

Division of Health Systems and Public Health
WHO Regional Office for Europe



Responding to the challenge of financial sustainability



**World Health
Organization**

REGIONAL OFFICE FOR

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**Всемирная организация
здравоохранения**

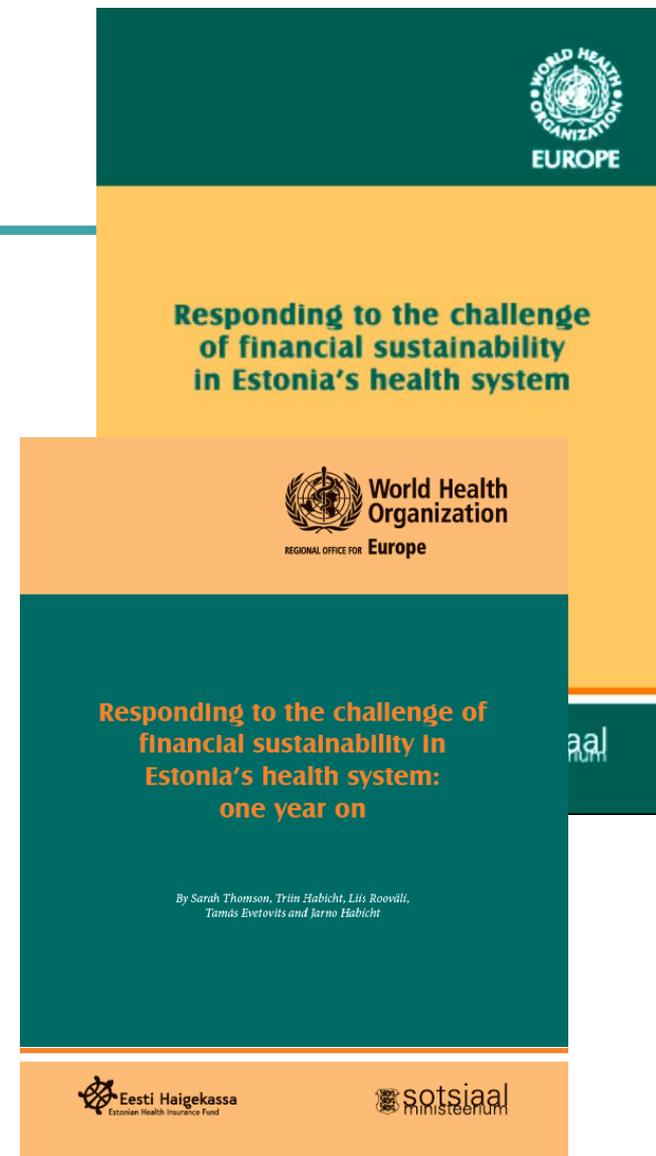
Европейское региональное бюро

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Strengthening

Tallinn, 25 March 2015

The 2010 report aimed to:

- Assess the performance of the health financing system
- Identify and quantify long-term cost pressures
- **Recommend options for strengthening health financing policy in light of the values underpinning the health system**

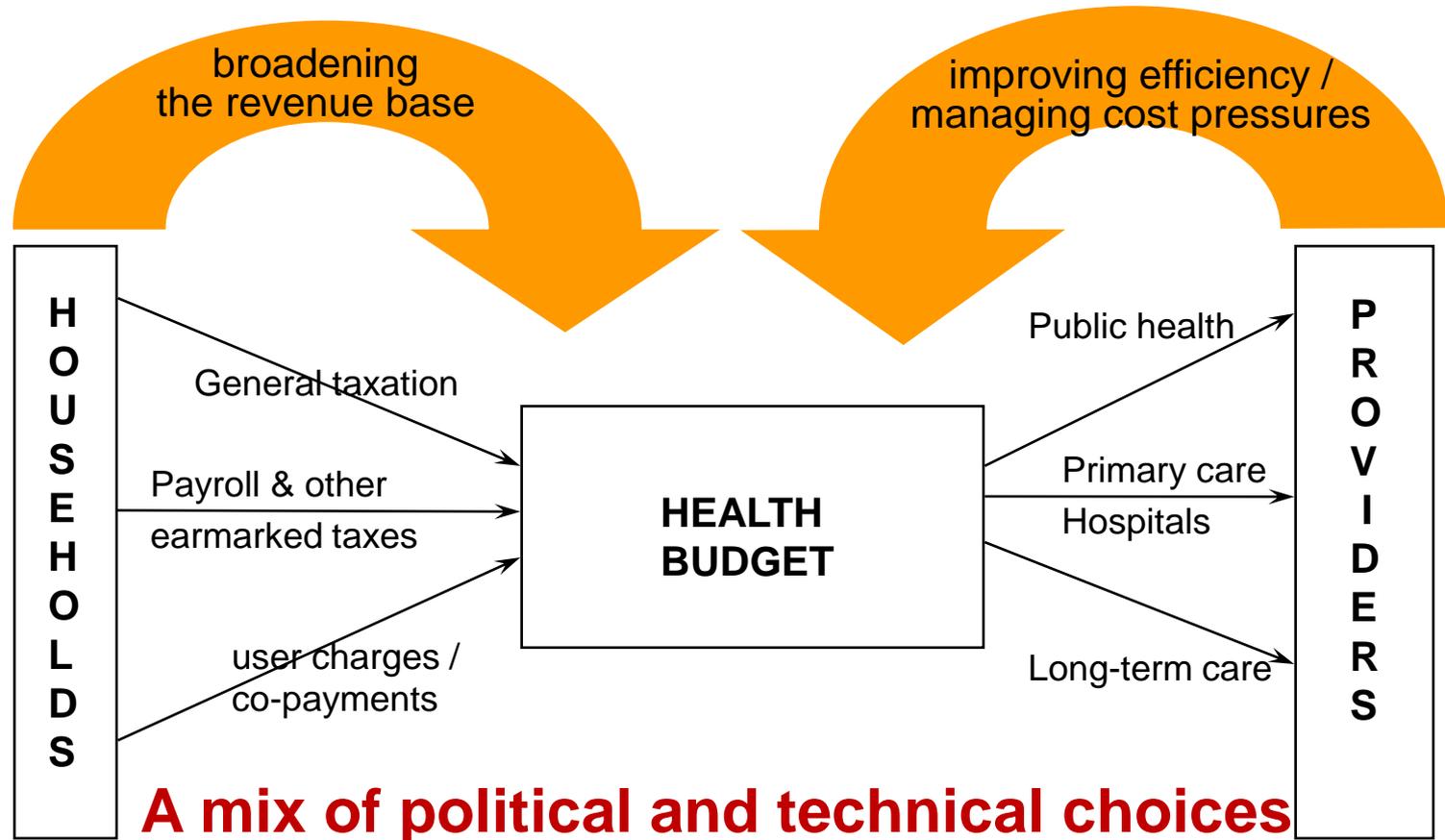


Key messages from the 2010 report

Not just more money for health but **more and better public financing**

- Broaden the public revenue base for the health sector to ensure the health system can achieve its objectives in the longer term
- The health financing system can be further strengthened to improve performance
- **Not all spending is good spending**

