



# SUSTAINABLE HEALTH SPENDING

COCIR E-Health  
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## Key points

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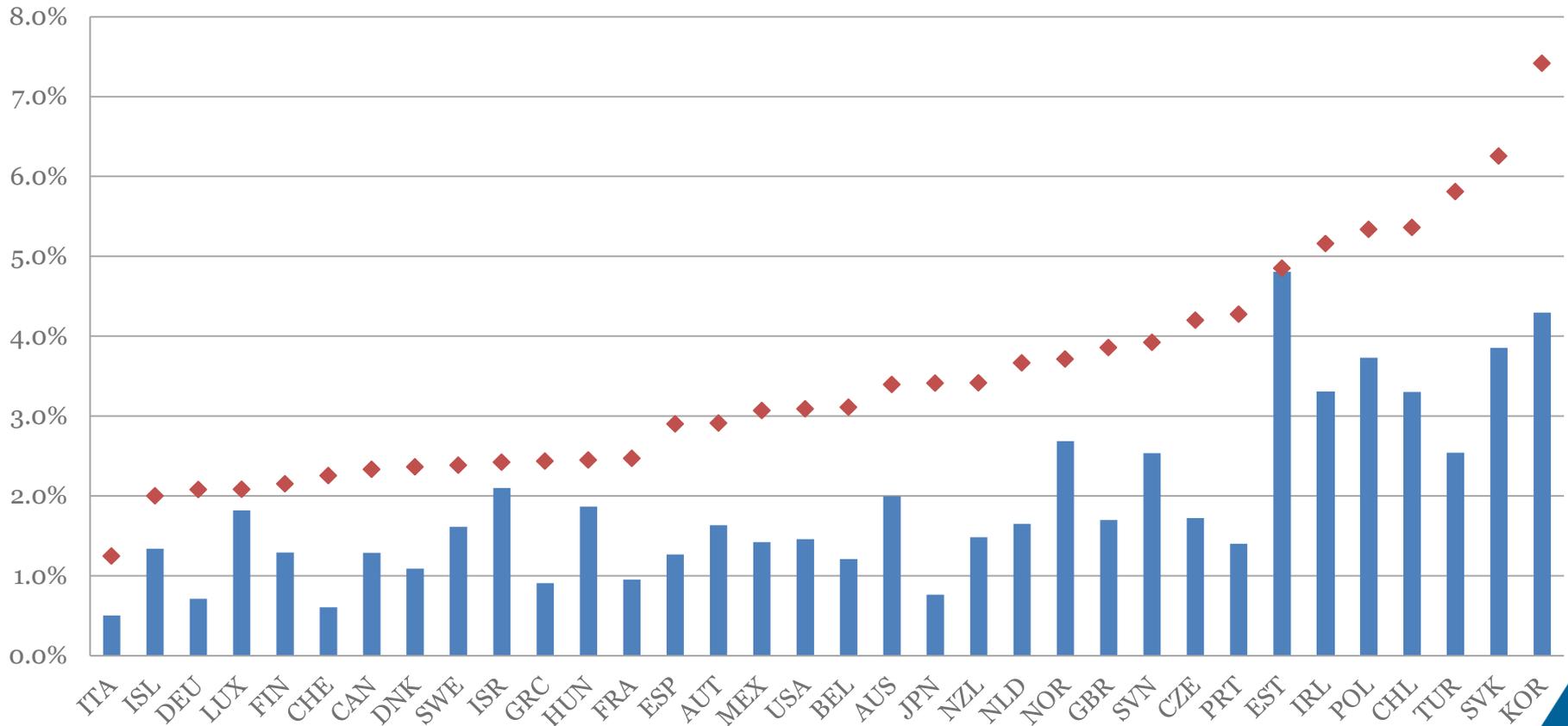
- Health spending is likely to continue to grow as a share of the economy
- It will pose a major fiscal sustainability challenge to governments unless:
  - We reallocate public funds from other areas or raise new funds
  - We reassess the boundaries between public and private expenditure
  - We deliver better value for money



