



# *Health care challenges in Europe*

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

*Paris, 21 June 2011*

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# Outline

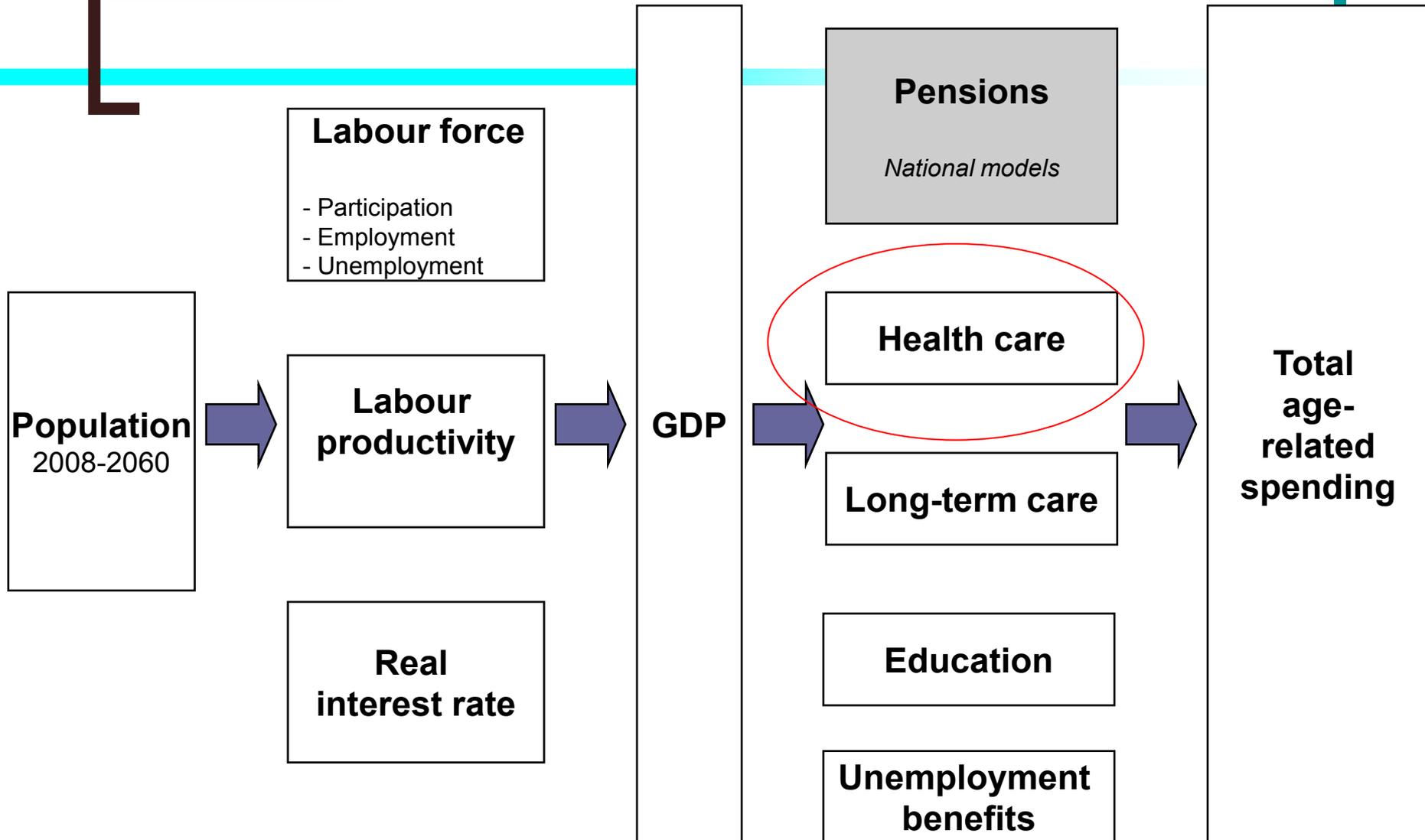
- **Assessing fiscal challenges of HC:**  
Joint Commission (ECFIN) – EPC(AWG)  
Ageing Projections (2009 Ageing report)
- **Policy challenges/reform options:**  
Joint Commission(ECFIN)-EPC Report on  
Health Systems
- **Recent policy measures in the frame of  
fiscal adjustment programmes:** the case  
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