Action is needed on both fronts to generate sufficient revenue and manage expenditures

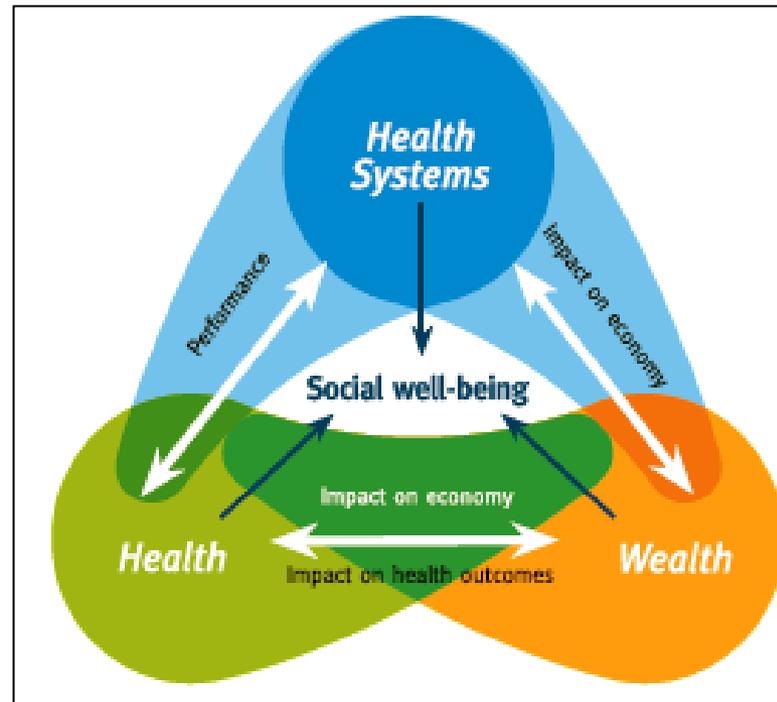


Source: Modified after Reinhardt 1984

Sustainability. Let's clarify

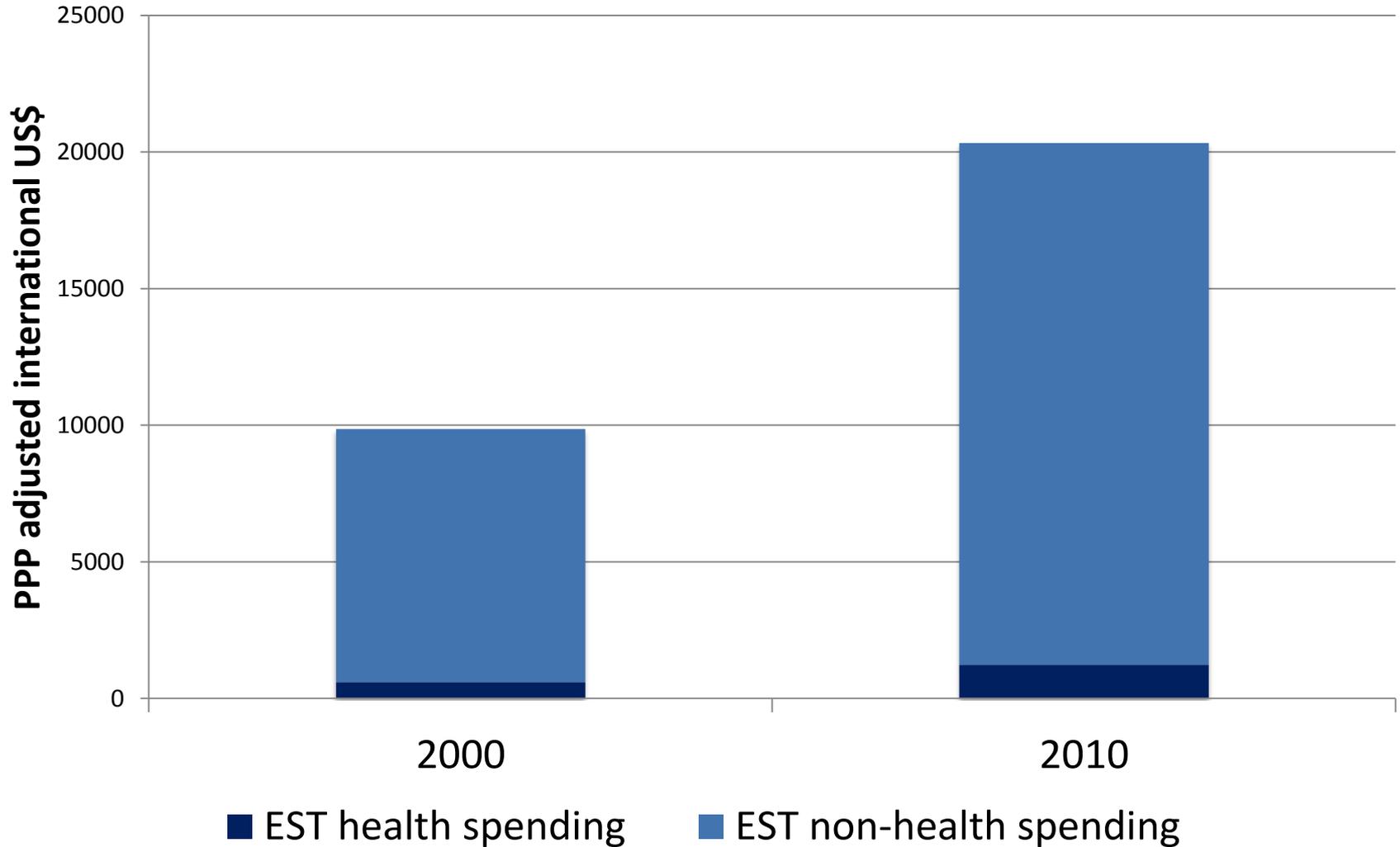
Values and objectives

- The concept of sustainability is meaningless if not linked to health system objectives
- Sustainability is primarily a question of values and societal preferences for different social objectives

