

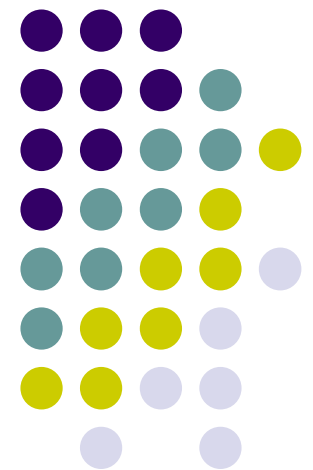
# Out-of-pocket payments in Central and Eastern Europe

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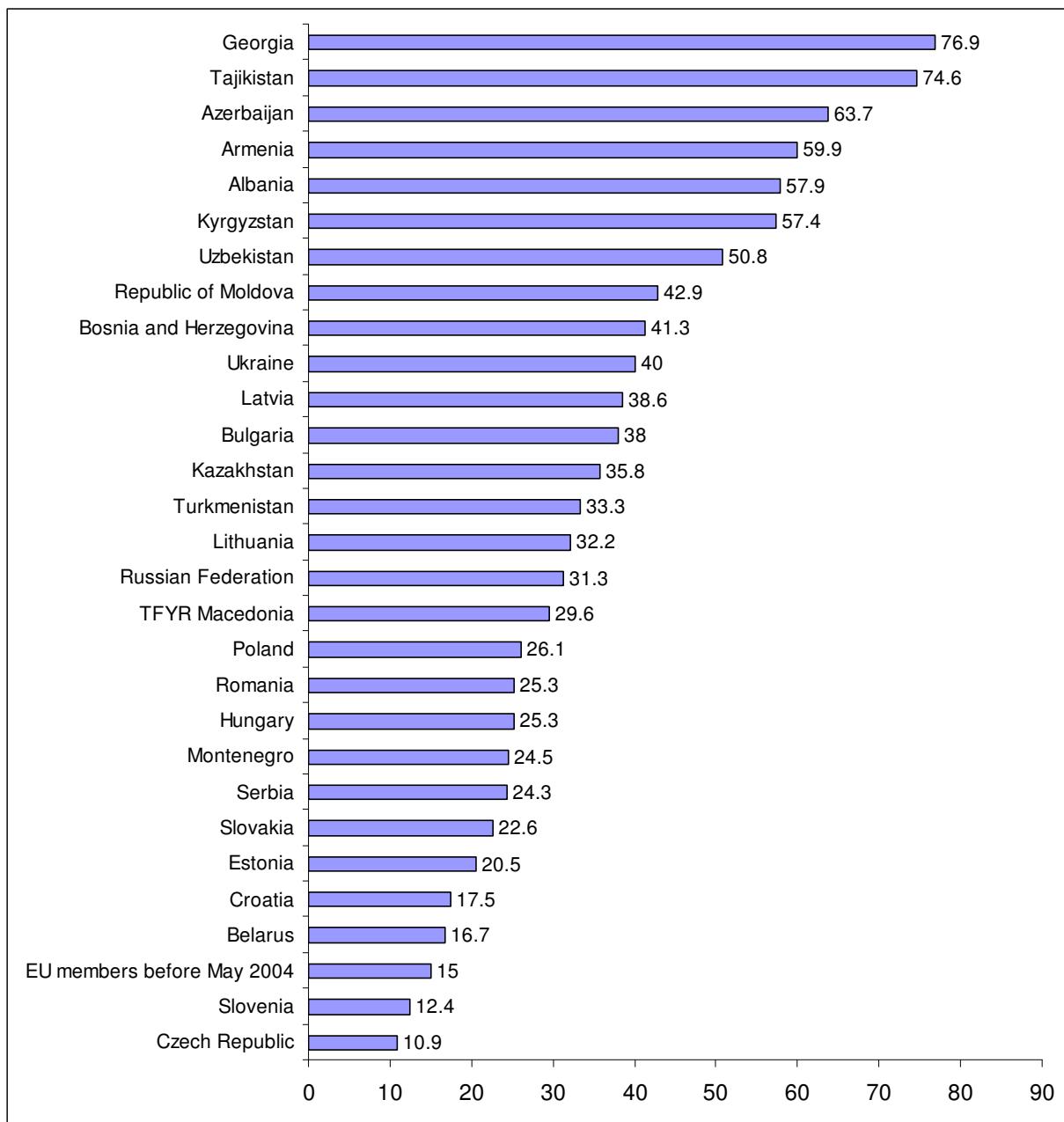
European Observatory on Health Systems and Policies