# Health care projections

2009 Ageing Report: assessing the impact of demographic (& non-demographic) factors on HC spending

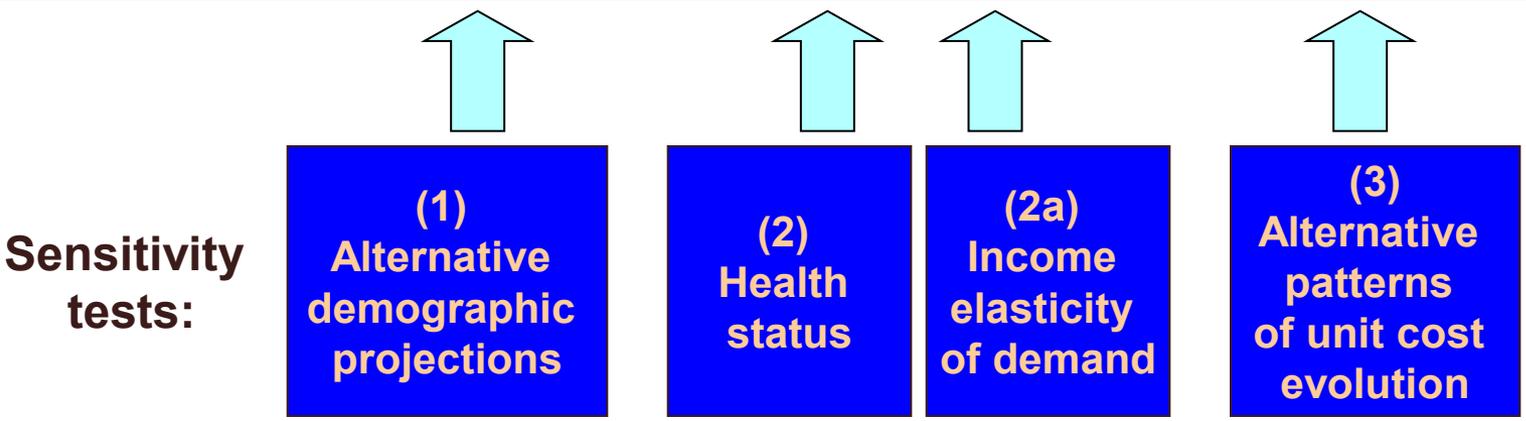


# Health care projection methodology

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

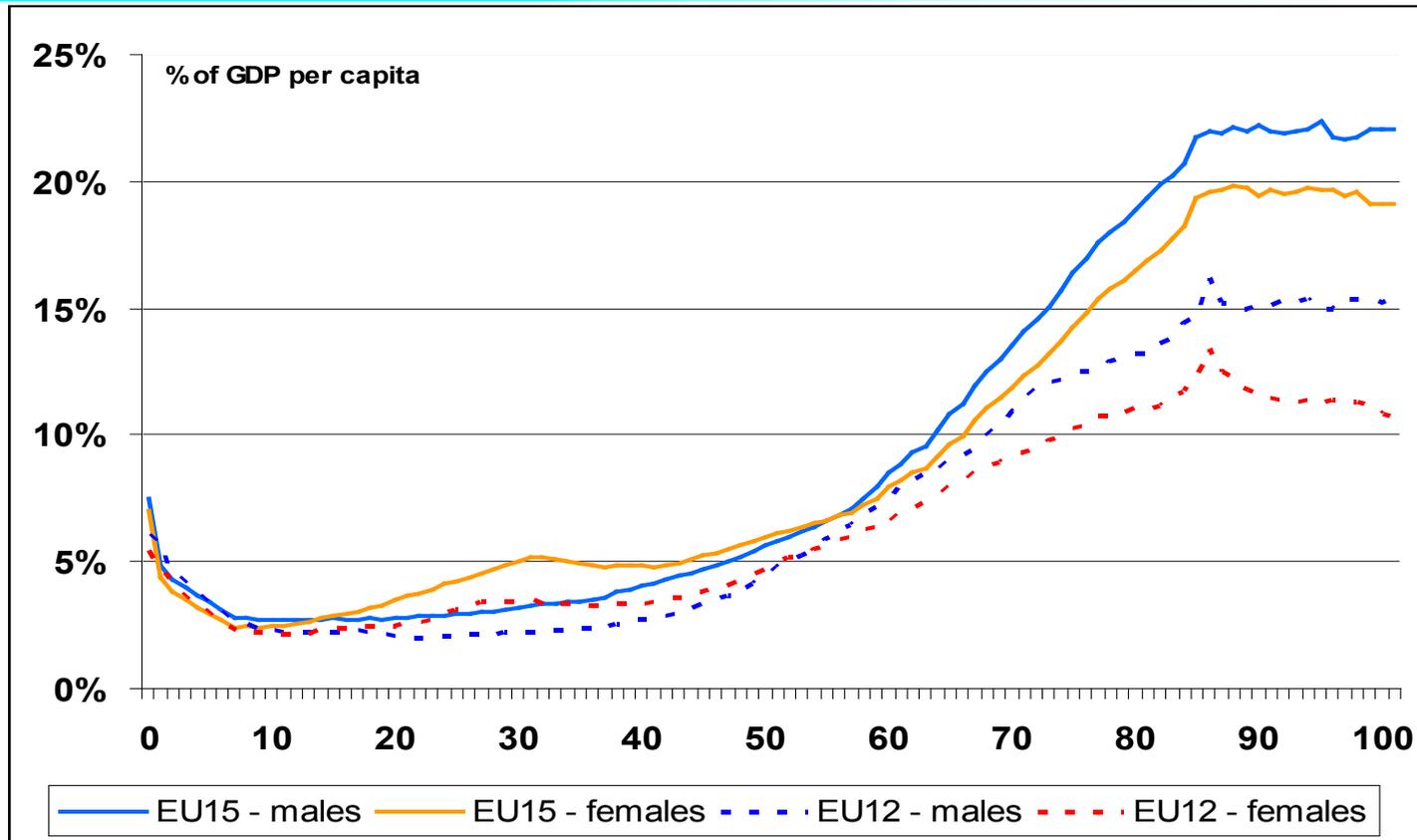


