
Economic governance: helping European healthcare systems to deliver better health and wealth?

Annika Ahtonen

BACKGROUND

Cutting spending on healthcare

The ongoing economic crisis has led to a situation whereby decision-makers across the EU must make tough decisions on where to cut spending and how to make public services more cost-effective. Across the EU, the healthcare sector is a prime candidate. It accounts for around 10% of EU member states' GDP. In most countries, close to 80% of healthcare spending is funded by the public sector, and it has been among the largest and fastest growing areas of expenditure in recent years.

As a result, many member states have already seen substantial cuts, especially to hospital services, pharmaceuticals and health staff salaries. The tendency has been to cut in areas which bring quick savings. However, cutting costs across the board without a comprehensive long-term vision fails to reward those stakeholders and sectors that have already carried out reforms and improved efficiency.

Radical cuts do not necessarily remove existing inefficiencies and can have serious negative consequences for people's health and well-being if they undermine access to and quality of care. They run the risk of increasing medium and long-term costs to society and the economy as people suffering from ill health put more pressure on healthcare systems, and tend to earn less and be less productive. People in ill health are less likely to invest in their education or save for retirement, and thus less likely to support the wider economy.

Increasing demand and cost pressures

But that is not to say that the current system is sustainable – far from it. The healthcare sector across the EU is suffering from growing demand and increasing cost pressures. Population ageing and demographic change, rising incomes, higher expectations, new technologies,

healthcare system design and higher relative prices for healthcare inputs are all factors that are driving up spending on health.

Take population ageing: around 35-50% of total health expenditure is currently spent on services for older people, and this is expected to rise as populations grow older and their need for long-term healthcare services and specialised social services increases. At the same time, as tax incomes decrease due to lower labour market participation rates, this creates serious challenges for financing healthcare services.

On the same note, it is time to recognise that these factors do not necessarily have to drive up the costs of healthcare. For example, longer life expectancies do not automatically mean higher expenditure. If people stay healthy and active as they grow older, they can continue to contribute to society and the economy. At the moment, while average life expectancy at birth is 77 years for European men and 83 years for women, the average healthy life year (HLY) expectancy (the number of years one can expect to live without disability), is around 62 years for both. Reducing this gap could be the biggest cost-saver for European economies.

Similarly, while investing in certain new technologies can increase the overall cost of healthcare, some can help to increase efficiency and cut costs in the long-term. However, deploying technologies that are cost-effective requires evaluating and understanding their overall costs and benefits, comparing their value to other interventions, and ensuring that healthcare professionals and patients are trained and interested in using these solutions.

A new approach is needed

The economic crisis has brought to light many structural problems in the healthcare sector and created a need to

demonstrate value for money. However, delivering health efficiently in the face of reduced public budgets and ensuring the long-term sustainability of health care requires new thinking.

It is essential to address the inefficiencies imbedded in these systems: a lack of continuation of care, failure to computerise information and analysis, investment in technologies and solutions that are not cost-effective, over-prescription of drugs that do not work or which lead to further complications, and focusing on treating the sick rather than paying more attention to promoting

health and preventing diseases.

Carrying out reform requires, first and foremost, a more thorough understanding of the cost-effective drivers for health, the relationship between inputs and outputs in a healthcare system, and which measures provide the best return on investment – that is, health, wealth and well-being – in the short, medium and long term. Most EU countries could improve health outcomes with their current budgets if there were more focus on measuring outputs and maximising health gains.

STATE OF PLAY

Investing in health

Health expenditure must not be considered purely as a cost. It is also an investment and must be treated as such. Healthier people require less support from public budgets and healthcare systems, and they create a healthier, more productive society and labour force. This is an asset which must be recognised and supported.

This is slowly being realised. In February 2013, the European Commission published a *Social Investment Package*, which aims to help member states to use their social and health budgets more efficiently. It demonstrates that investing smartly in health and health systems can contribute to achieving the Europe 2020 Strategy's objective of smart, sustainable and inclusive growth. It also offers strategies to improve the efficiency and effectiveness of health systems as well as guidance to member states on using EU financial support such as the European Social Fund.

Building on the existing toolbox...

The EU has a number of instruments it can use to help member states to build efficient health systems. For example, a number of proposed *funds under the EU budget* for 2014-2020, including the EU Health for Growth Programme, the Cohesion and Structural Funds, and research and innovation funding (Horizon 2020) could be used to encourage smart investment in health.

Another tool for action is *the European Innovation Partnership on Active and Healthy Ageing* (the Partnership), officially launched by the EU in 2011. It aims to improve the health of the EU's older citizens, to help them to remain active and participate in the economy and society, and to boost the efficiency and sustainability of health systems while fostering innovation. The Partnership aims to bring together and encourage commitments from relevant stakeholders while creating awareness regarding needed measures across the EU. Its overarching objective is to increase the number of HLY by two years before 2020. Six action plans have been launched: one example is adherence to treatment and prevention of falls.