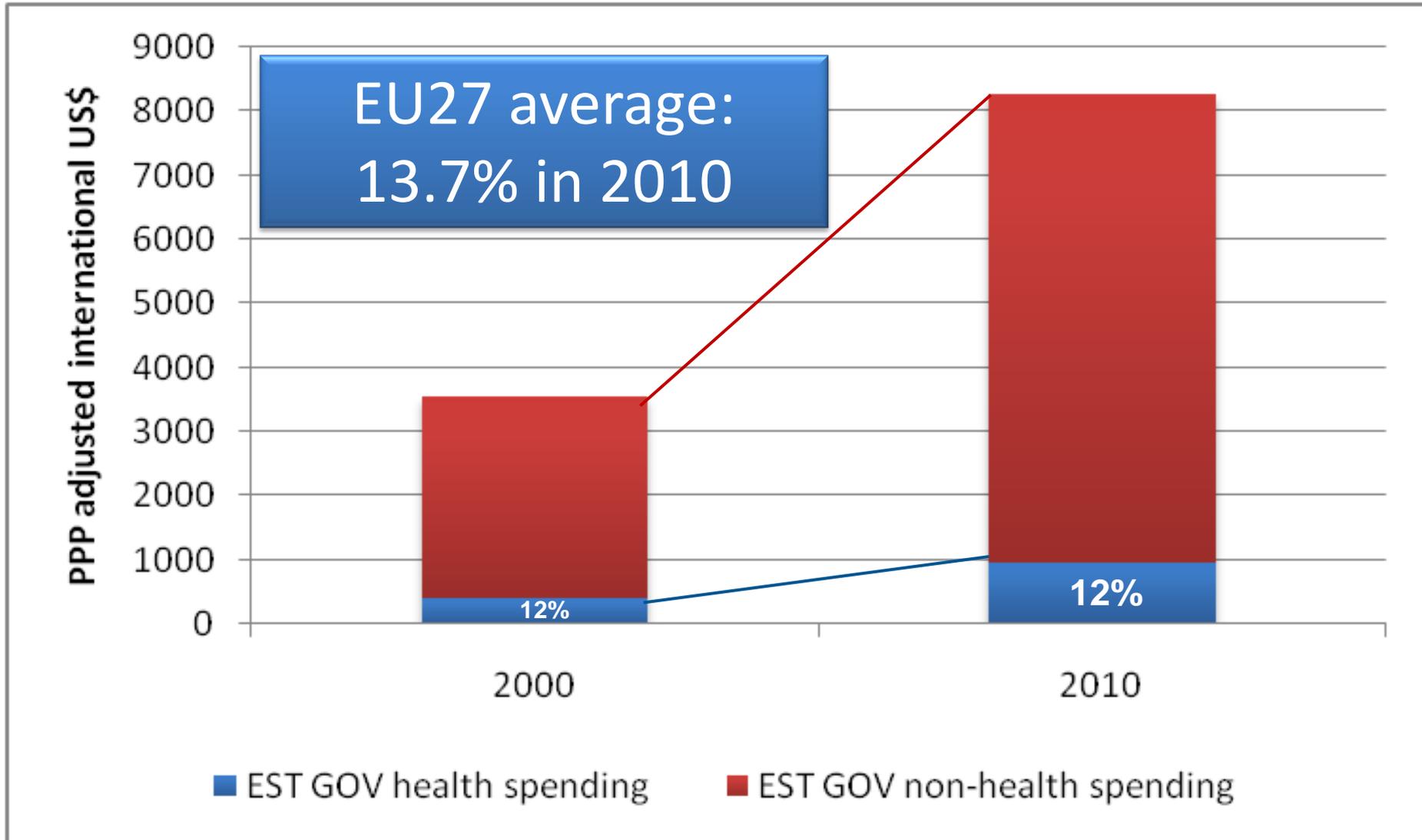


What kind of health system are you willing to sustain through public financing?

Economic sustainability: Does health spending carve out an unfair share of growing wealth? (No)