# Structure of presentation



- extent
- reasons
- consequences
- possible actions



**Private households' out-of-pocket payment (both formal and informal) on health as a % of total health expenditure, 2005**

**Source: Health for All database, January 2010**



# Formal and informal

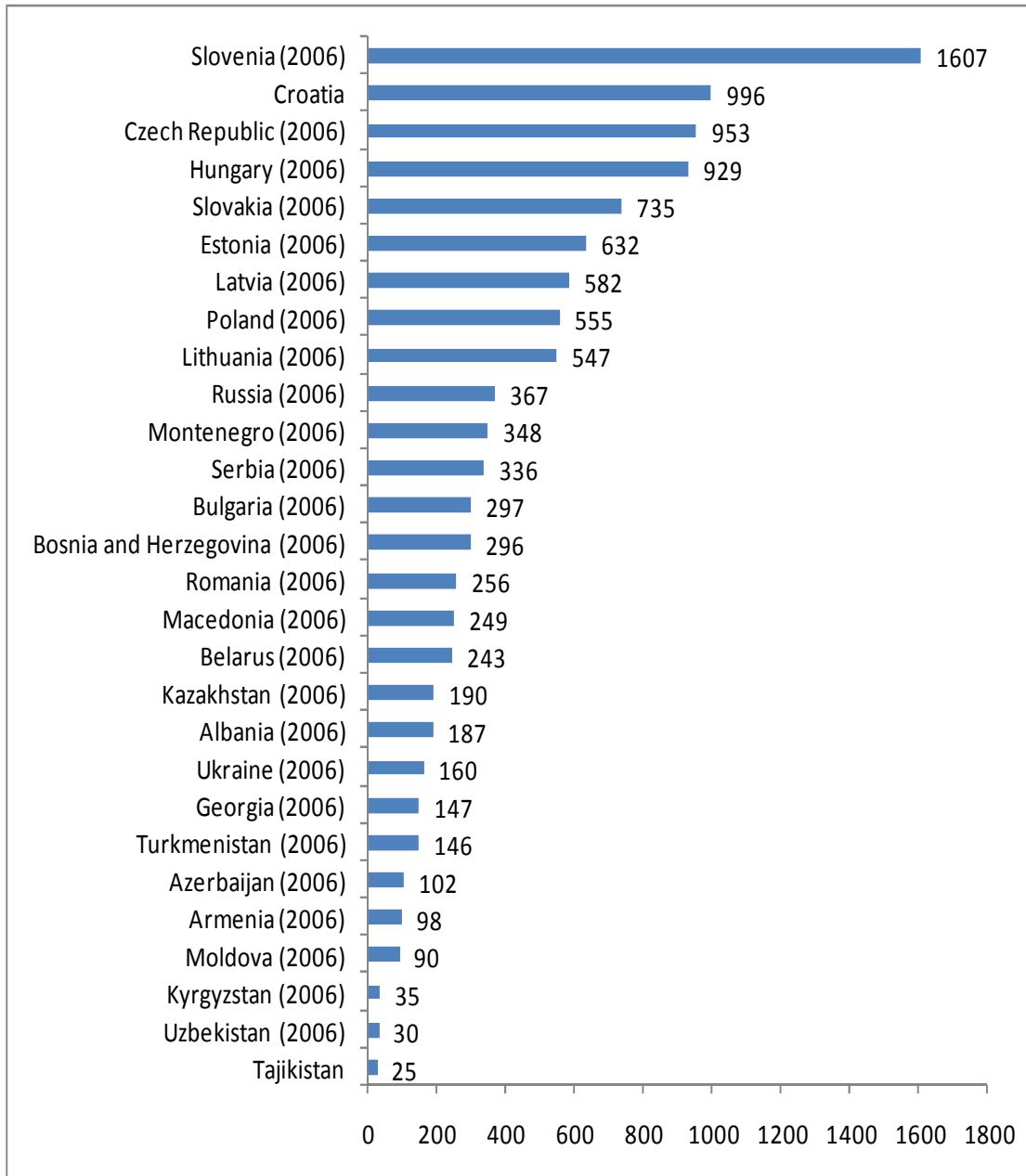
- some countries have very low levels of informal payments and moderate formal payments, such as Estonia
- some have low levels of informal payments but high levels of formal payments, such as Latvia
- some have high levels of informal payments but low levels of formal payments, such as Russia and Ukraine
- in yet other countries both formal and informal payments significant, such as Azerbaijan, Bulgaria, Georgia, Moldova, and Romania