So far, the Partnership has focused on developing new information and communication technologies (ICT) to support active and healthy ageing, and monitoring and treating the sick. However, if the EU is serious about increasing HLY expectancy, then understanding of innovation must stretch beyond ICT, with a stronger focus on prevention and health promotion rather than on just treatment.

One good example is preventing falls, which should start with promoting physical activity, wearing good shoes and controlling intake of medicines that may have unwanted side effects, as well as finding the most cost-effective ways to promote these measures. If necessary, new and existing technologies can help to support these measures but they should not become the main objective of the Partnership.

While more work is needed on carrying out comprehensive analysis of the costs and benefits of technological solutions and ensuring that they help to boost the efficiency of healthcare systems and improve quality of life, it is easy to understand why *eHealth* has become an attractive area for EU action. Enhancing prevention, health promotion, diagnosis, monitoring and treatment with ICT solutions offers significant market potential. As a result, the Commission adopted in December 2012 an eHealth Action Plan 2012-2020, which provides a roadmap for increasing the use of technological solutions in the EU. It aims to clarify existing legal uncertainties across borders, develop standards and encourage best practices.

...and strengthening the EU's role with economic governance?

However, most importantly, the EU has rightly recognised that building efficient health systems is an integral part of economic recovery, and is stepping up its efforts to support member states in the process. While healthcare has traditionally been considered an issue of national competence, the crisis is bringing winds of change. It has strengthened the EU's role in economic governance and given Brussels a stronger voice in areas of economic importance.

The foundations for this were already laid in the *Lisbon Treaty*, which gives the EU the right to complement member states' actions to protect and improve human health by encouraging cooperation between them and providing support. However, the economic crisis has reinforced the need to co-operate and learn from others.

As part of the economic governance framework, the *European Semester* reviews and helps to coordinate member states' macro-economic, budgetary and structural reform policies, with attention also being paid to health system reforms. In 2012, the Commission gave country-specific recommendations on health to six EU member states, and work continues.

In November 2012, the Commission released its *annual growth survey*, which sets out EU priorities for 2013 in order to boost growth and job creation. For the first time, it included a strong reference to the importance of healthcare systems to this process. It stated that "in the context of the demographic challenges and the pressure on age-related expenditure, reforms of healthcare systems should be undertaken to ensure cost-effectiveness and sustainability, assessing the performance of these systems against the twin aim of a more efficient use of public resources and access to high quality healthcare."

The Commission will then analyse national reform programmes and provide member states with recommendations for the next 12-18 months in May-June. Noting the strong emphasis on better spending in healthcare under the annual growth survey, a number of EU member states can expect to receive *country-specific recommendations* in this field. This is an important development as it opens

national healthcare systems to EU scrutiny.

Lessons learned so far

As a result of the crisis and strengthened economic governance, the Commission has stepped beyond its traditional role. A good example of this is the Commission's Task Force for Greece, which aims to provide Athens with technical assistance, including in reforming the healthcare system. But this work has also served as a warning: while external pressures have helped to constrain Greece's healthcare spending, there are worrying signals that cuts have been made with no comprehensive vision, resulting in unwanted economic and social consequences, such as more HIV infections.

Economic governance can be a powerful tool to influence reform of healthcare systems and to improve efficiency. However, the EU must demonstrate that it is a credible actor which takes this power seriously. When making country-specific recommendations, it must push for reforms in all countries where healthcare systems could be improved. Also, it must be acknowledged that the Commission does not have the resources to make comprehensive and detailed recommendations on national healthcare reform. While the EU can play an important role in highlighting areas for action and encouraging not just spending cuts but better and more-efficient spending that values health, ultimately, the member states must make the decisions and carry out the reforms.

Some areas which are challenging for most EU member states and should be considered in the Commission's country-specific recommendations are outlined below.

PROSPECTS WITH THE EUROPEAN SEMESTER

The EU can and should play a stronger role in promoting more sustainable and efficient health systems in Europe in order to bring the greatest health benefits to society. While the EU has a number of tools at its disposal to help member states tackle inefficiencies in their healthcare systems, the most interesting addition to the toolbox is the European Semester. This could become a key instrument in promoting smarter spending across society and in encouraging a more comprehensive approach to maximising health gains.

