Health financing reform: towards financial sustainability in Europe

Sarah Thomson
Research Fellow in Health Policy
LSE Health & European Observatory on Health Systems and Policies

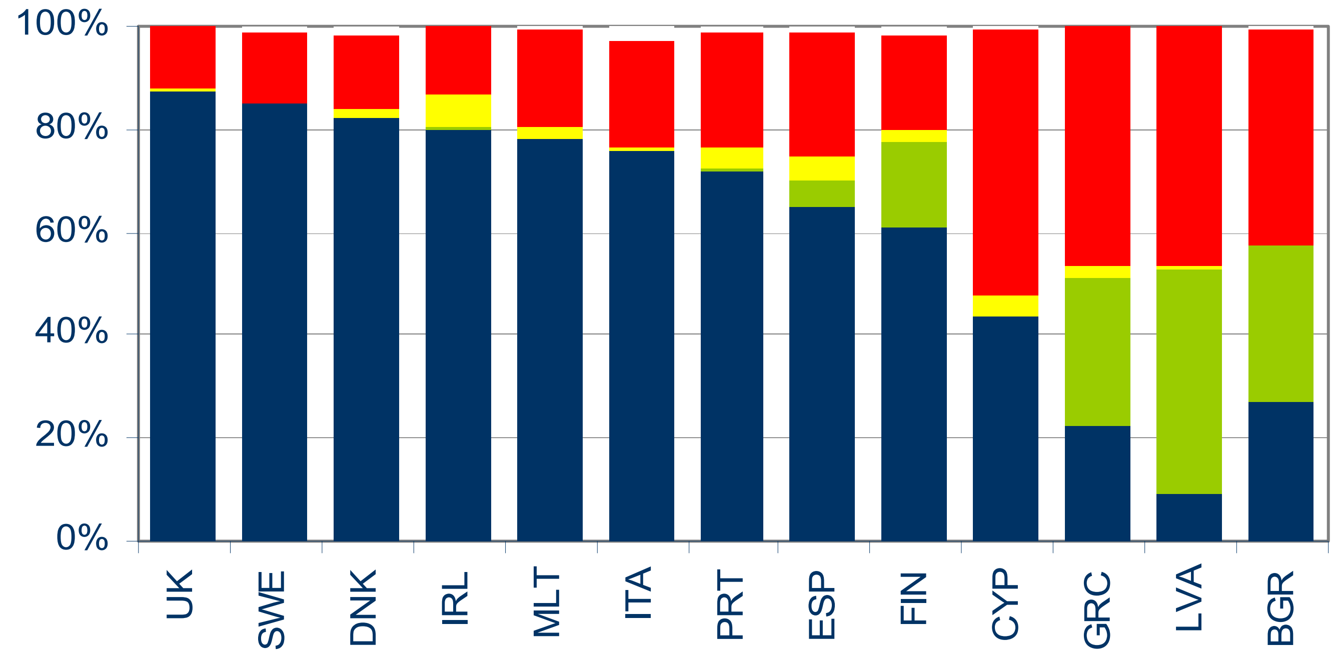
European Observatory on Health Care Systems

LSE

What drives concerns?