# Paying three times...

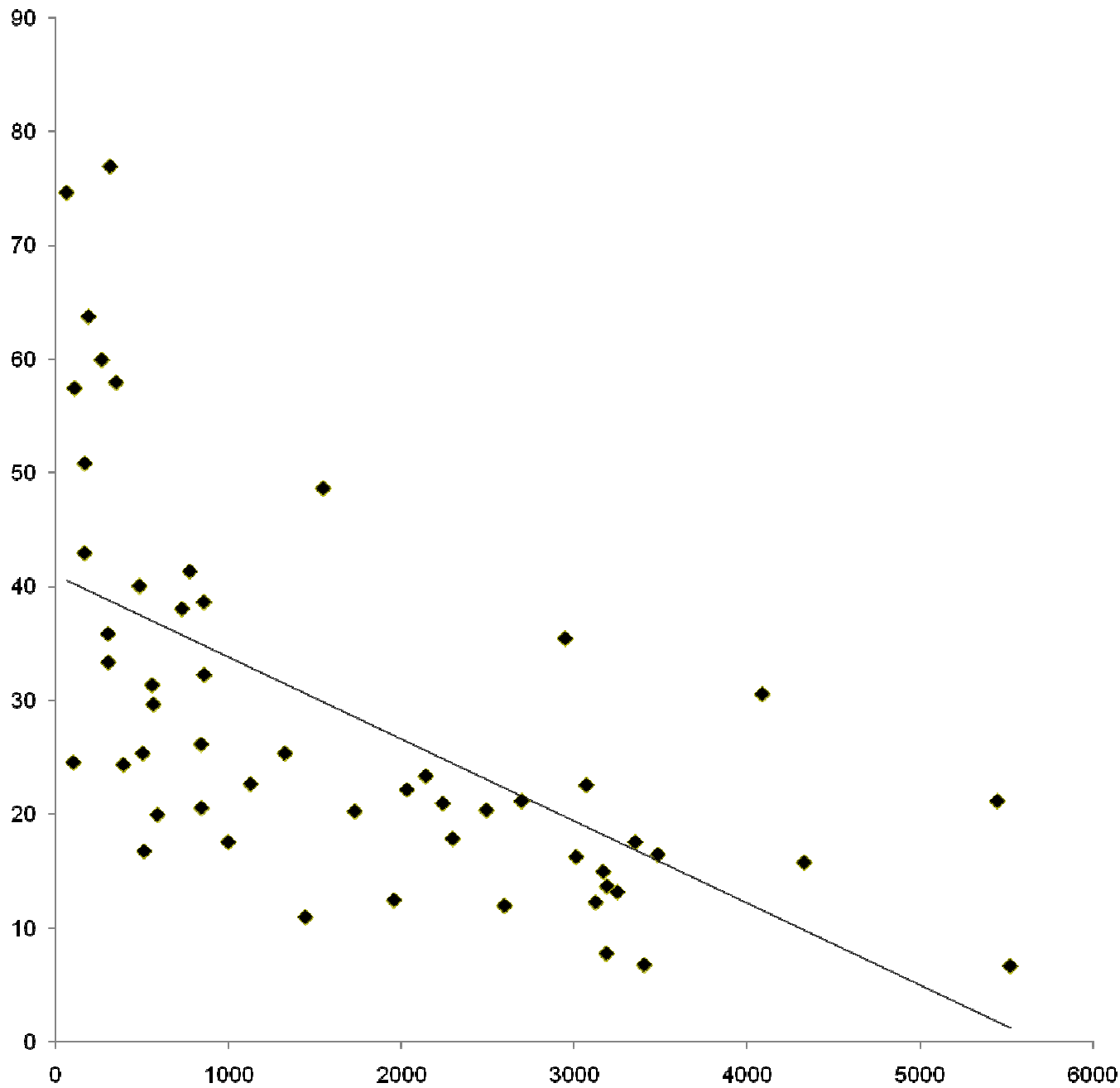
- in Turkmenistan, patients complained that they have to pay three times for health services:
  - the contribution to medical insurance that is deducted from salaries
  - the official price lists of medical services
  - the unofficial under-the-counter payment to the health workers



