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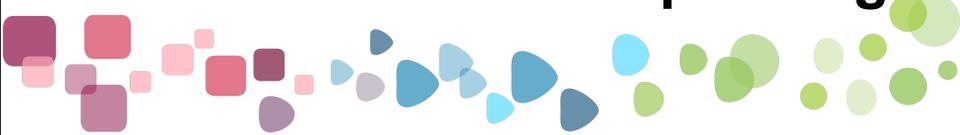
CHANGE FOR THE BETTER

Health Management Institute of Ireland
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www.hmi.ie



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Sustainable Health Spending



Dr. Chris James
Health Policy Analyst, OECD

BETTER POLICIES FOR BETTER LIVES



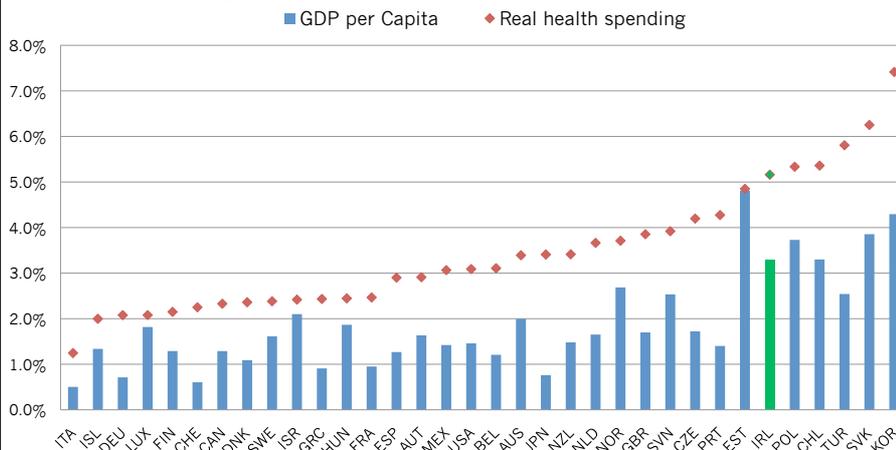
Key points

- 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

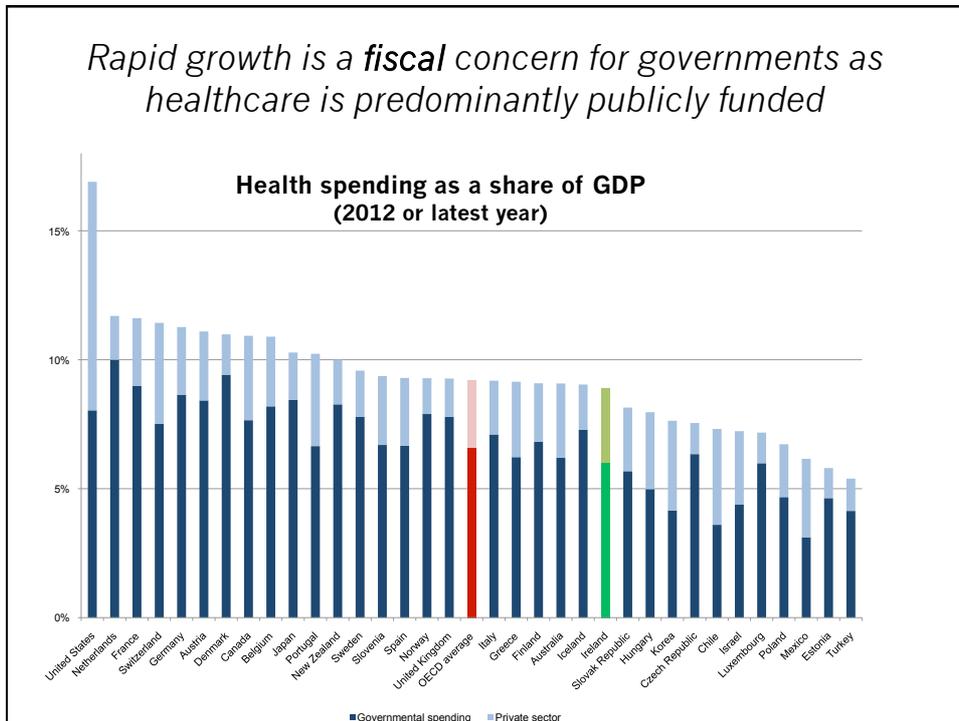


Health spending has typically outpaced economic growth

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



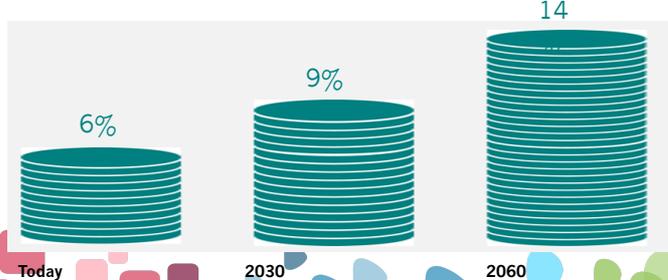
Rapid growth is a *fiscal* concern for governments as healthcare is predominantly publicly funded



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, including Ireland
- However, major increases in health spending still expected in medium to long-term

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



Based on: OECD De La Maisonneuve & Oliveira Martins, 2013


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What is driving these increases in spending?

