

The Austrian Health Reform 2005

Country: Austria

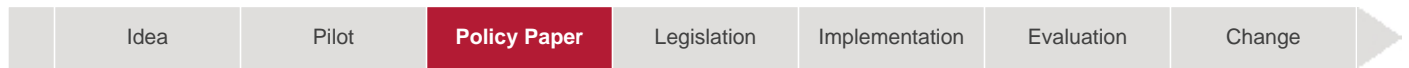
Partner Institute: Institute for Advanced Studies (IHS), Vienna

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Health Policy Issues: System Organisation/ Integration, Funding / Pooling, Quality Improvement

Current Process Stages

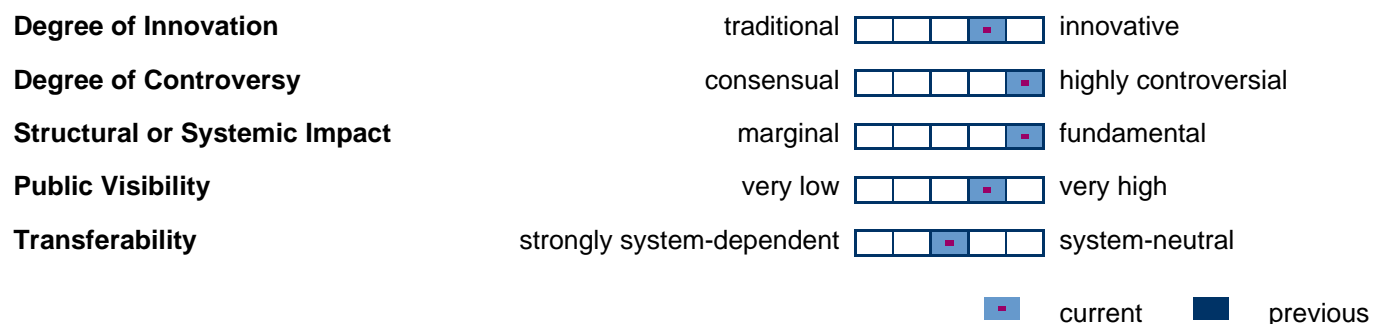


1. Abstract

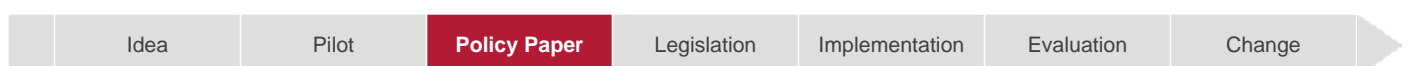
The Austrian government is promoting the creation of health purchasing agencies on state and federal level in order to optimise resource utilization, enhance integration of service delivery and pool financial resources to improve purchasing. The main task of these agencies is to purchase services according to predefined quality standards and prices. If implemented, the creation of these agencies would constitute the most important health sector reform since the Social Security Act 1955.

2. Recent developments

3. Characteristics of this policy



4. Purpose and process analysis



Initiators of idea/main actors

- Government: The idea is promoted by the minister, but her actual power is rather limited. Legistic problems of her approach are already voiced by law professors.

Stakeholder positions

The Health Reform 2005 (in particular the purchasing agencies) is currently being negotiated between federal and state governments within the negotiations on the financial equilization (Finanzausgleichsverhandlungen). By January 2005 they must reach a general agreement on hospital financing. Thus the agencies are part of these negotiations. Two legislative drafts on implementing the reform already exist; currently all main actors seem to oppose this proposal:

Sickness funds keep opposing the idea of the agencies, mainly because of their likely loss of influence (agencies would be responsible also for service provision outside of hospitals - ambulatory care, nursing homes etc, unlike the former state agencies which covered hospitals only). The legislative draft does not yet contain information on the balance of (voting) power within both, federal and state agencies. Rumours indicate lower than proportional power for sickness funds.

Doctors' chambers are not allocated any say in the agencies. Doctors fear that the agencies will gain 'monopoly power' in purchasing services. Currently the chamber of physicians has Professor Rürup, a well known health economist and health policy advisor to the German Government, evaluating the reform proposal to arm themselves if negotiations with the states progressed.

Hospitals: As the establishment of the agencies is likely to result in closing departments and even entire hospitals (this was proposed again and again, but could be achieved only partly), state governments fear to lose voters.

Actors and positions

Description of actors and their positions

Government

sickness funds	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	strongly opposed
doctors chamber	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	strongly opposed
state governments	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	strongly opposed

current previous

Influences in policy making and legislation

Based on two legislative drafts the federal and state governments negotiate the reform within the negotiations on the financial equilization. Neither these drafts nor the process have been disclosed so far and hardly any information is available.

The Minister is firm in her approach to establish purchasing agencies. However, experts and stakeholders seem to be quite pessimistic that the reform can be implemented within the envisaged time frame (January 2005).

Due to persistent criticism the Minister of Health has been responsive to reprovals that the newly proposed agencies will generate even more bureaucracy. In particular she suggested that currently active institutional layers, i.e. the "Landeskommission" within states may serve as an administrative body of the purchasing agencies; furthermore, even the wording ("Gesundheitsagenturen") may be changed.

