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Tipping the scales

Exploring austerity and public health in Spain

Health and care
Carers
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Public finance
Connections
Inequalities
Retirement
Social care

About the ILC

The International Longevity Centre UK (ILC) is the UK's specialist think tank on the impact of longevity on society. The ILC was established in 1997, as one of the founder members of the International Longevity Centre Global Alliance, an international network on longevity. We have unrivalled expertise in demographic change, ageing and longevity. We use this expertise to highlight the impact of ageing on society, working with experts, policy makers and practitioners to provoke conversations and pioneer solutions for a society where everyone can thrive, regardless of age.

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Summary

This report is part of a series of country profiles outlining the situation of public health in four key countries particularly impacted by the fallout from the financial crisis. The series is a follow on from the ILC report *Public health in Europe during the austerity years*, which explored the link between health outcomes and austerity across Europe. Focusing on the situation in the UK, Greece, Spain, and Ireland this series explores the economy and public health of each country during the austerity years.

Spain experienced a "golden decade" in the years between 1997 and 2007. This was brought to an end with the bursting of the housing bubble, along with the impact of the global financial crisis.

During the period of austerity, Spain's health system was transformed to an employment-based insurance model, which significantly limited accessibility for people during a time of unprecedentedly high unemployment. As a result, many residents lost their entitlement to comprehensive care. The number of prescriptions dropped significantly in Catalonia and Valencia during the first 14 months of the 2012 reform.

The reduction in government health expenditure led to a decrease in healthcare facilities. The proportion of people reporting bad health also fluctuated between 2008 and 2015, although it remained smaller than that reported between 2005 and 2008.

The data does not show any immediate impact of economic recession and austerity measures on deaths related to chronic illness. However, the full impact of the recession and subsequent cost-cutting measures for social inequalities and public health in Spain remains to be seen.

Introduction

The global financial crisis of 2007-2008 was followed by many European nations turning to austerity measures as a means of controlling public deficits and debt levels. The merits of austerity continue to be discussed and debated, particularly in terms of supporting economic growth and controlling spending. However, the impact of austerity on health has received less attention, including at the international level.

Given that austerity measures are arguably the defining feature of recent government policy, this gap in the evidence base is significant. The future trajectory of health is one of the most important determinants of long-run fiscal sustainability, with future expenditure expected to rise dramatically due to demographic, technological, and other cost pressures.[1] Understanding how to deliver sustainable health systems is therefore an important area of work.

In 2017, ILC published *Public health in Europe during the austerity years*, a research report exploring the link between health outcomes and austerity across Europe. This report examined cross-national data and evidence to chart the evolution of austerity across the continent and the subsequent changes to health systems and health outcomes. The findings from the report include:

- Mortality rates continued to improve during the austerity years, but the rate of improvement slowed across many countries – particularly the Northern European countries. This translated into a slowdown in life expectancy improvements during the austerity years.
- There is a multifaceted, short-term relationship between unemployment, austerity and health. High austerity countries experienced smaller increases in some mortality indicators and smaller falls with regards

to other causes of mortality than modest austerity countries.
- These effects are relatively small, suggesting that austerity has not had much of an impact on mortality rates in either direction. For a fuller picture, a longer-term, distributional analysis of the effects of austerity is required that considers the prevalence of chronic disease rather than just exploring cause-specific mortality rates.

Taken together, the findings in the research offer three fundamental points to remember as we think about the future of austerity and health:

- Health is arguably the most important asset to ensure a sustainable future; healthy ageing supports longer working lives and reduces potential health care costs over an individual's lifetime.
- Whatever further changes to health and social security systems that are made in the short term due to continued spending pressures must not save costs today while storing up problems for the future.
- The drive for efficiency in public services is a noble goal, but efficiency must equate to continual progress in health and other quality of life outcomes; otherwise it is tantamount to failure.

