Health care challenges in Europe

FAD/EUO Joint Conference
Public Health Care Reforms: Challenges and Lessons for Advanced and Emerging Europe

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Outline

- **Assessing fiscal challenges of HC:**
  Joint Commission (ECFIN) – EPC(AWG) Ageing Projections (2009 Ageing report)

- **Policy challenges/reform options:**
  Joint Commission(ECFIN)-EPC Report on Health Systems

- **Recent policy measures in the frame of fiscal adjustment programmes:** the case of Greece and Portugal
Assessing fiscal challenges of HC

- Joint ECFIN–EPC (AWG) Ageing Report - a unique collaboration between European Commission and Member States

- Assessing economic and fiscal consequences of ageing through projections of future public expenditure on pensions, health care, long-term care, education and unemployment transfers

- Projections carried out every three years (2001/3, 2006 and 2009). Next in 2012.
Overview of the projection exercise

Population 2008-2060

Labour force
- Participation
- Employment
- Unemployment

Labour productivity

Real interest rate

GDP

Pensions
  National models

Health care

Long-term care

Education

Unemployment benefits

Total age-related spending
Health care projections

**2009 Ageing Report**: assessing the impact of demographic (& non-demographic) factors on HC spending
Health care projection methodology

- Macro simulation, what if approach,
- Various scenarios
  - Pure ageing
  - Income elasticity
  - Health status development
  - Death-related costs
  - Cost-convergence
  - Productivity
- complemented by regression analysis
Simple basic methodology

Input data: POPULATION PROJECTIONS * AGE-RELATED EXPENDITURE PROFILES * UNIT COST DEVELOPMENT = TOTAL SPENDING ON HEALTH CARE

Sensitivity tests:

(1) Alternative demographic projections
(2) Health status
(2a) Income elasticity of demand
(3) Alternative patterns of unit cost evolution

.....but several sensitivity tests possible
Health care costs increase with age

Age-related expenditure profile of HC provision
(per capita spending, as % of GDP per capita, by single age)
...and population is getting older and older

European Union

2010

2060
Pure effect of demographic changes

% of GDP

Level 2007  Change 2007-2060
1- Higher life expectancy (1 extra year)
2- Future evolution of health status

- Pure demographic scenario (expansion of morbidity hypothesis)
- Constant health scenario (dynamic equilibrium hypothesis)

<table>
<thead>
<tr>
<th>Year</th>
<th>Good Health</th>
<th>Bad Health (with disability)</th>
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<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
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<tr>
<td>2060</td>
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increase in life expectancy

- Years spent in good health
- Years spent in bad health (with disability)
Modelling health improvements: What savings are possible?

- Shift of the age profile in line with growth in life expectancy
- Fall in age-specific morbidity rate/unit cost

Graph showing average expenditure per head of population as a percentage of GDP per capita from 2007 to 2060 for both pure demographic and constant health scenarios.

Bar chart comparing EU15 and EU12:
- EU15: Constant Health scenario = 0.7, Pure Demographic scenario = 1.7
- EU12: Constant Health scenario = 0.2, Pure Demographic scenario = 1.5

Legend:
- Constant Health scenario
- Pure Demographic scenario
3- What if the relative costs in the RAMS 12 (EU12) become the same all over Europe?
Non-demographic drivers of HC expenditure
("Technology" scenario)

In the 2009 Ageing Report, there was an estimate for the determinants of per-capita HC expenditure in levels (through pooled fixed effect regression, assuming cointegration)

\[
\log h_{i,t} = \alpha + \gamma * t + \beta * \log g_{i,t} + \gamma * \log x_{i,t} + \varepsilon_{i,t} \quad (1)
\]

The estimate of "non-demographic factor " (or NDF , similar to the ECG of the IMF) was 1.6, assumed to decline to zero by 2040 in the so-called "Technology" scenario.