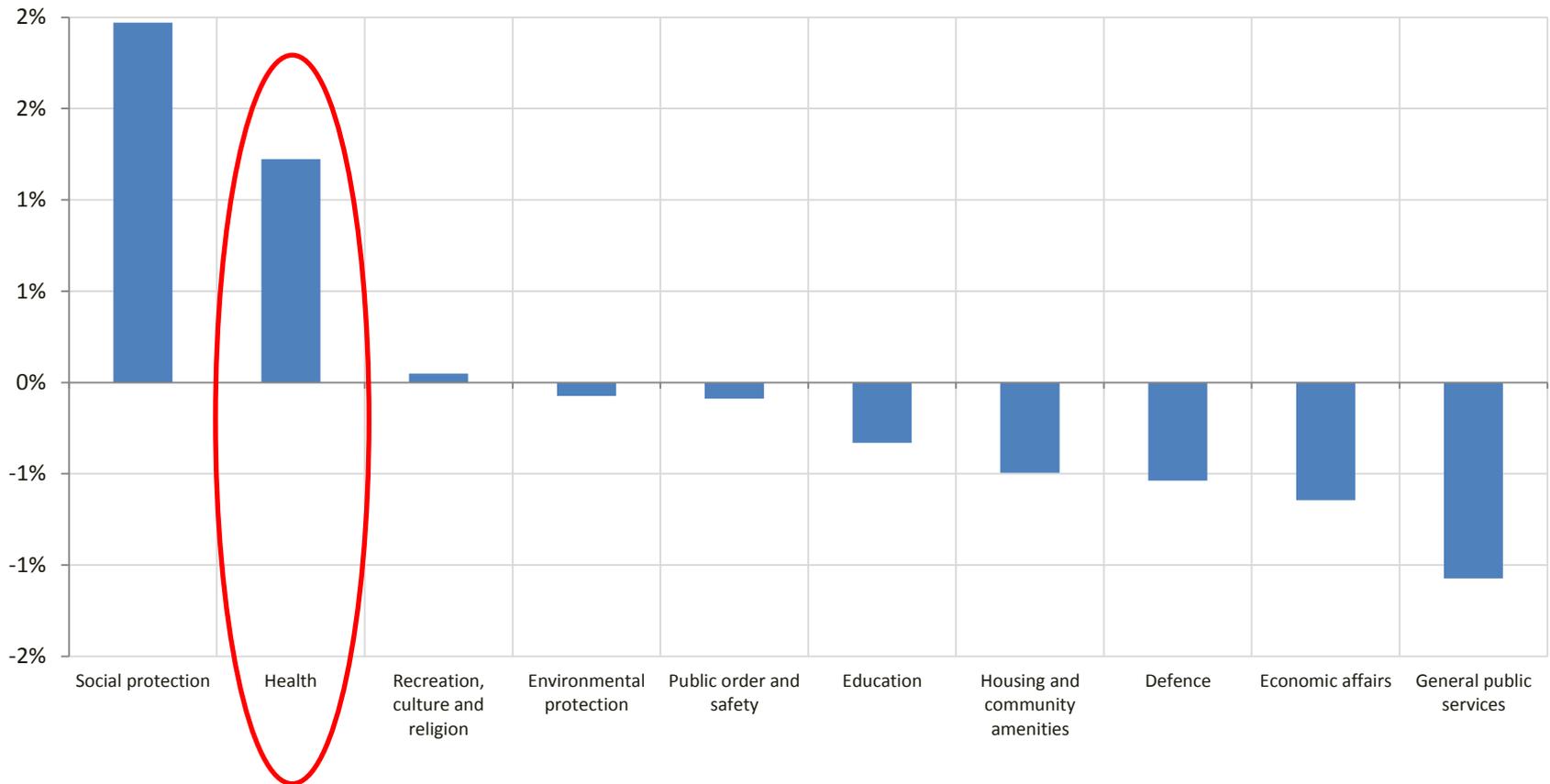


Fiscal sustainability: the health sector is NOT a threat to fiscal sustainability in Estonia



OECD countries have allowed health to take a greater share of their government budget

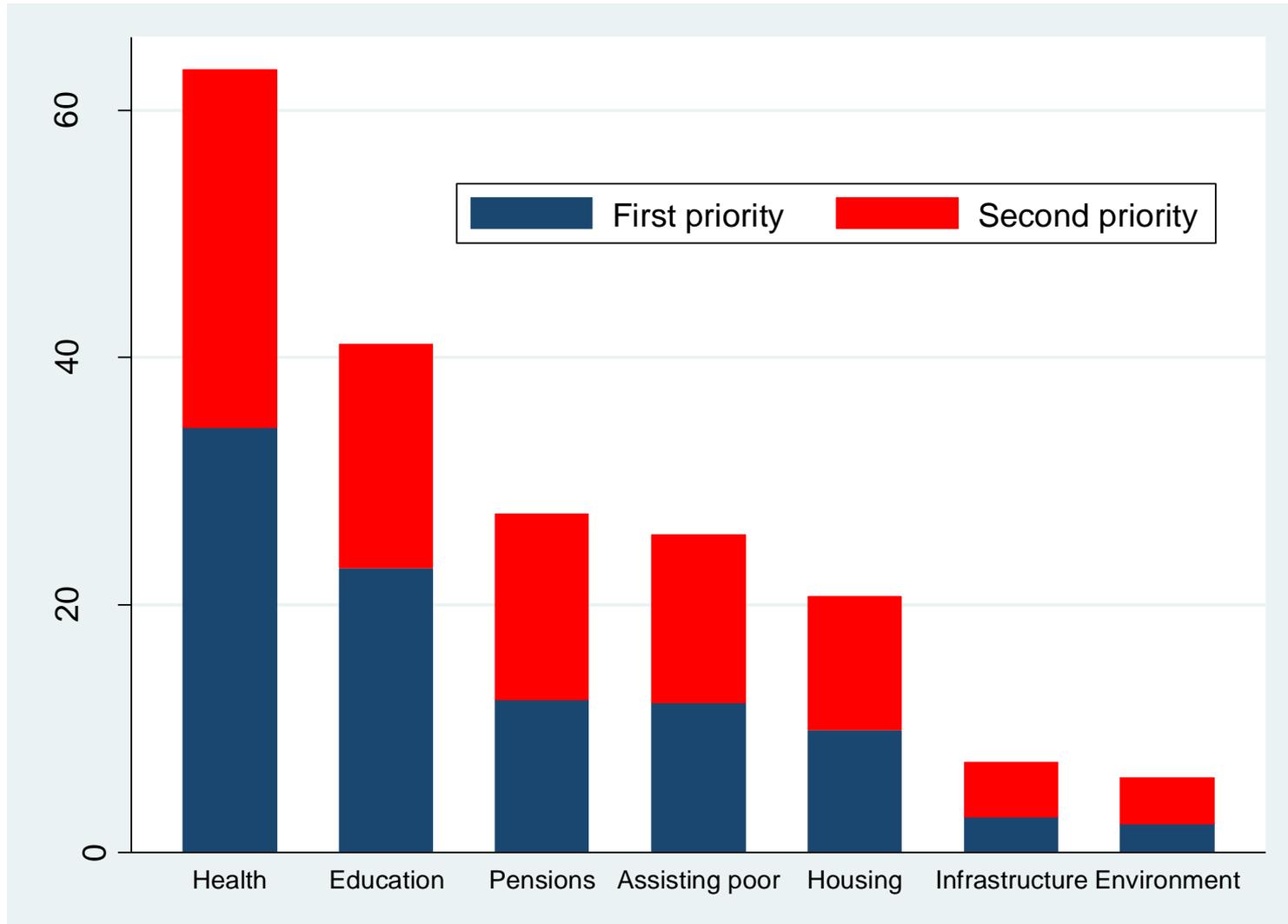
Change in the structure of general government expenditures on average in OECD countries by function (2001 to 2011)



Source: OECD National Accounts Statistics (database). Data for Australia are based on Government Finance Statistics provided by the Australian Bureau of Statistics.

