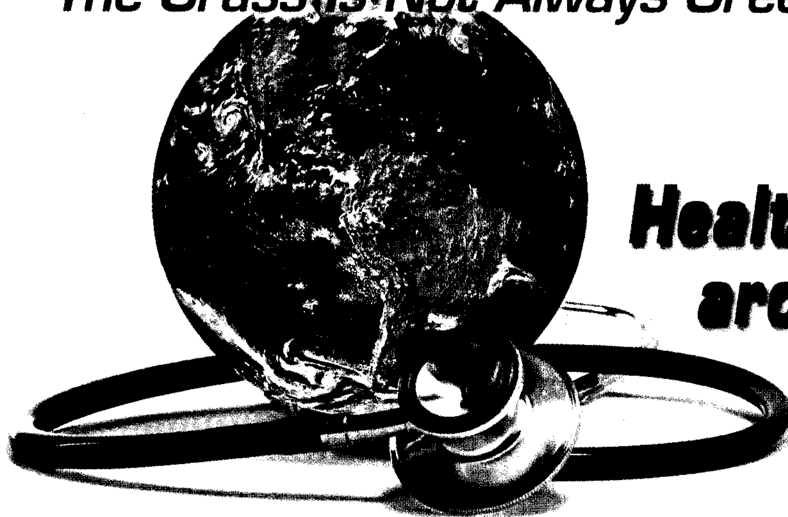
The Grass Is Not Always Greener...



A Look at Health Care Systems around the World

by Michael Tanner
Director of Health and Welfare Studies
The Cato Institute
Washington, DC
mtanner@cato.org

ITALY

Italy's national health care system is rated second in the world by the WHO.[1] Yet a closer examination shows the system to be deeply troubled, plagued with crippling bureaucracy, mismanagement and general disorganization, spiraling costs and long waiting lists.

Generally, the Italian system is similar to the British National Health Service but enjoys more decentralization. The central government sets goals on how money should be spent, monitors the overall health status of the nation, and negotiates the labor contracts of medical staff. The Italian Constitution was changed in 2001 so that the national government now sets the "essential levels of care" regions must meet, but regional governments still control their autonomous budgets and distribute resources to the local level.

In theory, under the "fiscal federalist" provisions of this reform, discretionary central transfers should have dropped sharply, local tax bases and tax sharing should have increased, and "equalizing" transfers should have been standardized and linked to objectives for controlling costs and increasing quality. However, poorer regions and powerful special interests have strongly resisted these changes. Reform, therefore, remains incomplete, and financial transfers from the central government are still based on historical spending patterns.[2]

Thus, while the national Ministry of Health continues to outline funding needs based on weighted capitation and past spending, recent reforms have shifted more and more power and responsibility to regional governments that set their own budgets. The regions establish one or more Local Health Authorities, which are responsible for the provision of care either through government-run hospitals and clinics or by contracting with private providers.[3] It should be noted that governance in Italy is often as much art as science, and regions frequently fail to implement rules, guidelines, reimbursement schedules and budgets set by the central government.[4]

Financing comes from both payroll taxes and general revenues. Payroll taxes have a regressive structure, starting at 10.6% of the first €20,660 of gross income and decreasing to 4.6% of income between €20,661 and €77,480. The remainder of funding comes from both federal and regional general taxation, including income and value-added taxes.[5] The central government redistributes resources to compensate to some degree for inequalities among regions. Even so, most regional health authorities run significant deficits. Overall, regional deficits top 1.8% of GDP.[6]

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Inpatient and primary care are free at the point of treatment. However, copayments are required for diagnostic procedures, specialists and prescription drugs.[7] The size of such copayments has crept steadily upward over the past decade and now runs as high as 30% for some services.[8] Several attempts have been made to impose copayments for a broad range of services, including primary care, but have collapsed in the face of public protests.[9] In addition, nearly 40% of the population (the elderly, pregnant women and children) are exempt from copayments.[10]

Italians have limited choice of physicians. They must register with a general practitioner within their LHA. They may choose any GP in the LHA but may not go outside it. Except for emergency care, a referral from a GP is required for diagnostic services, hospitalization and treatment by a specialist. Despite these limits, Italians enjoy more choice of physicians than do the British or Spanish.

