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Issues for Discussion

Meeting of OECD Health Ministers

Paris, 13-14 May 2004



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Introduction

Towards High-Performing Health Systems observes:

“OECD countries can be proud of the progress that has been made over the past three decades, a period of change and expansion for modern health systems. Most countries have attained universal coverage for a core set of health services and have taken great steps to ensure the accessibility of those services to the population. Population health status has improved steadily, even dramatically, driven largely by economic and social development, as well as concerted efforts to reduce the prevalence of risk factors and promote healthy living. Advances in medical capability and improvements in health care have had direct benefits in terms of both cure and prevention of disease.

“Nevertheless, it is possible to improve the performance of health systems well beyond what has already been achieved. Serious and significant shortcomings in the quality of health care – at levels that would not be tolerated in other high-risk industries – have recently come to light. Patients and health-care consumers are demanding more from their health-care systems in terms of responsiveness to their expectations and preferences. In a number of countries, there are barriers that make it difficult for disadvantaged groups to realize equitable access to health-care services and the health improvements such access brings.

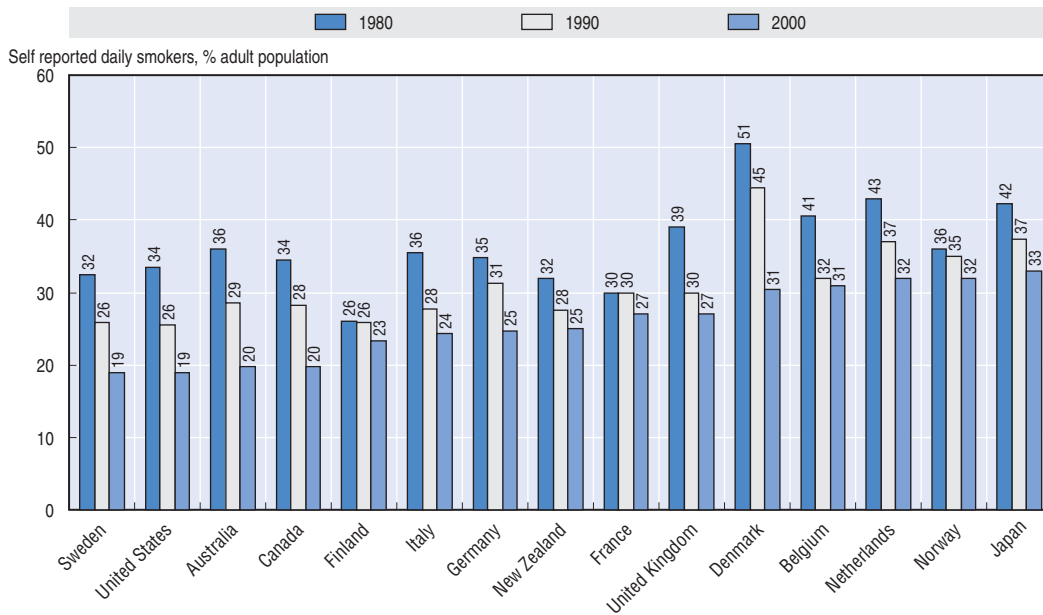
“Furthermore, health systems are facing major cost and financing challenges. Health-care costs are growing faster than economies as a whole in many countries, posing problems for public budgets in particular, but also for some individuals in countries where a significant share of costs is borne privately. All signs indicate that countries must expect continued health cost-growth pressure, reflecting development of new treatments that affect supply, demand, and prices. Population ageing will have implications for the financing of health and long-term care services, and is likely to increase the demand for both, raising questions as to the affordability and sustainability of health systems. Health systems have great scope for improving efficiency by increasing productivity, reducing waste or enhancing the cost-effectiveness of care, yet achieving efficiency improvements has proven to be difficult.”

Health Ministers are invited to discuss these broad policy issues, under two themes, namely: i) how to further improve health through effective prevention and high-quality care?; and ii) how can value for money in health-care systems be improved?