# Simple basic methodology



.....but several sensitivity tests possible

# Health care costs increase with age



Age-related expenditure profile of HC provision

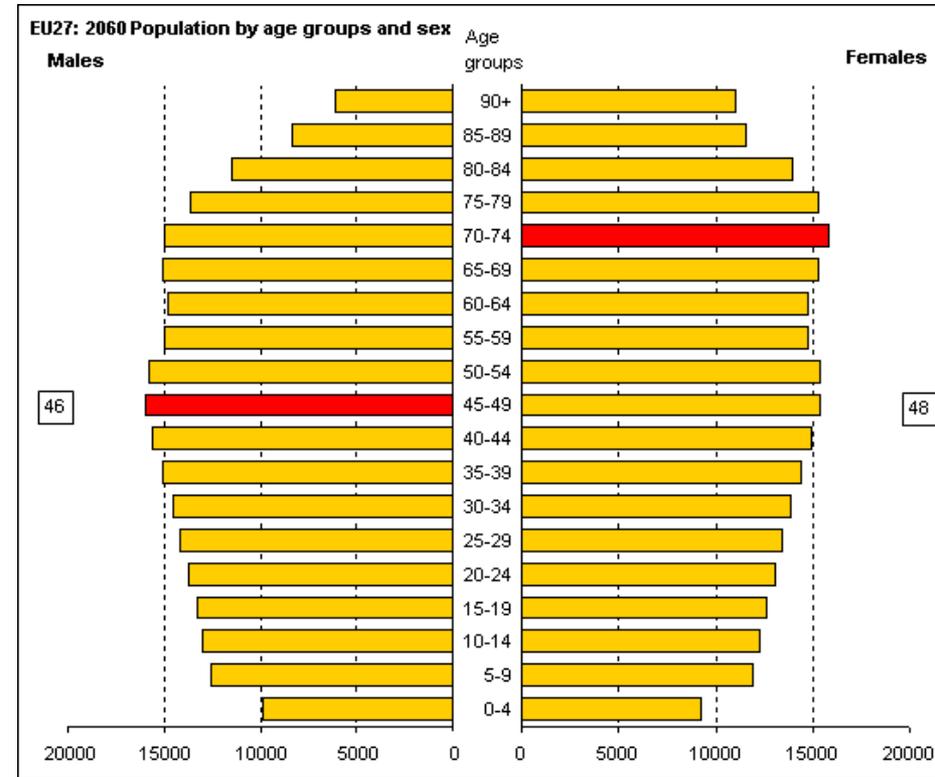
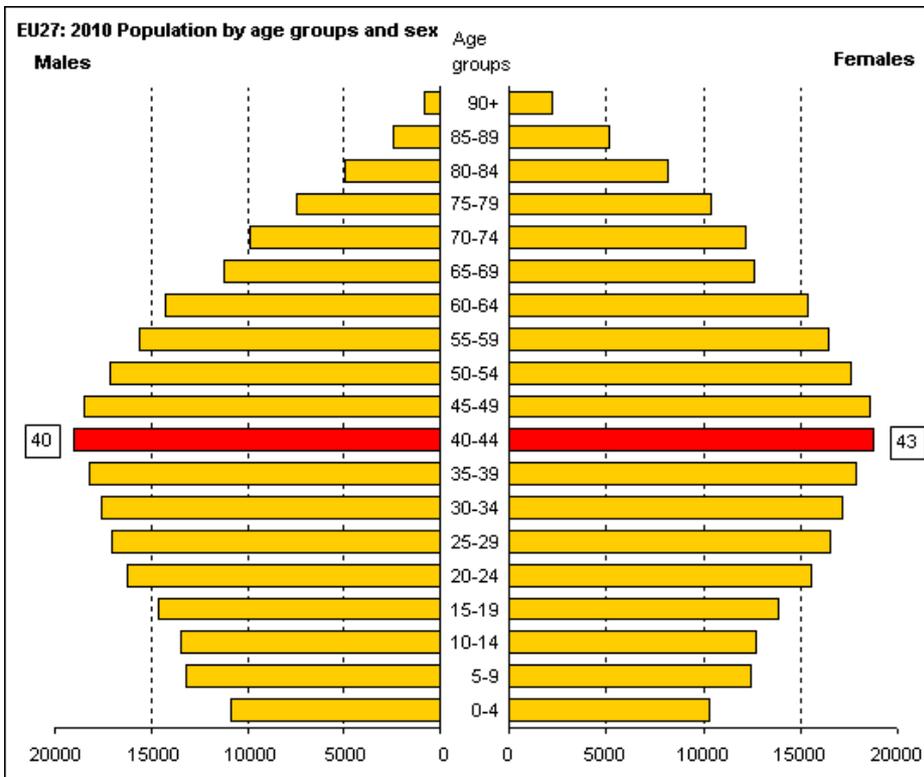
(per capita spending, as % of GDP per capita, by single age)