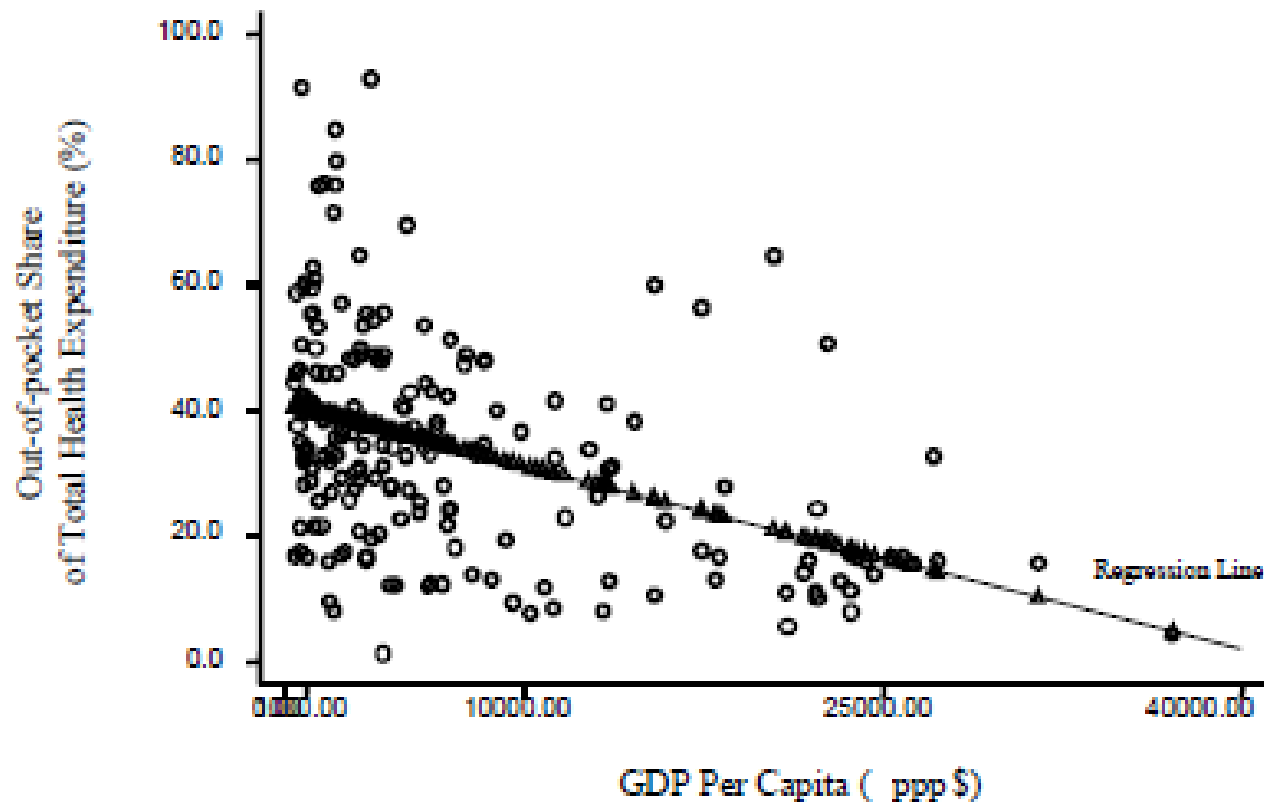


**Health expenditure per capita (current US\$), 2007 or latest available year**

**Source: Health for All database**



**Private households' out-of-pocket payment