The **joint dinner** with Finance/Economics Ministers will focus on ways to ensure the financial sustainability of health systems.

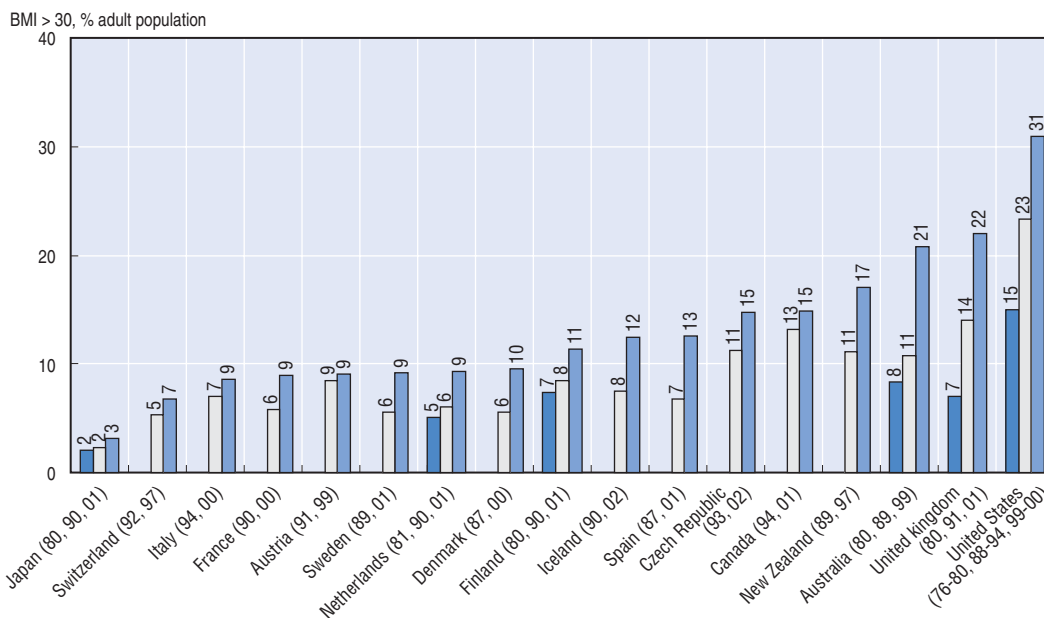
Preceding the Ministerial Meeting, the contribution of research and innovation systems to improving the performance of health systems will be debated at the **OECD Forum 2004**.

Figure 1. **Falling smoking rates among the adult population in OECD countries**



Source: OECD Health Data 2003.

Figure 2. **Increasing obesity rates among the adult population in OECD countries**



BMI: Body Mass Index.

Note: For Australia, UK and US, figures are based on health examination surveys, rather than health interview surveys.

Source: OECD Health Data 2003.

Session 1

Better Health through Prevention and High-quality Care

Health systems are sometimes criticised for being disproportionately focused on “sick care”: for treating the ill, but not doing enough to prevent illness. Initiatives to improve public health – to cut tobacco and alcohol use, reduce road accidents, change sedentary lifestyles, and reverse the growth in obesity – may well do more to improve health status than providing care to those who become ill. Vaccination and cancer screening programmes can also contribute to reducing illness. Furthermore, many measures which achieve such changes (higher taxes for tobacco and alcohol; heavier fines for speeding) may even raise revenues. However, where public health measures can involve higher outlays, there is a tendency to under-invest: acute care needs are always more urgent. Moreover, while the costs come now, the benefits generally come much later. The reduction in tobacco consumption across OECD countries (Figure 1) shows that progress is possible. However, the rise in obesity (Figure 2) demonstrates that complacency about public health trends is unwarranted.