# ...and population is getting older and older

European Union

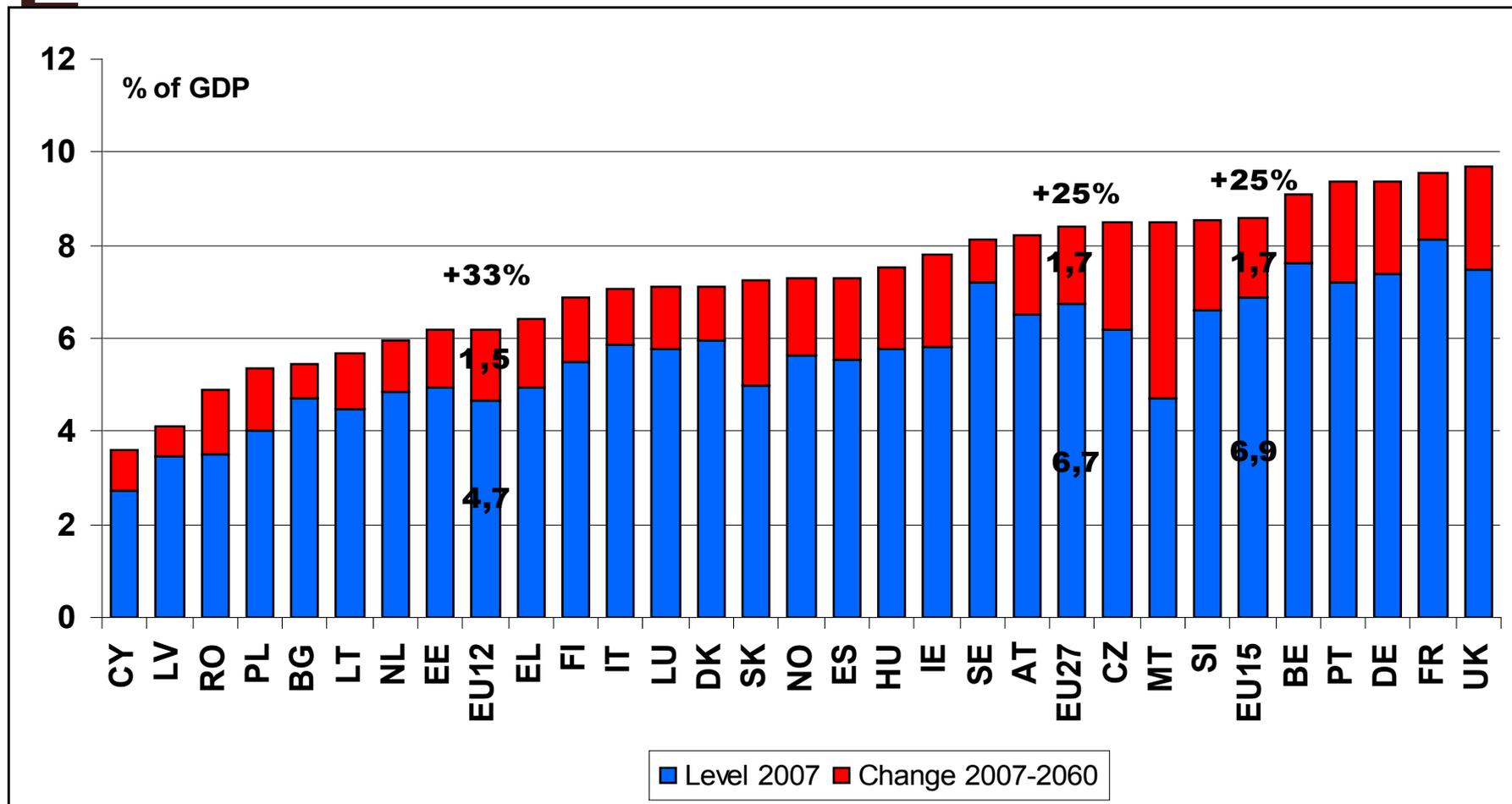
2010

2060