Source of slide: Ankit Kumar, OECD

Health is the top priority for more public spending across Europe

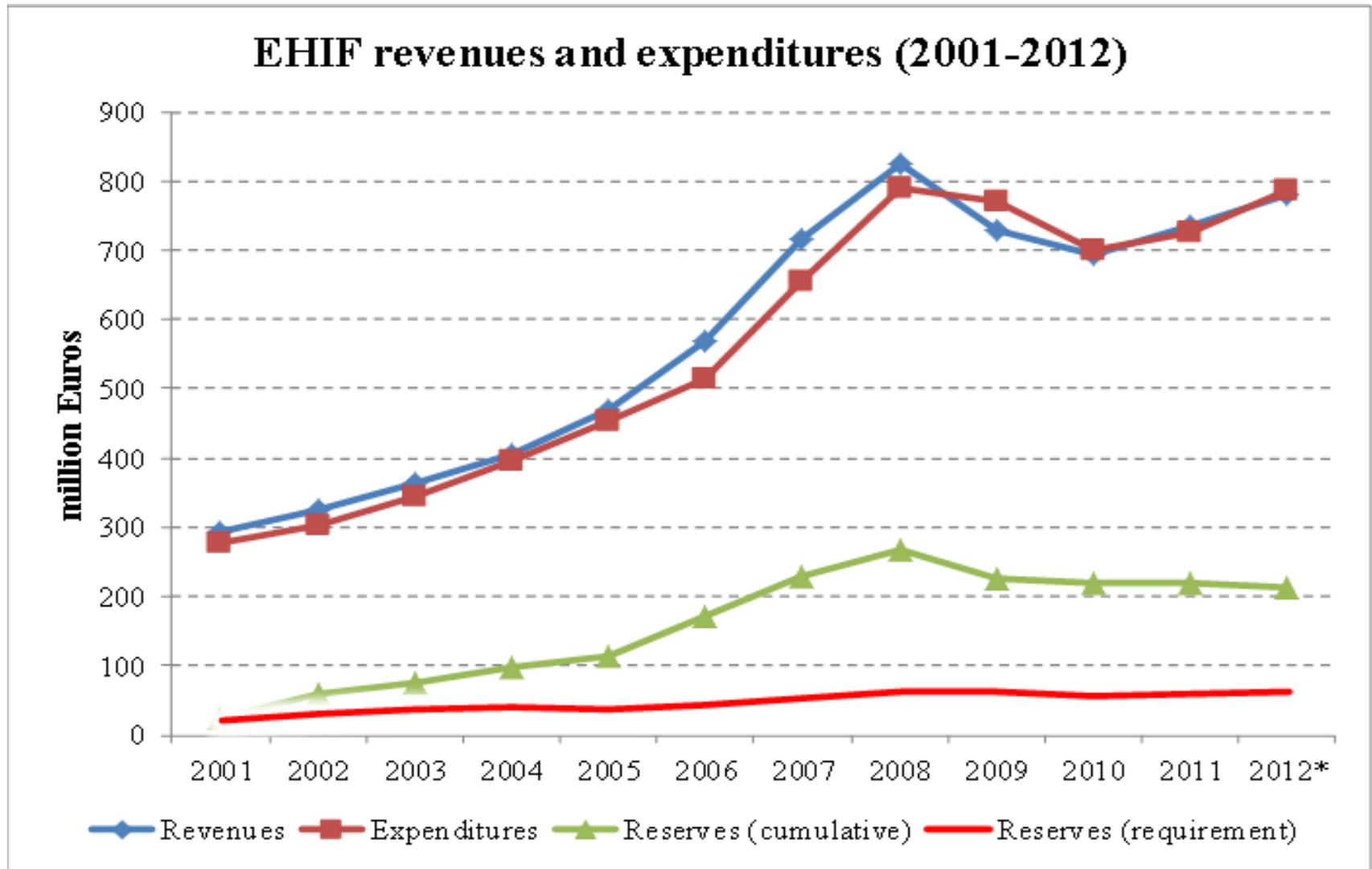


Source: Life in transition survey 2010, EBRD

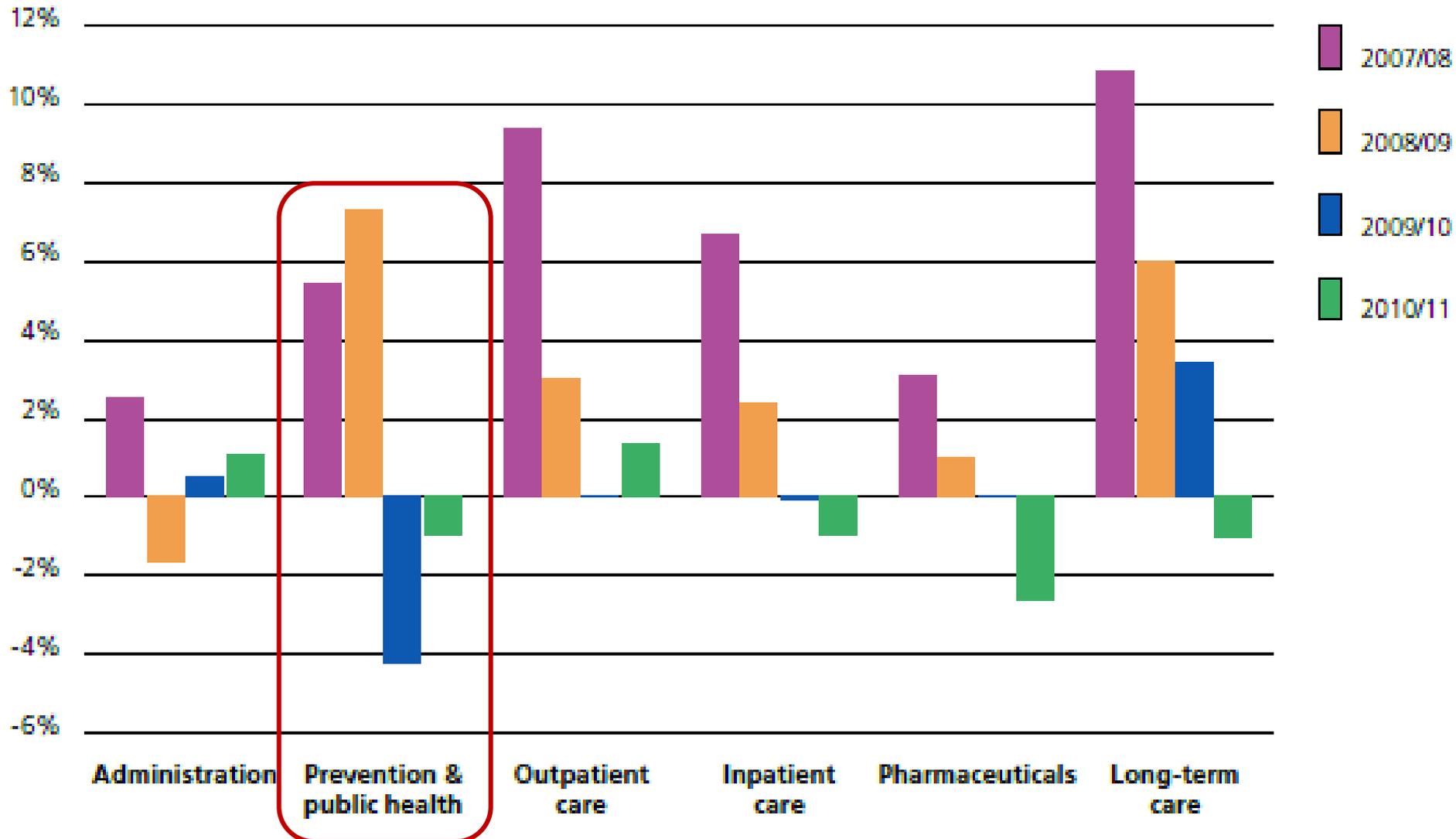
Defining sustainable health financing: asking the right questions

- Can the health system meet its obligations in the face of cost pressures and current / future revenues?
- Is health financing policy able to achieve its goals as circumstances change?

