

The Economics of Public Health Care Reform in Advanced and Emerging Economies



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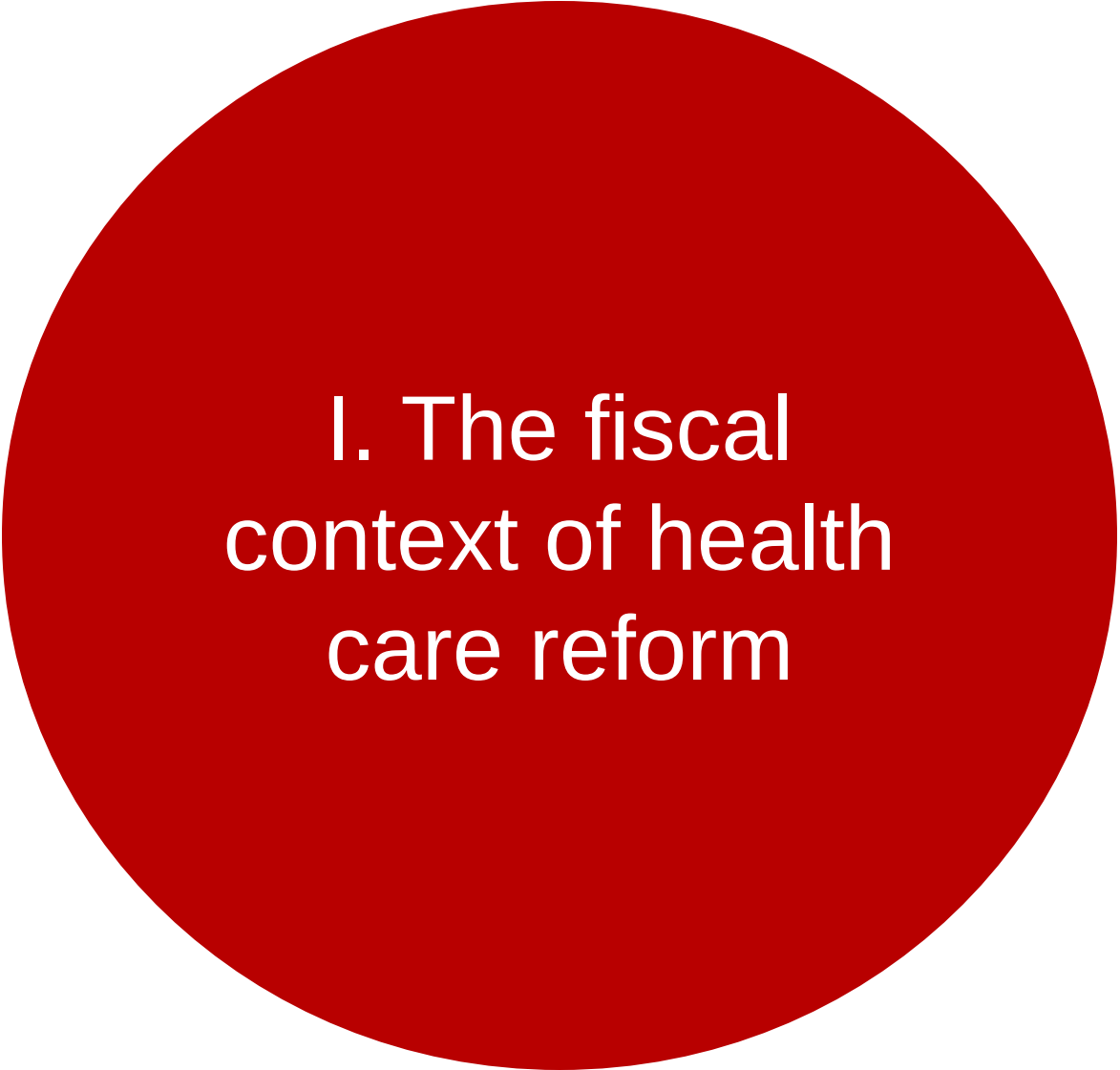
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This presentation is based on the book, *The Economics of Public Health Care Reform in Advanced and Emerging Economies*, which draws on contributions from leading scholars in health economics from both advanced and emerging economies

Outline

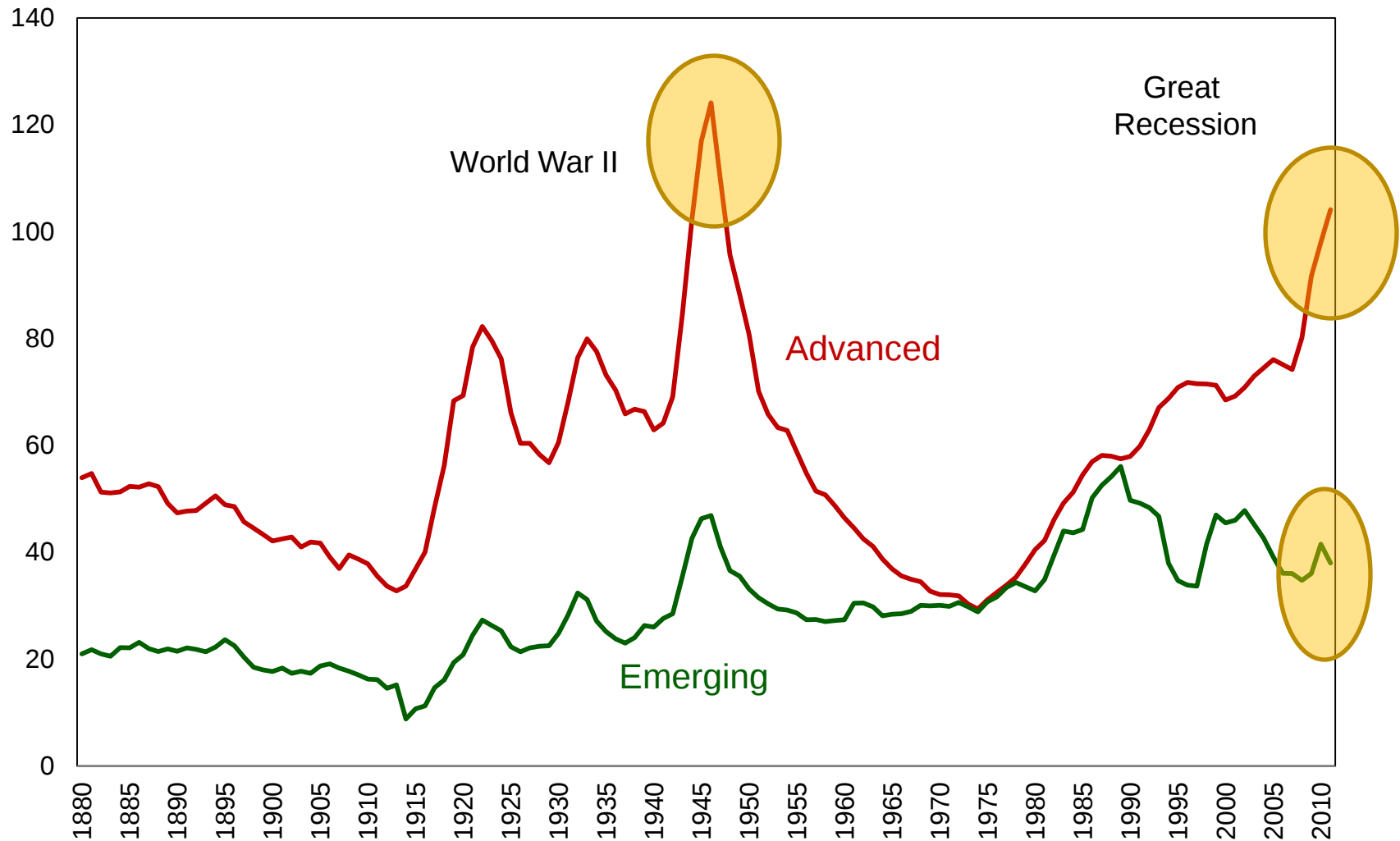
- I. Fiscal context of health care reform
- II. Trends and outlook for public health spending
- III. Health care reform in advanced economies
- IV. Health care reform in emerging economies
- v. Summary