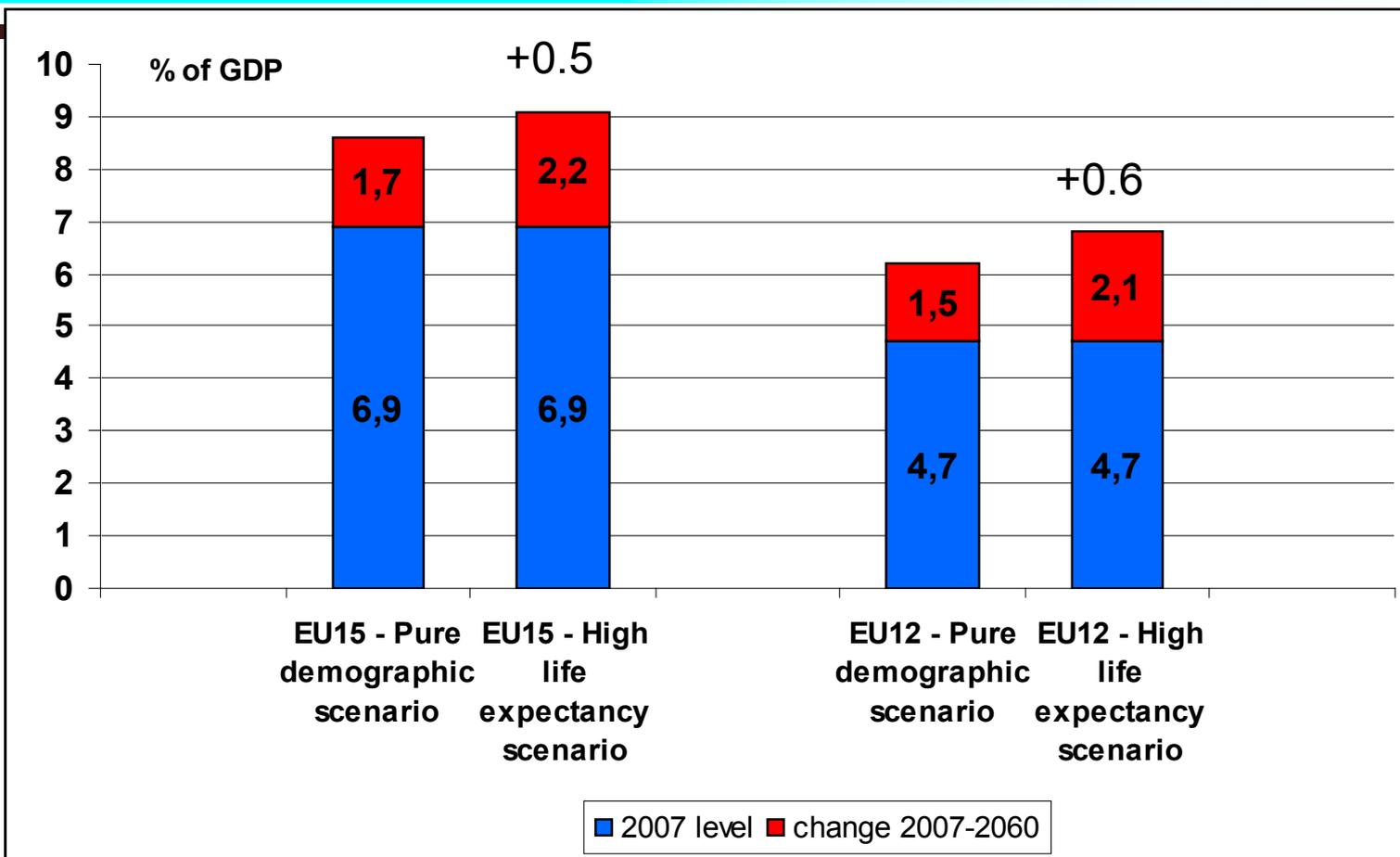


x Median age

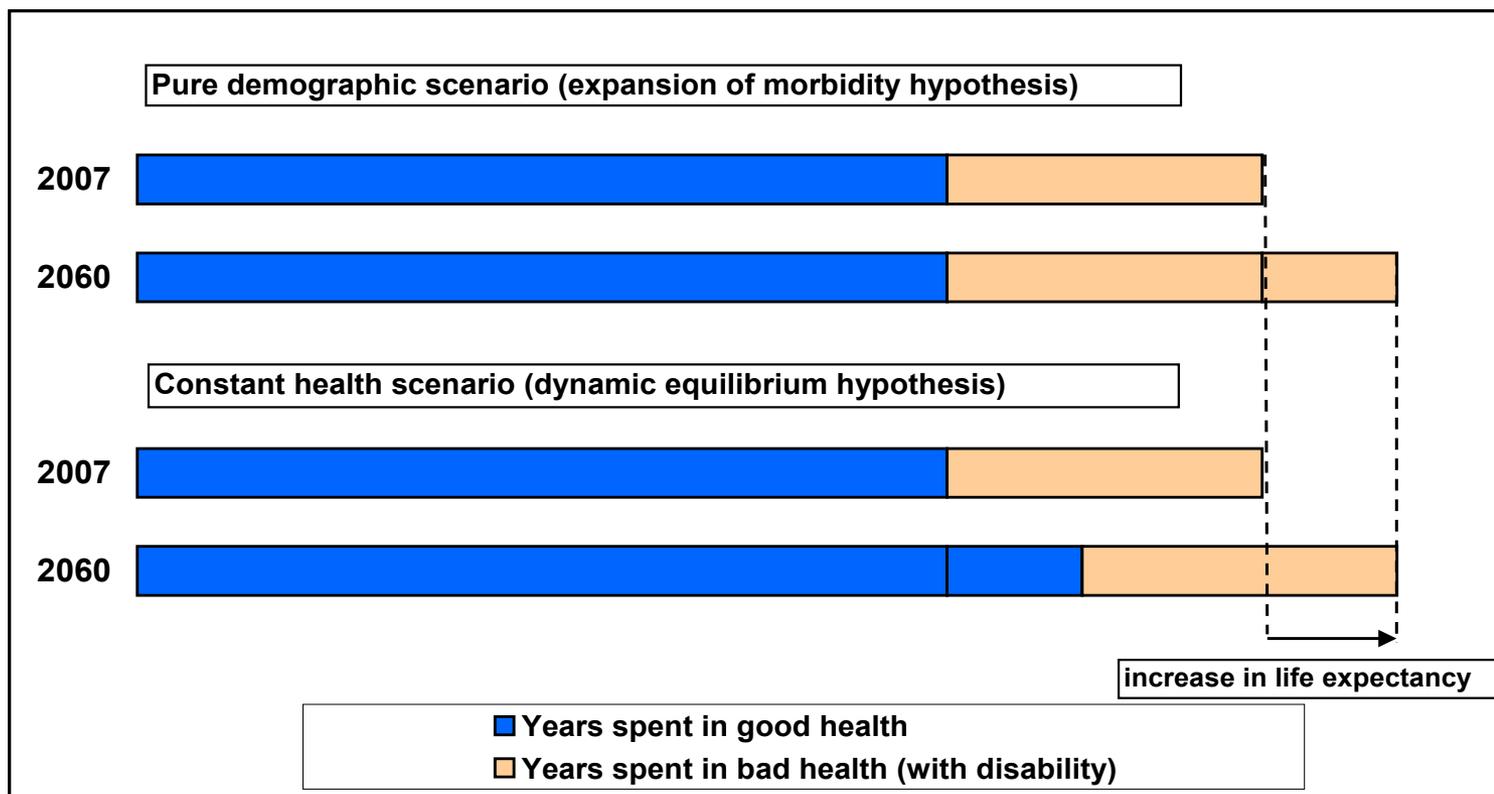
# Pure effect of demographic changes