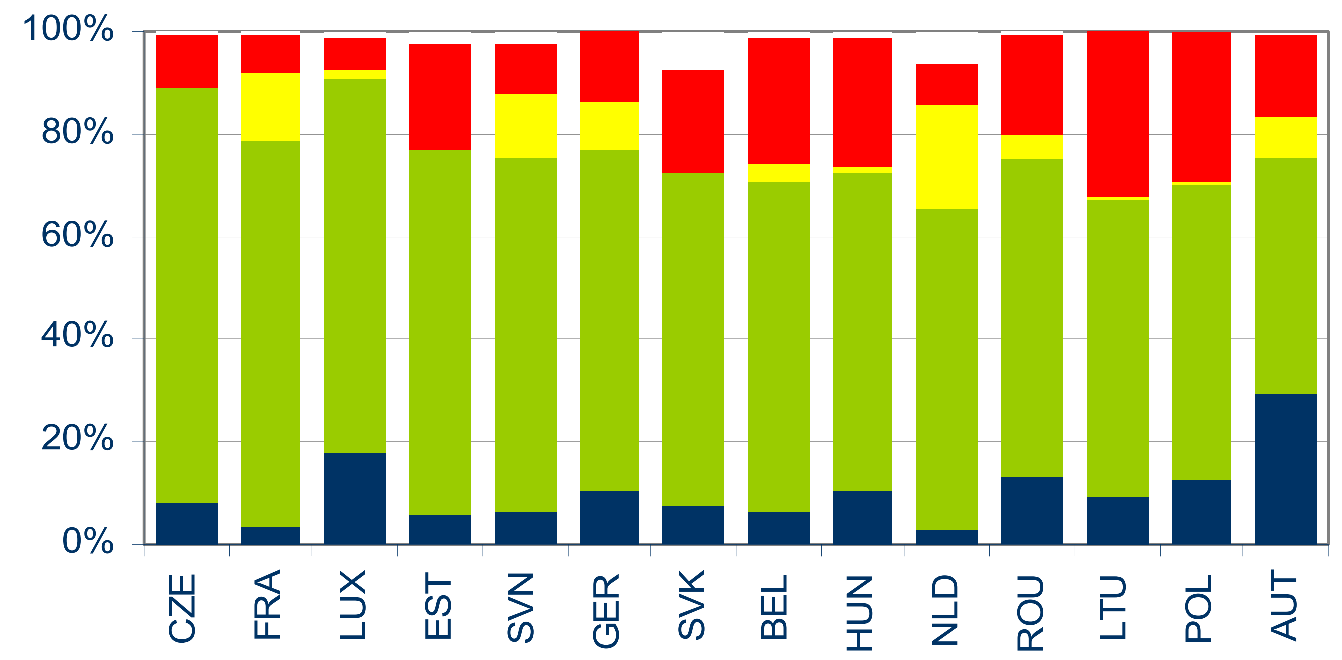
- **Rising health care costs:** technological progress, demographic change, consumer expectations
- **Public resource constraints:** ‘fiscal sustainability’
- **Health spending is rising as a % of GDP:** ‘economic sustainability’

