At a glance

The total expenditure on health in Cyprus amounted to 7.4% of GDP in 2013 (£1,341m), with only 46.3% of that spent by the government (£621m). As a fraction of GDP, the total government expenditure for health services in Cyprus was 3.4% of GDP for 2013, which is amongst the lowest ratios in the EU-28.

Currently, the health system in Cyprus is under restructuring. As things stand, the healthcare system comprises of public and private sectors of approximately similar size that operate independently. The public sector is funded by the State and administered by the Ministry of Health, whereas the private system mostly relies on out-of-pocket payments by patients and private medical insurers.

As part of the Memorandum of Understanding on Specific Economic Policy Conditionality (MoU) signed with the Troika, the government is committed to adopting structural changes in an effort to strengthen the sustainability of the funding structure and the efficiency of the public healthcare system. Based on the updated MoU (September 2015), a National Health System (NHS) will be fully in place in 2017.

Based on an actuarial study commissioned by the Health Insurance Organisation (HIO) and performed by Mercer, the proposed NHS will be established on the principles of universality in coverage, good quality of care, equity, solidarity and long-term financial sustainability.
Key indicators (Cyprus)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctors per 1,000 population</td>
<td>3.0</td>
<td>3.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Dentists per 1,000 population</td>
<td>0.92</td>
<td>0.94</td>
<td>0.96</td>
</tr>
<tr>
<td>Nurses per 1,000 population</td>
<td>4.8</td>
<td>4.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Hospital beds per 1,000 population</td>
<td>3.5</td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Hospital beds per nurse</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: CyStat, WHO

Expenditure on health

Out-of-pocket expenditure on health¹

Out-of-pocket expenditure on health refers to any direct outlay by households with primary objective of restoring their health status. The out-of-pocket expenditure on health in Cyprus followed an increasing trend from 2009 (€658.9m) to 2012 (€665.5m), but decreased to €622.8m in 2013. The out-of-pocket expenditure as a proportion of private health expenditure (PvtHE) marginally decreased by 0.8% from 2009 to 2012 (86.6% of PvtHE), remaining relatively constant from 2012 to 2013 (86.5% of PvtHE).

In 2013, the highest share of out-of-pocket payments as a percentage of private health expenditure amongst the EU-28 members was recorded in Bulgaria and Lithuania (97.3% and 97.6% respectively). The relative figure for Cyprus was 86.5% in 2013, occupying the 10th highest place in the EU-28. Cyprus' out-of-pocket expenditure as a percentage of total health expenditure was 46.4% in 2013, placing Cyprus 1st among the EU-28.

The very high level of out-of-pocket payments in Cyprus undermines financial protection and equity in financing. High out-of-pocket payments are driven by the low priority given to the health sector in public resource allocation decisions, gaps in population coverage and weak incentives for efficiency and quality in service delivery (WHO, 2015).

Health expenditure indicators for Cyprus (2012)

- Public expenditures on health (GDP) 3.9%
- Private expenditure on health (GDP) 3.4%
- Social security expenditure on health (PHE*) 1.5%
- Private prepaid plans (PvtHE**) 8.4%
- Out-of-pocket expenditure on health (PvtHE) 88.1%

*PHE—Public health expenditure **PvtHE—Private health expenditure

Source: WHO, OECD

¹ See Definitions
The high proportion of out-of-pocket expenditure implies a lack of equity within the system. There are concerns for upward future trends in expenditure, which will increase the financial burden and the risk of a financially unsustainable system (Mercer 2013).

**Out-of-pocket expenditure for Cyprus**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>400</td>
<td>400</td>
<td>420</td>
<td>440</td>
<td>460</td>
<td>480</td>
<td>500</td>
<td>520</td>
</tr>
</tbody>
</table>

Source: WHO

**Out-of-pocket expenditure (% of total health expenditure)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>40</td>
<td>40</td>
<td>46</td>
<td>48</td>
<td>44</td>
<td>46</td>
<td>48</td>
<td>46</td>
</tr>
</tbody>
</table>

Source: WHO
Total health expenditure

The total health expenditure accounted for 7.4% of the country’s GDP in 2013 or €1,340.8m. The healthcare contribution to GDP increased by 1.3% from 6.1% in 2006 to 7.4% in 2009, and remained relatively constant through the 2009 to 2013 period.

