

Hearing on the draft law C. 1298 (financing, organisation and functioning of the INHS and the reorganisation of tax benefits for complementary health care)

Summary

17 July 2024 | The Parliamentary Budget Office (PBO) held a hearing before the Social Affairs Committee of the Chamber of Deputies on the draft law (DL) of 13 July 2023, C. 1298: “Provisions concerning the financing, organisation and functioning of the National Health Service as well as delegation to the Government for the reorganisation of tax benefits related to complementary health care”.

The memorandum illustrated by PBO board member Giampaolo Arachi analyses the financial framework of the DL (expenditure, financing and coverage), alongside the possible distributional effects of the proposed revision of the criteria for allocating funding to the Italian National Health Service (INHS) among the Regions, and then focuses on more specific measures concerning the strengthening of the personnel, the reorganisation of the system, and the provision of more stringent criteria for the access to tax benefits related to forms of supplementary assistance.

Despite lower healthcare spending compared to the average of the EU27 and euro area countries, both as ratio to GDP and in per capita terms, Italy records rather favourable health indicators, such as high life expectancy at age 65 and low avoidable mortality rates. The INHS, therefore, still seems to show some resilience, which, however, will be difficult to maintain over time if the current deficiencies and imbalances are not tackled. The DL aims to respond to some of the main critical issues that have emerged, providing for an increase in financial and human resources and measures to reorganise the system.

In order to improve healthcare standards and dealing with the deficiencies and imbalances that currently exist, the DL envisages increasing healthcare spending to 8 per cent of GDP from 2024, also through an increase in INHS funding (equal, annually, to twice the rate of inflation). It also introduces reorganisation measures that imply some new burdens, identifying appropriate financial coverage (EUR 4 billion from 2025 to 2030, possibly to be considered incremental from year to year), entrusted to spending review measures and, if not sufficient, to revenue-enhancing measures (reduction in tax expenditures and increases in tax rates). In this regard, given past experience and previous efforts in rationalisation and spending review, the goal of securing the amounts indicated in the DL through this channel may be seen as particularly ambitious, especially if incremental. A similar consideration may apply to the hypothesis of a change in tax expenditures.

On the other hand, the increase in tax rates – in contrast to the tax-reducing policy interventions of the last decade – is a more immediate way to generate enough resources

to provide financial coverage for the increase in health financing and spending to the desired level. It would, however, be appropriate for the DL to provide an indication of which taxes and rates would possibly be affected, also specifying the possible area of variation.

The combination of the DL's provisions on INHS spending, funding and coverage highlights certain inconsistencies, which make it difficult to interpret the legislator's will and require important clarifications on certain crucial issues, starting with the extent of the new resources to be allocated to healthcare and their progression over time.

As regards the proposals to revise the mechanism for allocating funding to the INHS, which have some grounds in the analyses of the factors determining health needs, the PBO notes that the weights of the main factors (age brackets and economic deprivation) should be adjusted with greater attention to their relative significance in influencing health status, while for the purposes of introducing other variables (environmental, socio-economic and cultural criteria, price levels) the interactions between them and the relative incentive/disincentive effects on opportunistic behaviour should be analysed.

The other specific measures envisaged by the DL referring to the personnel and the reorganisation of the INHS (interventions on the Essential levels of care, revision of the diagnosis related groups, increase in the number of hospital beds, measures for the emergency-urgency system, for the reduction of waiting lists, and for the strengthening of research) appropriately face some important critical aspects, but they are in some cases not well defined and not fully coordinated with existing legislation, and the financial consistency between their costs, the financial coverage and the targets for the overall development of financing and expenditure should be made more solid.

As for supplementary health care, the DL restores the appropriate distinction between benefits replacing interventions provided by the NHS and supplementary services, in order to limit improper applications, aiming to exclude the first ones from tax benefits.

The proposals to strengthen and make available information from the Register of Health Funds seem useful for enhancing transparency. Finally, PBO remarked that it would be very useful, both for analysis and policy making purposes, to have also full availability of the administrative data held by the Italian Revenue Agency on the revenue losses due to these tax benefits.