I. The fiscal context of health care reform

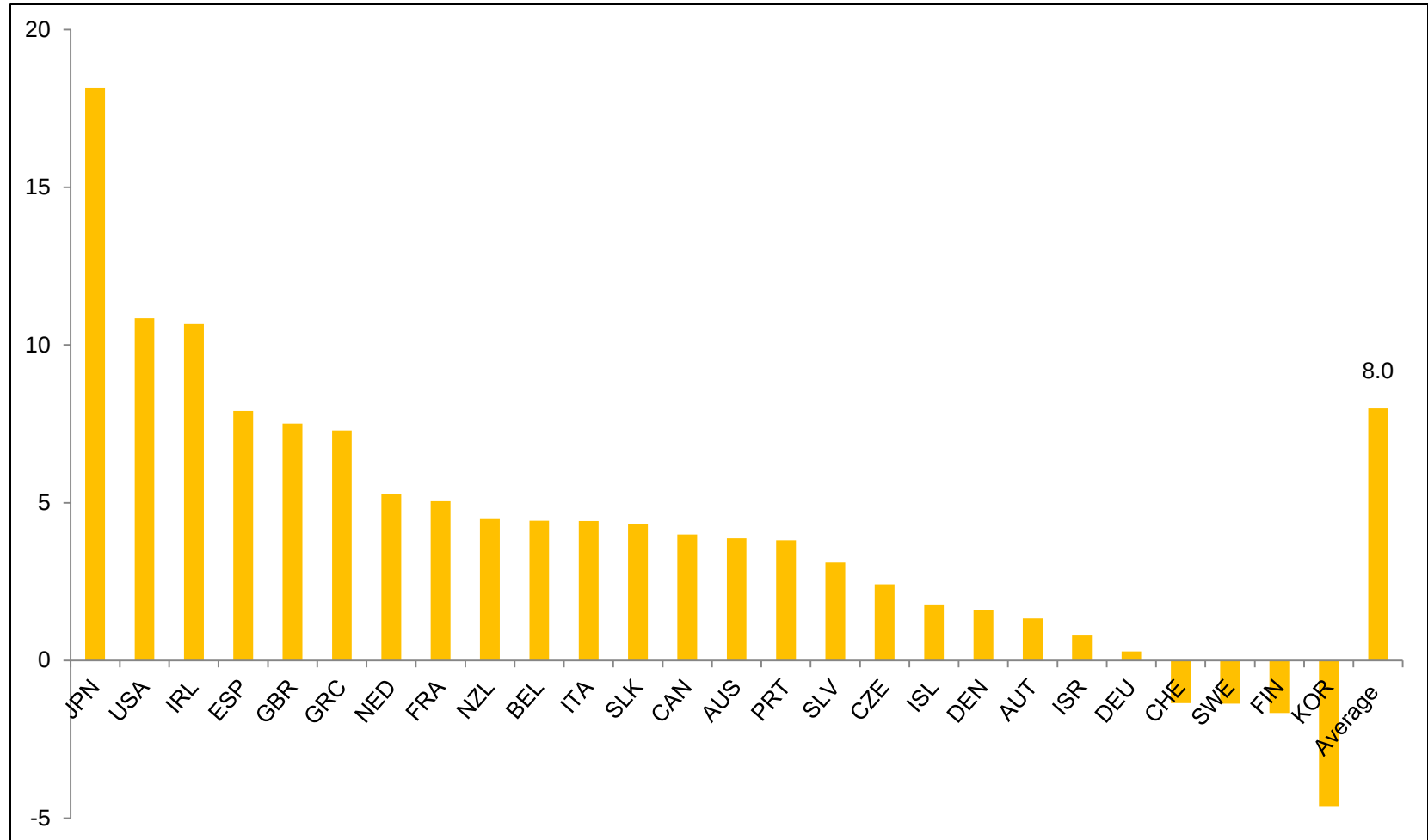
I. Debt ratios remain at historic levels in advanced economies

Public Debt, percent of GDP



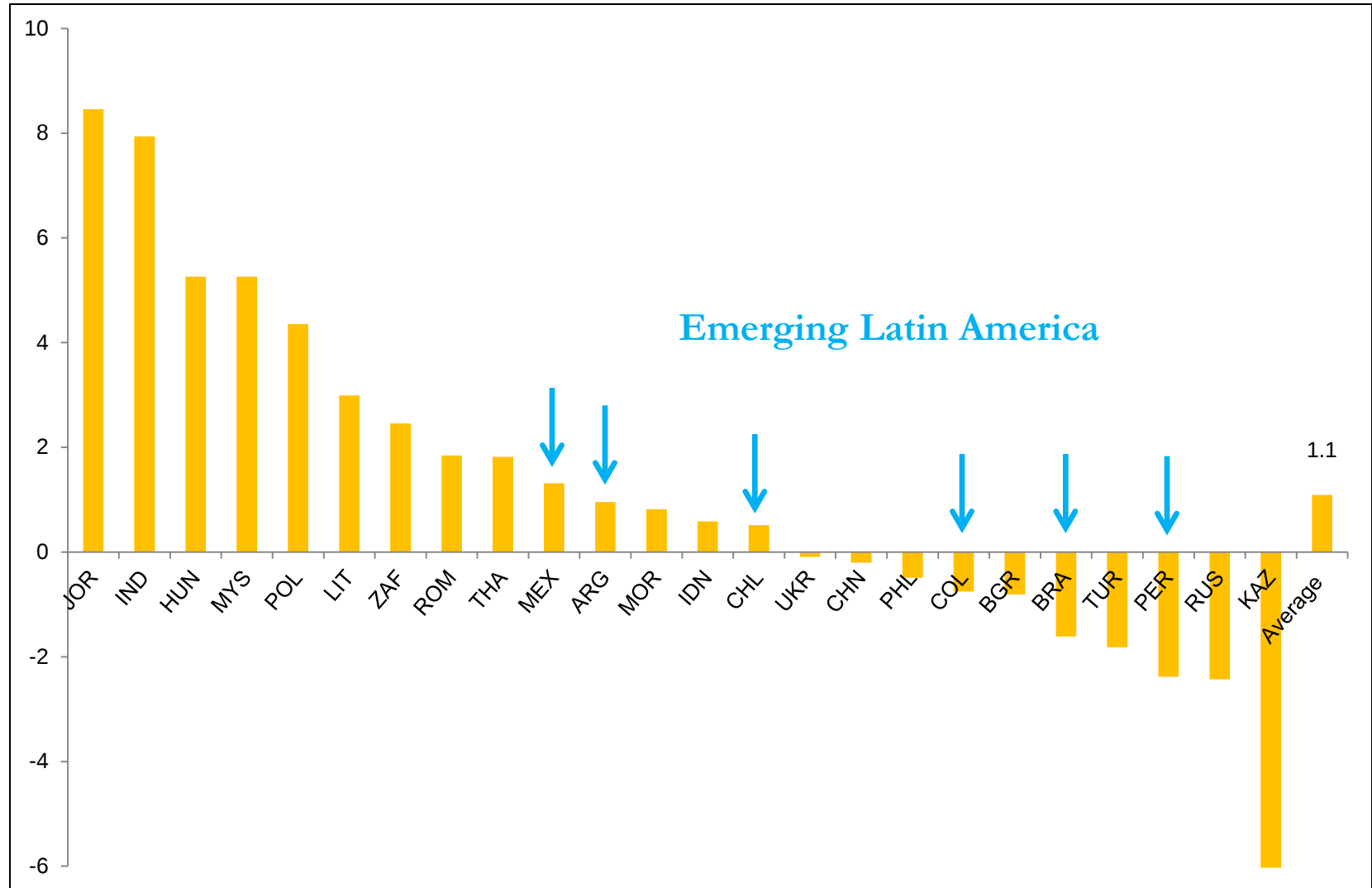
I. Substantial adjustment is needed to bring debt ratios to appropriate levels in advanced economies

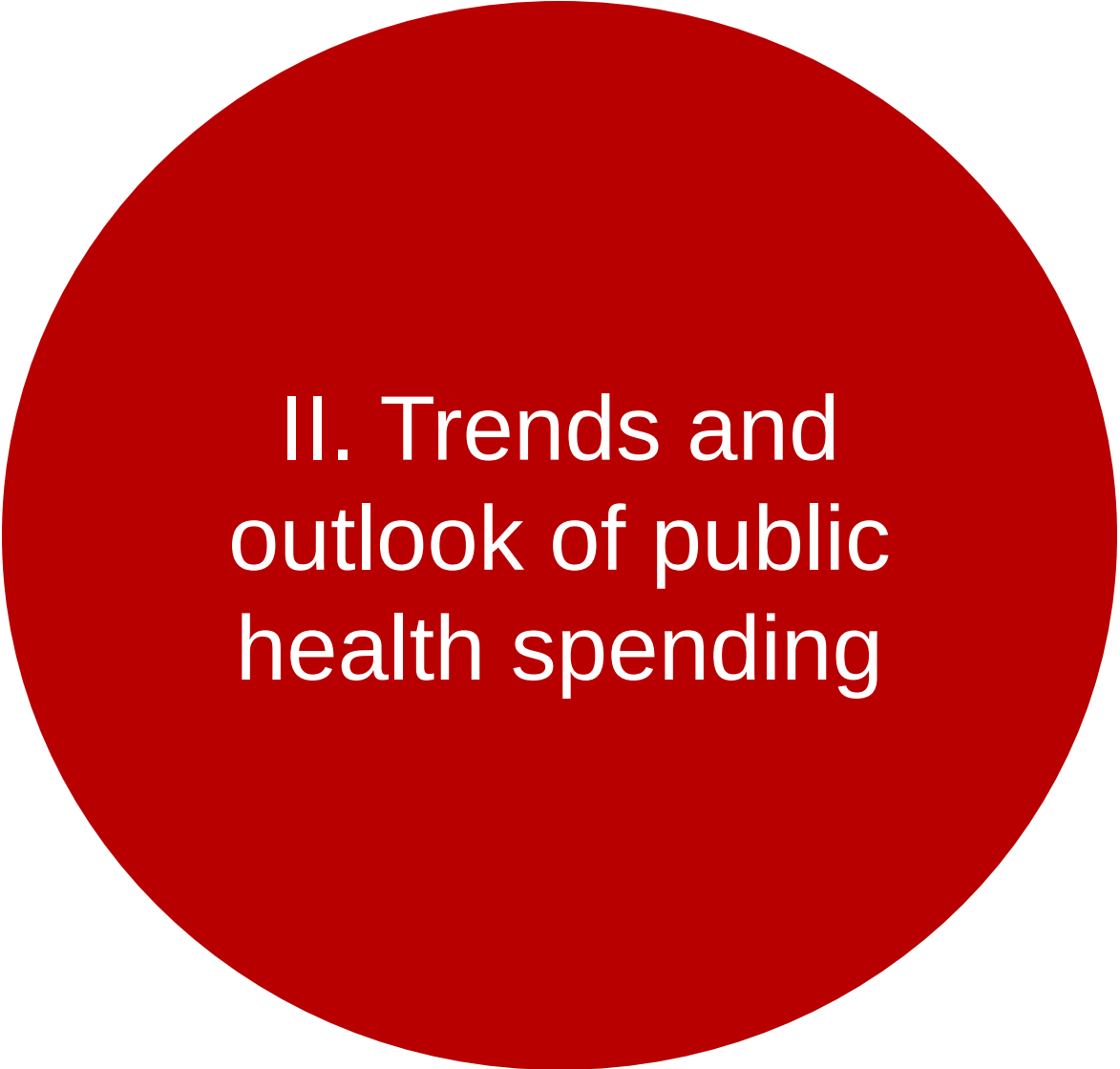
Illustrative Adjustment Needs, percent of GDP