Based on 2013 data, Cyprus has the highest private health expenditure (€720m or 53.7% of total health expenditure) and the lowest public health expenditure as a percentage of total health expenditure (€620.8m or 46.3% of total health expenditure) among the EU-28 members. In contrast, nearly 73% of total health expenditure in the EU-28 is publicly financed.

Total health expenditure–public and private

![Graph showing total health expenditure over time](Image)

Source: National Health Accounts (NHA), Eurostat

Public expenditure on health

The public expenditure on health comprised 7.5% of the government expenditure budget, or €620.8m, in 2013, largely unchanged in percentage terms from 2010 (7.5%). However, there has been a considerable decline in absolute terms, as public health expenditure declined €41.6m relative to the 2010 figure. It is of note that public expenditure on health, both as a percentage of government expenditure and in absolute terms increased substantially from 2006 (6.3%, or €423m).

Public expenditure on health

![Graph showing public expenditure over time](Image)

Source: WHO
Total health expenditure within EU-27

Total health expenditure accounted for 8.8% of the EU-27 GDP (2013). In most member states, the government expenditure on healthcare services is the second largest provision of the public expenditure after the social protection expenditure. The Netherlands (10.3%), followed by Denmark (9.1%), France (9.1%) and Germany (8.7%) had the highest ratios of public expenditure on health to GDP in 2013.

At the same time, Cyprus (3.4%) together with Latvia (3.5%) and Lithuania (4.1%), had the lowest ratios of public health expenditure. Amongst the EU-27, the Netherlands (12.9%), followed by France (11.7%) and Germany (11.3%) recorded the largest overall expenditure on healthcare services.

State budget

Based on the approved 2015 state budget, the actual expenditure for 2013 was €562.8m or 3.1% of GDP, down from €15.5m a year before. For 2014, the appropriate budget further declined by €32.5m compared to 2013, while for 2015 it increased marginally by €2.2m YoY (or 0.4%). The increase in 2015 is attributed to increases of 2.3% (or €3.7m) and 1.9% (or €4.4m) in the total expenditure for the administration and medical and public health services departments respectively. On the contrary, the expenditure allocated to the remaining departments of the Ministry of Health declined by more than 3.5%.

*Appropriated budget  **Medium-term budgetary framework

Source: Ministry of Finance

Source: Eurostat
Total health expenditure attribution (2010) %

In-patient | Out-patient | Clinical labs | Medical goods to outpatients | Other
---|---|---|---|---
19% | 31% | 5% | 7% | 37%

Total health expenditure attribution (€m)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-patient</td>
<td>279</td>
<td>298</td>
<td>425</td>
<td>460</td>
<td>480</td>
</tr>
<tr>
<td>Out-patient</td>
<td>259</td>
<td>277</td>
<td>359</td>
<td>381</td>
<td>400</td>
</tr>
<tr>
<td>Clinical labs</td>
<td>50</td>
<td>53</td>
<td>59</td>
<td>63</td>
<td>67</td>
</tr>
<tr>
<td>Medical goods to outpatients</td>
<td>204</td>
<td>217</td>
<td>241</td>
<td>239</td>
<td>250</td>
</tr>
<tr>
<td>Other</td>
<td>93</td>
<td>90</td>
<td>86</td>
<td>91</td>
<td>87</td>
</tr>
<tr>
<td>Total</td>
<td>885</td>
<td>935</td>
<td>1,170</td>
<td>1,234</td>
<td>1,284</td>
</tr>
</tbody>
</table>

Source: Eurostat

Health system characteristics and reforms

Currently, Cyprus lacks a universal national health care system. A large part of the population (c.83%) has free access to the public health system, while those that are not eligible pay for services received in accordance with the fee schedules set by the Ministry of Health. In 2001, the Cyprus Parliament passed a law to introduce a NHS based on the establishment of a universal health insurance system financed by health insurance contributions and public funds, promoting at the same time competition in the public and the private sector. Following the passing of the law, the Health Insurance Organization was set up to oversee implementation of the NHS but this has been delayed for well over a decade.

In 2012, the government reaffirmed the road map for the implementation of health care reforms aiming at universal coverage with long term financial sustainability. The road map encourages the development of policies for greater efficiency and effectiveness of health care resources with closer public-private partnerships, gate-keeping, Diagnosis Related Groupings (DRG’s), user charges and measures aiming at the overall improvements in the performance of the health system.