and per capita expenditure**

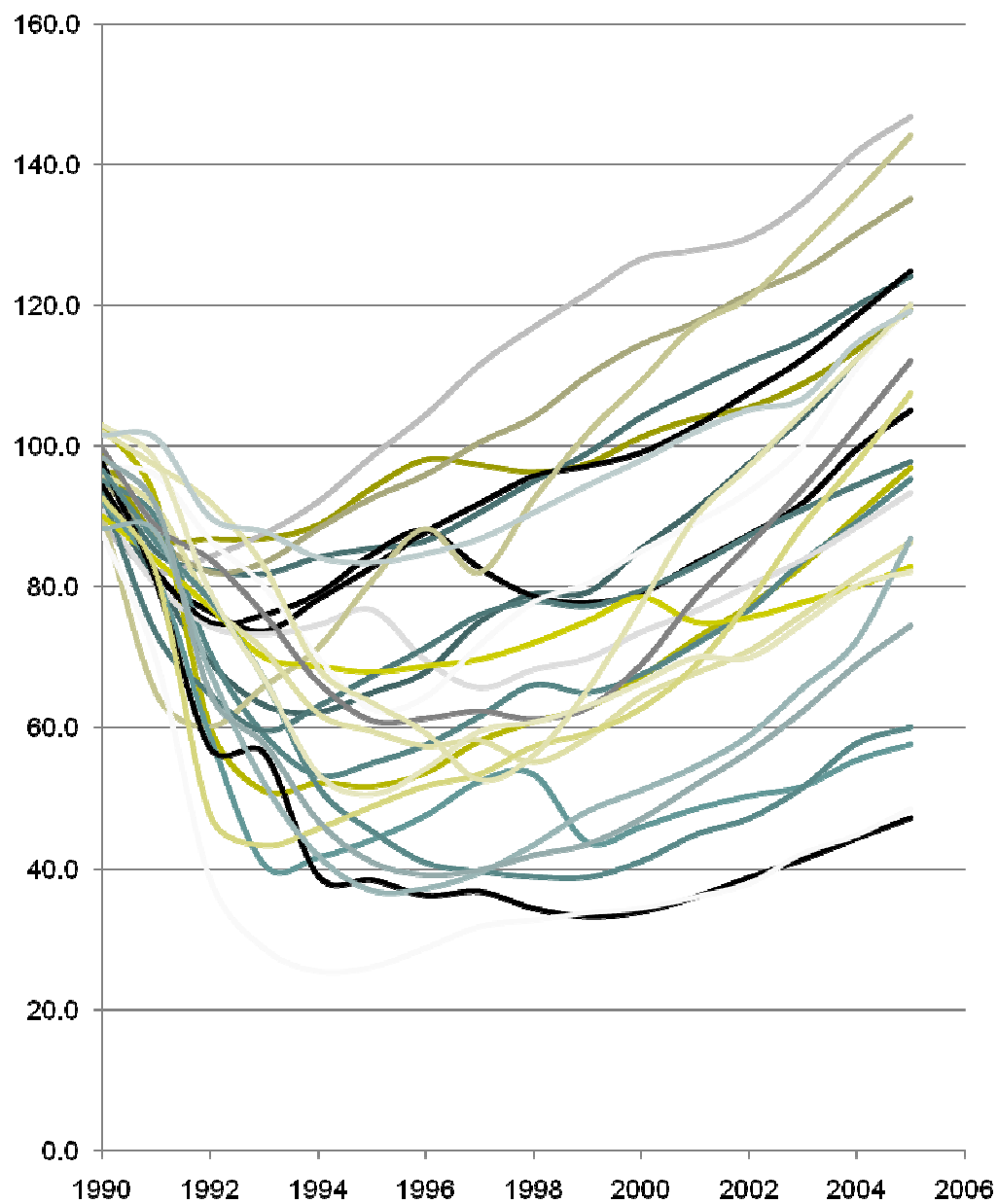


**Out-of-pocket  
spending as  
% of total  
health  
spending and  
GDP globally**

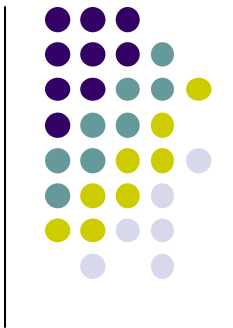
Source:

Poullier et al.: Patterns of Global Health Expenditures, WHO, 2002.



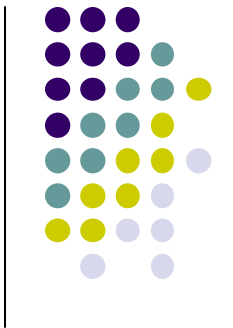
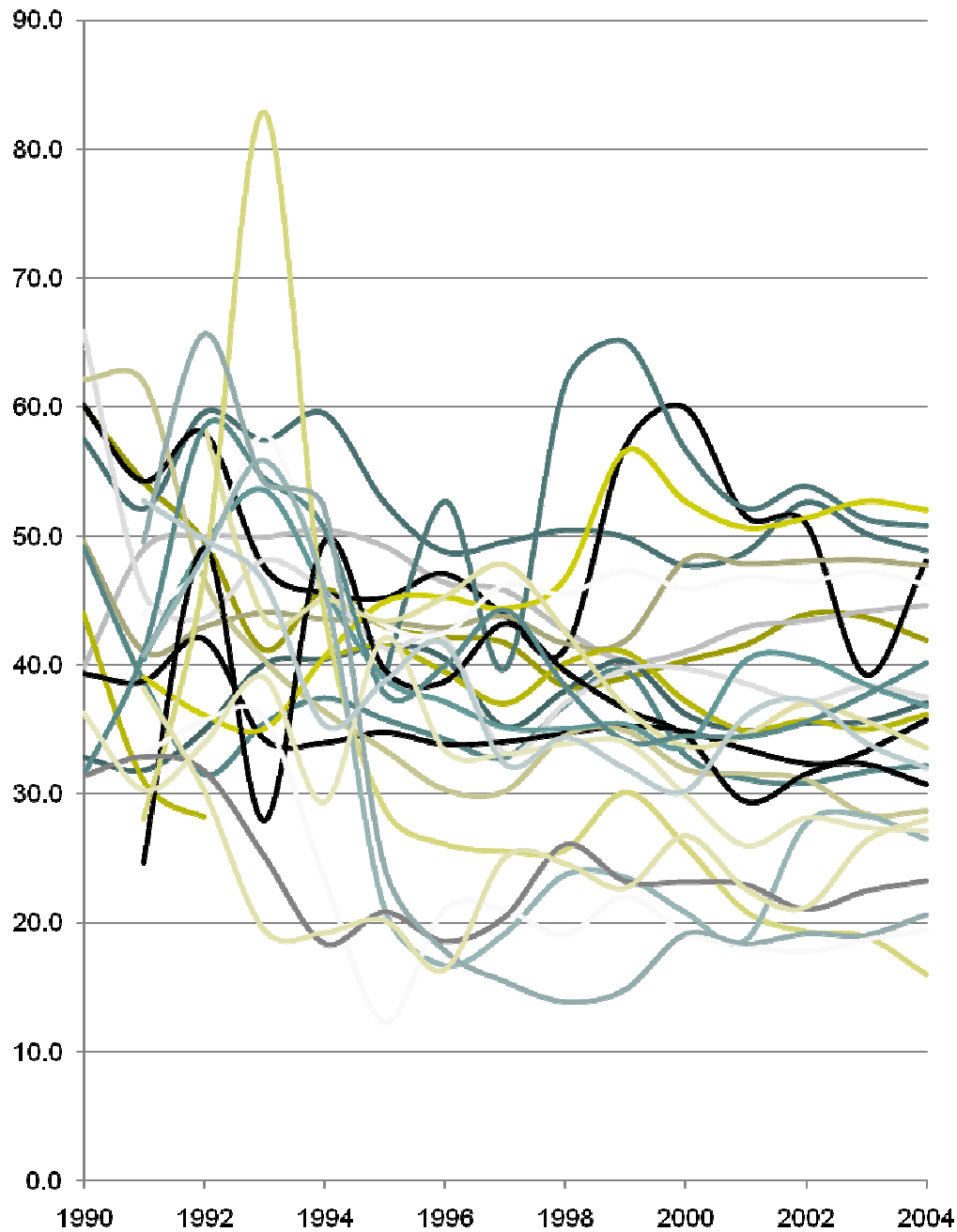