The report also included brief spotlights on the situation in four key countries that had been particularly impacted by the fallout from the financial crisis: the UK, Greece, Spain, and Ireland. This investigated the potential distributional effects within countries that could be included in a macro-level cross-country analysis. To build upon this, we have produced brief country profiles for these as part of a series of supplementary documents outlining the situation in such countries with respect to the economy and public health during the austerity years.

Austerity in Spain

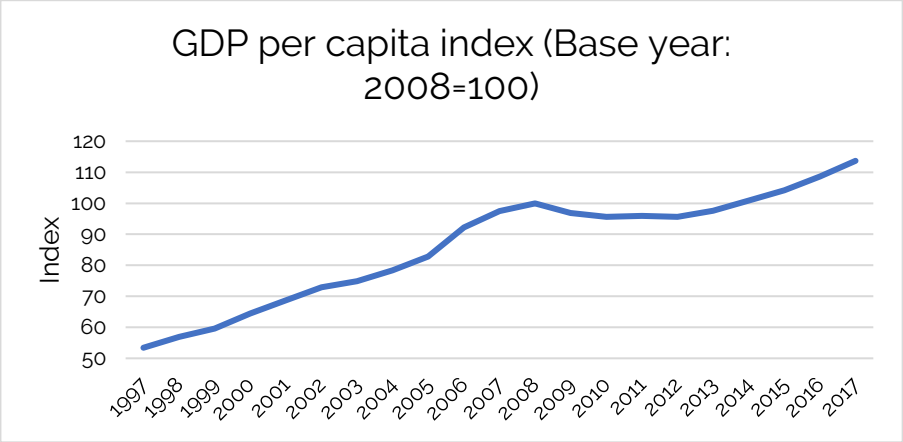
Spain experienced a "golden decade" in the years between 1997 and 2007. A significant part of this economic boom was in the property market, which benefited from both an ownership culture and a series of banking deregulation. However, this led to a property bubble that evolved into a sovereign debt crisis. Property prices tripled between 1996 and 2007. The deregulation in the banking sector saw widespread violations of practices set by the International Accounting Standards Boards.[2] This led to many subprime mortgages and loans to be approved, and the increased delinquency rate as a result created extensive liquidity crises in the banking sector by 2008. The collapse of the property bubble also negatively impacted the construction industry, which played a major part in the Spanish economy before 2008.

The bursting of a housing bubble, along with the impact of the global financial crisis, brought the golden decade to an end. Spain initially adopted a stimulus package before turning towards austerity measures in 2010, such as cuts to state expenditure and raising taxes. Changes in social spending were mainly done at a decentralised level among the 17 regional governments and two autonomous cities, given the nature of Spanish governance.[3] The Troika of European powers did not intervene in Spain's policymaking, but the nature of the crisis did lead to reductions in national expenditure carried out in a top-down approach through Royal Decrees.

Like in other countries, the full impact of the recession and subsequent cost-cutting measures for social inequalities and public health in Spain remains to be seen.