MoU provisions (September 2015)

Under the conditions included in the most recent revision of the MoU, the implementation of the NHS is considered as a key pillar of actions to be taken to address the existing challenges and reverse the negative course of the health care sector in Cyprus.

According to the MoU, the NHS will be implemented and anticipated to be fully in place in 2017. The relevant authorities are expected to take a decision on the final design of NHS and adopt the relevant legislations according to a timetable that will ensure implementation of the NHS in 2017. As prescribed in the MoU, the Cypriot authorities should have already adopted the hospital autonomisation bill and submitted it to the House of Representatives. While the Ministry has released draft bills, they that have not yet been adopted.
Law related to the autonomy of public hospitals
As part of the modernisation of the health system in Cyprus, the Ministry of Health should be reorganised and transfer some administrative authority to public hospitals. In line with the MoU, public hospitals will be allowed a considerable degree of autonomy to manage their resources, while remaining accountable to the MoH.

National Health System (NHS)
The Ministry of Health intends to implement the NHS in two phases according to the General Auditor’s report.

Funding sources of NHS

<table>
<thead>
<tr>
<th>Source: Mercer</th>
<th>Individual</th>
<th>Employer</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaried employees</td>
<td>2.00%</td>
<td>2.55%</td>
<td>4.55%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>3.55%</td>
<td>4.55%</td>
<td></td>
</tr>
<tr>
<td>Pensioners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GSIS, GEPS, other</td>
<td>2.00%</td>
<td>4.55%</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent, interest, dividends, other</td>
<td>2.00%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Health expenditure before and after the implementation of the NHS**

Assuming the implementation of the NHS, total health expenditure is projected to increase over the period 2016-2020 at an average rate of 3.0% (compound annual growth rate (CAGR)). Health expenditure growth for the period 2011-2016 is expected to be at about -2.4% (CAGR). Total health expenditure, with the current healthcare system in place, would be expected to grow by 3.2% (CAGR) over the period 2016-2020. Total health expenditure in 2013 was measured at €1,340.8m (or 7.4% of the country’s GDP) and is expected to decline to €1,309m by 2020, or 6.4% of the GDP.

**Total health expenditure with and without an NHS**

![Graph showing total health expenditure with and without NHS implementation](image)

*Source: Mercer*

**Compound annual growth rate of total health expenditure**

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-2015</td>
<td>-1.9%</td>
</tr>
<tr>
<td>2016-2020 with NHS implementation</td>
<td>3.0%</td>
</tr>
<tr>
<td>2016-2020 with no NHS implementation</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
National Health System: Public income financing

According to the Mercer report estimates, assuming a government contribution rate of 7.1% (4.55% for the NHS implementation and 2.55% as an employer), the total state financing will reach €497m by 2020. Around 68.6% (€341m) of the total financing will originate from the employees, 13.7% (or €68m) from General Social Insurance Scheme (GSIS) pensioners, 8.7% (or €43m) from state employers, about 3.2% (or €16m) from self-employed persons and the remaining (around €29m) from other pension contributions.

NHS - Public income financing

Source: Mercer

Main characteristics of the NHS

- Universal coverage.
- Comprehensive benefits package, such as primary care, outpatient specialist care, clinical laboratory tests and others.
- All beneficiaries will be treated equally with respect to the provision of healthcare services.
- Beneficiaries will have the right to choose their healthcare providers, from both the public and private sector.
- Adoption of the institution of the family doctor, while there may be direct access to medical specialists under specific conditions.
- Equitable contributions: based on income, high income earners will contribute more than low income earners.

Challenges

- Achievement of consensus among stakeholders for the structure and funding of the NHS.
- Higher than expected costs of implementation.
- Sustainability of the NHS, especially in light of expected implementation issues.
- Capacity constraints and cost inefficiency at public hospitals.
- Ageing population.
Additional reforms
In addition to the NHS, additional reforms regarding public hospitals, other health facilities and the organisation of management of the MoH were adopted by Cyprus prior to the granting of the first disbursement of financial assistance by the European Stability Mechanism. The reforms that have already been adopted by the Cypriot authorities are:

- As of August 1, 2013, Cypriot authorities introduced a compulsory health care contribution for civil servants and civil servant pensioners (1.5% of gross salaries and pensions).
- The fees for non-beneficiaries increased by 30%. In addition, a formula that includes admission fees for visiting general practitioners and increased fees for using higher levels of care for all patients was introduced.
- Introduced fees for using Emergency Care Services.
- Protocols were presented for the prescription of pharmaceuticals based on thorough scientific evidence in an effort to reduce spending on drugs.