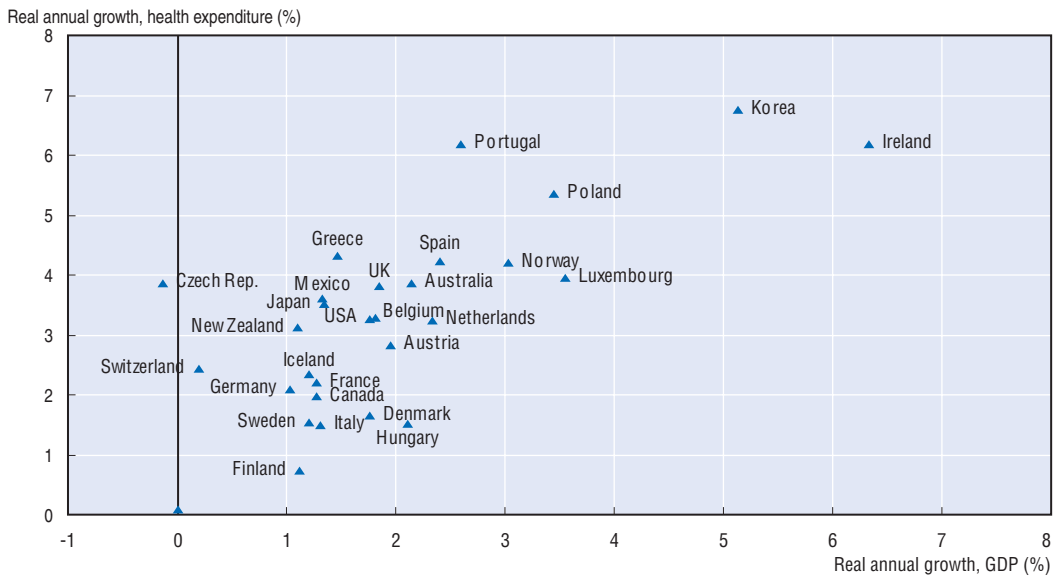
Ensuring delivery of the right type of care at the right time – in a technically skilled manner – is an important focus of today’s health-care systems. Substantial differences in performance between providers, *within* as well as *between* countries, show that there is much room for quality improvement. Much can be done to improve the outcomes of care which the health-care system provides, including the reduction of disparities in health status and access to care. Methods to improve and measure the implementation of evidence-based decisions need to be developed urgently. Many OECD countries have started to monitor indicators of health-care quality, often for benchmarking purposes as part of broader efforts to track health-system performance. In most countries, attention has first focused on the quality of hospital care, but initiatives to monitor and improve care furnished in other settings are also under way.

Such efforts can be strengthened by investments in tools like clinical practice guidelines and performance standards that promote the practice of evidence-based medicine. Observations of providers’ adherence to recommended standards (such as regular administration of aspirin after a heart attack) can also provide measures of quality. One way to encourage adherence to such standards is via payment systems which reward such practices, while requirements for regular professional updating can be attached to licensing regulations.