I. Emerging economies are in a stronger overall fiscal position, but some countries are vulnerable

Illustrative Adjustment Needs, percent of GDP

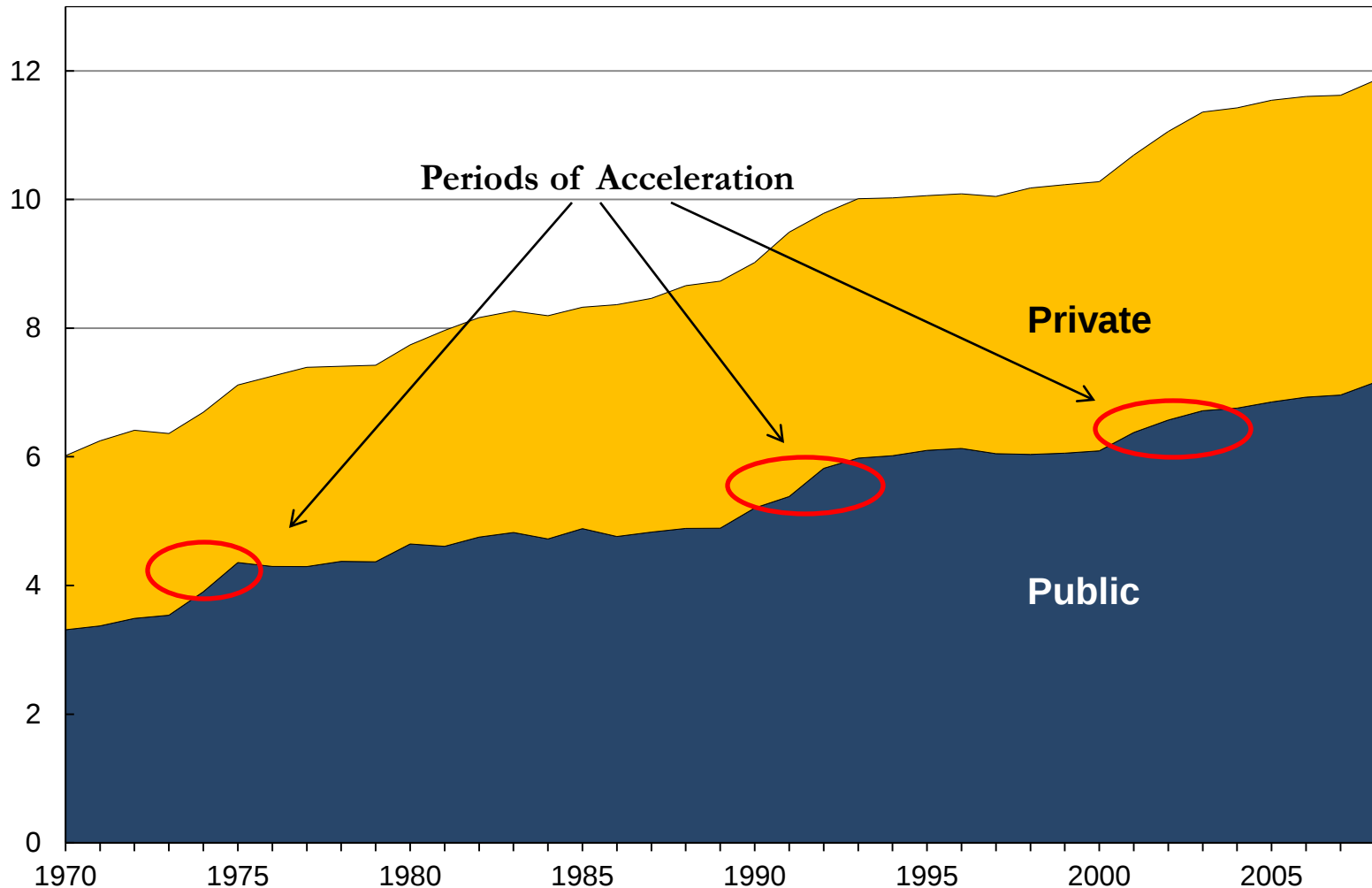




II. Trends and outlook of public health spending

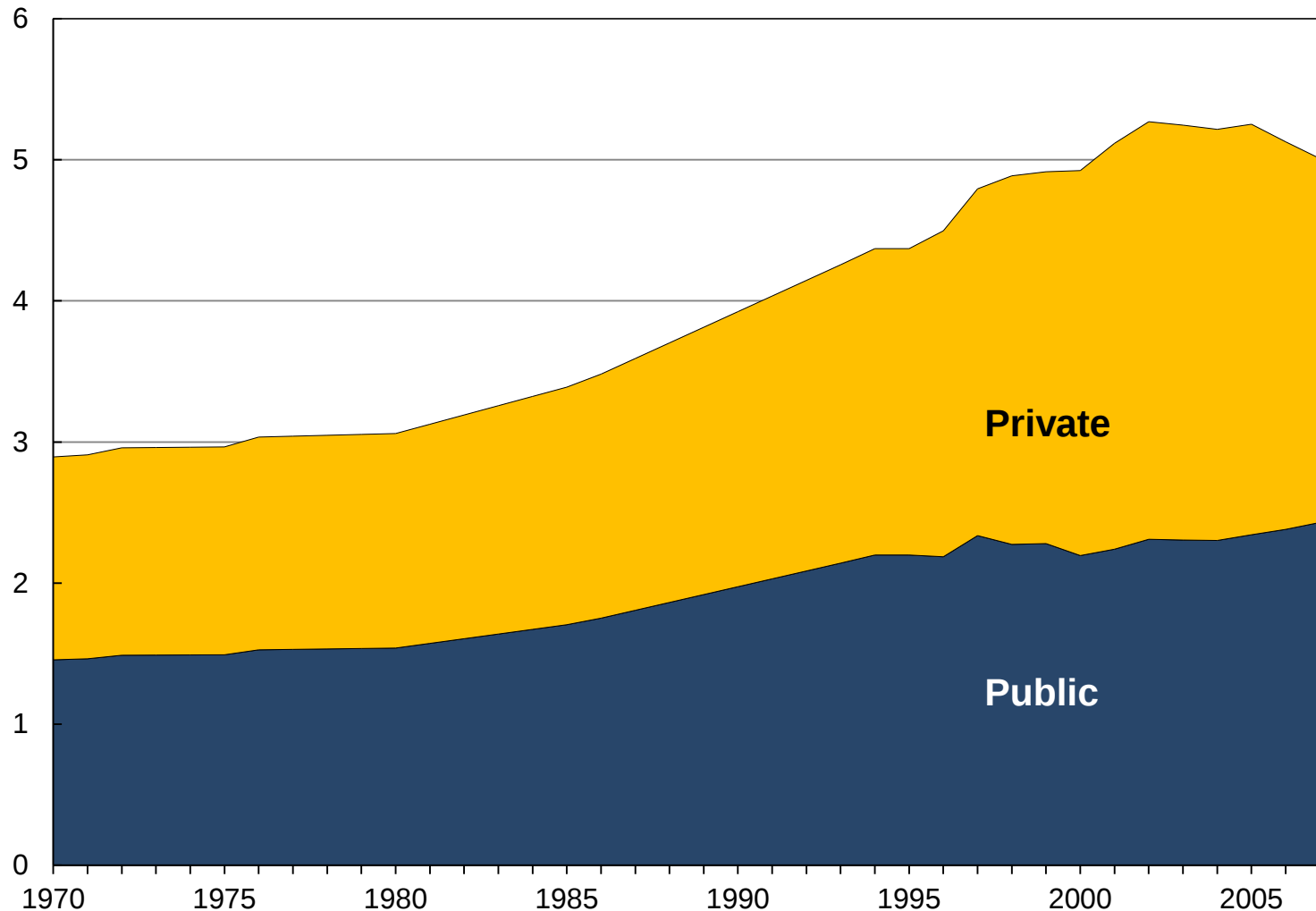
II. Led by public sector, large spending increases in advanced economies over past 40 years