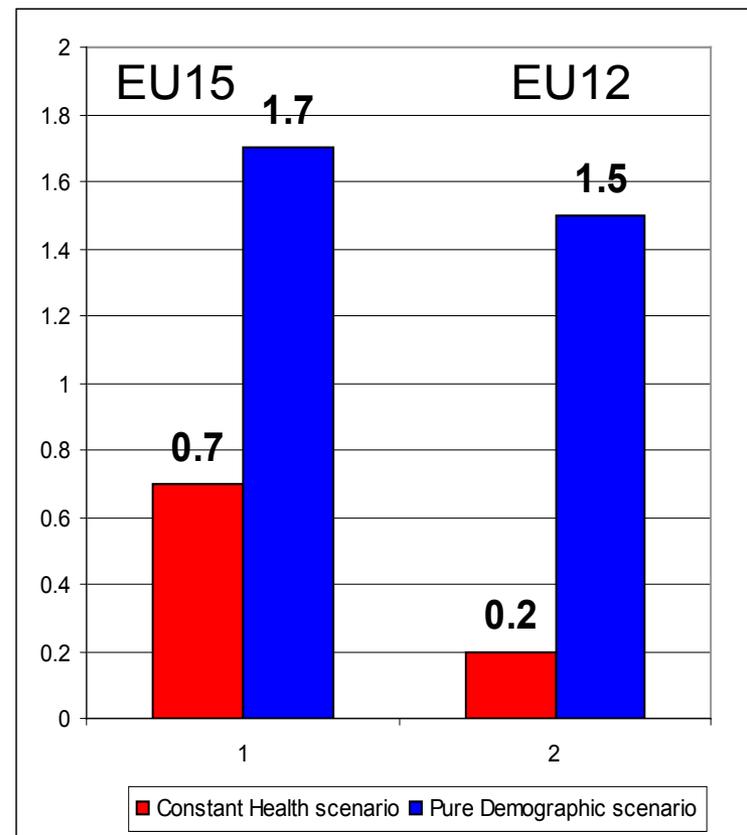
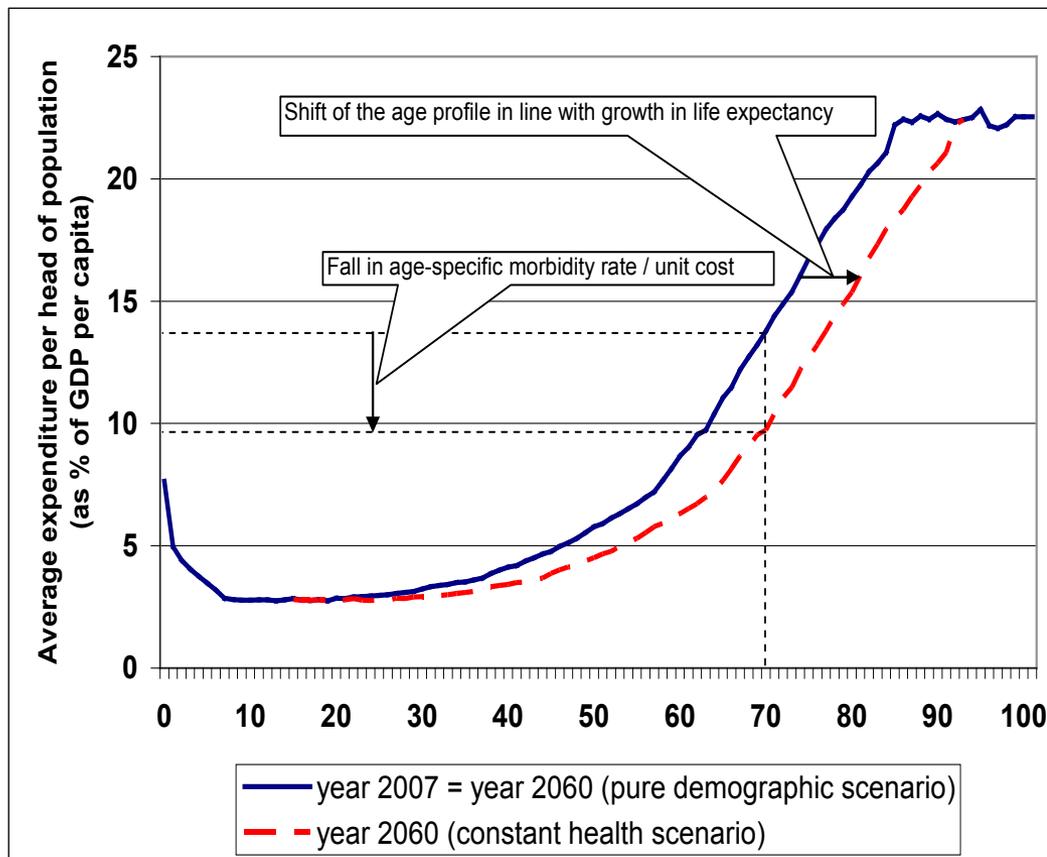
# 1- Higher life expectancy (1 extra year)



