

Highlights of the 1st meeting of the SBO Network on Health Expenditures -- Paris, 21-22 November 2011

The size and complexity of health care – one of the most important areas of public expenditures in OECD countries – requires a developing a **joint health economic and fiscal policy approach** to improving value for money and fiscal sustainability. Towards this end, officials from ministries of health, ministries of finance, and social security institutions came from 24 member countries as well as from the Asian Development Bank, the European Commission, the World Bank, and the World Health Organisation, for the **1st Meeting of the SBO Network on Health Expenditures**, organised jointly by the Senior Budget Officials Working Party and the OECD Health Committee.¹

While health spending makes an important contribution to GDP, **health care is among the fastest growing areas of public expenditures**. Given the many cost drivers including technological innovation, labour costs, and demographic change, governments need to think about what **countervailing mechanisms or processes can help ensure fiscal sustainability of public expenditure**.

Ministries of finance are critical to balancing public demands for quality of and access to health care with macro fiscal considerations. They can do this by working with ministries of health to inform fiscal planning and control with health expenditure forecasts and by aligning incentives and structural reforms with value for money practices in the health sector. While supply-side policies (*e.g.* price setting, technology assessment, labour productivity) seem to have more of an impact than demand-side policies (*e.g.* co-payments), prevention remains important. Evidence-based decision-making is also needed in order to ensure value for money. Finally, ministries of finance can better ensure follow-through on health care efficiency commitments identified through the budget process or through spending reviews.

Ministries of finances' role in managing health expenditures varies considerably depending on their capacity and on a country's health financing arrangements. While there is no optimal financing structure, efficiencies can be found in all systems. Growing dependency ratios, however, mean that **countries may still need to expand their revenue base to ensure fiscal space for health expenditures**. This helps to ensure the predictable flow of funds for health care and to institutionalise public consensus on redistribution to pay for health care coverage (*e.g.*, covering the cost of universal care). Available measures depend on social acceptability, administrative complexity, and fairness and equity considerations.

Participants recognized a strong need for a **forum for continued dialogue between ministries of finance and health**, and endorsed the idea that the Senior Budget Officials Working Party and the Health committee should continue to work in this area. Participants identified three main areas of interest for future work: 1) fiscal space for health through the analysis of methods for forecasting health expenditure, the relationship between forecasting and actual spending, and the fiscal capacity to cover anticipated costs; 2) paying for health through the analysis of resource mobilization strategies and the incentives and results that arise from them; and 3) governance of health expenditures through the analysis of how countries have aligned incentives for different actors in the health sector to build financial sustainability and value for money into their decision-making. The focus should be on gathering and assessing good practices, with a focus on practical analysis based on what works. The Network will meet again next year as the **Joint Network on the Financial Sustainability of Health Systems**, under the authority of the Senior Budget Officials Working Party and of the Health Committee.

¹ The meeting agenda and presentations can be found at:

<http://www.oecd.org/gov/budgeting/1stmeetingofsbonetworkonhealthexpendituresparis21-22november2011.htm>