	NEW TECHNOLOGY IN MEDICAL SERVICES	
	RISING INCOMES DRIVING HIGHER EXPECTATIONS	
	GROWING NEEDS OF AGEING POPULATION	




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Why is controlling expenditure on health care so difficult?

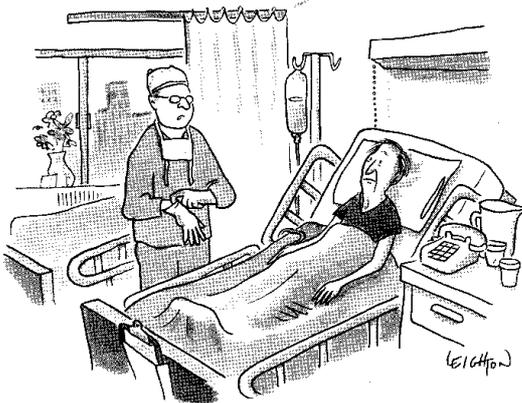
- Healthcare considered by most finance/budget officials as one of the most complex expenditure areas and one of the hardest areas to control costs
 - Very high priority for citizens
 - Many stakeholders involved

- Achieving fiscal sustainability of health systems is therefore a major challenge




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Achieving fiscal sustainability is easy...



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

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




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There are 3 broad policy options

1. Reallocate public funds from other areas; raise more revenues for health
2. Deliver better value for money & eliminate waste
3. Reassess the boundaries between public and private spending



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The OECD Joint Network on Fiscal Sustainability of Health Systems

www.oecd.org/health/health-systems/fiscal-sustainability-of-health-systems

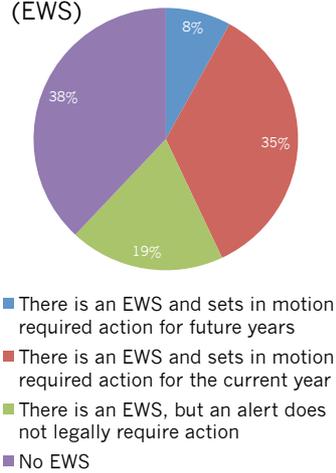
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Fiscal sustainability of health framework

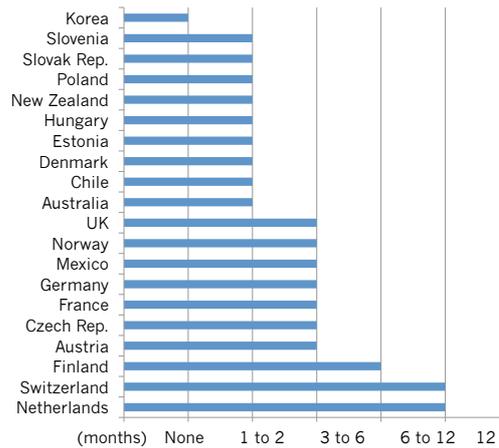
<p style="text-align: center;">Diagnosis: Information needs</p> <ul style="list-style-type: none"> • Long-term forecasts • Medium-term spending requirements • Timely information on spending • Linking spending projections to estimated revenues 	➔	<p style="text-align: center;">Risk factors: Political and Institutional context</p> <ul style="list-style-type: none"> • Political agreement on targets • Coordination mechanisms amongst key stakeholders • Degree of decentralisation of health services • Boundaries between public and private spending on health
↓		
<p style="text-align: center;">Treatments: Policy levers</p>		
<p>Supply-side</p> <ul style="list-style-type: none"> • Provider payment methods • Provider competition • Generic substitution • Joint purchasing • Budget caps 	<p>Demand-side</p> <ul style="list-style-type: none"> • Gatekeeping • Preferred drug lists • Cost sharing? 	<p>Public management, coordination and financing</p> <ul style="list-style-type: none"> • Direct controls on pharmaceutical prices / profits • Health technology assessment • Monitoring and evaluation

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

Early warning systems (EWS)



Delay in reporting health expenditure to central budget agency



Concluding thoughts

- 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 is not the solution
- Political economy aspect is also crucial




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Thank you

Contact: Chris.James@oecd.org

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