Issues for discussion

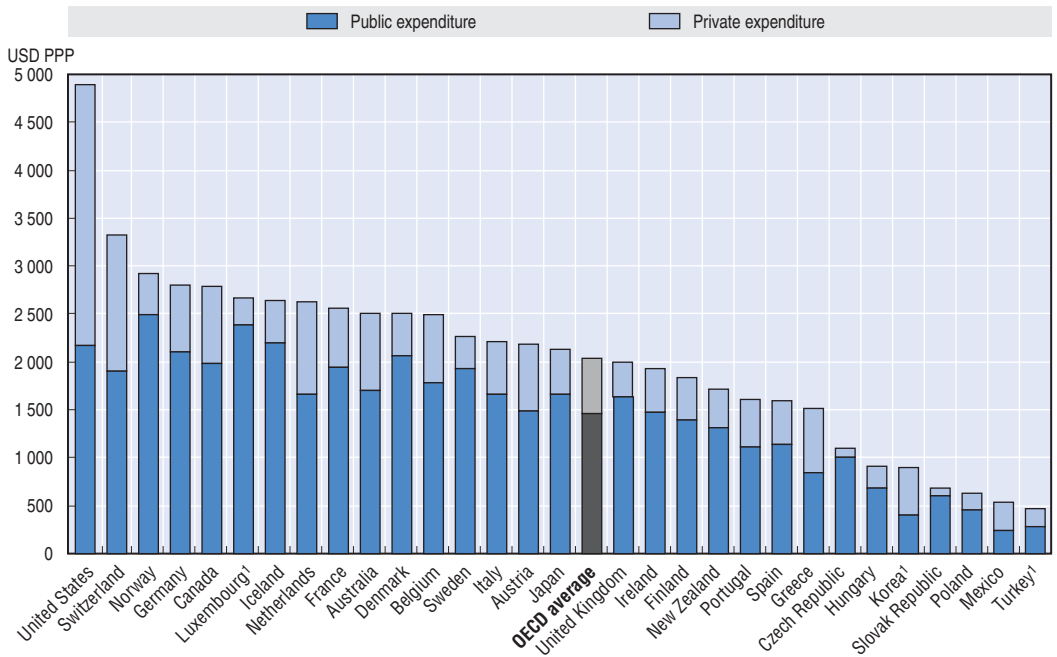
- **What population health and prevention strategies have been shown to be cost-effective?**
- **How can improved quality-of-care standards and implementation of best practices be encouraged?**

Figure 3. Increase in health expenditure and GDP per capita in the 1990s



Source: OECD Health Data 2003.

Figure 4. Per capita expenditure on health, 2001



1. 2000.

Source: OECD Health Data 2003; Turkish National Health Accounts.

Dinner Discussion

Ensuring Financial Sustainability of Health Systems

OECD countries spend huge amounts on health care: the average across OECD countries is now almost 9% of GDP, and it is above 11% in several of the large economies. After a pause in the late 1990's, the proportion of GDP devoted to health care is now rising again. Importantly, growth in per capita health spending in OECD countries is linked positively to per capita growth in GDP, and has exceeded GDP growth in most OECD countries over the past decade (Figure 3).

Growth in health spending is attributed to several factors. Health costs tend to rise faster than GDP: the labour-intensive nature of health care means productivity growth is lower than the economy-wide average, while wages tend to rise in the health sector in line with the economy-wide trends. Advances in the capability of medicine to treat and prevent health conditions are another major factor driving health cost growth. Recent developments in imaging, biotechnology, and pharmacology suggest that this trend is likely to continue. Population ageing is also expected to play an important role in driving future growth in health spending. The OECD has projected recently that total health spending could increase by an average of nearly 3% of GDP over the period 2000-2050 as a direct result of population ageing. In view of the significant and often predominant role of the public purse in financing health care, the financial sustainability of health and long-term care systems looms large on the political agenda (Figure 4). OECD countries have experimented with a wide range of measures to offset cost pressures in the health sector, but none offers a panacea.

Cost increases can be contained in the public sector by requiring providers to adhere to restrained global budgets, but this can lead to inefficiencies in provision and the growth of waiting lists. The growth in demand for health care could mean that families are called upon to pay a greater share of total costs. This implies an expansion of out-of-pocket payments. However, this would have adverse distributional consequences unless it is combined with appropriate exemptions for the poor; this in turn limits the scope for public savings. Private health insurance can fund out-of-pocket payments, which raises the question of whether interventions to promote access to such coverage are desirable. In a more recent initiative, some countries are now encouraging health savings accounts as a means to both set aside funds for health care and increase individuals' control over their health expenditures. But it is too early to judge the effectiveness of such accounts.