## 2- Future evolution of health status

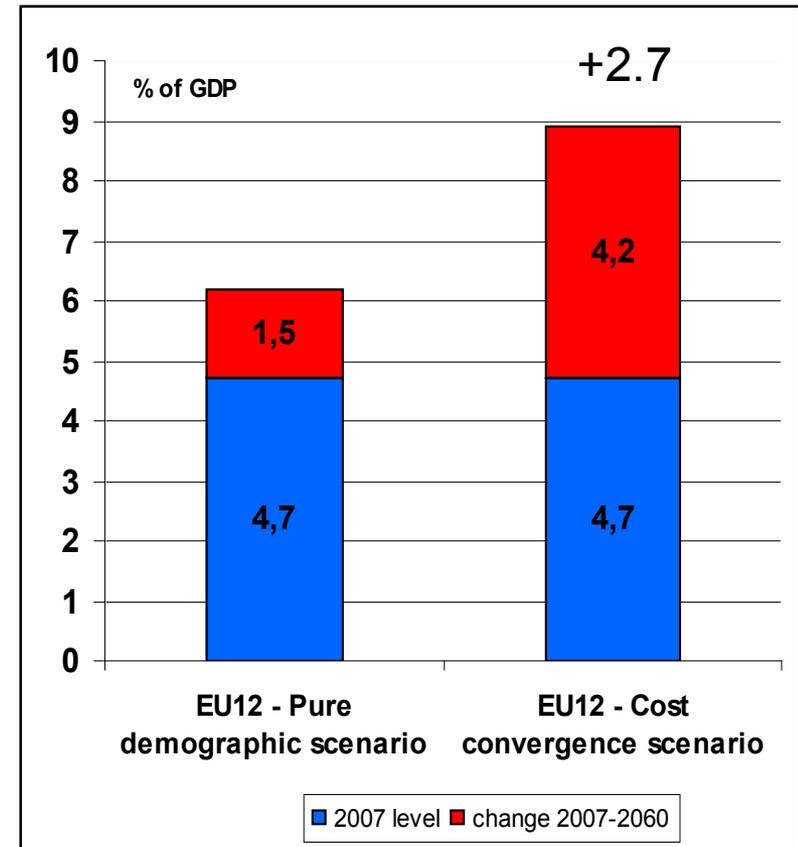
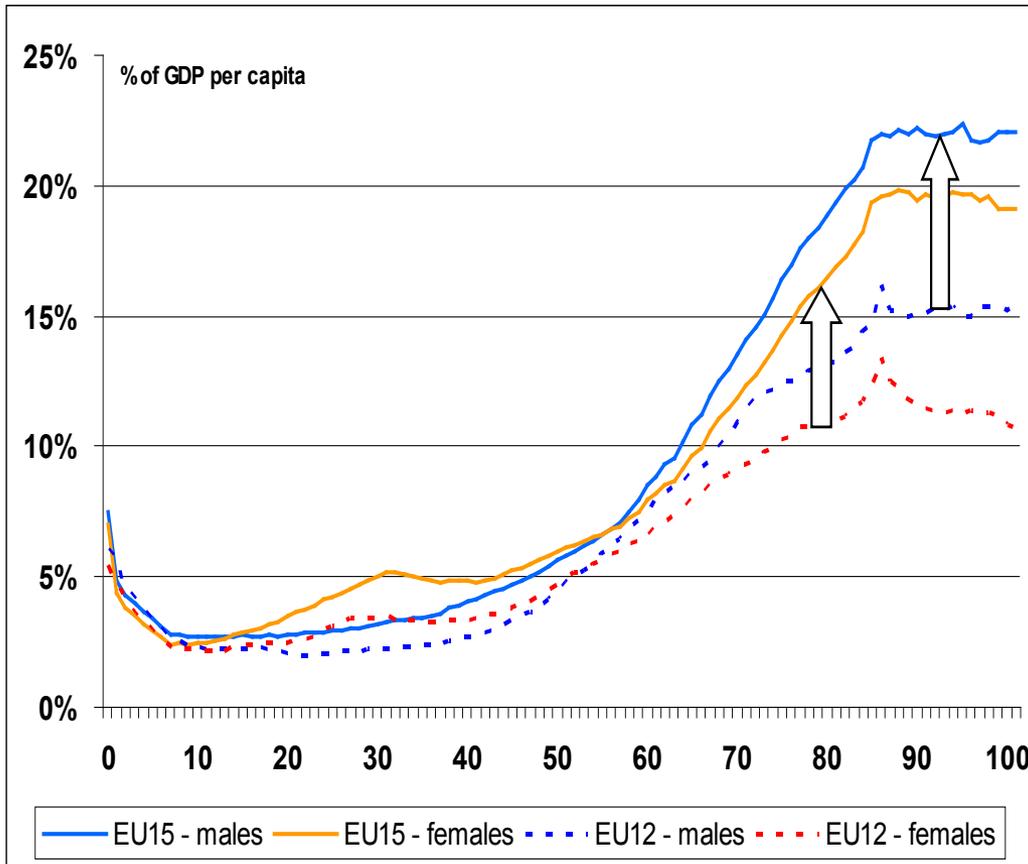