Legislative outcome

Actors and influence

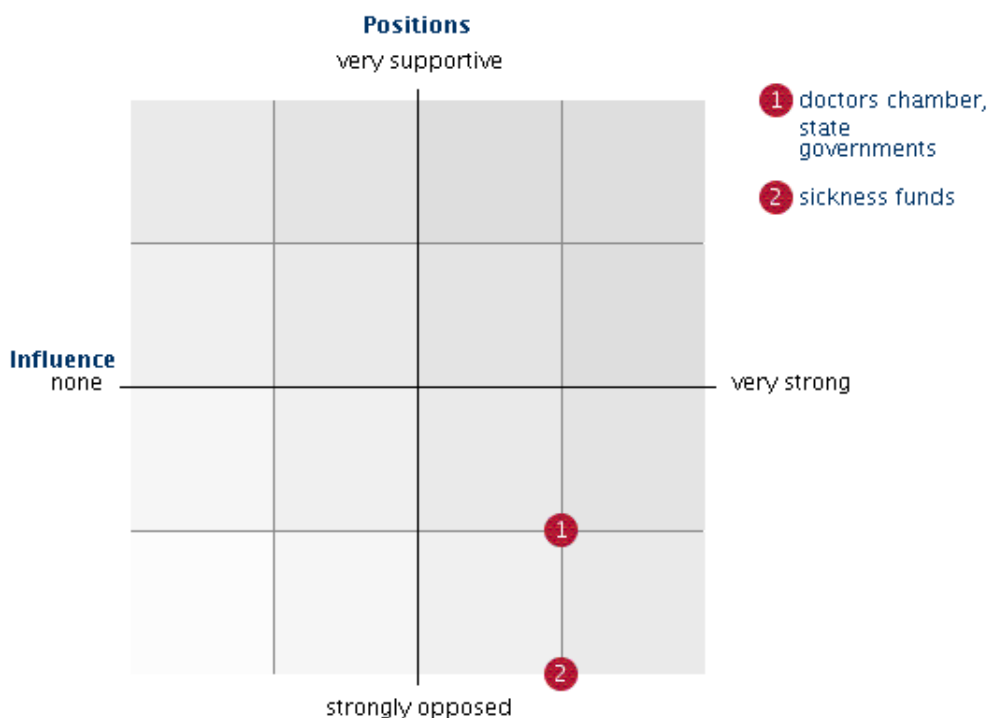
Description of actors and their influence

Government

sickness funds	very strong		none
doctors chamber	very strong		none
state governments	very strong		none

 current  previous

Positions and Influences at a glance



Adoption and implementation

In September 2004 the Minister of Health gave a speech and reiterated three general health reform goals:

- Promote efficiency

- Improve controlling/steering
- Equalization of financial burden between financing bodies.

To achieve these goals she presented a priority catalogue:

- Creation of health purchasing agencies and a financial pool to further structural reform measures, i.e. enhancing integration of inpatient and outpatient/ambulatory care.
- Designing integrated health planning based on a plan developed to promote quality. By 2010 health service provision should be based on a plan of regional service provision including high tech apparatus for regions rather than individual providers, e.g. hospitals.
- Development of unified documentation of diagnosis and services for inpatient AND outpatient care.
- Development of performance based payment schemes for both inpatient AND outpatient care.
- Stringent and consistent quality management.
- Application of IT based on health telemati legislation. In addition, to promote the transmission of information an electronic card for each insured person will be available by 2005.

5. Expected outcome

We believe that the health reform 2005 will be difficult to implement:

1. The creation of health purchasing agencies has to comply with the constitution. This will not easily be achieved because in the current concept the influence of social security is not likely to be proportionally reflected in decision making. The proposal is being made to build state wide INCs based on voluntary cooperation between affected stakeholders. Thus this cooperation is subject to the commitment to cooperate; currently we do not see that this is case, in particular with respect to social security institutions. However the cooperation with this stakeholder is inevitable as they are in charge of service provision in the primary care sector.
2. As demand side competition, i.e. competition between different insurers, is being discarded from the whole range of parties and stakeholders, we think that the creation of agencies is the Austrian response to promote allocation efficiency. The most important feature of this effort is the promotion of **supply side competition**: Agencies are given considerable purchasing power. In order to balance the effect of the gain in purchasing power within groups of providers, the separation of service provision and ownership is being pursued, in particular in inpatient care. Currently most states have "outsourced" hospital operation to holdings; hospital holdings are non-profit entities and are responsible to operate facilities; however, hospital employees are still to a large degree either civil servants or employed by the state; thus hospitals holdings have not much leverage upon "labour cost". Nevertheless hospital holdings are gaining influence and in the context of the health reform they are important entities because state interest must not prevail in the planned purchasing agencies. As some (important) inpatient care facilities, i.e. specialised accident hospitals and rehabilitation clinics are owned by sickness funds, lots of resistance against the separation of provision and ownership comes from social security institutions. The self governance of these institutions consists of employer representatives and trade unions.
3. Generally many of the reform approaches seem to be directed towards weakening the influence of trade unions in social security insititutions, with the intention to make sure that employers are gaining more say within the

decision making.

4. **The most likely outcome of the reform process will be a legislation on quality management and the introduction of the e-card.**
5. Currently it is difficult to overall judge the expected outcome as negotiations may end just on December 31, 2004.

Quality of Health Care Services

marginal  fundamental

Level of Equity

system less equitable  system more equitable

Cost Efficiency

very low  very high

 current  previous

If the government succeeded in incentivizing state governments to put all financial resources for hospital financing in one budget the effect on cost efficiency in the hospital sector may be high. Currently only about one half of the hospitals operating budgets is being financed performance oriented. The intention of the federal government is to have states to commit also the owners share of the budget and to remunerate hospitals solely on the bases of performance. If the government succeed on this, we believe that a big step is achieved to improve allocation in inpatient care even if the government had not succeeded in the creation of purchasing agencies. However, we are not too optimistic that this will be achieved across the country as some state governments are strongly opposing this approach, whereas others have already pooled all the financial means for inpatient care.

6. References

Sources of Information

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Various media reports

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