In an interview with the Paris-based English journal 'Connexion':

I went to hospital. I'm not even in the system, but they saw me right away and did tests. They said it would be 22 euros and they would send the bill to my address in New York. In America you can't even walk in the door without an insurance card.

Or, if you don't have one, they'll bill you 10,000 dollars for what I had; they will give you a lot of tests you don't need because they make money on each. There is no cost control."

#### Reality Much More Complex

In reality, the issue of how good (or even excellent) the French healthcare system is far more complex than those provided by anecdotal judgements or one-line verdicts – such as that by the World Health Organisation in 2000.

Indeed, in November 2010, the authoritative Commonwealth Fund compared the healthcare systems of 11 industrialized countries. The Fund found that while the French fared at the top of the list on some counts, others did better elsewhere.

#### Underlying Structural Challenges Aggravated by Economic Crisis

The French themselves know this, better than anyone else.

Their healthcare system, like those in some other European countries, is world class. However, it also faces similar structural challenges – topped by the increasing demands of an aging population and rising costs – especially for new therapies. Tough enough as all these are on their own, the ongoing global economic crisis has made matters even worse. Such challenges, in turn, have to be accommodated alongside a legacy of healthcare infrastructure, the bulk of which dates back three decades or more.

#### 1996: First Serious Steps at Reform, Achievements Limited

Indeed, in 1996, the French government began major healthcare reforms – principally targeted at strengthening quality and efficiency. Some of the measures included the founding of a healthcare accreditation body, new regional hospital agencies (RHAs), the establishment of cash-limited budgets at both national and regional levels and a contracting procedure between health authorities and hospitals.

These moves, however, did little to ensure long-term control of escalating costs, and led the way for far more drastic moves proposed in 2004 by the High Council for the Future of Health Insurance.

#### Hospital 2007

Hospital 2007, an ambitious 5-year reform programme, was implemented for the pe riod 2003-2007. This was followed by the ongoing Hospital 2012, for the years 2008-2012.

Briefly, Hospital 2007 sought modifications to financing systems as well as the rules and frameworks for hospital planning and governance, in both public and private hospitals. It had three lines of action:

**1.** Decentralisation and investment in healthcare facilities – especially for hospital modernisation. Outlays of 6 billion

Euros were provided as direct government subsidies with additional selffinancing by hospitals.

**2.** Reformed governance for public hospitals, in order to provide greater autonomy to medical staff in managerial decisions.

**3.** Introduction of payment by results (T2A, in French ‘tarification à l'activité’).

Overall, Hospital 2007 has led to significant modernisation programmes at hospitals, not least by several hundred smaller institutions which have (or are being) merged or regrouped – into larger and more viable entities.

There have, however, been many criticisms of the Plan, not least due to the unpredictability of new technologies on overall costs, and the difficulties of developing multi-year investment plans as a result.

The biggest criticism is that the reforms have paved the way for a two-tier hospital system. Though the internal organisation of public hospitals have improved, their boards remain under the control of the government, alongside old, bureaucratic mindsets as far as investments and recruitment are concerned.

In addition, the new system has entailed a potentially far higher risk for public hospitals – who are compelled to respond to the full range of healthcare demands (including lower-margin, higher volume services - the so-called public service obligation). For them, the challenge is to control costs rather than manage and fine-tune the range of services on offer. In contrast, the private sector has more flexibility to specialise, and most concentrate on surgery, maternity care and sophisticated specialty areas.

#### The Next Step in Reforms: Hospital 2012

Hospital 2012 (Le plan hôpital 2012) was announced in February 2007 by French Health Minister Xavier Bertrand as a follow- on to Plan 2007. Like its predecessor, it is focused on hospitals – both private and public, as well as achieving excellence in medical science and healthcare delivery.

With an outlay of 10 billion Euros (in two equal tranches in 2007 and 2009), the new Plan intends to build upon the positive results and experiences of its predecessor, while ameliorating the negative ones. Analysts have identified two principal thematic pillars for Hospital 2012.

The first is a continuation of the organisational and financial restructuring elements from Hospital 2007. The second is to “accelerate” the implementation of high-tech hospital information systems, with the aim of increasing outlays on healthcare IT -from 1.7 percent of spending to 3 percent by 2012.

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