Save during good times, spend during bad times



Annual change in spending on different parts of the health system during the crisis in Europe



Beveridge and Bismarck are not helpful here



Tax-financing: unpredictable annual allocation decisions make stakeholders argue for earmarking (Latvia)



SHI: exclusive reliance on earmarked payroll tax is unsustainable in the long run (Estonia)



Balanced revenue mix of payroll tax and budget transfers with counter-cyclical mechanisms pooled in a single fund

Key messages from international experience

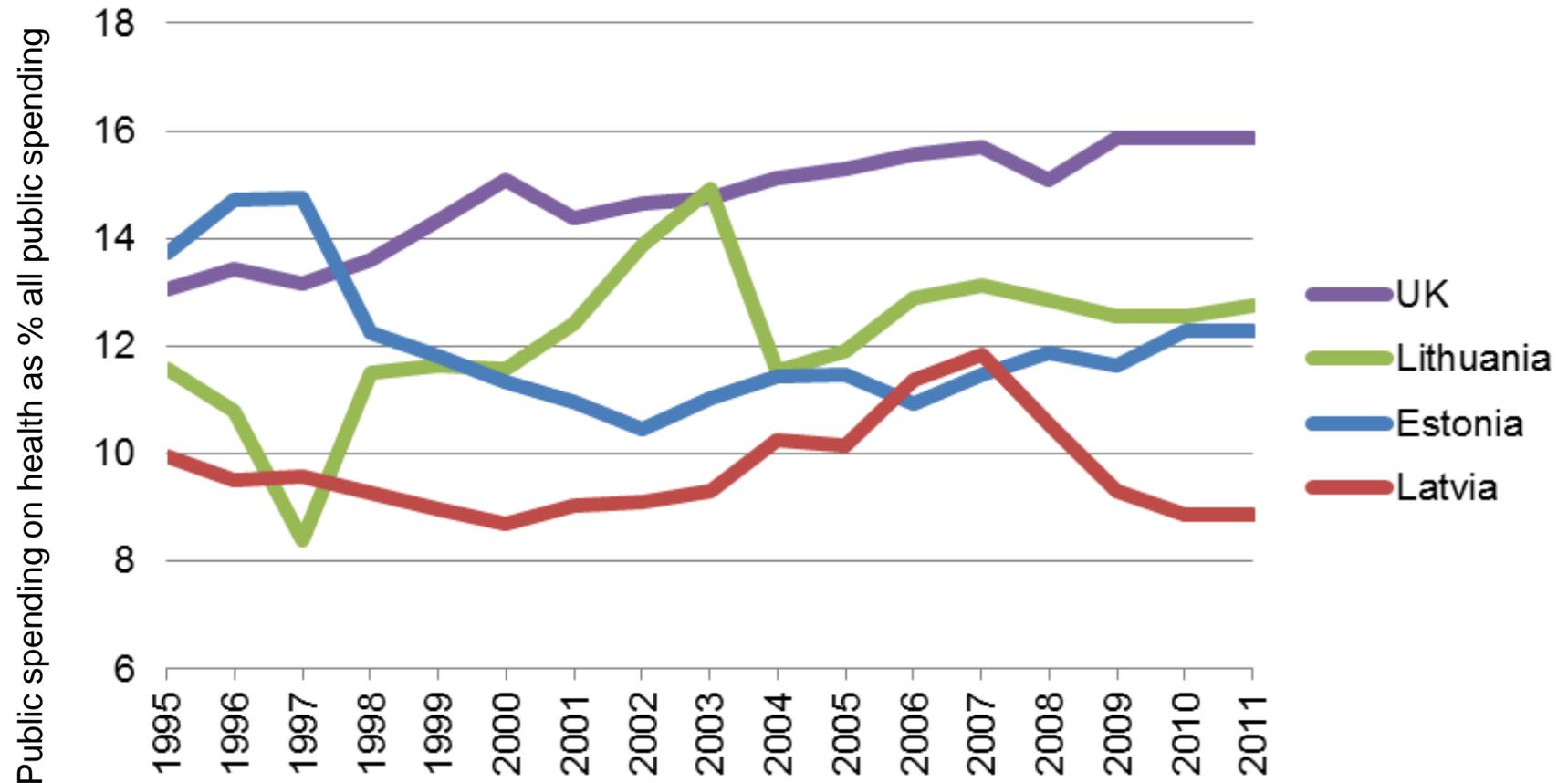
Heavy reliance on payroll tax makes the system vulnerable to economic shocks and increases labour costs

You don't necessarily need earmarked payroll tax to increase public funding levels

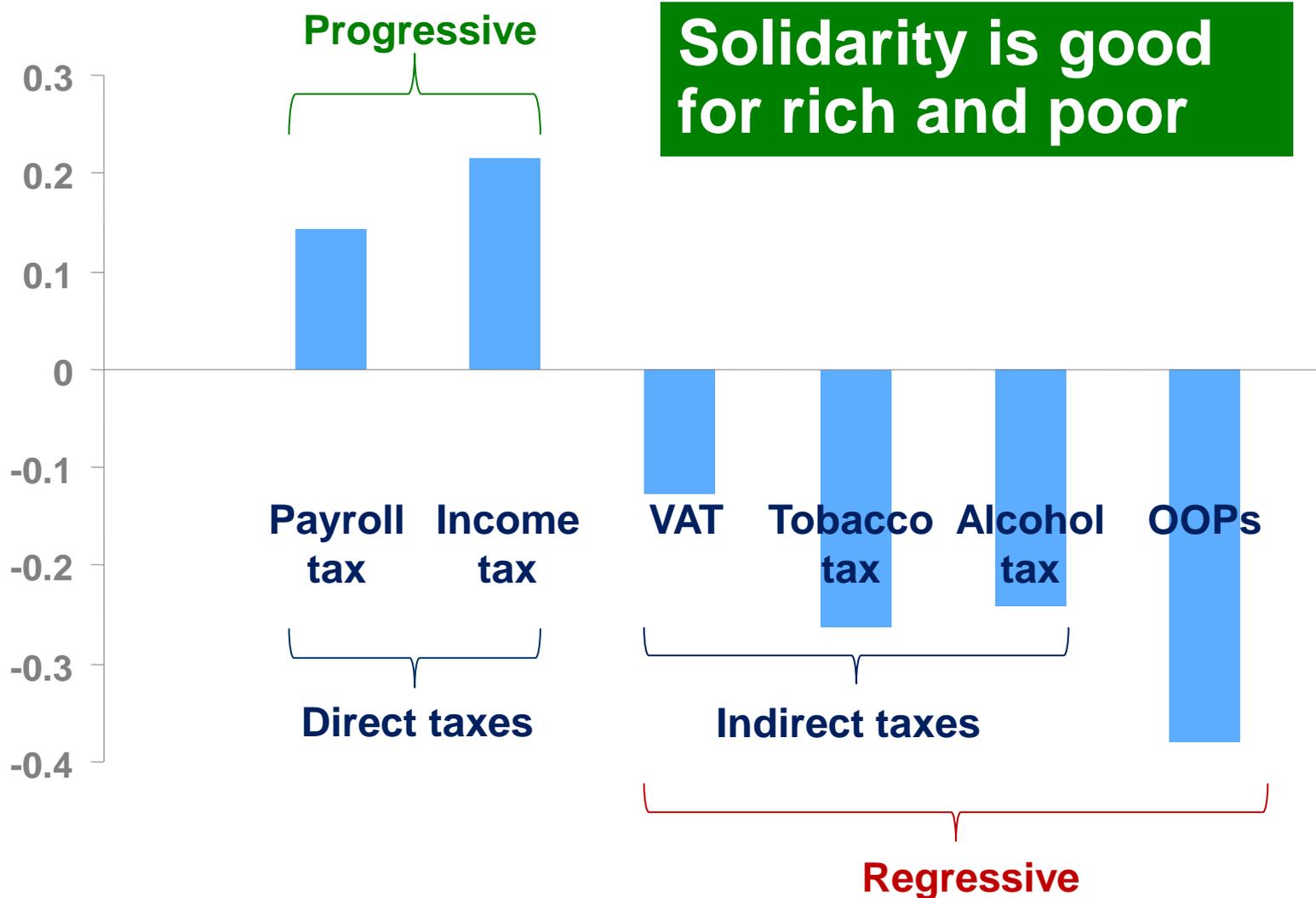
Countries are trying to increase the share of general tax revenues for health