Reforms under implementation or in process

- There is a continuous expansion of home nursing in all districts of Cyprus, while prison-nursing services are provided on a 24-hour shift basis from April 2014.
- As of August 2011, all the Ministers and the House of Representatives approved the freezing of salaries of public and broader public sector employees and gradual implementation of deductions (around 15%) that will be fully applied by the end of 2016.
- The restructuring of the overtime pay system in the public sector is under way, in order to reduce the overtime cost and at the same time to continue provide quality services to the patients.
- For access to further levels of care, the Cypriot authorities will consider establishing a system of family doctors acting as gate-keepers.
Based on an amended scheme that is in place since October 2012, patients are transferred for diagnosis or for medical treatment to the private sector in Cyprus or abroad. The implementation of those actions takes into consideration the ability of the public sector to perform the treatment/diagnosis as well as the patient’s current state of health.

Expenditure for medical services not provided in the public sector

Recent reforms in the health sector also included reduction of healthcare expenditure incurred by the government resulting from medical treatments of patients in private medical centres abroad. In 2014, those costs amounted to €11.4m, down by 20% from a year before. At the same time, the expenditure on medical treatment for patients who have been transported to private medical centres in Cyprus decreased by 45.5% in 2014 (or by €5m).

Scheme providing financial assistance for medical services not provided in the public sector

All the Cypriot and EU/EEA/Swiss permanent citizens of Cyprus who are registered to the NHS and have a minimum contribution to the GSIS of 3 years, including assimilated insurance periods, are healthcare beneficiaries.

Beneficiaries include:

- Persons with no dependants whose annual income is lower or equal to €15,400.
- Members of families whose annual income is lower or equal to €30,750 (additional €1,700 for each dependent child).
- Persons suffering from certain chronic diseases.
- State officials, civil servants, members of the police and the armed forces together with their dependents.
- Some other specific categories of citizens.

Expenditure for medical services not provided in the public sector

Source: General Auditor’s Report
Recent developments

April 2014
The House of Representatives approved a proposal for the creation of an Implementation Advisory Team, drawing on national and international expertise, to assist the Ministry of Health with the implementation of NHS and the health sector reforms.

May 2014
The Government submitted the road map for the implementation of NHS.

September 2014
The MoH announced a reduction in drug prices (c. 10%), coming into force from March 1, 2015.

October 2014
The Council of Ministers approved the amended law on Medical Institutions and Services (Control and Fees). This law provides healthcare benefits to more beneficiaries.

December 2014
The World Health Organisation (WHO) announced its intention to contribute a total of €2m for reforms in the Health System in Cyprus.

January 2015
Close to 2,000 pharmaceutical products began selling at lower prices.

The Republic of Cyprus signed cooperation agreements in the field of health with the Slovak Republic, Kuwait and Albania.

June 2015
The Ministry of Health published a new draft bill, concerning the restructuring and autonomisation of public hospitals.

September 2015
The Council of Ministers approved a proposal for the improvement operation of the Drugs Committee. Based on the proposal, two new bodies are established, facilitating the effective and efficient operation of the Committee and a further rationalisation of the public spending.

January 2016
The Ministry of Health announced plans for an interim implementation of the NHS, with the concurrent autonomisation of the public hospitals. The plan will be implemented in 2017 and it will be funded through universal contributions based on declared income at the Social Insurance Department.
Abbreviations

CAGR – Compound Annual Growth Rate
CyStat – Cyprus Statistical Service
EC – European Commission
ECB – European Central Bank
GDP – Gross Domestic Product
GGE – General Government Expenditure
GSIS – General Social Insurance Scheme
IMF – International Monetary Fund
MoH – Ministry of Health
MoU – Memorandum of Understanding on Specific Economic Policy Conditionality
NHE – National Health Expenditure
NHS – National Health Scheme
PEH – Private Expenditure on Health
PHE – Public health expenditure
PvtHE – Private Health Expenditure
TROIKA – EC, ECB, IMF
WHO – World Health Organisation
YoY – Year on Year

Definitions

Out of pocket expenditure on health refers to any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic devices and other goods and services whose primary intent is to contribute to the restoration of the health status of individuals or population groups (WHO).

References


Division of Health Systems and Public Health, WHO Regional Office for Europe (2015), Analysis of options for purchasing market structure under NHS.


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