# Health spending has typically outpaced economic growth

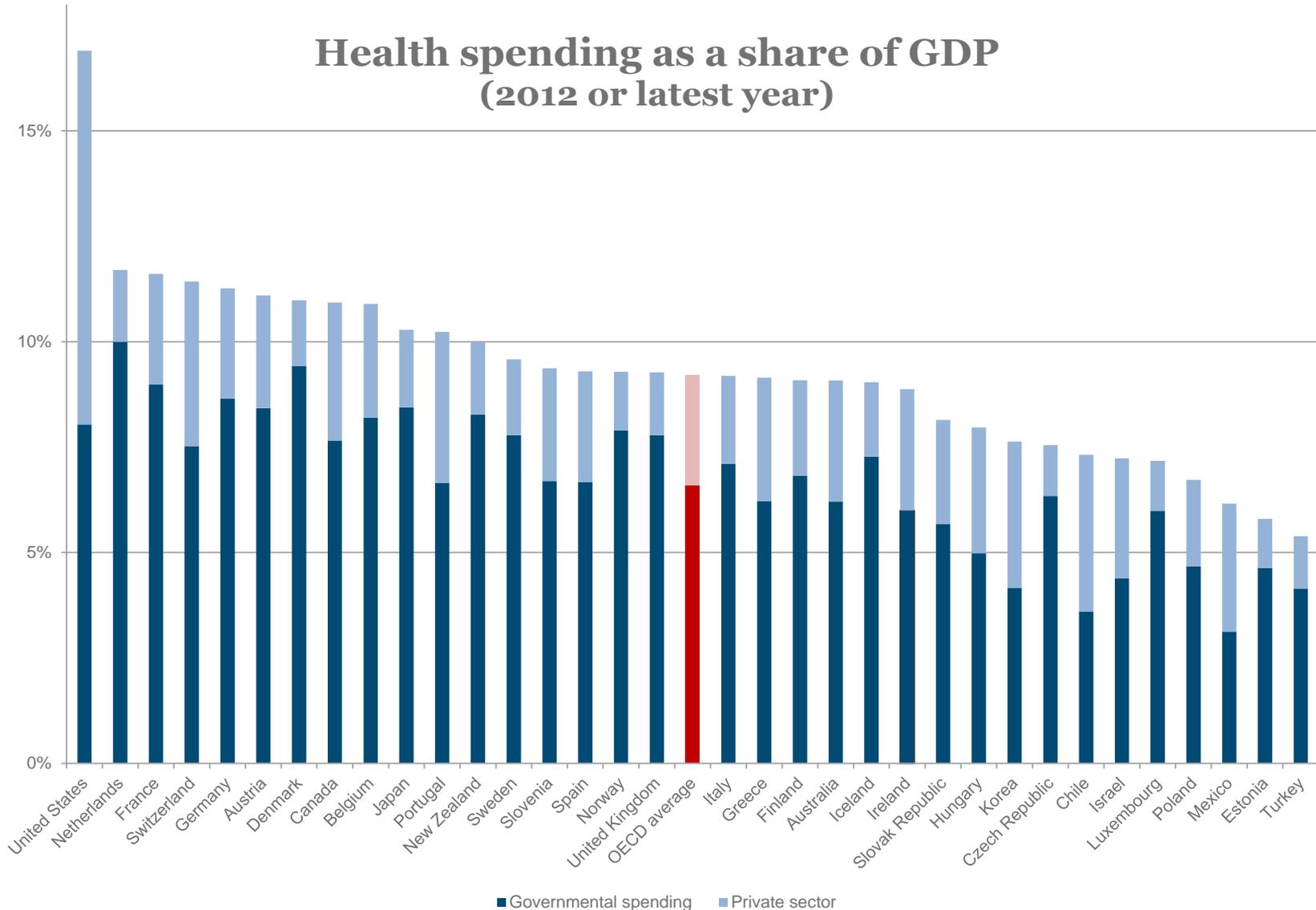
## Average annual growth rate of real health spending and GDP per capita, 1990-2012 (or closest years)