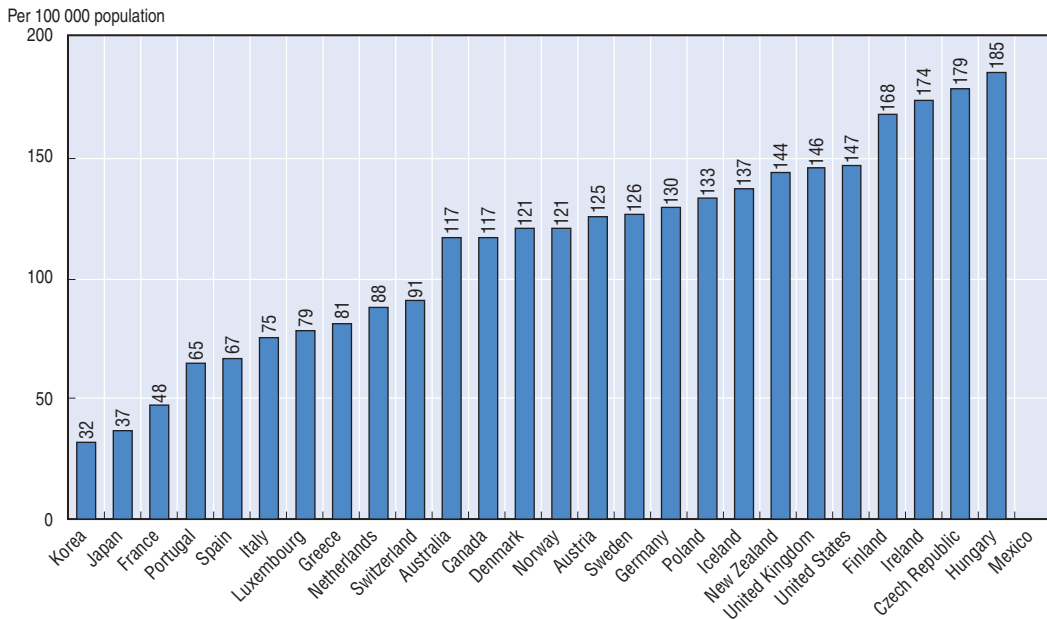
To ensure that needs of patients are addressed, cost-control in health care has to take full account of the importance of high quality of care, and be responsive to the new possibilities opened up by technological progress. Well-designed assessments of the costs and benefits of new health technologies are an important part of this process.

The interactions between health systems and the economy are important to keep in mind when considering financial sustainability. Just as economic factors influence population health status, health also has an impact on the economy that should not be underestimated. In fact, the performance of health systems and economies are deeply intertwined. Decisions about health systems affect economic conditions and have economic implications for stakeholders – and vice versa. This relationship needs to be taken into account in both health and economic policy-making.

Issues for discussion

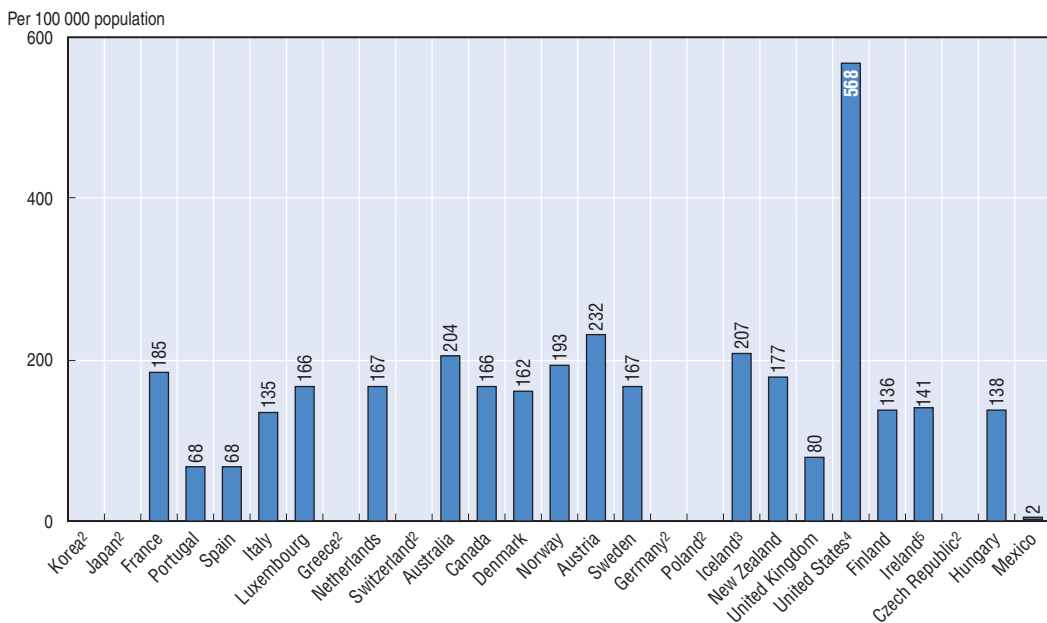
- **How can the rising trend in the health spending/GDP ratio be contained without doing damage to health outcomes and equity of access?**
- **Is it undesirable if health-care expenditure does increase faster than GDP?**
- **Is it necessary or desirable that private financing and private insurance play a greater role in financing health expenditure?**

