Health amid a financial crisis: a complex diagnosis

The global financial crisis could have profound implications for the health spending plans of national governments. Unless countries have safety nets in place, the poor and vulnerable will be the first to suffer. Jane Parry and Gary Humphreys report.

Dr Suwit Wibulpolprasert, senior adviser on disease control at Thailand's Ministry of Public Health, remembers the last time the wheels came off the global economy. "There was less travel and purchase of cars and motorcycles. Sales of alcohol – as well as tobacco – were reduced. These factors resulted in fewer deaths and injuries in road accidents," he says.

Wibulpolprasert's rather upbeat remarks underscore the complexity of the situation faced by public health officials, health-care professionals and patients around the world, as falling asset values, volatile exchange rates and shrinking industrial output complicate the business of getting health care to the people who need it.

This complexity is familiar to health economists. "There are so many offsetting factors that do not necessarily lead to one-sided effects on health," says David Evans, director of the department of Health Systems Financing at the World Health Organization (WHO). Examples of this abound. In an economic crisis, governments may use their health budgets more effectively by switching to more generic drugs. Governments – as in the case of Mexico, Thailand and the Republic of Korea among others – may also take new social protection measures.

"In a recession it is important for governments to protect the poor and vulnerable, but most countries have not yet done this," Evans says, adding that WHO has long been helping countries develop universal health protection mechanisms that are a vital safety net in times of economic turmoil.

The current financial crisis that started with the collapse of the subprime mortgage market in North America and parts of Europe in 2007 has since extended to low- and middle-income countries. Hungary has received emergency financial support from the International Monetary Fund (IMF) and other countries are in talks to secure similar IMF packages. But such support could limit governments' ability to spend on health. And while developing countries are not yet in recession – defined as two consecutive quarters of negative economic growth – economists are concerned about the global downturn. Some fear it could be as bad or even worse than the great depression of the 1930s.

The World Bank currently forecasts growth for the global economy of 1% in 2009, including a contraction of about 0.1% for developed countries. The only silver lining in the gathering clouds for net importers of commodities is that oil, food and commodity prices have fallen. As bleak as the situation appears to be, it is hard to gauge the implications of all of this for people's health around the world.

That's why health economists are looking at past recessions and their effect on health care to shine some light on the current crisis. The IMF identifies three periods of global recession in the past 20 years: 1990–93; 1997–98; 2001–02. The last two were driven by financial crises and are, in some ways, similar to the current crisis.

One of the clearest trends economists have identified is that in all three recessions total commitments of official development assistance (ODA) declined. While, ODA for health increased during the 1990–93 recession, it fell more than overall ODA commitments in the two subsequent recessions. Economists, however, qualify this by saying that disbursement data before 2002 are not accurate.

WHO's Director-General Dr Margaret Chan has urged affluent countries not to reduce ODA or to cut spending on health, education and social protection. "Both of these responses

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have occurred in the past. And both could be as … devastating for health, development, security and prosperity as they were in the past."

Beyond the decline in ODA, another striking fact economists point out is that total health expenditure has tended to fall in countries affected by recession. But not always, and here, the key factor is government policy. Some countries have protected government health spending and others have not.

Meanwhile, out-of-pocket expenditure on health care tends to fall during recessions because people are less affluent and avoid spending money, or they leave private sector heath care and turn to public services. This is what happened during the 1997–98 economic crisis in the Republic of Korea when, according to Professor Bong-min Yang of the School of Public Health, Seoul National University, there was "a clear shift" of patients from private hospitals and clinics to public health centres.

Similar outcomes are to be expected in the current recession. For example, in the United Kingdom employees with private insurance who lose their jobs may fall back on public health services. In countries where public sector health programmes are already under strain, an increase in demand for those services could cause additional problems.

But such shifts are not always negative, as noted by Dr Viroj Tangcharoensathien, the director of the International Health Policy Program, Thailand. "After the crisis of 1997, the private sector collapsed due to significant demand reductions, and a number of private-sector doctors applied to return to the government sector," Tangcharoensathien says.

Indeed recessions are full of seemingly contradictory trends. Mortality rates, for example, increase in some countries, but not in others.

In Thailand adult mortality increased in 1996–99. In Peru child mortality increased in 1989. In Mexico, mortality among children and the elderly was 5–7% higher in the crisis years of 1995–96 than in non-crisis years, according to Felicia Marie Knaul, an economist at the Mexican Health Foundation, citing an article she published with David Cutler and other colleagues in the *Journal of Public Economics* in 2002. They also found that more people faced financial ruin or were impoverished by paying for health services.

But increased mortality is by no means always the case, and it varies depending on the economic status of the country. In the United States of America (USA) and western Europe, for example, there is evidence that mortality actually falls during recessions, with the decreased use of alcohol and tobacco. There may also be reduced pollution, due to lower industrial output, and fewer road collisions because of less traffic.

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The Republic of Korea is an interesting example of how difficult it is to generalize about economic recession and its effect on health. "The economic crisis has had a negative impact on consumer purchasing power, so it is expected to have a negative impact on health-care expenditure too," says Professor Soonman Kwon from the department of Health Policy and Management at Seoul National University. But he then points out that the Kim Dae-jung government, which came to power in 1998, right after the IMF rescue loan, actually expanded health-care programmes as part of a broader policy to extend the safety net for disadvantaged groups. "[this] government … introduced new programmes, such as expanding the benefit coverage and integrating a number of health insurance providers into a single payer, so I cannot foresee a sudden decrease in health-care spending [now]," Kwon says.

And just as the impact of recession on health varies from country to country, so too do the recessions any given country may experience. In 1997, the Thai *baht* lost 50% of its value against the US dollar, pushing drug procurement costs for the government through the roof. This time the crisis has so far expressed itself in the form of a drop in consumer demand from the USA and Europe, which is hitting Thailand's exports, but leaving the agricultural sector unscathed. "The sense of urgency, or acute crisis is less than it was in 1997," says Tangcharoensathien. His colleague, Wibulpolprasert, is similarly sanguine: "Going into this economic crisis, we already have a social safety net in place – a universal health-care system instituted in 2002."

In contrast to many traditional economists, Tangcharoensathien believes that one of the best ways to protect this system is to reduce infrastructure development, such as transport and railways, and to maintain support of the country's health services. In other words, government policy will make the difference – a constant that can be relied upon whether a country is in a recession or not.

Mexico also learned its lessons from the 1995–96 crisis. Many people in need of health care struggled to pay their health bills or became impoverished in doing so. A rise in poverty and the devastating health effect of this led to the establishment in 1997 of an anti-poverty programme, *Progresa* now called *Opportunidades*, which gives poor families cash incentives to go for regular health checks and get their children vaccinated.

The crisis in Mexico also led to a 2003 health reform that established the *Seguro Popular* universal health insurance scheme. About 45% of the 103 million population has access to health insurance through social security. "By 2010, everyone will be eligible for public health insurance under the *Seguro Popular* scheme," Knaul says, adding: "Economic crisis should motivate the expansion of coverage. The danger is that budget cuts will stall the process and leave families unprotected when they most need it." ■