

4.3.8 Theoretical expectations versus reality – health systems

Modern health systems are complex, and there is a whole industry of economists specialized in analyzing health related topics, which fall in the range of economics. Going into details of VSC health systems would be, on the one hand, too daunting a task to perform here and, on the other hand, nearly impossible due to data problems.

With regard to the good characteristics of health goods, which are provided by the public sector, we have a lot of rival or private goods, but there are also goods which display considerable economies of scale. Recall Table 4.3, where we rated «general health care» and «hospitals» as high-cost public goods.⁹⁰ VSC should, therefore, exhibit higher costs in the health sector or provide inferior quality in comparison to larger countries. Given the ongoing discussion in almost all countries on financial problems in the health sector and exploding costs due to various factors, VSC are expected to experience these general problems more severely because of their economies of scale disadvantage.

A first clue of the situation of health systems in VSC can be given by an assessment of the quality of the systems in VSC. «The World Health Report 2000» of the WHO (WHO, 2000) provides a surprising result. The best health system, where the judgment is based on a set of important variables, is the French system. Italy emerges as the runner-up of the 191 members of the WHO, followed by San Marino, Andorra and Malta. Hence, three VSC occupy positions in the «top 5». Given the assumption that at least some parts of the health system exhibit considerable economies of scale, this is rather astonishing and requires a thorough analysis for clarification. The minimum efficient scale for specialized hospitals or medical research in technology-intensive areas is, obviously, beyond the number of inhabitants of San Marino or Andorra. To test whether the rankings of Andorra, Malta or San Marino are not dependent on their VSC status, we run a few regressions to detect possible empirical relations between country size and health system performance. Note that there is a clear theoretical prediction:

⁹⁰ Note that parts of the social security system may also be closely connected with the health sector.