In the 2012 Ageing Report, Commission Services will estimate a similar regression but in first differences

\[
\Delta \log h_{i,t} = \alpha + \mu_i + \beta * \Delta \log g_{i,t} + \gamma * \Delta \log x_{i,t} + D_{1995} + \varepsilon_{i,t} \quad (2)
\]

1)hi,t is real per capita public health care expenditure
2)gi,t is real per capita GDP
3)xi,t represents demographic composition
4)D1995 is the coefficient of a dummy variable that denotes a common shift in the growth rate of per capita spending after 1995
Projected increase in health care spending 2007-60

- EU15: from **0.8 to 2.7** (up to 4.2% if technology is incorporated)
- EU12: from **0.3 to 2.8** (up to 4.3% if convergence is incorporated)
- Central (AWG) scenario used in the sustainability analysis:
  EU27: **1.7**  EU15 : **1.7%**,  EU12: **1.4%**
Policy challenges/reform options:

Joint EPC – EC(DG ECFIN) Report on Health Care Systems – December 2010:

How to contain spending pressures through efficiency gains, in order to ensure fiscally sustainable access for all to high-quality health services …
Main contents

- The *joint* report points to 10 main policy challenges for the EU to be addressed resolutely in the coming years to contain spending in an efficient and equitable manner

- **Country fiches, with detailed analysis of:**
  - recent trends in HC spending and coverage
  - collection, pooling and allocation of financial resources
  - Providers status, referral system and patient choice
  - Purchasing, contracting and remuneration systems
  - Information and monitoring systems

- **Country specific challenges/recommendations have been endorsed by Member States (the EPC and the ECOFIN Council)** !!
Main conclusions of the Joint report

- Given their complexity and the challenges ahead, health systems require **attentive and regular monitor and policy attention** in order to continuously adjust settings, governance and the incentive structures present in the system.

- Measures introduced in the last two decades aimed at
  - improving value for money and
  - slowing down the growth of health spending

  will have to be intensified in the immediate future to achieve the needed consolidation of public finances in Europe

- Increasing cost-effectiveness of health systems can ensure that health care reforms do not conflict with the overarching goal of ensuring equitable access to health care
10 policy challenges to be addressed:

1. Macro-type controls on resources and budget (aggregate cost-containment measures - e.g. cap on total HC expenditure), to be associated to micro-type incentives-based reforms;

2. Limit demand by Increasing cost-sharing and reducing tax deductions, while addressing equity and access concerns;

3. Improve the general governance (decision-making, management, contracting systems) of the system;

4. Improve data collection and information channels and use available information to support performance improvement;

5. Reduce the unnecessary use of specialist and hospital care while improving primary health care services (and referral system);
10 policy challenges (2)

6. Cost-effective use of medicines;

7. Enhance hospitals’ efficiency through an increasing use of day-case surgery and concentration of some hospital services;

8. Ensuring a balanced mix of staff skills;

9. More systematic use of health-technology assessment (HTA) to determine cost-effective treatment to be financed publicly;

10. Promoting more effective health promotion and disease prevention to improve health status and reduce the demand for health services.
Recent policy measures in the frame of fiscal adjustment programmes

Reforming HC in Greece and Portugal
Measures to reform the HC system figure prominently in the economic adjustment programme (MoU on specific policy conditionality) of Greece and Portugal.

Significant cost savings and efficiency gains are expected from reforms of the health care system in these two countries.
Main Actions in the MoU of EL & PT)

- Enhanced monitoring and regular feedback to providers:
  - greater use of information technology (e-prescription, electronic medical records);
  - use of clinical guidelines;
  - regular assessment/auditing reports.

- Cost savings in the area of pharmaceuticals through:
  - reduction of generous mark-ups;
  - publication of prescription guidelines
  - more use of generic drugs

- Increased cost-sharing and reduction of tax deductions;
- Improved and more centralised purchasing and procurement systems;
- Reinforcement of primary care services (gate-keeping/referral)
- Reorganisation and rationalisation of hospital network (also through concentration) and medical staff management and mobility.
Next steps

Enhanced scrutiny of health care spending is one of the elements of the EU’s revamped budgetary surveillance effort to prevent future fiscal crisis

- Commission will continue to monitor MSs reforms in health care in the frame of the budgetary surveillance (Stability and Growth Pact) ...and the Europe 2020 strategy

- In the frame of the regular review of the fiscal adjustment programmes, Commission, with IMF and ECB, will regularly monitor progress in the implementation of health care reforms in Greece and Portugal


- Commission (DG ECFIN) will prepare a new fiscal «sustainability report» by Autumn 2012
Publications available @