Mix of contribution mechanisms, 2005



Public

- Taxes
- Social insurance

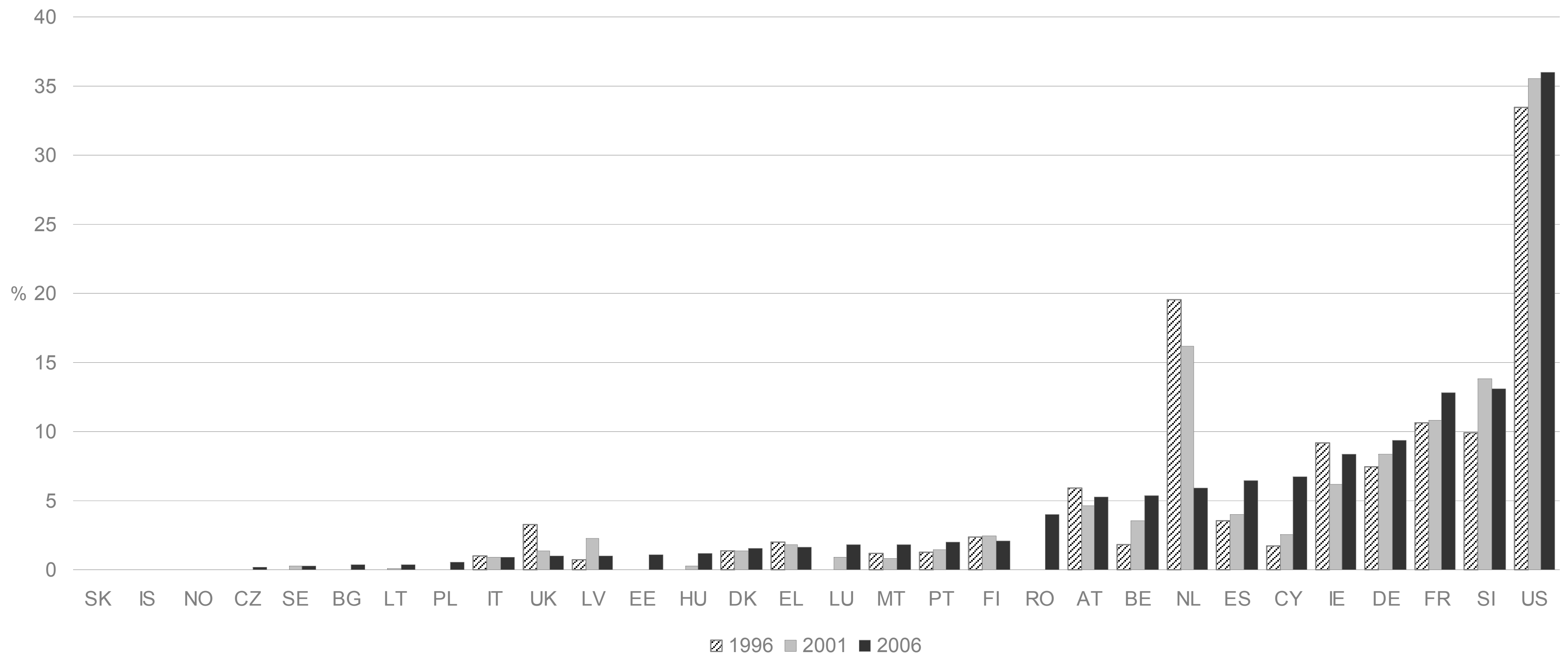


Private

- Private insurance
- Out of pocket

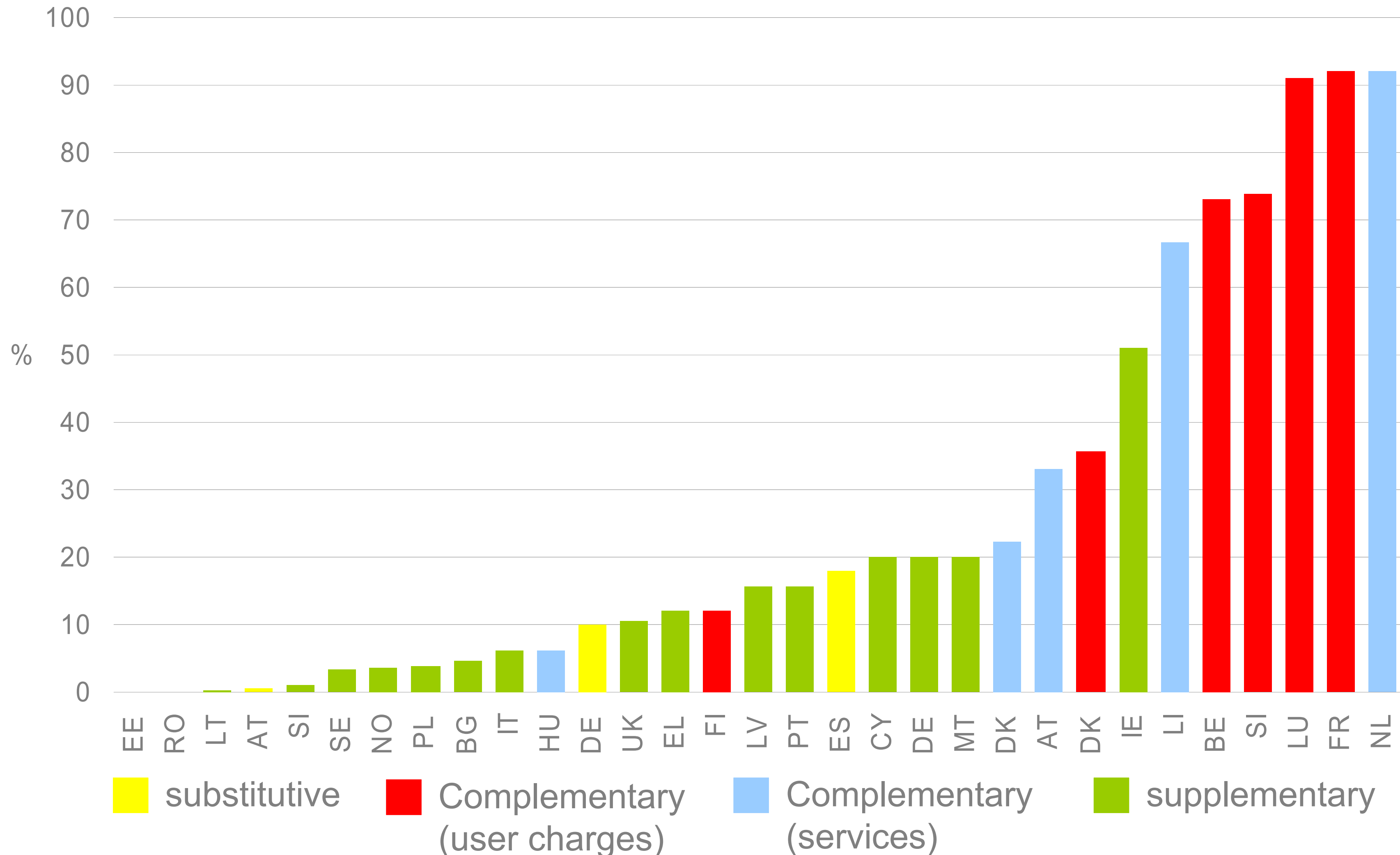
Source: WHO

PHI as % of total health spending



Source: WHO

% population covered by PHI, 2008



Source: Thomson and Mossialos 2009

Reform goals

- sufficient and fair financing
- equitable access
- enhancing value

Sufficient and fair financing

- broadening the **public** revenue base

- centralising **collection** and **pooling**
- reducing **tax incentives** for private health insurance

Financing market structure

Decentralised collection (% resources redistributed)	Purchaser competition	Vertical integration (no purchaser-provider split)
Austria (100%), Czech Republic (60%), Germany (100%), Slovakia (85%) + some local collection: Finland, Greece, Italy, Spain, Sweden	Belgium, Czech Republic, Germany, Netherlands, Slovakia	Cyprus, Denmark, Finland, Ireland, Malta + some: Spain, Sweden

Source: Thomson et al 2009

Ensuring equity of access

- expanding statutory coverage
- strategic resource allocation (risk-adjusted capitation)
- patient choice of hospital and provider payment reform
- lowering financial barriers to access