Ensuring adequate and stable levels of public funding for health requires political commitment

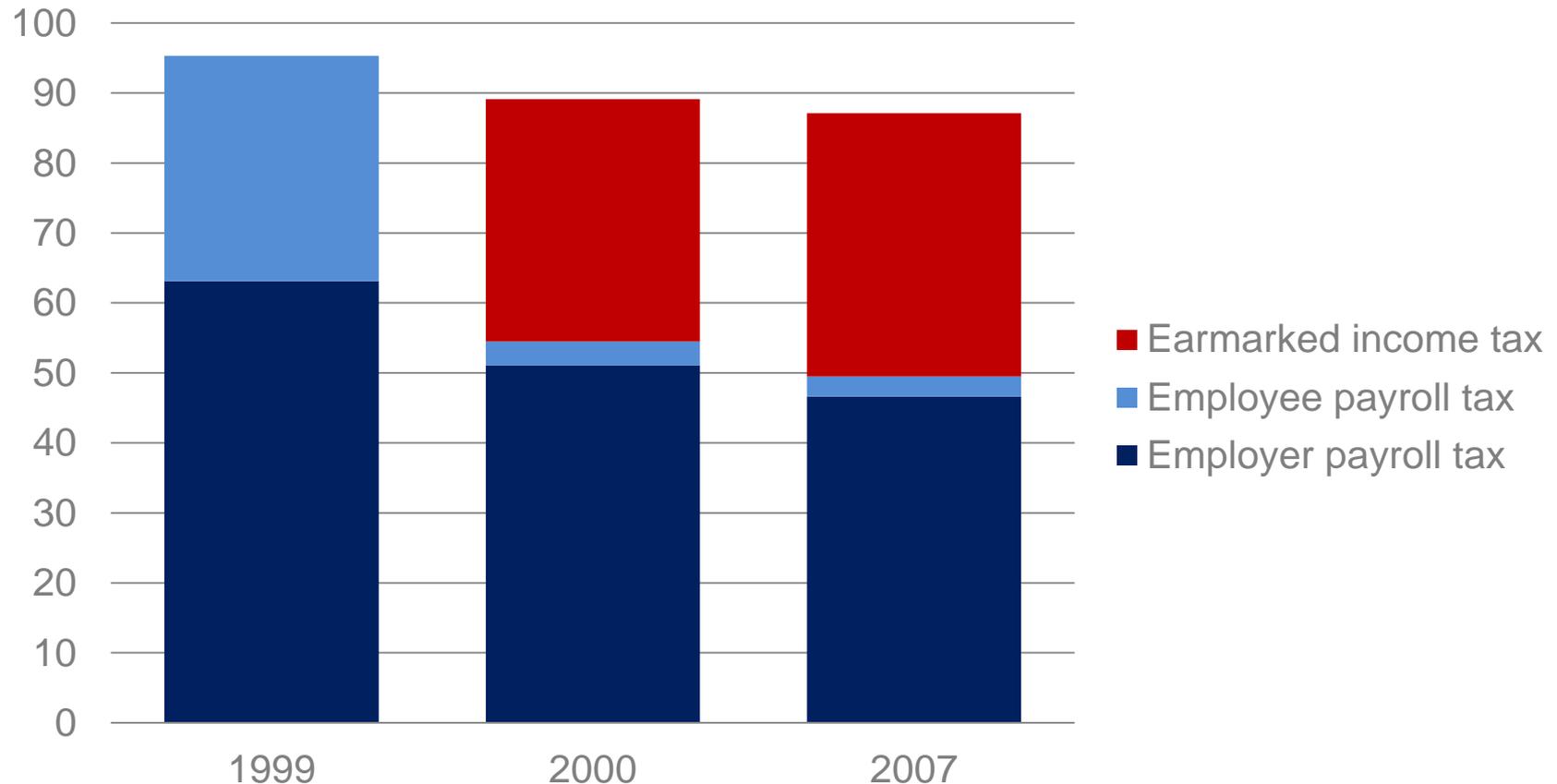
High priority to health without earmarking in the UK



Distributional effects of different revenue collection mechanisms



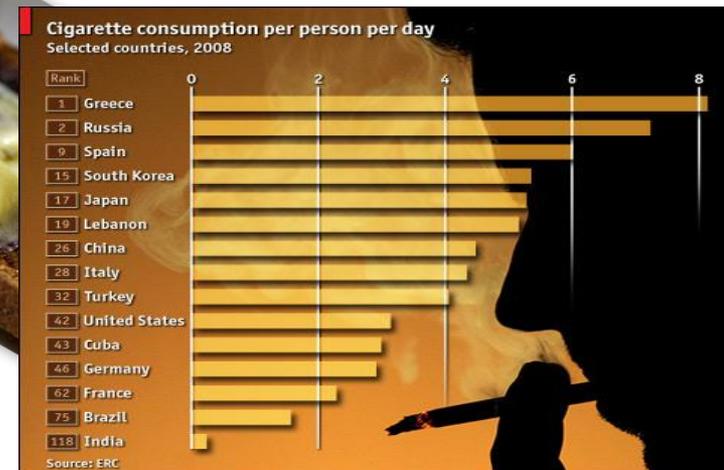
France: income tax now the second-largest source of health insurance fund (HIF) revenue