# Modelling health improvements: What savings are possible?





# 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)  $h_{i,t}$  is real per capita public health care expenditure

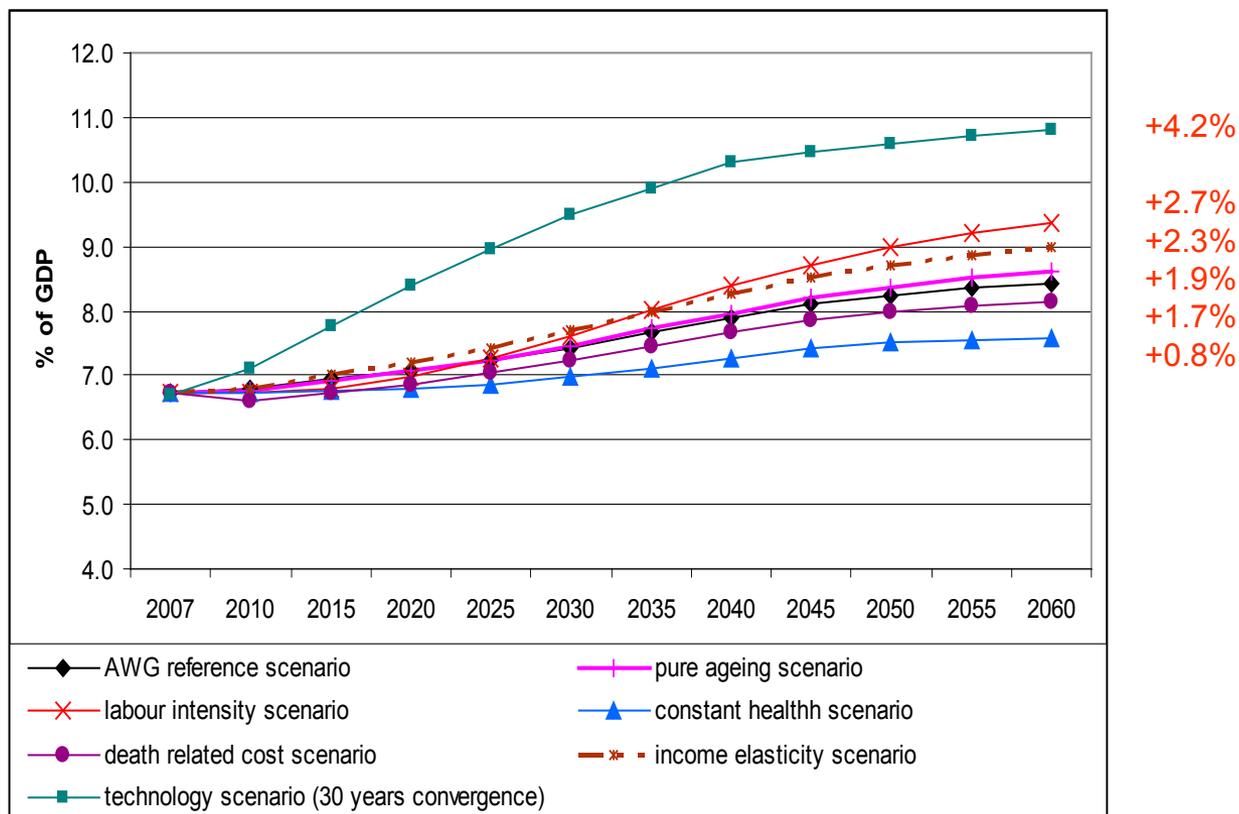
2)  $g_{i,t}$  is real per capita GDP

3)  $x_{i,t}$  represents demographic composition

4)  $D_{1995}$  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



## *MoU on specific economic policy conditionality –HC*

- 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**
- **New set of budgetary projections (2012 Ageing Report) released in May 2012**
- **Commission (DG ECFIN) will prepare a new fiscal «*sustainability report*» by Autumn 2012**



Publications available @

[http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2010/op74\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/op74_en.htm)

[http://ec.europa.eu/economy\\_finance/publications/publication\\_summary14911\\_en.htm](http://ec.europa.eu/economy_finance/publications/publication_summary14911_en.htm)