Enhancing value

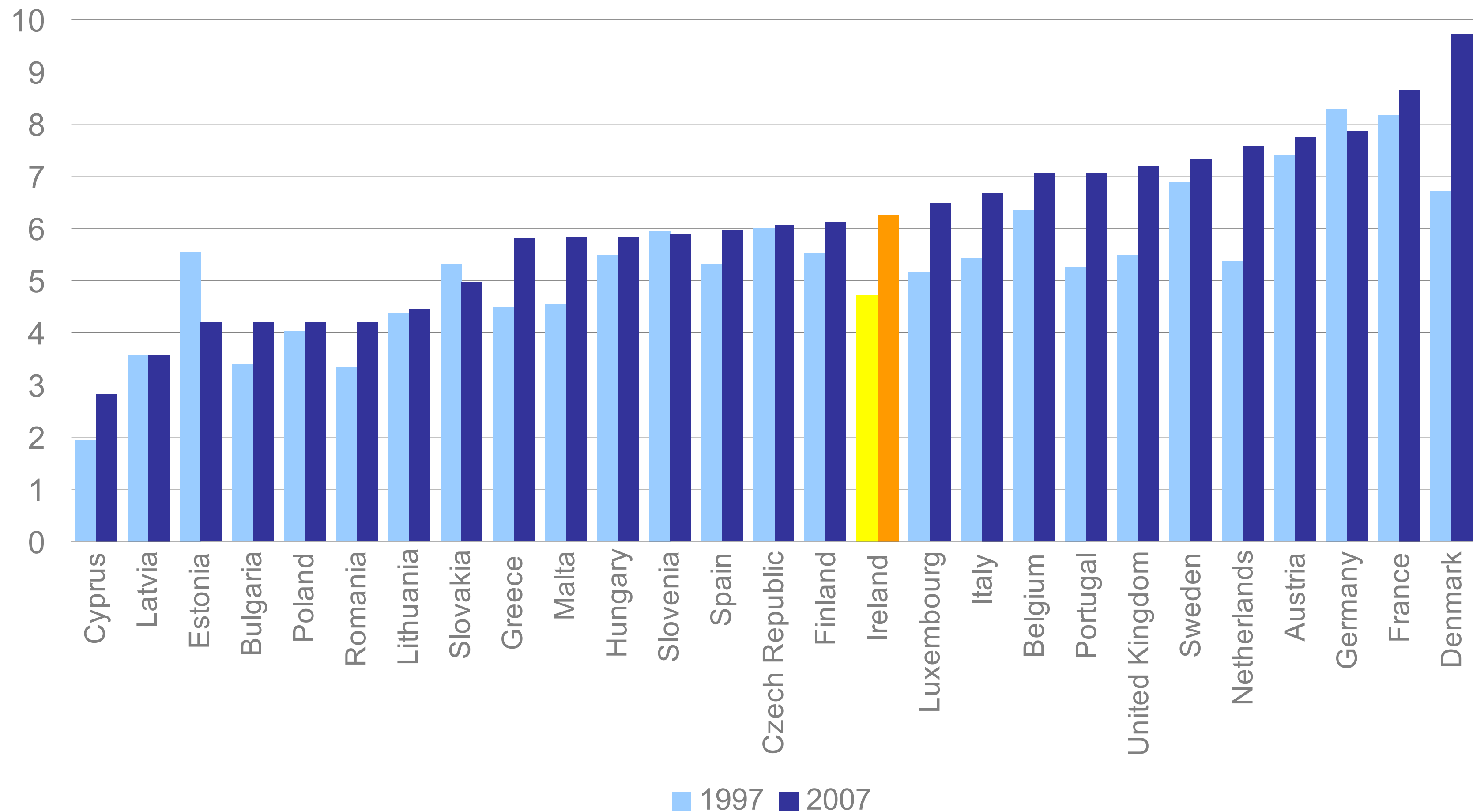
- evidence-based investment (HTA)
- value-based cost sharing
- tools and incentives for better purchasing

How much should we spend on health?

A political decision:

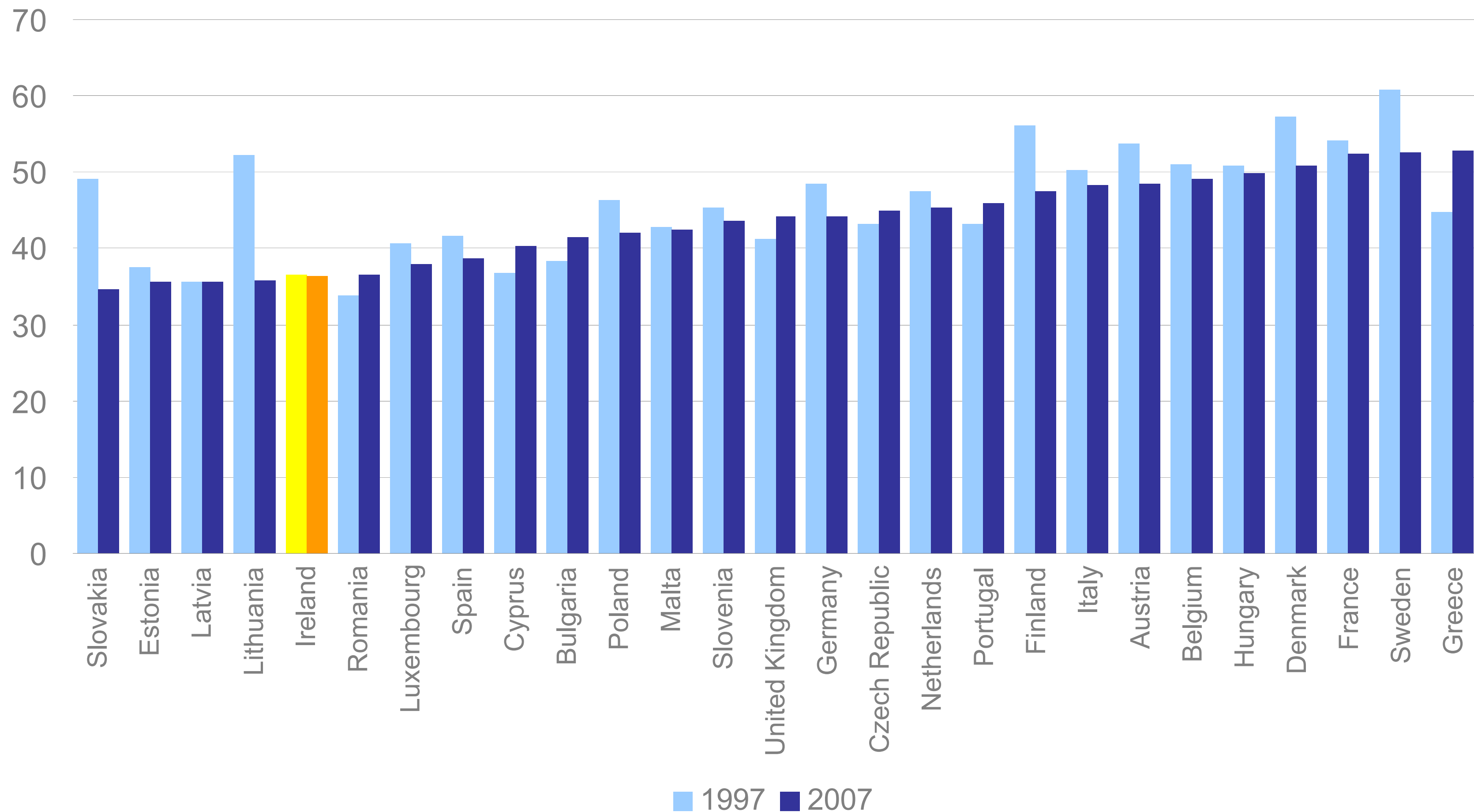
- what level of attainment are we willing to sustain?

