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Wielding the axe

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Hard-pressed hospital finances will be further squeezed in 2023. But there are those who will profit from it.

Photo: Einar Nilsen

In her speech to the hospital sector on 17 January 2023, Ingvild Kjerkol, the Minister of Health and Care Services, announced austerity measures, reduced wiggle room for hospitals and cuts in public spending (1). This did not exactly come out of the blue. Before Christmas, it was clear that the fiscal budget for 2023 represented a de facto reduction in the already hard-pressed hospital finances, because estimated inflation in the 2023 budget was 2.8 % (2) while Statistics Norway's estimate was just under 5 % (3). Thus, the seemingly slight increase in the budget turned into a de facto budget cut, all because inflation had not been sufficiently factored in (3).

Hospital budgets have long been constrained, and this has had repercussions for operation and investment. All regional health authorities have budget deficits, the reasons for which are complex. In 2020, only four of Norway's 20 hospital trusts had a building stock that satisfied the goals in the National Health and Hospital Plan (4). Many years with a maintenance backlog have resulted in a large, growing need for investment. Both these and investments in the new buildings needed must be covered by reducing operating expenses. The steady increase in the use of expensive agency staff due to the continued lack of specialists in many parts of Norway is also putting pressure on the operational budget.

Meanwhile, the population is ageing at a rate that is about to create a silver tsunami. The so-called old-age dependency ratio, i.e. the ratio between of the number of people of working age and the number of people of pensionable age and over, will increase from 25 % in 2022 to 30 % in 2030 (5). The greatest increase is seen in those over 80 – an age group with a high morbidity rate and frequent need for health services (5).

> ***«Reducing bed numbers and periods of hospitalisation increase the pressure on primary care services. This is already having an impact on nursing homes»***

In this scenario, what the government is proposing is a de facto budget cut for hospitals. The consequences are predictable. Hospital managers, who are responsible for deciding where to make the cuts, have little choice but to make the savings where they are most effective, namely in the most expensive and least beneficial part of the activity. In plain language, this translates to cutting the number of beds and length of stays, since extensive resources are used on long-term patients who are not contributing much financially. Reducing bed numbers and periods of hospitalisation increases the pressure on primary care services. This is already having an impact on nursing homes, whose patients are now often sicker than before and have more complex health challenges. One example is Oslo's much maligned short-term health facilities, which have almost become small local hospitals but lack the medical expertise and staffing needed to cope with the new reality (6). At the same time, the GP crisis is further exacerbated when sick patients are sent home too soon, putting further pressure on the already exhausted GPs (7).

Over time, this will weaken public confidence in the public health service. The signs have been there for a long time, and most notably perhaps is the growth in private medical services. Revenues in the private healthcare provider, Dr. Dropin, saw more than a sixfold increase between 2020 and 2021, from NOK 59 million to NOK 385 million (8). The digital healthcare provider, Kry, more than tripled its revenues in the same period, from approximately NOK 16 million to just over NOK 52 million (9). And a similar service, Hjemmelegene, saw more than a tenfold increase in revenues from 2019 to 2021 – from approximately NOK 4 million to just over NOK 40 million (10). There is little indication of growth slowing down among such providers. This clearly reflects the ever-increasing battle for doctors. Specialists employed in the public health service are lured into the private sector with salaries that are twice as high, 'golden hellos' and a range of fringe benefits (11), while young doctors are tempted by the flexible working arrangements and claims of 'Norway's best workplace' (12). The total number of employees in the private health sector grew by 14 % between 2015 and 2021. This is more than double the growth in the public health service in the same period (13). It is not hard to predict a further acceleration in this pace of development.

And when both patients and healthcare personnel flock to private health care, the public health service loses, because specialised healthcare professionals will be the health service's scarcest commodity in the coming years, as the Health Personnel Commission has also pointed out (5).

'We will continue our efforts to strengthen and improve the best health service in the world.' This is how the Minister of Health and Care Services concluded this year's speech to the hospital sector (1). But the government's lack of enthusiasm for investment in the public health service is having the opposite effect: expertise is leaking from public health authorities and primary care services and standards are falling, while the private health sector has never been more buoyant. The bifurcation of the health service is now a reality. And it is picking up pace. The fact that it is happening on the Labour Party's watch is a political paradox.

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