Health spending in 27 advanced economies (percent of GDP)



II. Increases in public health spending were much smaller in emerging economies

Health spending in 23 emerging economies (percent of GDP)

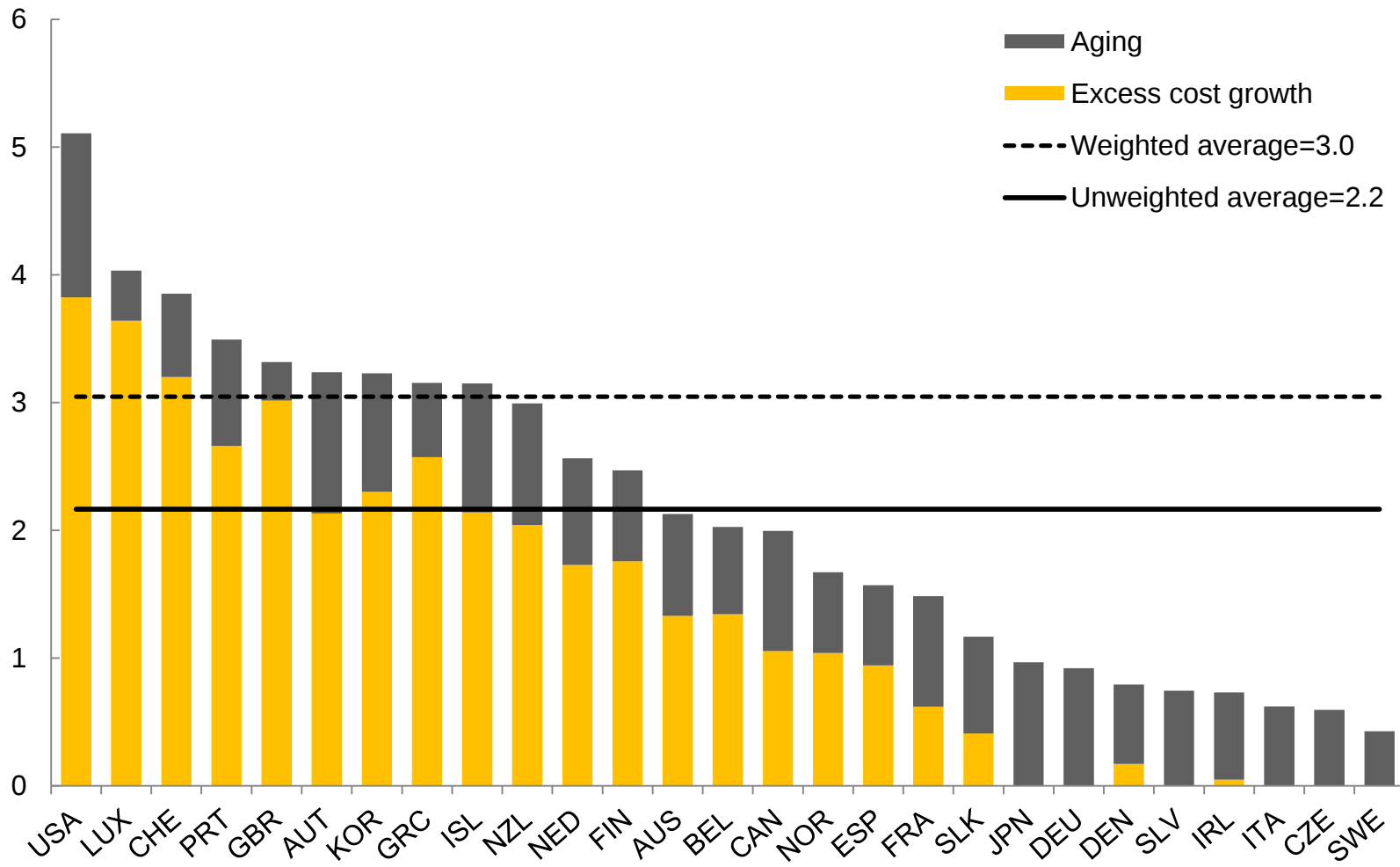


II. Main drivers of public health spending

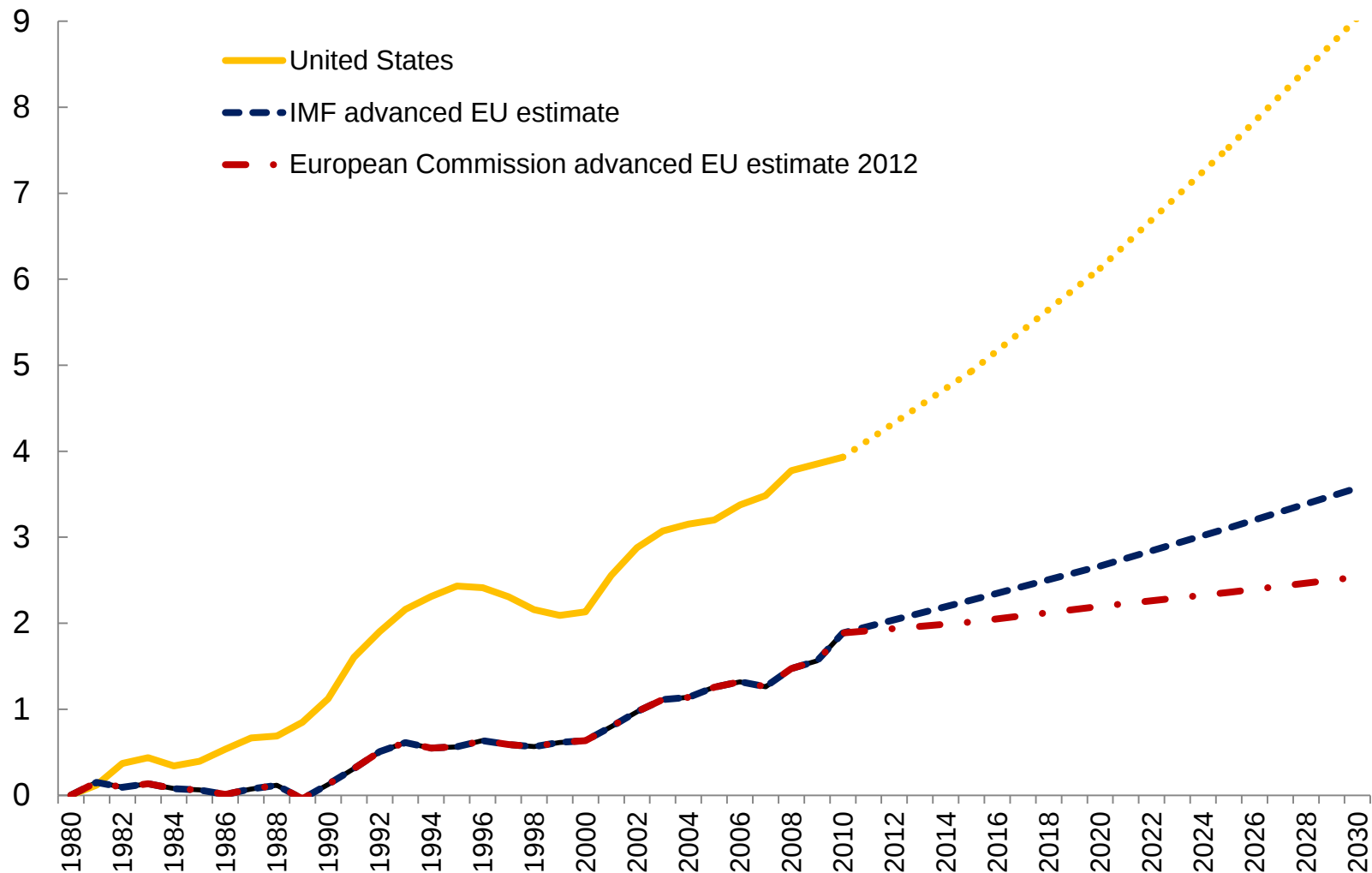
- ❑ Population aging—explains about one fourth of the increase in spending-to-GDP ratios
- ❑ Excess Cost Growth (ECG) —the difference between real health expenditure growth and real GDP growth—explains the rest
 - ❑ Technology
 - ❑ Health policies and institutions
 - ❑ Other factors

