

Speech Minister Hans Hoogervorst (Health, Welfare and Sport) The Netherlands, OECD Health Ministerial Meeting, May 13th 2004, Paris

Dear colleagues,

I am pleased to give you a brief presentation during this dinner meeting on ensuring financial sustainability as both Health and Finance/Economics Ministers are present. Having been a finance and economics minister before I became Minister of Health you can imagine I feel particularly at home in the present company.

During the second world war, in 1942, the British liberal Lord Beveridge wrote a report called Social Insurance and Allied Services. It served as the basis for the post-war Welfare State, including specially the National Health Service. The government, so this report said, should recognise the responsibility to care for the people 'from the cradle to the grave'.

The message to the people was that health care should be first and foremost a responsibility of government and not so much of the individual citizen. The Health Project shows that most of us in the OECD accepted this message and made it our own.

Although in many different ways, most of us make health care primarily a state responsibility.

The spread of public insurance made healthcare available to large segments of our populations. That is a social good that most of us rightly hold in high esteem.

But public insurance schemes in which the government foots the bill do not stimulate responsibility and accountability on the part of patients and health providers. Moral hazard tends to lead to over-consumption, over-production and inefficiency as the Health Project shows.

During the first post-war decades the inefficiencies of our healthcare sector did not pose enormous problems. The population in the European states was young and there was a long period of economic growth.

But recently most of us have been seriously worried. The post-war generation is getting older; medical technology is making enormous advances but is also costly and the financial sustainability of our systems is becoming a serious problem.

It was a sincere belief of Lord Beveridge, that the NHS would be of such an influence on the health of the nation that "... our need for its services will eventually decline".

How little that appeared to be true.

In Holland we have seen that while our real Gross Domestic Product (GDP) rose 1.5% in total in 2001 and 2002, the growth in real health care expenditure was over 14% in that period. The average Dutch employee has seen a rise in health premiums of approximately 250 euro a month in 1997 to more than 465 euro a month in 2003.

More fundamental is the strain that the ageing of society will impose on us.

In the Netherlands, we now have four working people for every person over 65: in the year 2040 only two working people will have to care for every senior citizen. Currently about 13 % of our labour force works in health care. As the ageing of our society progresses, this percentage will exceed 20 %.

Clearly this is not sustainable. And it is also clear that this is not just a problem for the Netherlands, but for most of the OECD member states.

What we need is a sense of urgency needed for the challenge that is facing us. Especially since we are not just confronted with rising health expenditures, but also by an ageing work force, a declining labour productivity and increasing pension costs. For those of us with a highly developed welfare state this

will pose a tremendous challenge. None of us will be able to escape large scale reform.

So what are we to do?

There is no simple solution and certainly no quick fix. We all have our unique arrangements which call for a tailor-made approach. But there may be a common theme for the actions that we need to take.

That theme would be to increase individual responsibility of all major parties involved in healthcare: patients, healthcare providers and insurers. Government responsibility should be replaced as much as possible by individual accountability, even though government will have to stay a guarantor for socially acceptable results.

Increasing responsibility of the health care consumer is of course politically most difficult to achieve. Nevertheless, I believe there is more scope for it now than in the immediate post-war period because our populations obviously have a much higher standard of living.

Also there is a sure need for individual responsibility for the health care consumer since well over a quarter of health problems are related to patterns of life style. I am of course talking about the disastrous results of obesity, lack of

movement, smoking and excessive drinking. If the patient can pay for all these bad habits, certainly he can take some more responsibility for his health care.

Thirdly we have to make our populations aware that taking out an even increasing share out of their paycheck to cover collective premiums is in the long run more painful than increasing greater individual responsibility.

Let me briefly touch on the way my government intends to do so in the Netherlands.

The first task the Dutch government stands for is to introduce a higher level of cost-sharing in health insurance, for it is currently the lowest in OECD. By means of co-payments we intend to make the consumer more aware of the cost of healthcare and enhance his sense of responsibility for the costs of the system.

Increased financial responsibility of the patient will also be the main driving force behind a complete overhaul of our health insurance scheme in 2006. In this scheme the consumer will pay a more realistic premium which is not related to his income. Health insurance companies have to compete with each other. This in order to keep this premium as low as possible. The

system will have strong social guarantees: a legally binding minimum insurance package, a ban on risk selection and a subsidy for the lower incomes for whom the insurance premiums are too high. As the insurers are not able to contain costs through risk selection, they are encouraged to do so by putting more pressure on health providers to keep costs low.

To facilitate the negotiating position of the insurance companies we will create scope for health providers and we will give the insurance companies the possibility of selective contracting.

Through this process, competition among insurers should translate into increased scrutiny of the performance of health providers to deliver the best quality for the lowest possible price.

To stimulate competition among health providers even further we will introduce a nationwide system of quality, safety and efficiency indicators to make our system more transparent and accountable.

Up to now the performance of hospitals and doctors has been too much of a black box. Under the pressure of the competing insurers and of an extensive system of benchmarking this black box has to open itself up.

Ladies and gentlemen. Increasing responsibility and accountability of all major parties involved may be a common theme for the actions that we need to take to achieve a sustainable healthcare system.

We all have to deal with these challenges and in that process countries can learn a lot from each other. The OECD Health Project provides us with an extensive overview of possible policy reactions to realise a financially sustainable situation and I thank the OECD for all the careful work that has been done. Each of the policy instruments has its own strengths and weaknesses. And each country has their own mix of policy instruments, depending on economic, social, cultural, historical or institutional characteristics. There is no single perfect solution, no golden magic bullet, to realize sustainability.

During the Dutch presidency of the EU in the second half of 2004, we will organise an Informal Health Council on the theme of sustainability. Within the developments of health care in the European arena, the Dutch government wants to initiate a profound discussion during the Informal Council on the issue of how we can pass on a social and sustainable health sector to future generations.

Ladies and gentlemen. At the end of this presentation I will once more return to Lord Beveridge. He died in 1963 and his last words were: I have a thousand things to do.

And so we have.

Thank you very much for your attention.