

1st LANCUT ECONOMIC FORUM

„REVERSE LEARNING”

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Health systems reforms in
Hungary



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What is going on in the health systems of post-communist countries?

1. De-integration
2. Disintegration



Instead of a monolith system based on the historico-logical heritage of the Soviet Union, we have now 28 countries displaying important variations within the logical borders of the path-dependency hypothesis.

Summary of my paper

- ◆ The Semashko-model revisited
- ◆ A wrong system – why did it work?
- ◆ De-integration = the health care system breaks down along logical borders
- ◆ Hospital sector: waiting for foreign investors
- ◆ Insurance reforms

Why did it work under communism? (1)

The Soviet system was a „dictatorship over needs“. Planners valued health more than individual citizens do in market economies at the same level of development (GDP/head)



Why did it work? The details (2)

- ◆ Politicization of health → public health programmes
- ◆ Planned „doctor-patient“ encounters (no choice)
- ◆ Polyclinics = economy of scale
- ◆ Hospital building for military reasons was a good investment in peace times (infant mortality, communicable diseases)
- ◆ Salaried physicians are „cheap“

Janos KORNAI's discovery

- ◆ The planned health care systems of the socialist countries resemble very closely to state-financed and state-run health care systems in the developed market economies.
- ◆ The similarity with the British NHS was particularly striking.
- ◆ Footnote: The same was true for the military (F. Jánossy in the 1960s)

Reverse learning – the Hungarian contribution

- ◆ Theory: Soft-budget constraint and the shortage phenomenon
- ◆ Practice: planning targets don't work (neither physical, nor monetary targets)
- ◆ ...but as a second best „market socialism” is superior to state planning → incentive: money follows the patient (DRG, capitation)

The hospital sector (1)

Hospital = a complex system with long, multi-stage agency chains.* Some of these chains are external (e.g. to suppliers, the system of referrals), others are internal (e.g. co-operation among specialists).

→ Long agency chains need to grow incrementally and evolve over decades.

→ The problem: political elites don't want to wait.

* Stiglitz (1999)

The hospital sector (3)

- ◆ Privatization is the only solution, even if private hospitals are few and far between in OECD countries.
- ◆ However, there is negative correlation between development levels and the share of the private sector.
- ◆ FDI is the only solution
 - High capital intensity
 - The role of confidence
 - High levels of organizational sophistication

Thank you for your attention!

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