II. Public spending pressures in advanced countries are substantial

Projected increases in public health spending (percent of GDP), 2011-2030

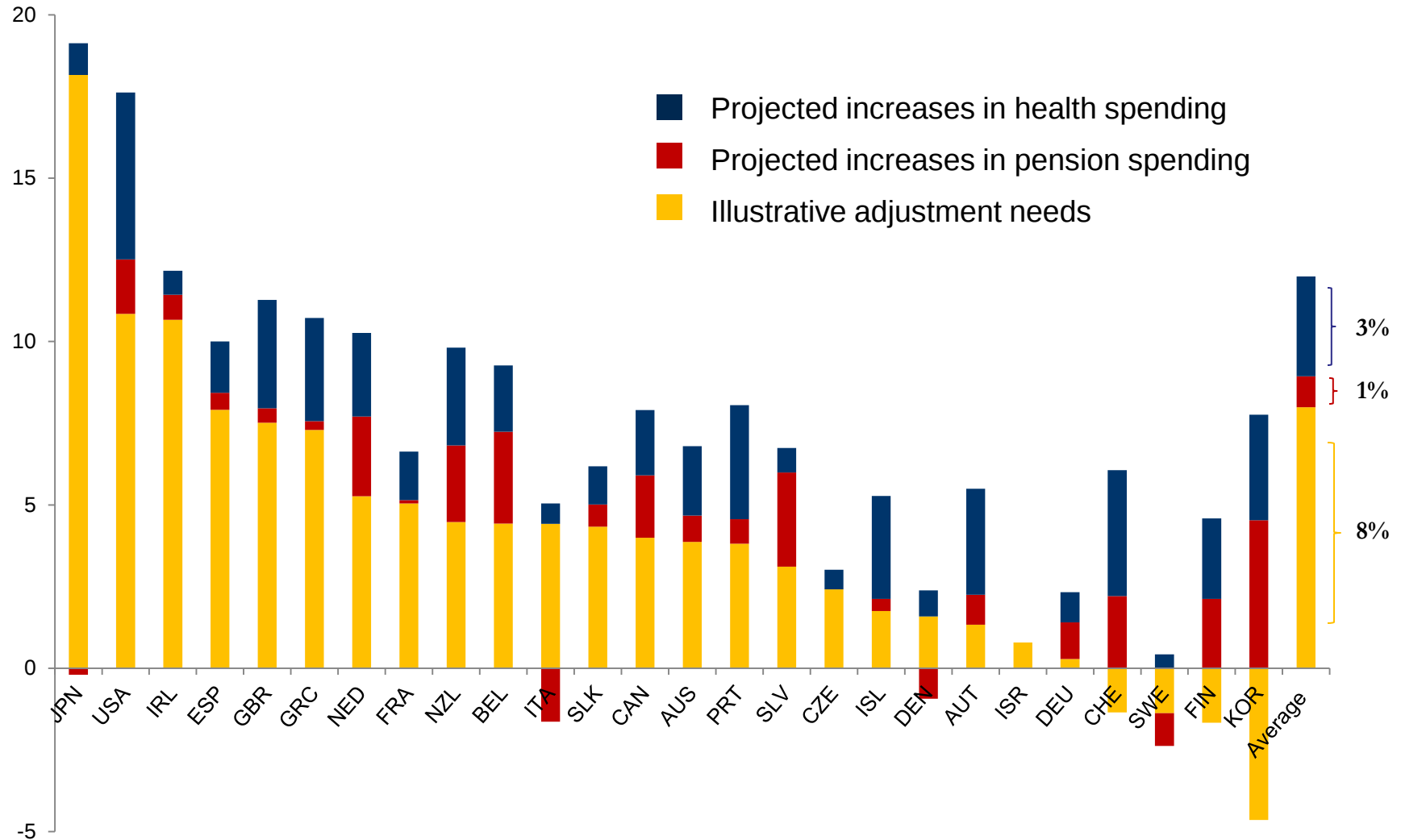


II. Excess cost growth accounts for most of the increases in public health spending in advanced Europe and the US

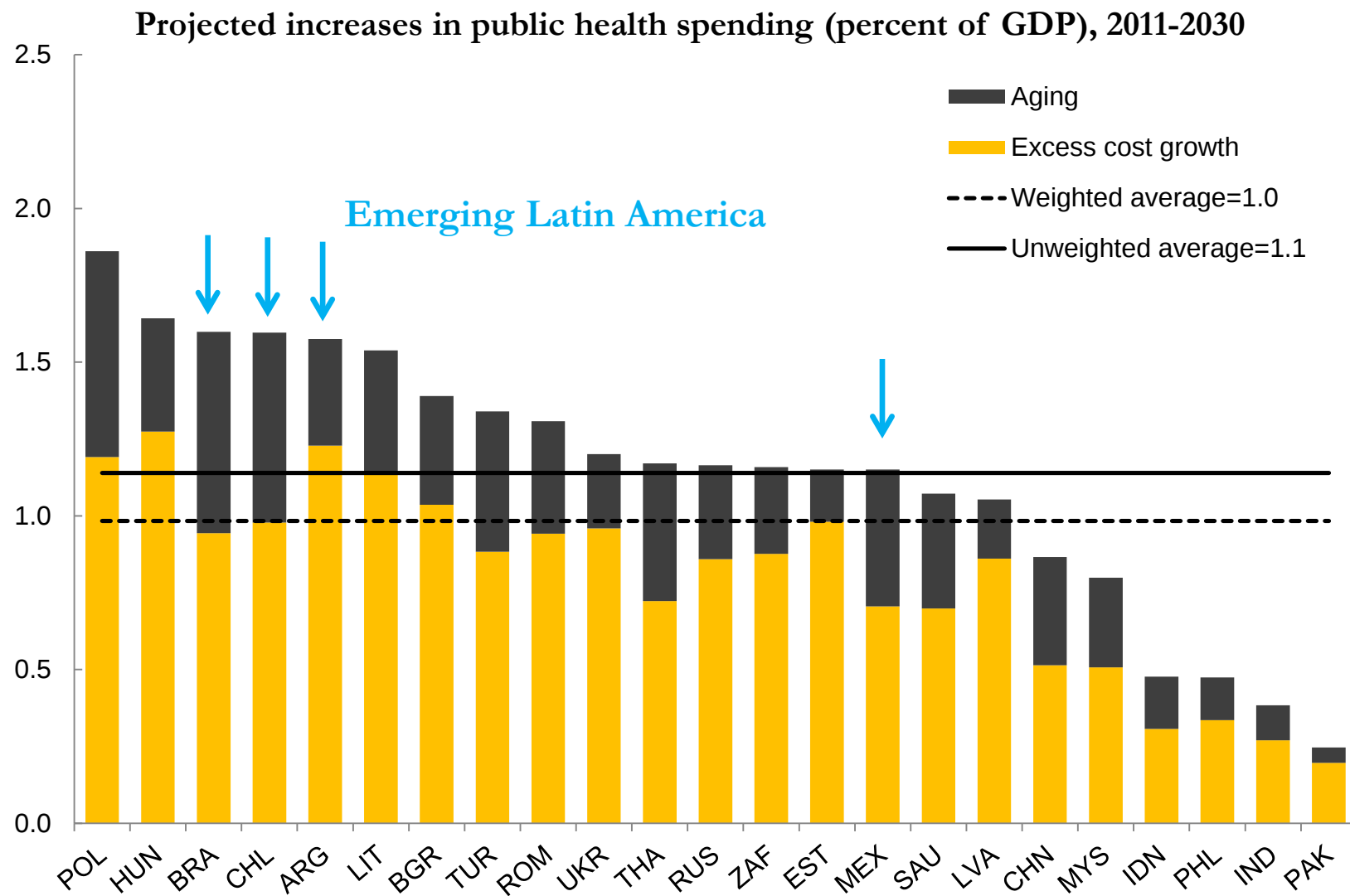


II. Projected increases in public health spending add significantly to the already large adjustment needs

Illustrative Adjustment Needs and Age-related Spending, percent of GDP

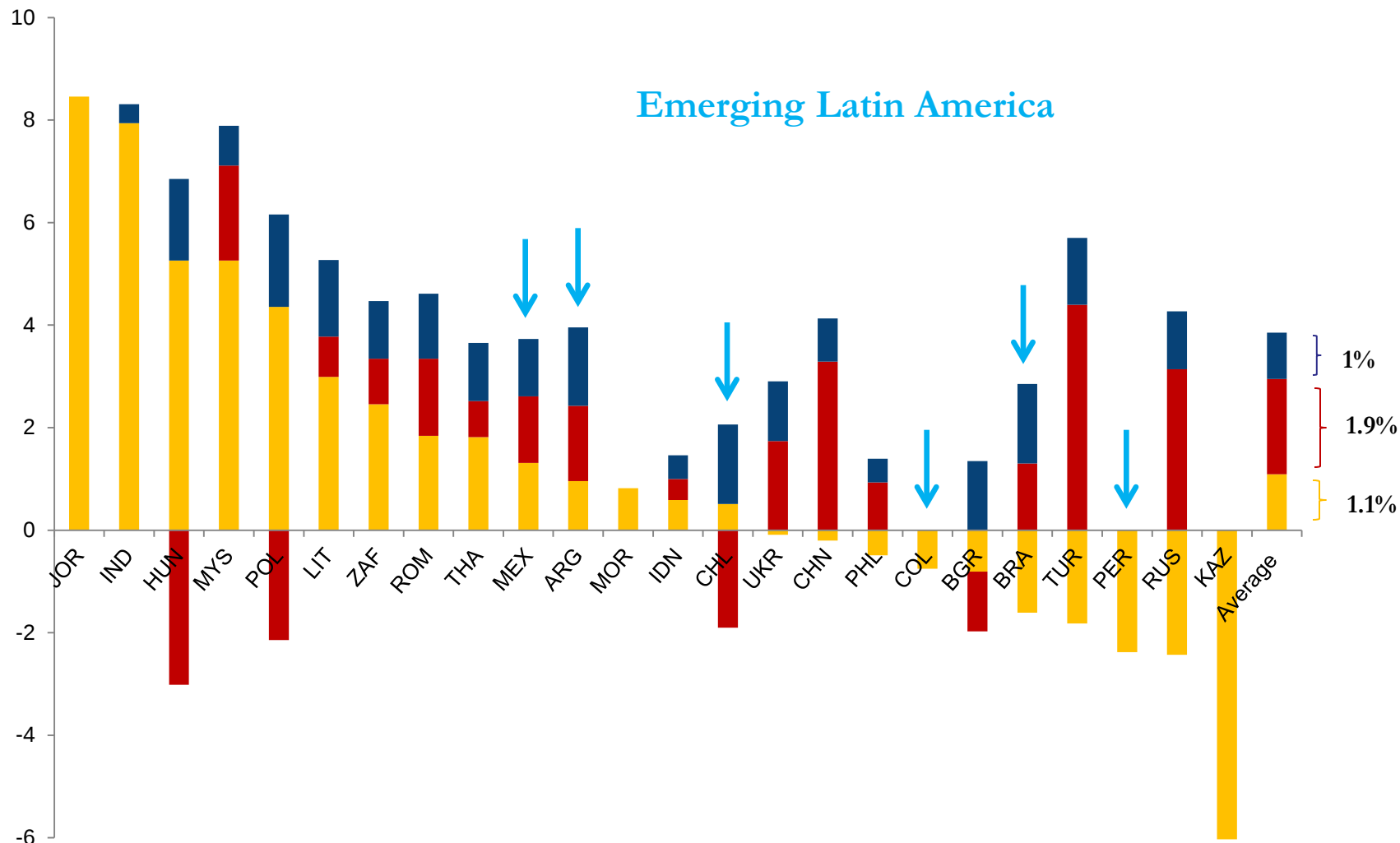


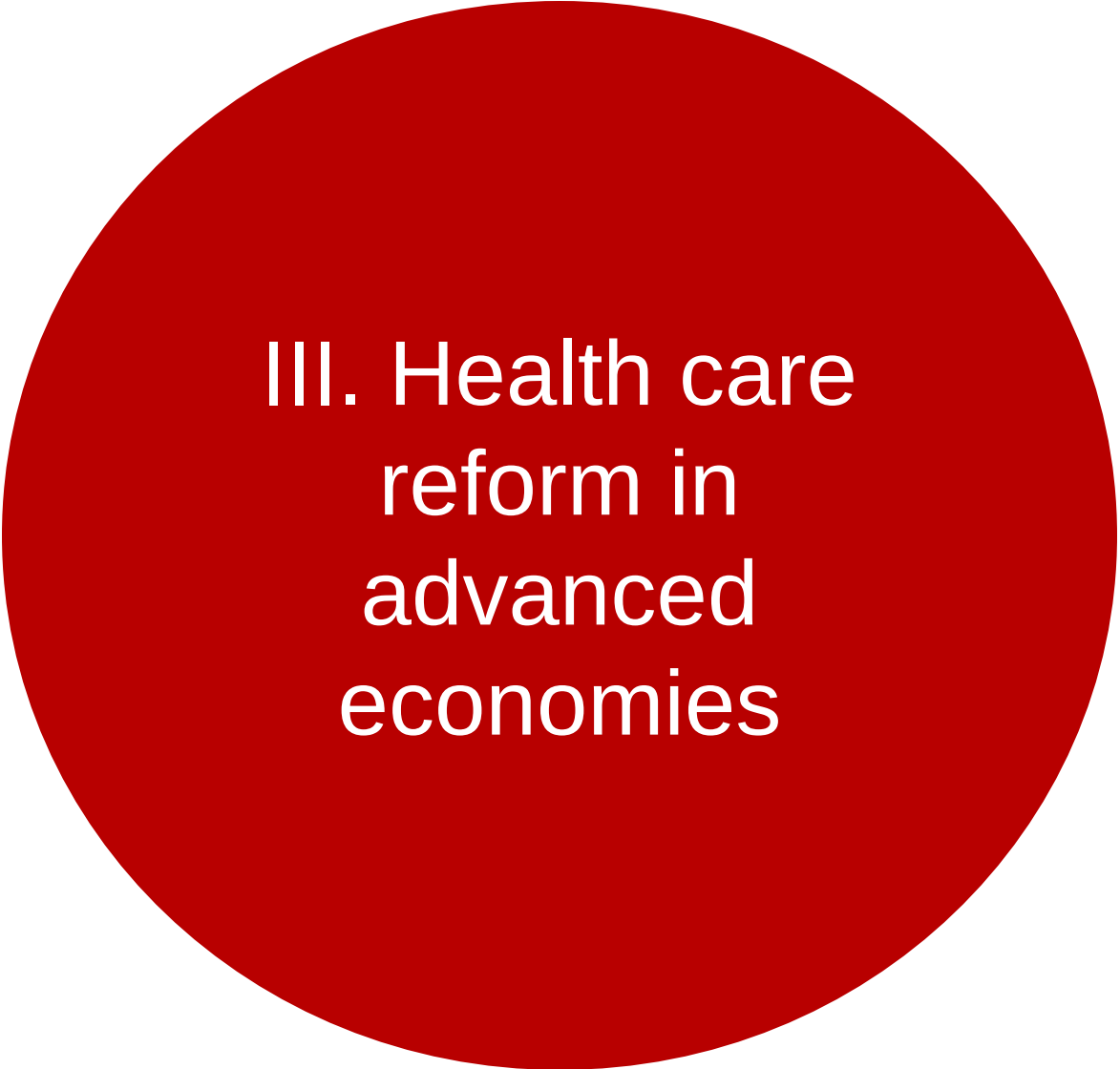
II. Projected increases lower for emerging economies, especially emerging Asia