To improve the efficiency of public healthcare spending, the European Semester must be used to **encourage reform of EU healthcare systems**. Well-functioning and efficient healthcare systems promote healthy populations and boost economic growth. Making European healthcare services more efficient with the same or reduced budgets requires the following measures:

1) Integrating and coordinating services

Fragmented delivery of health and social services is a

major source of inefficiency in many member states. More must be done to integrate and coordinate services related to diagnosis, treatment, care, rehabilitation and health promotion. This includes improving the continuation and coordination of services between primary care, the first point of contact such as the pharmacist, nurse or general practitioner, and hospital; between hospitals, whether public or private; between hospital and home care; and between different parts of the healthcare system and the reimbursement authorities. This is especially important with older and chronic-disease patients, who require continuous care and would benefit from comprehensive treatment plans. ICT and electronic patient records are a crucial bridge between different healthcare services.

2) Improving health outcomes and quality of care

The starting point is to address known inefficiencies of the system, such as overusing medicines or investing in infrastructure and technologies that do not add value. The cost-effectiveness of health technologies, including

pharmaceuticals and medical equipment, must be carefully assessed. As the EU continues to encourage member state cooperation on health technology assessments (HTAs), it is important to ensure that they improve the cost-effectiveness of healthcare systems. Shifting the focus from cost to a more outcome-oriented approach would help to ensure that the solutions deployed are cost-effective and add value to healthcare systems and society. Assessing and comparing the cost-effectiveness of processes and service outcomes, as well as patient safety and satisfaction, must be an integral part of the system. On top of using indicators such as waiting times for appointments and operations or days spent in hospital, it is time to compare outcome-oriented indicators, such as 'can the patient live at home independently a year after having an operation?' and the time and cost of achieving desired health outcomes.

While more work is needed to achieve consensus on measuring qualitative outputs, a more standardised approach would allow comparisons and benchmarking of the performance of national healthcare systems.

3) Strengthen public health, prevention and health promotion activities

The starting point is to ensure that actors within primary care focus on promoting health rather than simply treating diseases. This requires by training and educating healthcare professionals.

4) Professionals and hospitals must be encouraged to contribute to improving the system

Comparing healthcare providers and giving patients access to this information and the opportunity to choose a physician and/or an institution could push providers to perform better and to pay more attention to the cost-effectiveness of services and improving health outcomes. Such evaluation must use criteria which go beyond cost-savings or the speed of hospital release to include qualitative indicators, such as long-term patient satisfaction with healthcare services and outcomes.

5) Empowering the patient

Patients are becoming more active health consumers, searching for information and solutions and wanting to take part in decisions regarding their own or family members' care. Recognising this requires attitudes to change in the system, emphasising patient empowerment and allowing patients to contribute to their care and treatment. Lighter services must be encouraged, such as giving nurses and pharmacists a

greater role in assisting patients, and using solutions such as internet consulting and homecare for those who do not need to wait in line for healthcare services.

Secondly, as well as promoting reform of EU healthcare systems, **national decision-makers should take an outcome-oriented approach to public investment**. It is worth remembering that investing in healthcare is not always the most cost-effective way to maximise health gains and people's welfare. In fact, a significant number of diseases could be prevented if healthcare systems were to go beyond treating diseases, and even more importantly, by encouraging a society-wide approach to health promotion and disease prevention.

One way to act is by promoting active and healthy ageing. While investment in healthcare systems can help, successful action will also require employment policies that allow/encourage people to work for longer, as well as urban planning and transport policies that consider older people's needs and create healthier environments.

EU healthcare systems are under enormous pressure to demonstrate their value and cost-effectiveness. They are expected to contribute to economic recovery while improving people's health and the sustainability of healthcare systems. While EU member states' healthcare systems differ and it is reasonable that the final decisions on needed measures are taken at local level, the EU can clearly play an important role in encouraging reform and cooperation. Thus, the European Commission's country-specific recommendations, to be published this spring, must go beyond simple cost-saving in the healthcare sector and encourage cost-effective measures that can improve people's health outcomes and ensure the sustainability of the sector today and tomorrow. In the end, real savings for the economy do not come from cutting the costs of healthcare systems, but by making sure that citizens and workers are healthier and thus more productive, and can continue to contribute to the economy for longer.

Annika Ahtonen is a Policy Analyst in the Europe's Political Economy Programme of the European Policy Centre.

This Policy Brief builds on the Coalition for Health, Ethics and Society (CHES) discussions on 'healthy and active ageing' in 2012 and provides the basis for discussions on 'economics of health and health care' in 2013.

European Policy Centre ■ Résidence Palace, 155 rue de la Loi, 1040 Brussels, Belgium
Tel: +32 (0)2 231 03 40 ■ Fax: +32 (0)2 231 07 04 ■ Email: info@epc.eu ■ Twitter: [@epc_eu](https://twitter.com/epc_eu) ■ Website: www.epc.eu



Europe for Citizens
Programme

With the support of the Europe for Citizens
Programme of the European Union.