

In Cyprus, the Troika should be promoting health reforms towards universal coverage, not derailing them.

Blog Admin

Last November, the Troika agreed a Memorandum of Understanding with Cyprus, which also made special reference to the country's health sector. Ahead of Presidential elections in Cyprus on Sunday, [Jonathan Cylus](#), [Irene Papanicolas](#) and [Mamas Theodorou](#) argue that some of the key recommendations of the Memorandum, such as eliminating access to healthcare at reduced rates, and increasing some fees, threaten to undermine efforts towards Cyprus's goal of universal health coverage.



Despite being one of the wealthiest European Union states, there has historically been a lack of investment in the development of the public health care system in the Republic of Cyprus. It has been [argued](#) that the government has generally relied on the large private sector to deliver health services, leaving the public system to only deal with complicated or urgent cases. Although it is recognized that there is need for a more comprehensive system, the government has [delayed](#) implementation of the new General Health Insurance Scheme (GHIS), which was approved by Parliament in 2001 and designed specifically for this purpose, for over a decade. The aim of the GHIS, in broad terms, has been to provide universal coverage by incorporating social insurance contributions into the public health care financing system, and to encourage competition between public and private providers by using more efficient payment mechanisms.



In Spring 2012, following a [Council Recommendation](#) by the European Commission that Cyprus should "Complete and implement the national healthcare system without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage" the Cypriot Cabinet reaffirmed its commitment to the reform, which is now expected to come into effect in 2016. However as the economic situation in Cyprus has not improved over the last year, in November 2012, a [Memorandum of Understanding](#) (MoU) was agreed between the Troika (the EU, European Central Bank, and the IMF) and the Cypriot government. The MoU makes special reference to the health care sector with a number of recommendations that aim to improve sustainability. While many of these recommendations further the goals of the GHIS, others are in sharp contrast to the objectives of the reform, despite the Commission just recently advocating on its behalf. Most notably, some of the Troika's key recommendations clearly go against the move towards universal coverage: the main objective of the new health system.



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A key example is the MoU recommendation that the government abolish the beneficiary category known as Class "B", who are currently [entitled](#) to reduced rates for publicly provided health care. This group, making up about 2% of the population, is comprised of individuals with gross annual income between

€15,380 and €20,500, or €30,750 to 37,590 for two-member families, increasing by €1,700 for each dependent child. Because this group is small, relatively poor, and contributes very limited revenues to hospitals, there have previously been proposals to allow them access to free medical care, as is the standard for Cypriots earning even lower incomes. Eliminating access to care at reduced rates for this group does not improve the sustainability of the health system as they make up a very small percentage of the population and contribute very little to total health expenditures. Additionally, the MoU endorses increasing fees for medical services for non-beneficiaries (which would now include those in class “B”) by 30%. They also encourage increasing fees for using “higher levels of care for all patients irrespective of age” which will undoubtedly reduce access to health services for many who require care.

Not all recommendations by the Troika contradict the objectives of the GHIS and many are likely to improve the performance of the health system. The MoU encourages using [Diagnosis Related Groups](#) to code inpatient care, urgently needed for the design and application of payment mechanisms under the new health system. Gate-keepers are recommended—consistent with the plan for the GHIS—although there have been concerns in the past that at this time there may not be enough qualified GPs to deliver care to a larger patient pool, especially if hard referrals are made part of the system. There are also efforts to use cost-effectiveness more in coverage and reimbursement decisions, which would likely improve efficiency. Efforts to restructure public hospitals are also in line with plans to give these facilities greater autonomy so that they can actively manage their own resources and improve performance. Finally, the recommendation to implement the GHIS in stages—if the reform is indeed implemented—is rational.

While nowhere in the MoU does it *explicitly* state that the GHIS should not be taken forward, other recommendations are contradictory to the Commission’s advice earlier in the year for the government to enact the new health system as soon as possible. For example, the MoU asks for an updated actuarial study of the GHIS prior to implementation. This would be the third study of its kind, with the most recent having been completed by Mercer in 2008; this recommendation is likely to delay the reform further. Recent analyses by the Cypriot Health Insurance Organization (HIO) have already [indicated](#) that the GHIS could be implemented with no added cost to the government budget because additional costs would be covered by social insurance contributions.

The MoU in Cyprus represents an opportunity to engage in necessary structural reforms that can improve the efficiency of the health system in the long-run. Indeed, the financial crisis has already better aligned the interests of the public and private health sectors in Cyprus, finally making implementation politically feasible. The Troika’s [role](#) in this process should be to act as a steward promoting transparency and responsible spending, not to derail reforms towards universal coverage that are in line with international health policy goals and have already taken over a decade to come to fruition. The Current European Health Strategy itself, based on recommendations from the European Council, explicitly [calls](#) on the European Commission to respect the overarching values of universality, access to good quality care, equity and solidarity. As health expenditure already comprises less of the Cypriot budget than in any other EU member state, we do not believe that fiscal sustainability should be accomplished by reducing government spending on health even further, especially as the demand for public health services has increased in light of the crisis. We appeal to the Troika to review their recommendations and ensure that they are consistent with the European goal of providing universally accessible health care coverage.

This article is based on the paper: Cylus J, Papanicolas I, Constantinou E, Theodorou M (2013). [Moving forward: Lessons for Cyprus as it implements its health insurance scheme](#), Health Policy.

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