II. Age-related spending puts pressure on the adjustment needs of some emerging economies

Illustrative Adjustment Needs and Age-related Spending, percent of GDP





III. Health care reform in advanced economies

III. Three Methodologies

- ❑ Case studies
- ❑ Event analysis
- ❑ Econometric analysis linking indicators of health care systems and excess cost growth (ECG)

III. Our results suggest five viable options to contain public health spending growth

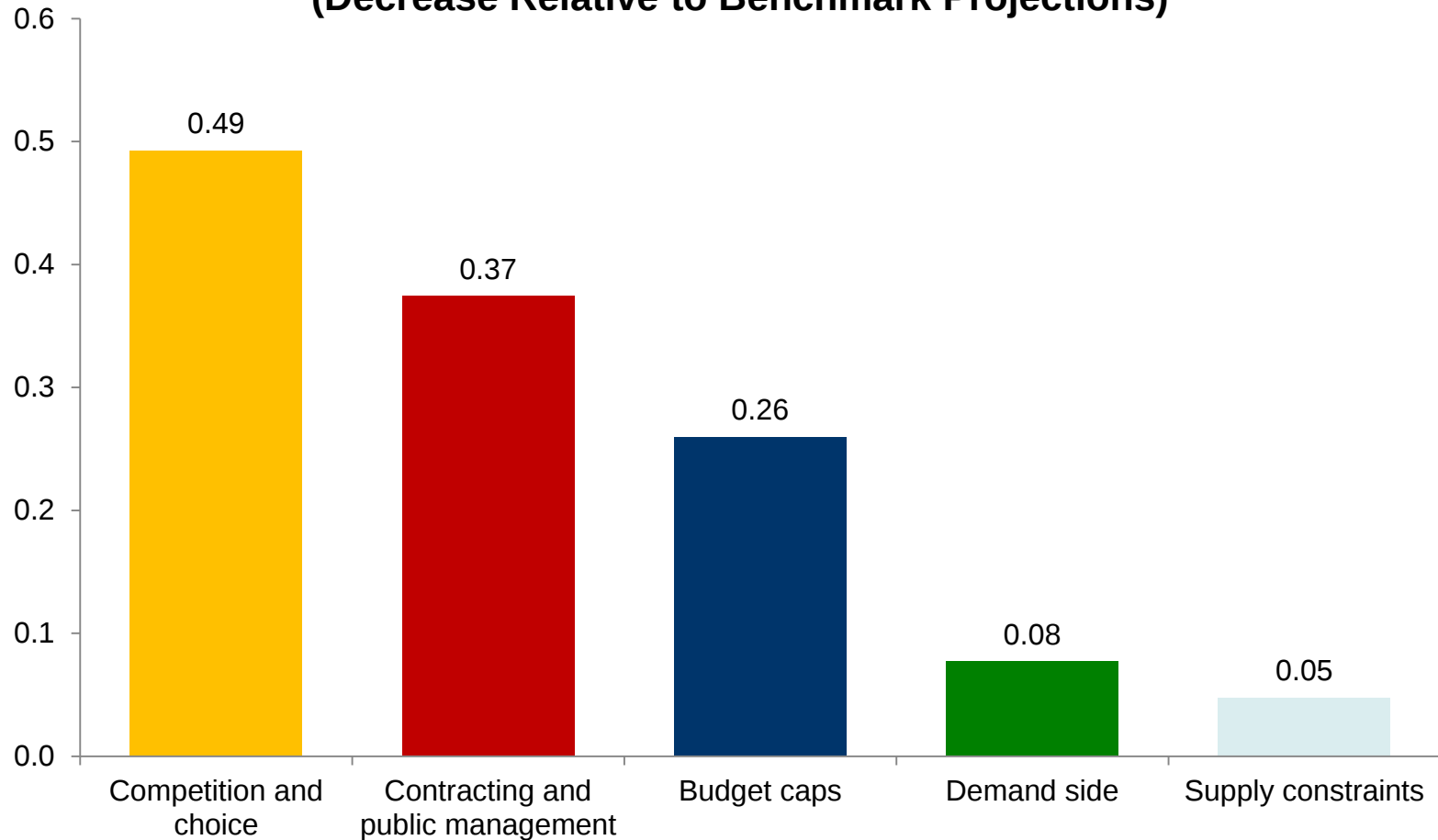
- ❑ Budget caps (Italy, Japan, and Sweden)
- ❑ Greater sub-national government involvement (Canada and Sweden), gate-keeping and case-based payment (Germany and Italy) – grouped under public management and coordination