■ GDP per Capita     ◆ Real health spending





# Rapid growth is a **fiscal** concern for governments as healthcare is predominantly publicly funded

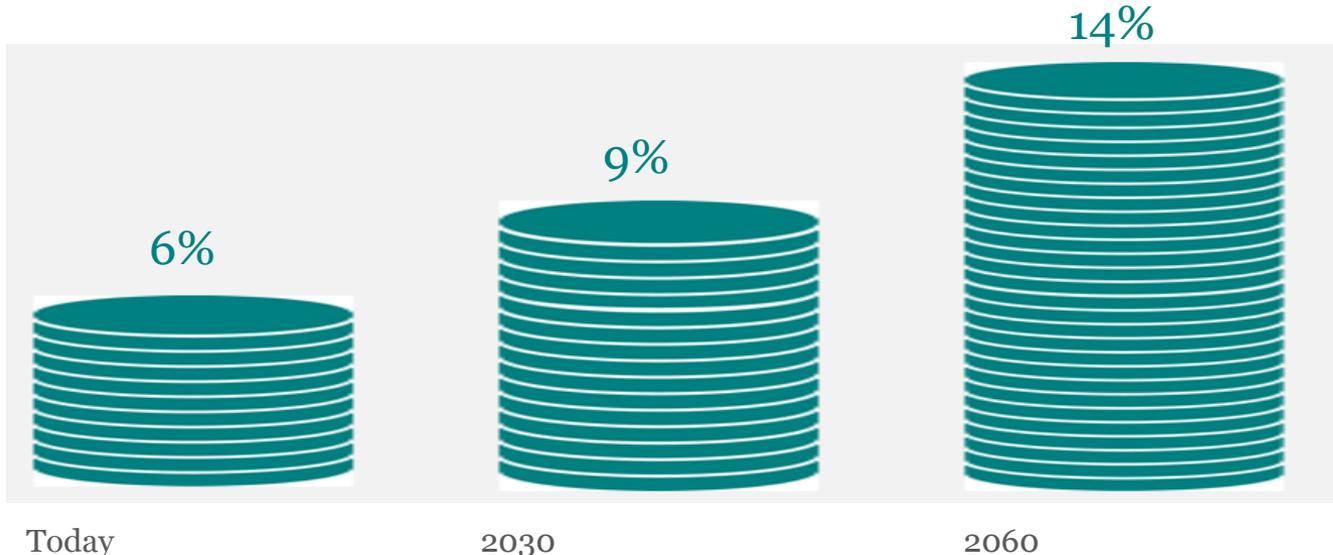




## *Despite a recent slowdown, health spending will continue to rise*

- 2008 economic crisis affected health spending
  - Post-crisis reductions in real health spending per capita in 13 of 34 OECD countries
- However, major increases in health spending still expected in medium to long-term

Public health spending as % of GDP *without effective cost containment*





## *What is driving these increases in spending?*

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NEW TECHNOLOGY IN  
MEDICAL SERVICES