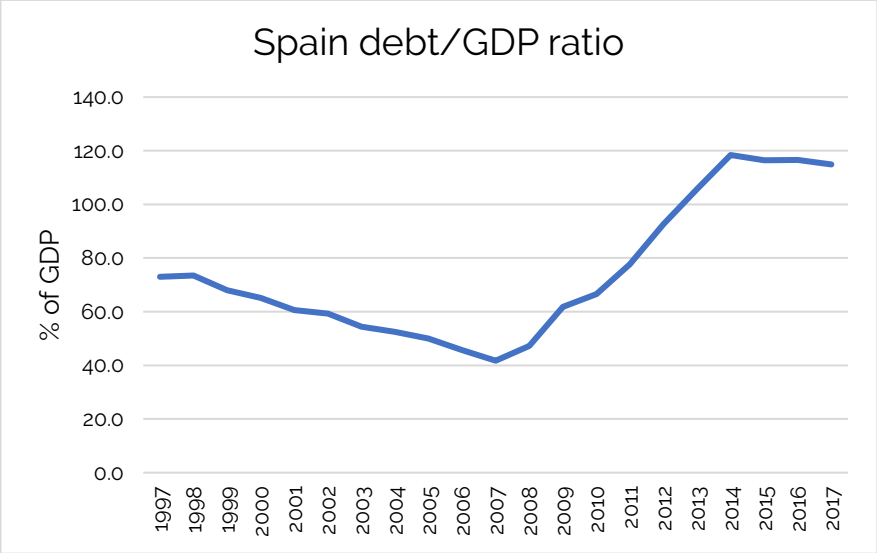
The economy through the austerity years

From 1997 to 2007 – the golden decade of the Spanish economy – GDP per capita increased by nearly 30%.[4] GDP overall grew steadily by an average of 3.9 percentage points per year in this period, with GDP per capita growth averaging about 2.7 percentage points. However, growth slowed in 2008 and became negative for both GDP and GDP per capita in 2009, with declines of 3.6 points and 4.4 points respectively. Growth remained elusive from 2010 to 2013, with GDP declining by 1.4 percentage points on average per year in this period before returning to 1.4% growth in 2014. At the same time, it is important to note that the severity of the economic downturn varied across different regions in Spain, with poorer southwestern regions like Andalusia suffering more and recovering more slowly than the wealthier northeastern regions like the Basque Country.[5]



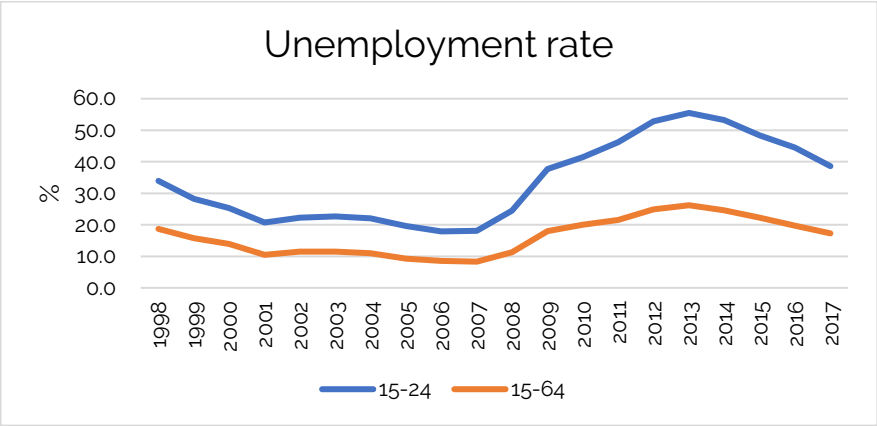
Source: OECD

Prior to the financial crisis, the debt ratio in Spain steadily dropped from 73.5% of GDP in 1998 to 41.7% of GDP in 2007. However, immediately after the financial crisis, the debt ratio soared dramatically and, by 2014, it was three times the value as compared to 2007. Although the debt ratio started declining after 2014, it remained at 114.9% of GDP in 2017.