III. Our results suggest five viable options to contain public health spending growth ...

- ❑ Competition and choice (Germany and Japan)
- ❑ Greater reliance on private financing, especially of complementary health care outside public package (Australia, Canada, and France)
- ❑ Restricting the supply of health inputs and outputs (Canada)

III. ...which have the potential to contain projected increases in public spending ...

**Average Reform Impacts on Public Health Spending (percent of GDP), 2030
(Decrease Relative to Benchmark Projections)**



III. ... but subject to some caveats

- ❑ Simulated reform impacts need to be interpreted with caution
- ❑ Savings may not be large enough to avoid sizeable increases in spending some countries
- ❑ Therefore, deeper health reforms or cuts in other spending may be required to support required fiscal adjustment
- ❑ Reforms should ensure that health outcomes and access to care by the poor are not adversely affected

III. Some reforms don't work in containing spending growth

- ❑ Price controls
- ❑ Deregulation of insurers
- ❑ Greater availability of information on the quality and price of health services to patients

III. Reform options depend on country characteristics and projected growth

For countries that rely more heavily on competition and choice:

Low Excess Cost Growth (0-0.6): Canada, Czech Republic, France, Germany, Japan, and Slovakia	Staying the course with marginal reforms
Moderate Excess Cost Growth (0.6-1.0): Australia, Austria, Belgium, and Netherlands	Tightening budget constraints Strengthening gate-keeping Increasing cost-sharing

III. Reform options depend on country characteristics and projected growth

High Excess Cost
Growth (greater
than 1.0): Greece,
Korea,
Luxembourg,
Switzerland, and
United States

Tightening budget constraints
Increasing central oversight
Strengthening regulations of the
workforce and equipment
Strengthening gate-keeping

III. Reform options depend on country characteristics and projected growth

For countries that rely more heavily on public insurance and provision:

Low Excess Cost Growth (0-0.6): Denmark, Ireland, Italy, and Sweden	Enhancing efficiency Tightening budget caps Improving priority setting
Moderate Excess Cost Growth (0.6-1.0): Norway and Spain	Tightening macro-controls (including increasing central oversight) Broadening insurance for over-the-basic health care (increasing the share of health expenditures financed out of private insurance) Improving priority setting

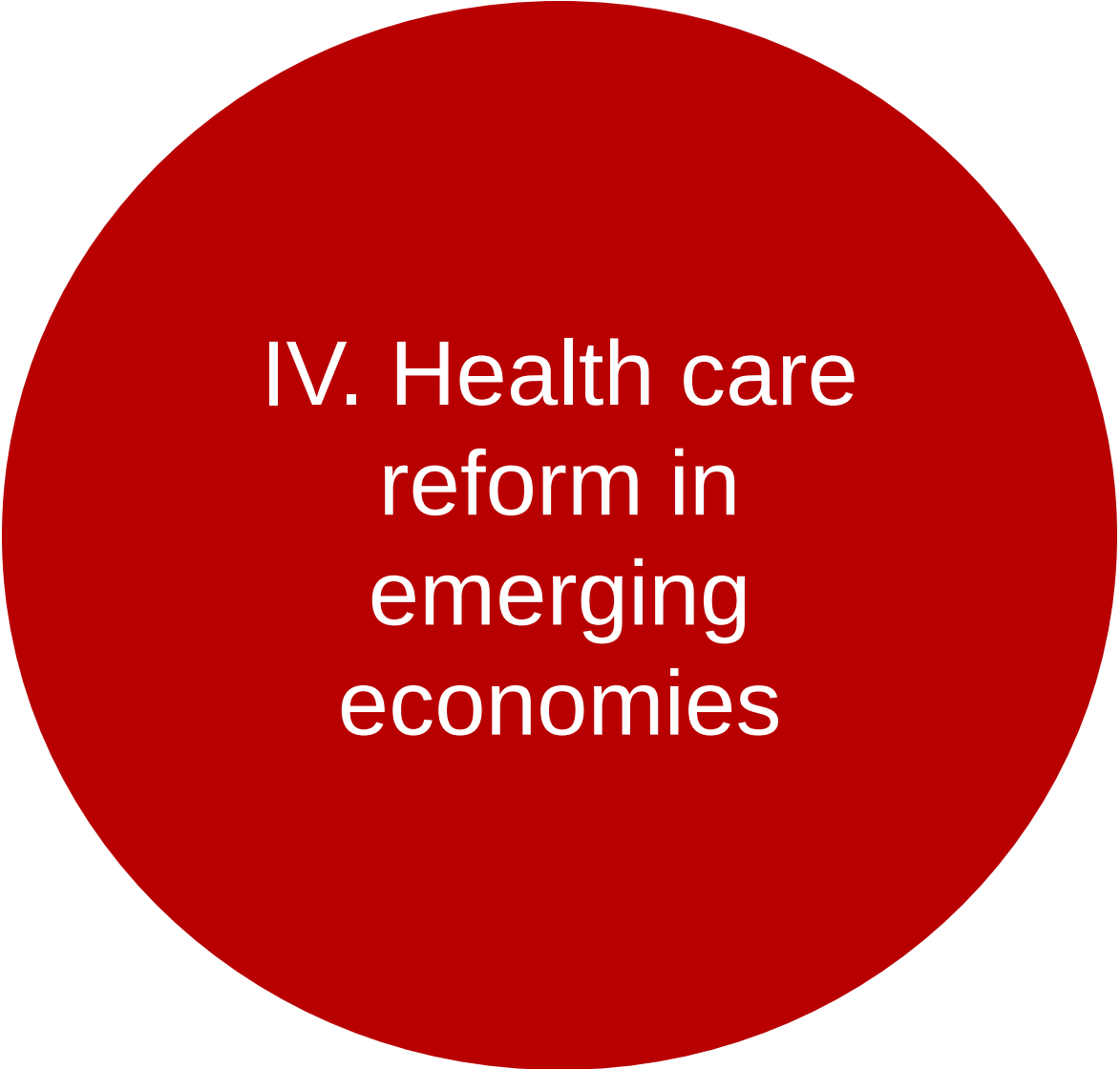
III. Reform options depend on country characteristics and projected growth

High Excess Cost Growth (Greater than 1.0): Iceland, Finland, Portugal, New Zealand, and the United Kingdom

Strengthening supply constraints on workforce and equipment
Extending the role of private health insurance for over-the-basic health care
Increasing choice among providers