Figure 5. **Ischaemic heart disease, total population, age standardised mortality rate, 2000**



Source: OECD Health Data 2003.

Figure 6. **Coronary re-vascularisation procedures,¹ 2000**



1. Coronary artery bypass grafts (CABG) and percutaneous coronary interventions conducted on an inpatient basis.
2. Procedure data not available.
3. Data are from 1999.
4. CABG data from 1999.
5. CABG data from 2001.

Source: OECD Health Data 2003.

Session 2

How Can Value for Money in Health-care Systems be Improved?

Health systems across the OECD are striving to increase value for money. In recent years, OECD health systems have done much to reduce inefficiencies such as reducing excess hospital capacity and excessive lengths of stay. Payment systems have also been refined so as to encourage productivity and improve value for money from new technologies. Yet much could still be done to encourage cost-effective innovation in health-care delivery and management. One indicator of this is the great discrepancy between the incidence of heart disease (as measured through cause-of-death data) and the rate of use of effective surgical interventions (Figures 5 and 6). Some countries could clearly improve value for money by increasing their intervention rates, but others are probably carrying out interventions which have little benefit. Whatever the level of expenditure that can be afforded, it is important that it be devoted to the most effective interventions: this has led some to suggest that public financing should be confined to a basket of services of proven effectiveness.

A few health systems have begun to experiment with performance-based payments that reward the provision of appropriate and timely care or the achievement of desired health outcomes. There is also room for more experimentation in employing the power of competition in markets for health care to help achieve these aims. One possibility would be to empower health insurance intermediaries to contract directly with providers in order to enhance cost-effectiveness and choices.

In many areas of the economy, competition through informed consumer choice works best to improve the quality of services. However, in health care it is technically difficult to inform patients about outcomes adequately. For example, high-quality providers tend to attract the patients who are most ill, which appears to lower their performance when outcomes are measured. That can lead to discrimination against the sickest patients, unless performance indicators are properly adjusted for seriousness of cases. Properly adjusted performance indicators need to be available to consumers if they are to make informed choices, even if these can be difficult to interpret.

Health care is (correctly) perceived as a life-and-death issue. Health-care systems therefore can be conservative about innovative forms of delivery. OECD countries share similar goals for health care, and have access to the same pool of clinical knowledge and innovation, although for historical reasons they often differ greatly in organisational arrangements and in delivery practices. Well-informed comparative analysis can thus substitute for potentially costly experimentation in any one country. It allows for different arrangements to be compared and for evidence of best practice in achieving common objectives to be derived. Co-operative analysis can thus be an effective way to explore where improvements in efficiency and quality may be achievable, and thereby make the reform process more productive. It can also be an efficient way of gathering information, and ensuring that research and development is truly innovative. For example, technology assessments can be based on shared knowledge, even though the conclusions drawn from the assessments will depend on local conditions.

Issues for discussion

- *What role should competition play in improving efficiency in health-care systems?*
- *How can the public debate about health-care performance be better informed, and what role can international cooperation play in this?*

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