RISING INCOMES DRIVING  
HIGHER EXPECTATIONS



GROWING NEEDS OF  
AGEING POPULATION





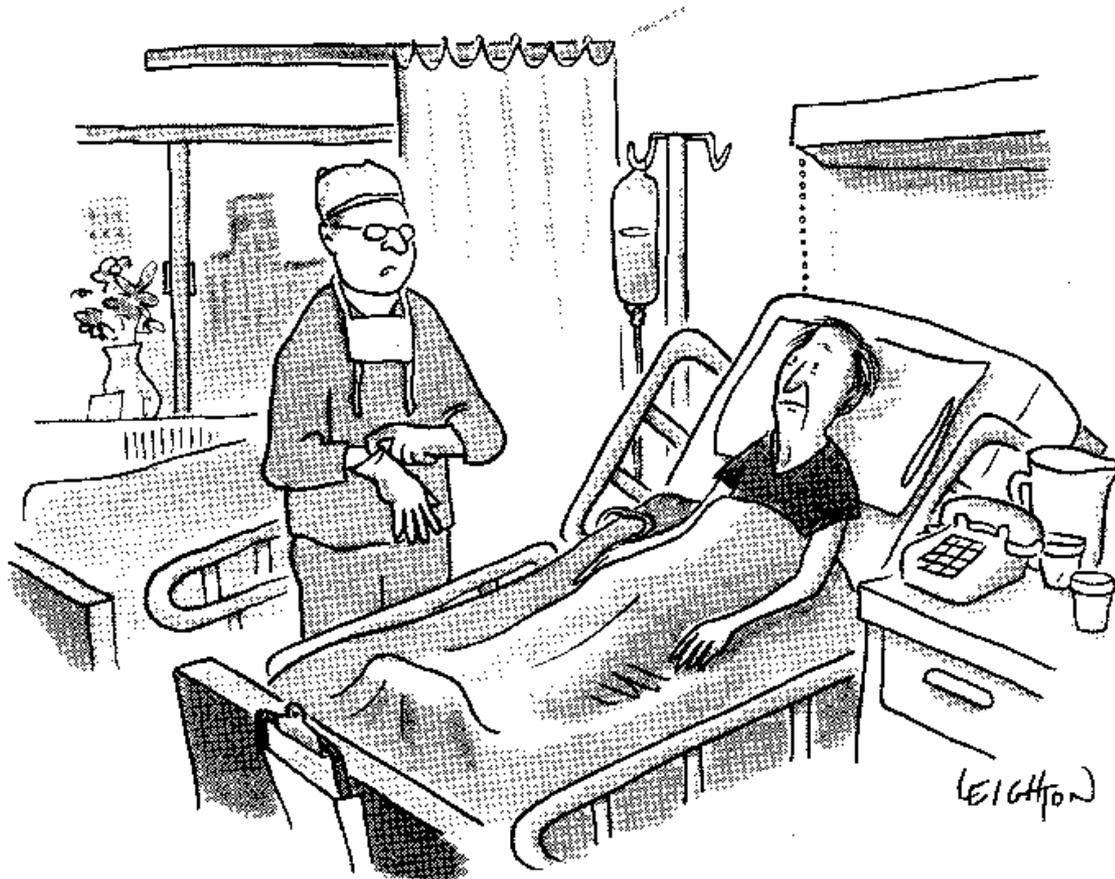
## *Why is controlling expenditure on health care so difficult?*

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- Healthcare considered by most finance/budget officials as one of the most complex expenditure areas and one of the hardest areas to control costs
  - Very high priority for citizens
  - Many stakeholders involved
  - Great institutional variation
- Achieving fiscal sustainability of health systems is therefore a major challenge



*Achieving fiscal sustainability is easy...*



*"I'll have someone come in and prep you for the bill."*

*...it's how you achieve it that matters*



## *There are 3 broad policy options*

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### **1. Reallocate public funds from other areas; raise more revenues for health**

- *Limited feasibility (currently) in many OECD countries*

### **2. Deliver better value for money & eliminate waste**

- *e.g. Pharmaceutical policies, reduce low value care, coordinate, provider payment reform,*

### **3. Reassess the boundaries between public and private spending**

- *Critical role of Health Technology Assessment*
- *Maintaining access and financial protection*