Public spending on health as a % of GDP



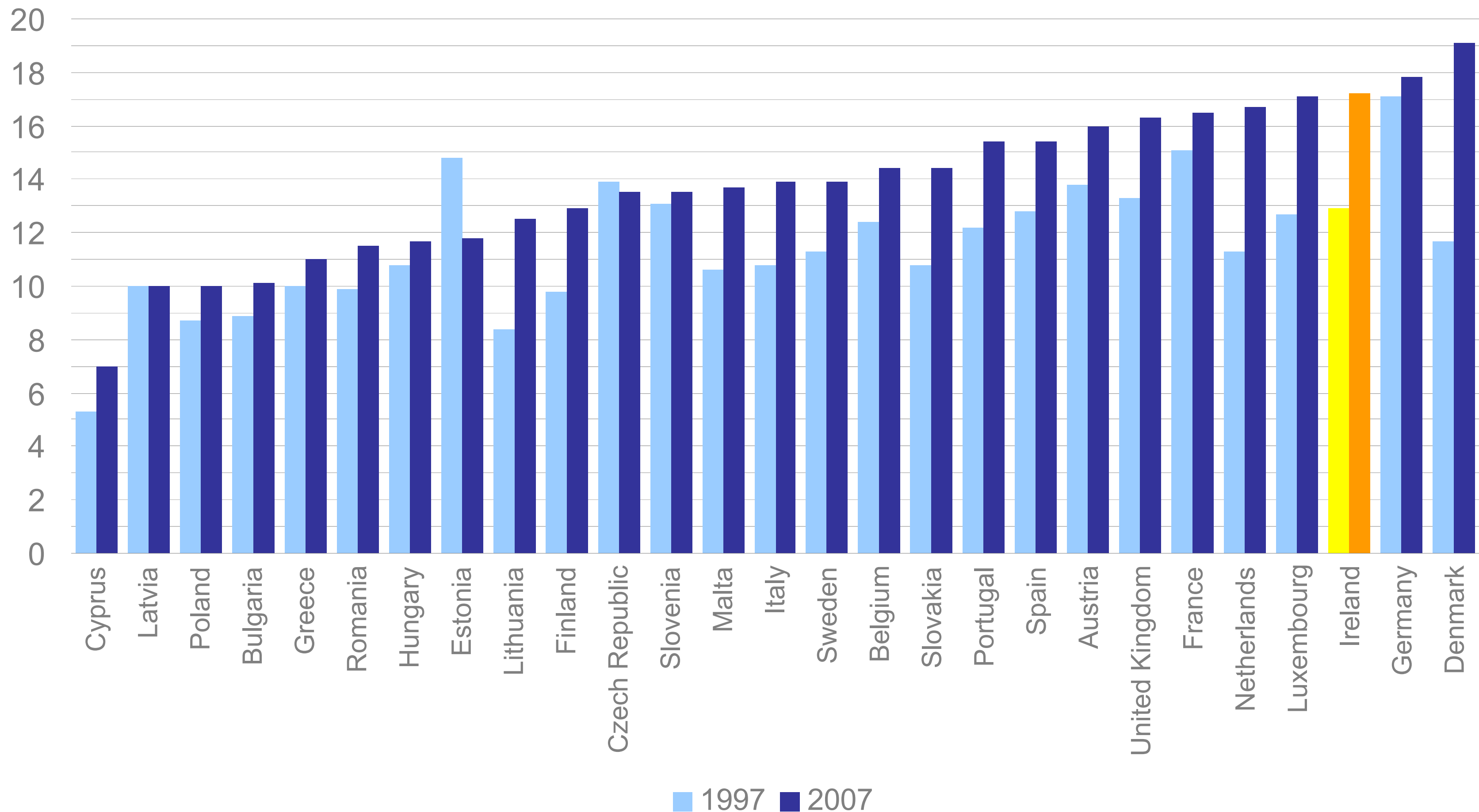
Source: WHO

Total public spending as a % of GDP



Source: WHO

Spending on health as a % of total public spending



Source: WHO

Different priorities in a similar fiscal context

Country	Total public spending as % of GDP	Public health spending as % of total public spending	Out of pocket spending as % of total health spending
Czech Republic	44.9	13.5	11.9
Cyprus	40.3	7.0	45.9
Ireland	36.4	17.2	11.6
Estonia	35.5	11.8	20.4

Source: adapted from Kutzin 2008; WHO data for 2007

How much should we spend on health?

An investment decision:

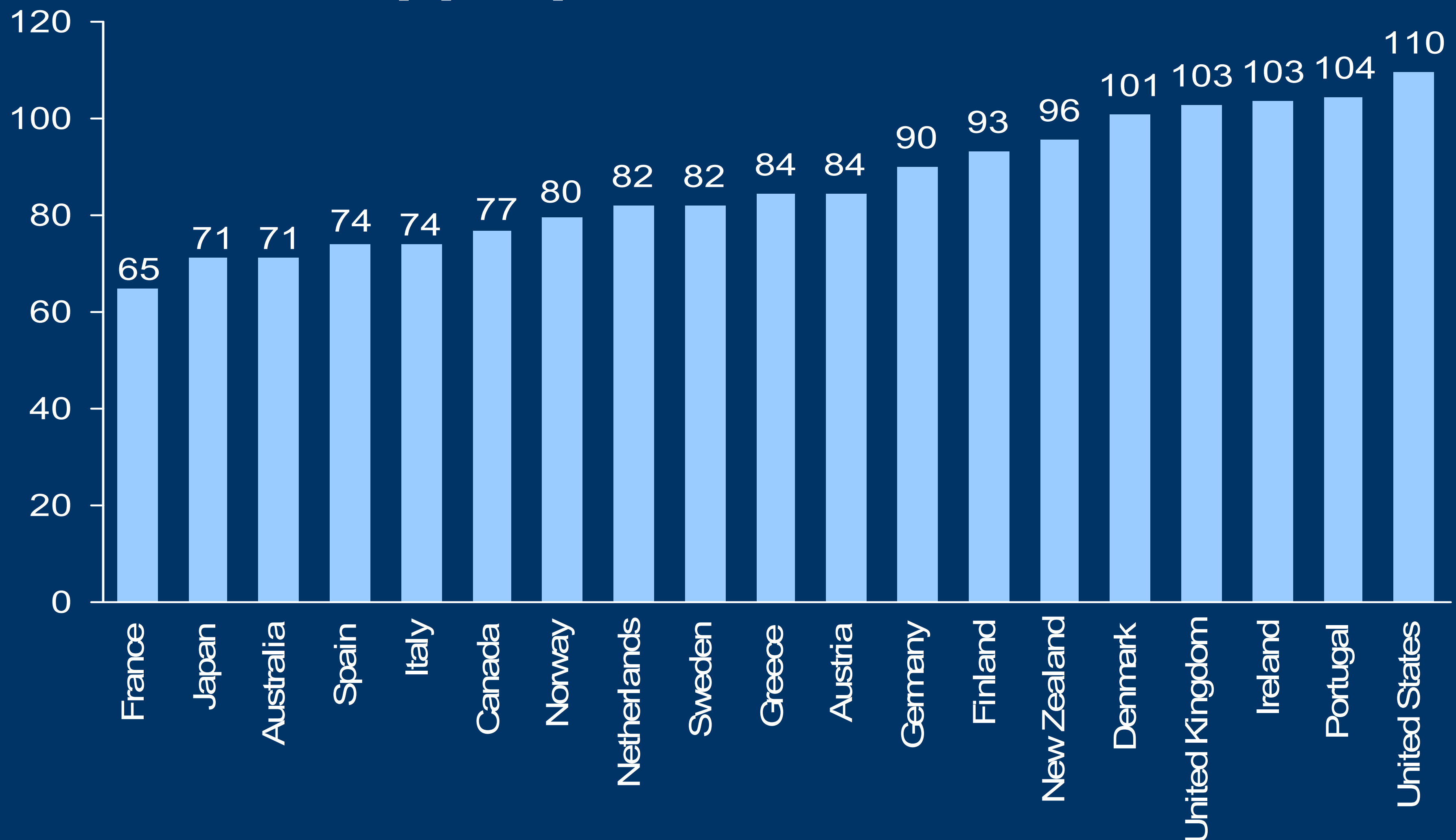
- how can we get the best return for our resources?

Is spending on health worth it?

- **Yes – health and health care contribute to social welfare, economic growth – but . . .**

- not all spending generates the same value
- not all financing mechanisms are equally effective in generating revenue
- distributional issues: who pays? who benefits?

Amenable mortality: deaths per 100,000 that can be prevented by timely and appropriate health care



* Age-standardised death rates for 2002-03, ages 0-74 (Nolte and McKee 2008)

What level of health coverage?

Coverage breadth

- excluding richer groups does not relieve pressure on public budgets

Coverage depth

- some potential for value-based cost sharing, but user charges unlikely to contain costs

Coverage scope

- make greater use of HTA to exclude services on the basis of (cost) effectiveness

Lower spending by government

- means higher spending by **patients**

- cuts should be **discerning** not **indiscriminate**
- protect **poorer households** and **high users** of health care

How can we improve performance?

- clarity about goals + potential outcomes
- action informed by policy analysis + evidence
- fiscal balance: constraint, not policy objective
- cost containment ≠ efficiency
- **what are the costs of doing nothing?**

References

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