- Czech Republic
- Hungary
- Poland
- Slovakia
- Slovenia
- Estonia
- Latvia
- Lithuania
- Bulgaria
- Romania
- Albania
- Croatia
- FYR Macedonia
- Serbia and Montenegro
- Belarus
- Moldova
- Russia
- Ukraine
- Armenia
- Azerbaijan
- Georgia
- Kazakhstan
- Kyrgyzstan



**Real GDP  
growth (index,  
1989 = 100)**

**Source:  
TransMONEE  
2006**



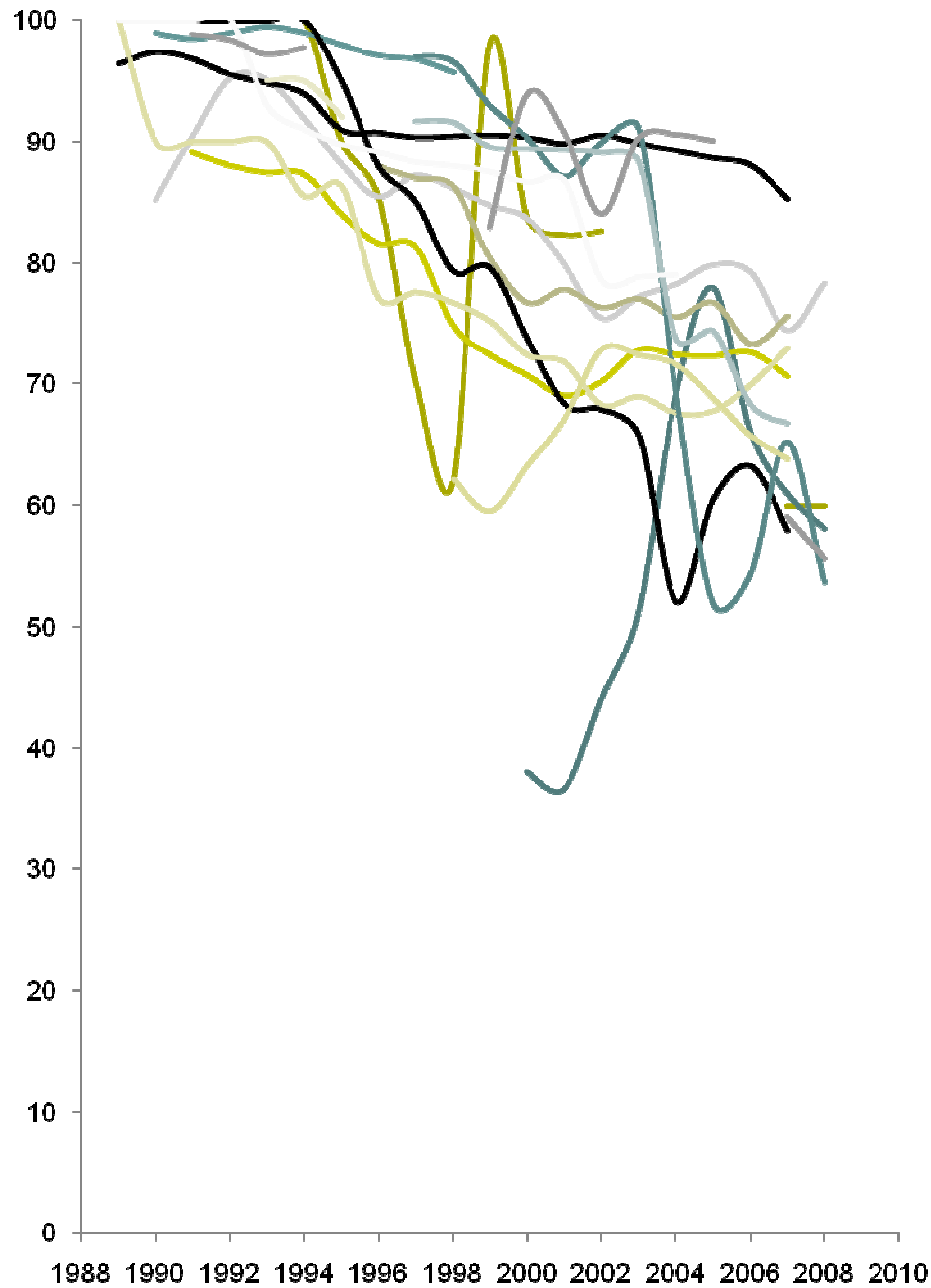
## General government expenditure (per cent GDP)