## *Short-term cost containment strategies do not always save money in the longer term*

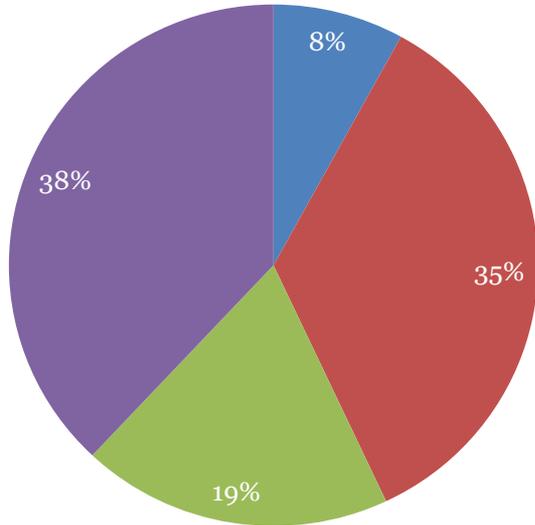
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- Country responses to global financial crisis were necessarily short-term, with mixed results
  - Some strategies appeared useful in enhancing value-for-money, e.g. pharmaceutical reforms
  - Other interventions risk worsening access or even increasing costs in the long term, e.g. reduced spending on prevention; blanket cost-sharing
- Some countries have taken a longer-term perspective
  - E.g. France: spending targets (ONDAM) since 1996; gradual broadening of revenue base (CSR)



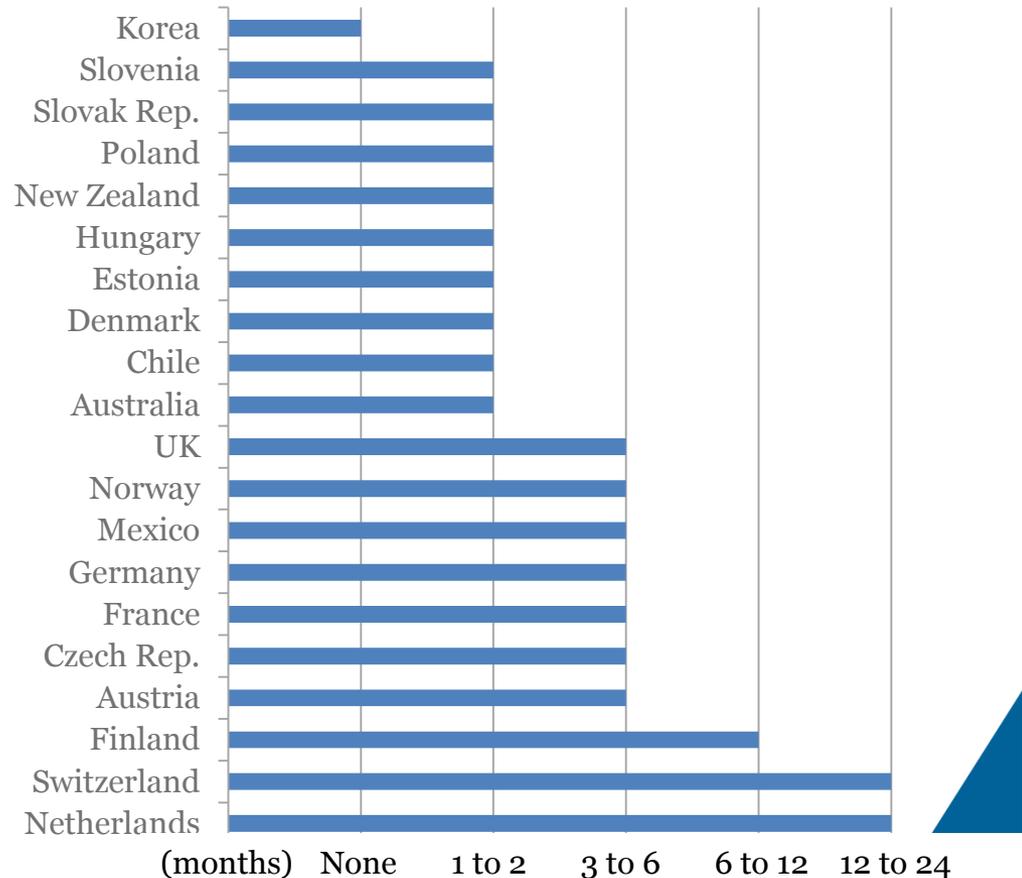
# Survey of budget officials illustrates range of policy levers to control costs & their limitations