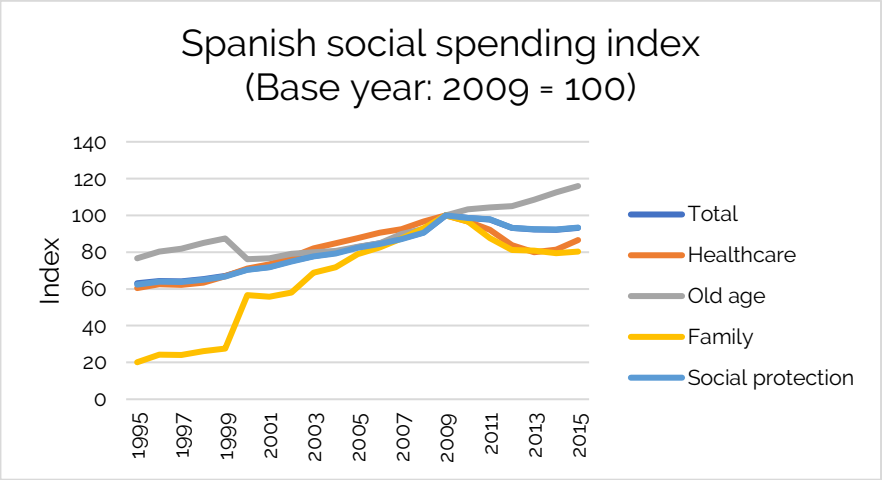
Source: OECD

Although unemployment halved in 1998-2007, it remained above "healthy" levels of 4-6%, getting down to 8.3% in 2007. However, unemployment rates for younger people (aged 15-24) were consistently twice that of all people aged 15-64. Despite steady declines, the financial crisis reversed these trends in unemployment. Both youth and total unemployment rates tripled from 2007-13, reaching an all-time high of 55.5% and 26.2% respectively. Despite declines after 2013, the total unemployment rate in Spain in 2017 remained three times the OECD average (17.3% vs 5.8%).



Source: OECD

With respect to social spending, total spending fell moderately between 2009 and 2015 by around 7%, with most of the cuts seen in health and family spending. Health spending fell significantly and steadily between 2009 and 2012 in Spain by just over 20%. It had increased slightly by 2015 but remained almost 14% below 2009 spending levels. Only old age spending continued to increase in Spain between 2009 and 2015, with spending increasing over 15% during this period.



Source: Eurostat

Public health in the austerity years

A significant change to the Spanish national health system (SNS) came about through the Royal Decree Law 16/2012. This decree changed the health system from a universal access model to an employment-based health insurance model.[6]

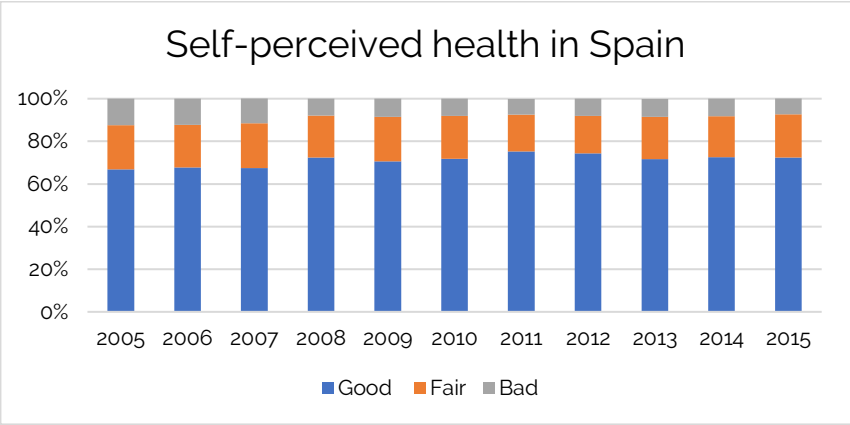
Transforming the health system to an employment-based insurance model significantly limited accessibility for people during a time of unprecedentedly high unemployment. Under the decree, free access would still be available for those aged under 18, pregnant, or needing emergency care after serious illness or injury.[7] Nonetheless, undocumented migrants and those aged over 26 who never worked would be excluded from accessing healthcare, while it was estimated that 873,000 non-residents would lose their entitlement to comprehensive care.[8]

Other decrees were already legislated that cut spending on health services prior to 2012. For instance, the Royal Decree Law 8/2010 reduced wages for all civil servants (including medical staff) by 5-7% and increased working hours from 35 to 37.5 hours a week.[9] At the same time, the Royal Decree Law 9/2011 made it obligatory for pharmacists to sell the cheapest available option according to the active ingredients prescribed by doctors.[10]

Cost-shifting policies were also part of the 2012 decree. Co-payments were introduced on medicines, medical devices, and non-emergency transportation services.[11] Non-pensioners and those earning over €18,000 a year were required to pay 50-60% of the sales price of the drugs (up from 40%), while pensioners, hitherto excluded from co-payment, had to pay 10%.[12] This may have an effect on people's health or compliance with medical guidance; the number of prescriptions dropped by over 20% in Catalonia and Valencia during the first 14 months of the 2012 reform.[13]