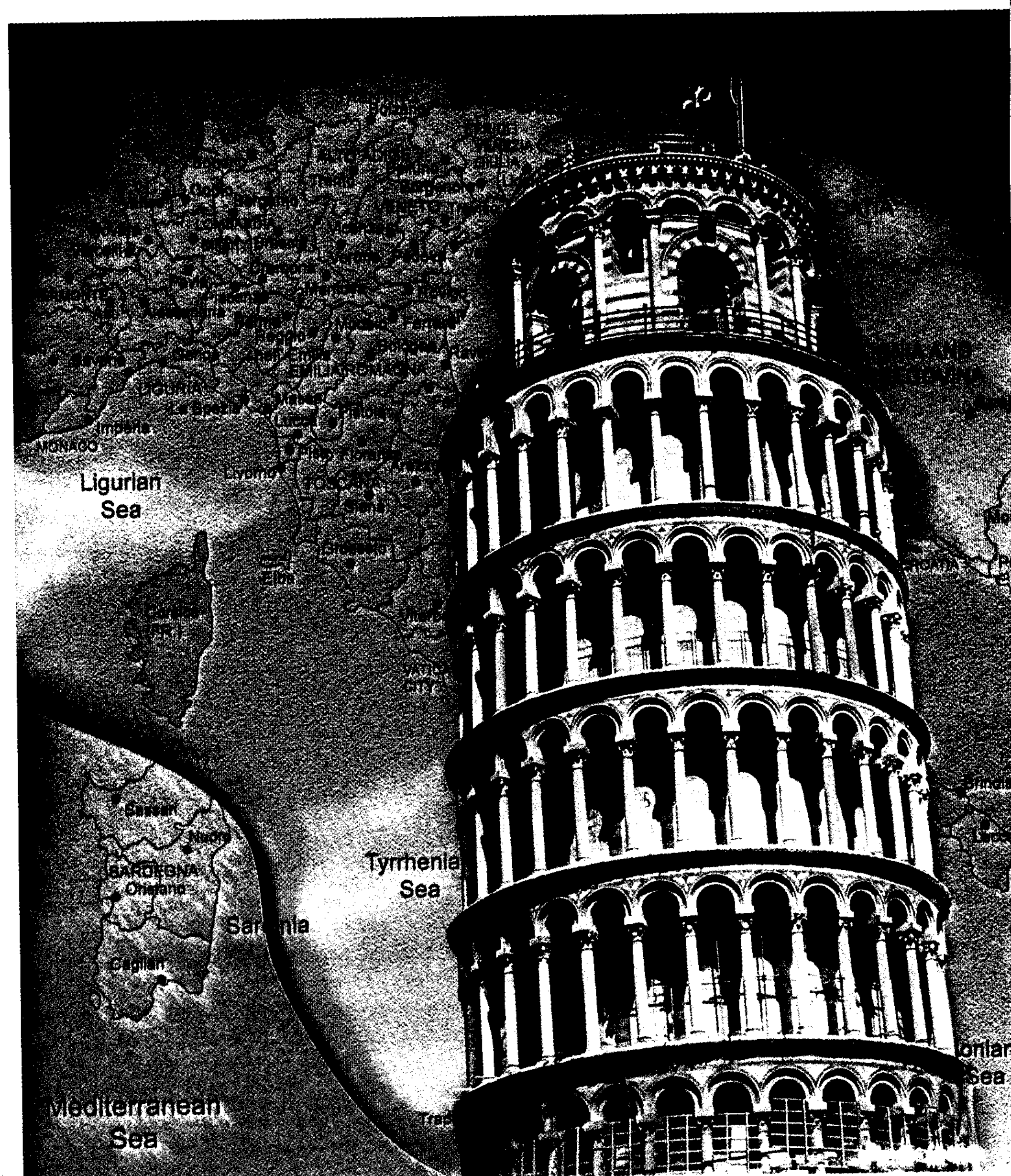
Most physicians are reimbursed on a capitated basis (i.e., according to the number of patients served over a given time period rather than the services actually provided), although some hospital physicians receive a monthly salary. Hospitals are generally reimbursed according to DRGs, with rates set by the central government—though regions sometimes disregard those rates and set their own.

Private health insurance is available in Italy but is not widespread. Where offered, it is usually provided by employers. About 10% of Italians have private health insurance, below the percentage in most OECD countries. According to the insurance industry, this is partly because it is not possible to opt out of the National Health System and because health insurance premiums are not tax-deductible.[11] Private health insurance allows free choice of doctors, including specialists, and treatment in private hospitals. Even without private insurance, however, many Italians use private health resources (and presumably pay out of pocket). Estimates suggest that as many as 35% of the population uses at least some private health services.[12]

Although Italy spends a relatively low percentage of GDP on health care, expenditures have been rising rapidly in recent years and have consistently exceeded government forecasts.[13] Between 1995 and 2003, total health care spending rose by 68%.[14] The Italian government has taken various steps to try to control costs, such as reducing reimbursement rates, increasing copayments, reducing capital expenditures, contracting with private providers and limiting prescription drugs. All of these measures have met with protests, including physician strikes, and many have been repealed after only a short time.[15]

The Italian government does not provide official information on waiting lists, but numerous studies have shown them to be widespread and growing, particularly for diagnostic tests. For example, the average wait for a mammogram is 70 days; for endoscopy, 74 days; and for a sonogram, 23 days.[16] Undoubtedly, this is due in part to a shortage of modern medical technology. The United States has twice as many MRI units per million people and 25% more CT scanners.[17] Ironically, the best-equipped hospitals in northern Italy have even longer waiting lists since they draw patients from the poorer southern regions as well.[18]

If delays become excessive, patients may seek permission from the regional government to obtain treatment from private doctors or hospitals at NHS expense. A recent court deci-



sion allows patients whose life would be endangered by delays under the NHS to seek treatment in private hospitals even without prior permission from the regional government.