## Early warning systems (EWS)



- There is an EWS and sets in motion required action for future years
- There is an EWS and sets in motion required action for the current year
- There is an EWS, but an alert does not legally require action
- No EWS

## Delay in reporting health expenditure to central budget agency





## *Concluding thoughts*

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- Health spending is likely to continue to grow as a share of the economy
- Without major reform, this will put great pressure on public budgets
  - Implement reforms that will improve value-for-money
  - Reassess boundaries between public and private spending
  - Blanket increases in private health spending are not the solution
- Political economy aspect is also crucial



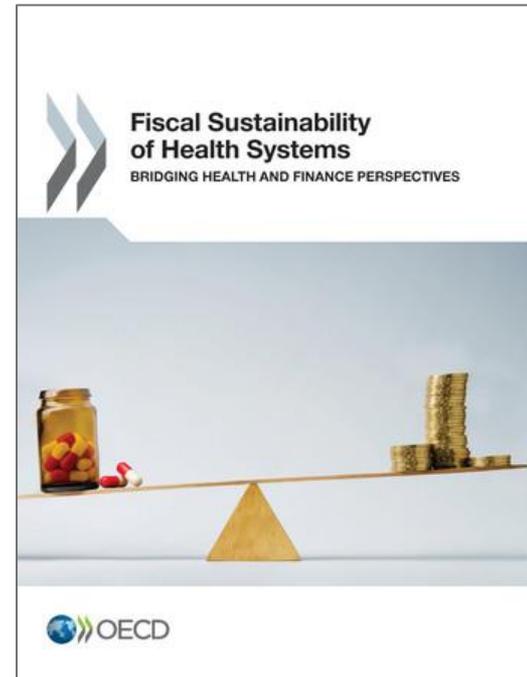
## The OECD in health

### *Joint Network on Fiscal Sustainability of Health Systems*

- ✓ Annual discussions between Senior Officials from Health and Finance
- ✓ Report on fiscal sustainability

### *Ministerial Conference 2017*

- ✓ *Combatting waste*
- ✓ *Managing innovation*



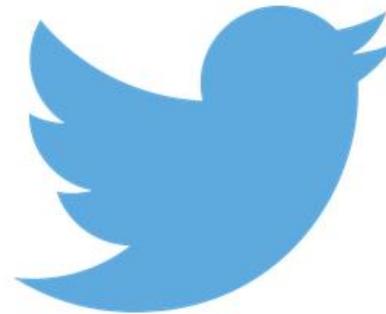
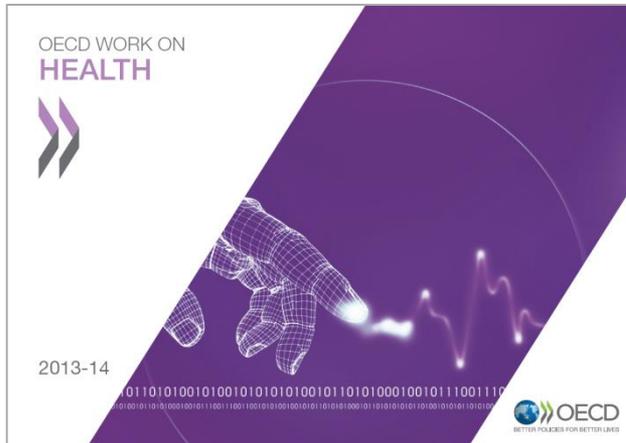
[www.oecd.org/health/health-systems/fiscal-sustainability-of-health-systems](http://www.oecd.org/health/health-systems/fiscal-sustainability-of-health-systems)



Thank you

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