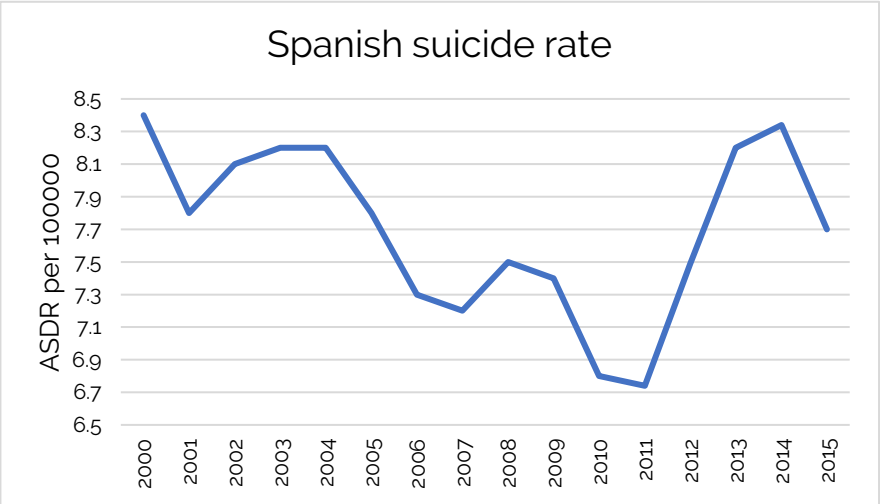
The reduction in government health expenditure led to a decrease in healthcare facilities. The number of hospital beds in Spain decreased continuously by an average of 1% per year over 2008-15. The average waiting time for elective surgery nearly doubled from 65 days in 2010 to 115 days in 2016.[14] Although the number of practising doctors increased by 8.6% between 2008 and 2011, the number then dropped by 2.1% between 2012 and 2014. Such changes increased pressure in the sector, and the excessive workload and reduced wages caused a widespread feeling of exploitation within the medical industry.[15] The increased stress may also have led to physicians quitting their jobs, increasing the pressure on the SNS. It has been argued that more intense schedules and long working hours increase the chances of practitioners making mistakes, raising the risk for patients.[16]

In Spain, there had been gradual improvements in the proportion of people reporting good health between 2005 and 2008, with an increase of 5.6 percentage points, although there was a 1.8 percentage point decrease from 2008 to 2009. Nonetheless, the trends in self-reported health since the financial crisis have been broadly positive, with the percentage reporting good health in 2015 equal to that in 2008, despite some fluctuations across the period. The proportion reporting bad health also fluctuated between 2008 and 2015, but the proportions remained smaller than those reported in 2005-2008.



Source: OECD

Interestingly, the suicide rate in Spain was lower during 2008-11 than during the boom from 2000-7. However, after 2011, the suicide rate began to increase and peaked at 8.34/100,000 inhabitants in 2014, reaching its highest point so far in the 21st century. It should also be noted that, although the overall suicide rate decreased in 2008-11, the rate among working-age men increased.[17]



Source: Eurostat

Suicide rates could be linked to mental health, and other research has shown that the Spanish population's mental health deteriorated after the financial crisis. The proportion of patients with mood disorder, anxiety, somatoform, and alcohol-related disorder was substantially higher in 2010 than in 2006.[18] The proportion of patients with major depression also increased substantially from 28.9% in 2006 to 47.5% in 2010, while that for general anxiety disorder rose from 11.7% to 19.7%.[19]

Despite increases in mental health conditions, mortality in Spain related to chronic illness continued to decline through the 21st century, a trend seen in other countries. In other words, the data do not show any immediate impact of economic recession and austerity measures on deaths related to chronic illness. Life expectancy in Spain also continued to increase, reaching 83.4 in 2016. Longer time frames may be required to assess the impact of changes in the economy and health system on public health outcomes.

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