Italy has imposed a relatively strict drug formulary as well as price controls, and has thereby succeeded in reducing pharmaceutical spending, long considered a problem for the Italian health care system. In 2006 Italian drug prices fell (or were pushed) five percent, even as drug prices rose in the United States and much of the rest of the world. However, the savings came at a cost: The introduction of many of the newest and most innovative drugs was blocked.[19]

Conditions in public hospitals are considered substandard, particularly in the south.

They lack not just modern technology, but also basic goods and services. Overcrowding is widespread, and conditions are frequently unsanitary. For example, one of the largest public hospitals in Rome was recently found to have garbage piled in the hallways, unguarded radioactive materials, abandoned medical records, and staff smoking next to patients.[20] Private hospitals are considered much better and some regions have contracted with private hospitals to treat NHS patients.

Dissatisfaction with the Italian health care system is extremely high, by some measures the highest in Europe.[21] In polls, Italians say that their health care system is much worse than that of other countries and give it poor marks for meeting their needs. Roughly 60% of Italians believe that health care reform is "urgent," and another 24% believe it is "desirable." In general, Italians believe that such reform should incorporate market-based solutions. More than two-thirds (69%) believe that giving patients more control over health care spending will improve the system's quality. And 55% believe that it should be easier for patients to spend their own money on health care.[22]

However, given the general dysfunction of the Italian political system and the entrenched opposition of special-interest groups, substantial reform is not likely anytime soon.

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3. Andrea Donatini et al., *Health Care Systems in Transition: Italy* (Copenhagen: European Observatory on Health Systems and Policies, 2001)
4. Franco Reviglio, "Health Care and Its Financing in Italy: Issues and Reform Options," IMF Working

Paper 00-166, October 2000

5. Donatini et al., *Health Care Systems in Transition: Italy*
6. Reviglio, "Health Care and Its Financing in Italy"
7. Depending on regions and election cycles. Copayments for prescription drugs are frequently introduced only to be repealed shortly before elections.
8. Daniel Callahan and Angela Wasunna, *Medicine and the Market: Equity v. Choice* (Baltimore: Johns Hopkins University Press, 2006), p. 98
9. Donatini et al., *Health Care Systems in Transition: Italy*
10. Callahan and Wasunna, *Medicine and the Market: Equity v. Choice*, p. 93
11. Vincenzo Atella and Federico Spandanaro, "Private Health Insurance in Italy: Where We Stand Now," *Euro Observer*, Spring 2004
12. Callahan and Wasunna, *Medicine and the Market: Equity v. Choice*, p. 97
13. George France, Francesco Taroni, and Andrea Donatini, "The Italian Health Care System," *Health Economics* 14 (September 2005): 185-202
14. Alberto Mingardi, "A Drug Price Path to Avoid," *Washington Post*, November 12, 2006
15. See, for example, "Italy Hit by Double Strike," BBC News, February 9, 2004
16. Reviglio, "Health Care and Its Financing in Italy"
17. OECD, "OECD Health Data 2007: Statistics and Indicators for 30 Countries"
18. Donatini et al., *Health Care Systems in Transition: Italy*
19. Mingardi, "A Drug Price Path to Avoid."
20. Ariel David, "Italian Police Units Inspect Hospitals," *Washington Post*, January 8, 2007
21. Vittorio Maio and Lamberto Manzoli, "The Italian Health Care System: WHO Ranking versus Public Perception," *PLoS Medicine* 6 (June 2002): 301-03
22. Disney et al., *Impatient for Change*, pp. 111-19

Italy at a Glance

- **Italy is only slightly larger than Arizona but has a population of more than 58 million.**
- **The country borders Austria, France, Vatican City, San Marino, Slovenia and Switzerland.**
- **Italy is the world's fifth-largest industrial economy. Most of Italy's industry is centered on Milan, Turin and Genoa. The area around Venice is the wealthiest region in Europe.**
- **The official language is Italian, but German and French are also spoken in some regions.**
- **With almost 40 million visitors, Italy is the fourth-most-visited country in the world.**
- **The average life expectancy for an Italian is 79.54 years.**
- **The average Italian consumes half a pound of bread a day and 26 gallons of wine a year.**
- **The thermometer is an Italian invention.**
- **The piano hails from Italy.**
- **If invited to someone's house, the traditional gift is a tray of sweets from a pastry shop.**