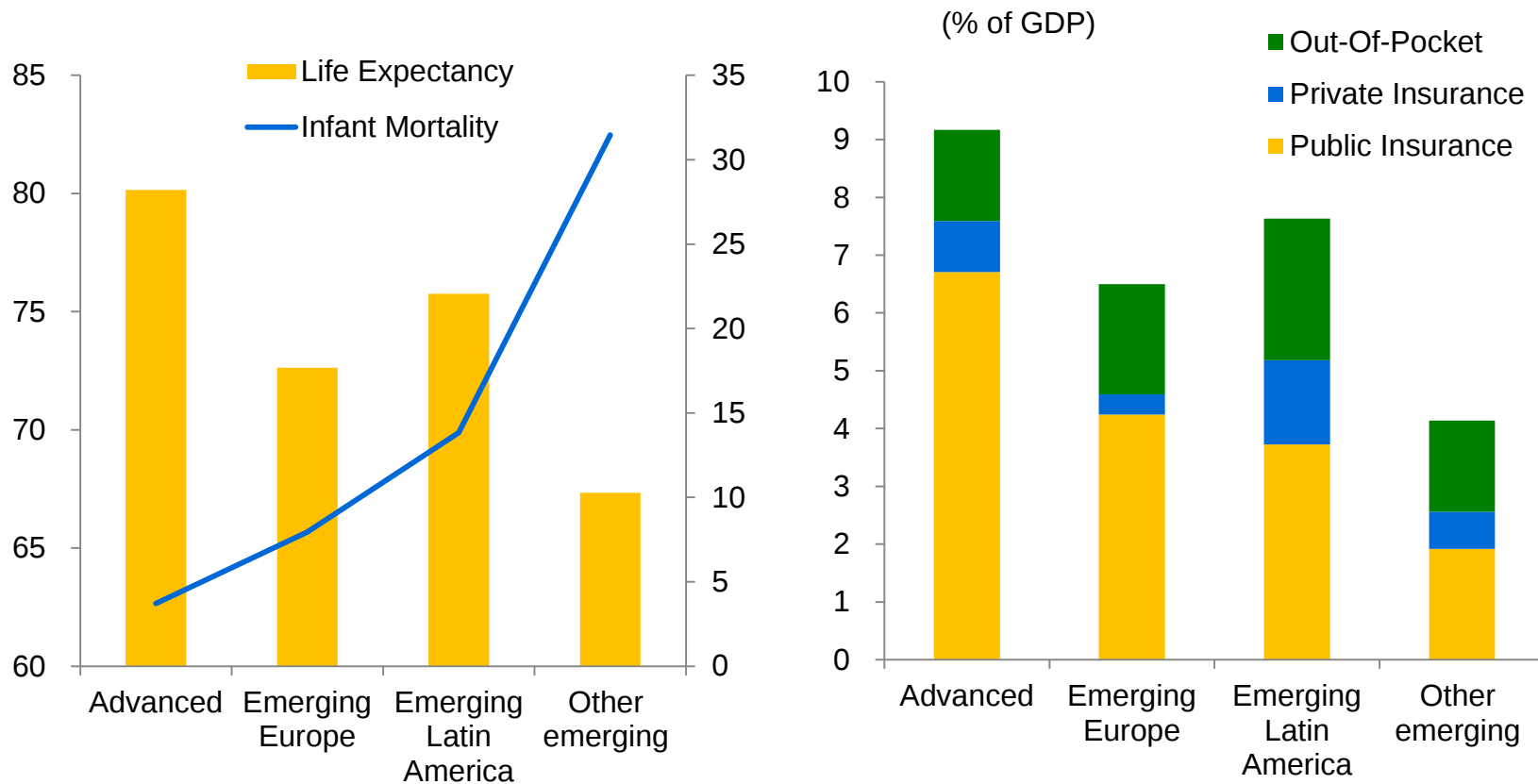
III. Potential reforms not included in the analysis

- ❑ Improved health information technology (HIT) could help improve efficiency
- ❑ Greater emphasis on primary and preventive care could also contribute to expenditure containment



IV. Health care reform in emerging economies

IV. Emerging economies lag behind in health outcomes and coverage



IV. Reform challenges differ between emerging Europe and emerging Latin America and Asia

- ❑ In emerging Europe, coverage is almost complete; disease patterns mirror those in advanced economies; fiscal space is limited; must focus on efficiency-enhancing reforms
- ❑ In emerging Latin America and emerging Asia, disease patterns are transitioning from CDs to NCDs; these countries have greater fiscal space and need to expand coverage in a fiscally sustainable manner

IV. Emerging economies should learn from the experiences of advanced economies

- Cost containment is one of the biggest challenges following a successful coverage expansion (Korea, Taiwan Province of China)
- The private sector can play an important role
- Improving efficiency is the key to long-term system performance

IV. A single payer system has several advantages

This is suggested by reform experiences in both advanced and emerging economies (Estonia, Thailand, Korea, Taiwan Province of China)

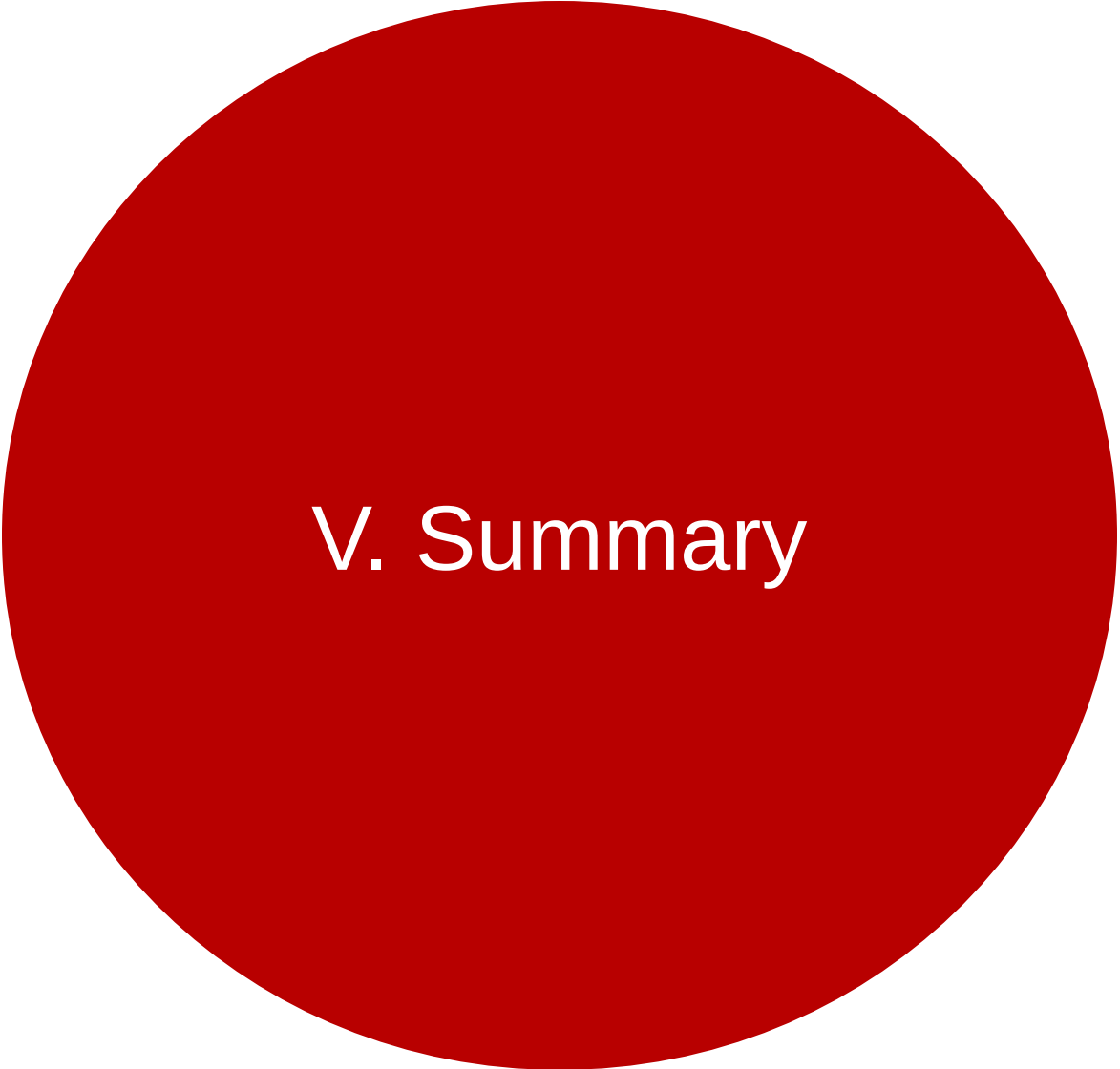
- It allows for more extensive risk pooling, and can help improve efficiency and control cost
- It provides a better platform to achieve equity
- It can also perform well in terms of promoting choice when combined with private provision

IV. Health reform in emerging Europe

- ❑ Many countries have successfully contained spending through reforms (Estonia, Hungary, Latvia, Russia and Ukraine)
- ❑ There is scope for additional micro-level reforms to improve efficiency
- ❑ Promoting healthy behaviors is also important

IV. Health reform in emerging Latin America and Asia

- ❑ Benefit packages should be restricted to most essential services as coverage expands (China, India and Mexico)
- ❑ Expansion should be tax-financed if labor market informality is high
- ❑ Improvements in the composition of spending can lead to better health outcomes without incurring additional costs



V. Summary

V. Summary

For advanced economies:

- ❑ Fiscal adjustment needs are large and the projected increases in health spending account for a large share
- ❑ Health reforms can help contain projected spending increases
- ❑ The most effective strategy involves a mix of macro-level controls and micro-level reforms to improve spending efficiency

V. Summary

For emerging economies:

- ❑ Fiscal adjustments needs are less pressing, but some economies are vulnerable
- ❑ Efficiency-enhancing reforms should be a priority, especially for emerging Europe
- ❑ Coverage expansion in emerging Latin America and Asia should not jeopardize fiscal sustainability



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There is also an accompanying [video](#)

Thank you!