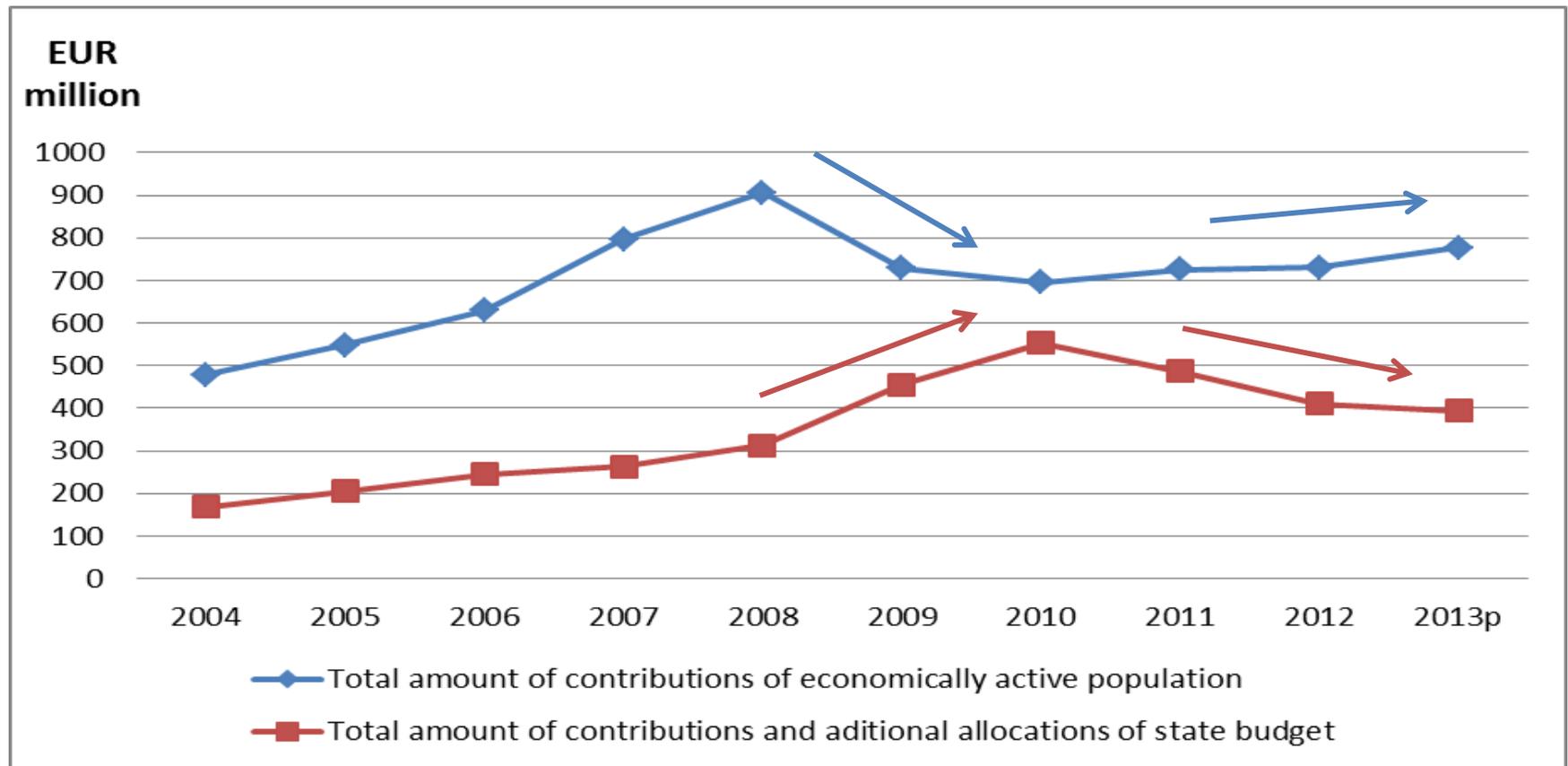
Source: European Observatory HiT reports 2004 and 2010

Taxing unhealthy products and behaviour: regressive, but effective

in Denmark, Finland, France and Hungary



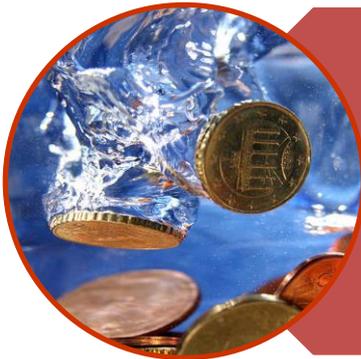
Formula-based budget transfers on behalf of the economically inactive population groups are countercyclical and effective in Lithuania (and Slovakia as well)



Messages in 2015



Estonia can spend more on health: spending above GDP growth can be justified

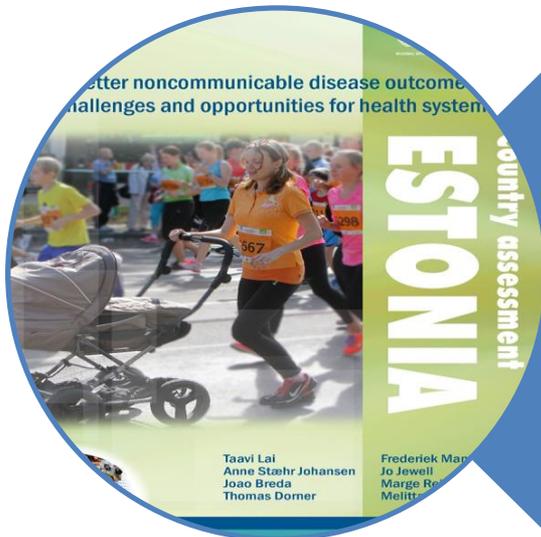


But avoid unproductive expenditure increase

Messages in 2015



Improve efficiency by
improving health
outcomes
Better health and wealth



Strengthen prevention,
chronic disease
management &
care coordination
Stronger health system

And remember a balanced budget is a necessary but not sufficient condition to sustainability...



...aim for good performance

WHO Barcelona Office for Health Systems Strengthening

- Established in 1999
- Supported by the Government of the Autonomous Community of Catalonia, Spain
- Focuses on health systems financing: analytical work and capacity building
- Staff work directly with Member States across the European Region
- Part of the Division of Health Systems & Public Health of the WHO Regional Office for Europe www.euro.who.int



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