Source: TransMONEE 2006



# Reasons

- in many countries, decline in share of government expenditure devoted to health
- overall result of these three developments:
  - **dramatic decline in public expenditure** on health
- private health expenditure, mainly in the form of out-of-pocket payments, filling the gap



**Public as  
% of total**

**Source:  
WHO HFA  
2010**



# Formal payments

- many countries of the region have introduced formal co-payments for health services
- typically, they apply to initial visits to physicians or specialists and to hospital stays
- expenditure on outpatient drugs
- benefit packages and exemptions from co-payments to alleviate equity implications



# Informal payments

- the widespread informal, “under-the-table” payments that pose the greatest policy challenge - especially common in some of the poorer post-Soviet countries



# Why informal payments?

- to supplement low salaries of health workers
  - however: physicians, particularly in hospitals, the main beneficiaries of informal payments
- to pay for essential services, drugs and materials
- to pay for “luxury” services, e.g. single room
- to improve (perceived?) quality of care



# Why informal payments?

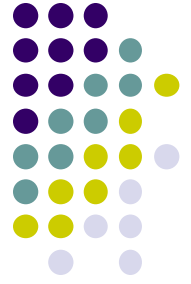
- lack of political commitment to address the problem
  - in some cases because politicians view the existence of informal payments as a means to avoid raising salaries
- confusion among patients about which payments are official and which not
- in some countries, culture of gifts and gratitude payments



# Corruption



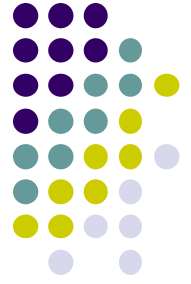
- one way of looking at informal payments is to see them as a form of corruption
- indeed, health systems are particularly prone to corruption, due to:
  - information asymmetry
  - an inherent uncertainty about who will get ill and how effective treatments are
  - the complexity of health systems, with a large number of actors.



# Corruption

- the wider societal context matters!
- corruption is less likely in societies where:
  - there is a general adherence to the rule of law
  - transparency and trust
  - where the public sector is accountable
  - where the media and civil society are strong
- failure to enforce regulations, weak systems of accountability

# Corruption



- a surgeon in Bulgaria described himself as a victim of bribery and blackmailing for other services, such as car repairs
- charging informal payments from the “same people” a way of getting the money back...



# Consequences

- out-of-pocket payments (both formal and informal) create major problems:
  - they are the most regressive form of health financing, as people on lower incomes pay proportionally more
  - they favour expensive but inappropriate services
  - they make people delay seeking treatment or try self-care and traditional healers
  - they are a barrier to health care reform

# What can we do?





# What can we do?

- increasing salaries of health workers will only get us so far...
- try to replace informal payments by formal payments – but take account of ability to pay!
- supplement this by benefit packages of guaranteed services



# What can we do?

- strengthen the regulatory framework – but not only in the health sector!
- increase public expenditure on health
- patient involvement and information
- strengthening patient rights