OECD Joint Network of Senior Budget and Health Officials
Fiscal Sustainability of Health Systems

7th Meeting of OECD Countries
Aligning Health Budgets with Policy Priorities and Increasing Accountability for Performance
14-15 February 2019, Paris

Synthesis Note
OECD Joint Network of Senior Budget and Health Officials: Fiscal Sustainability of Health Systems

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The seventh meeting of the OECD Joint Network on Fiscal Sustainability of Health Systems focused on how health budgets can be performance-oriented, so they reflect policy priorities and increase accountability for results. The meeting also explored approaches to improving productivity in the health sector, building from an introduction of the topic in the previous meeting, and feedback from delegates expressing further interest.

This year the meeting of OECD countries was attended by 76 participants, including 61 country delegates from 27 countries. This included representation from the Ministry of Finance, Ministry of Health, Social Security Funds, and health and public finance research institutes; alongside representatives from WHO and the UK Health Foundation. The quality of the interventions and the high-level debate held in each of the sessions showed that this OECD Joint Network is one of the main international arenas for inter-ministry dialogue on budgeting and financing issues in health.

In conjunction with the annual meeting for OECD countries, during 2019 the Joint Network with support of the Global Fund to Fight Aids, Tuberculosis and Malaria, held regional meetings for Latin American and Caribbean countries in San Jose, Costa Rica, and for Central Eastern and Southern Eastern Europe countries in Vilnius, Lithuania.
Session 1: Setting the Scene: The Institutional Context in Health

Overview

A trend towards the decentralisation of government and the ensuing dispersion of power is taking place across OECD countries, with many sub-national governments responsible for the delivery and financing of health services. This can occur as a direct result of central government efforts to increase efficiency and improve service delivery. There is now a greater recognition of the significant effect decentralisation can have in shaping the governance and spending frameworks ascribed to public services and how productivity and service quality are monitored.

Presenters and Topics

- Decentralisation and its impact on budgetary decisions in health, Chris James, Health Division, OECD.
- Overview of the experience in the Netherlands, Patrick Jeurissen, the Ministry of Health, Welfare and Sports, the Netherlands

Key Messages

- Due to barriers on the decision-making powers of sub-national governments, expenditure shares in health spending may be misleading in representing the true responsibilities across levels of government. Looking at the role of sub-national governments in key policy, budgetary, input, and output and monitoring decisions can help to provide detail on the extent and nature of decentralisation in health systems.
- Despite the trend towards decentralisation, central governments retain significant decision-making power. This has the potential to cause mismatch between levels of governments, where budgeting decisions are made at the central level, but sub-national governments have responsibility for financing and delivery of health services.
- Decentralisation can cause disparities in the quality of health service delivery across regions. This can arise from income inequalities or differences in key inputs, such as the availability of human resources. Mechanisms put in place at the national level, notably in standard-setting, will help to control for variations.
- Some types of health services may be more suited to be provided at the sub-national level, while others should be coordinated at the national level. For example, the Netherlands and Japan have both chosen to decentralise long-term care to a greater extent than for other health-related services.
Session 2: Performance Budgeting Frameworks and Measurement Systems

Overview

In recent decades, OECD member countries have introduced performance information into the budgeting process, in efforts to achieving efficiency and performance improvements whilst also controlling public expenditure. Performance budgeting practices have been more widely applied in the health sector than most other sectors. However, very few countries have a direct linkage between results and resources. Rather, performance information is usually used to inform the debate on budget allocations.

Key to a performance budgeting system is accurate performance information that is designed around and captures the current government priorities in the health sector. Therefore, many countries have turned their attention towards developing a performance measurement system within or alongside budget documents.

Presenters and Topics

- **Performance budgeting frameworks and measurement systems**, Ivor Beazley, Budgeting and Public Expenditures Directorate, OECD
- **Quality based financing – lessons learned**, Thomas Baardseng, Deputy Director General, Norway
- **Quality and efficiency programmes: social and health indicators for social security performance budgeting in France**, Anne-Gisèle Privat, Project manager, Ministry of Health and David Bernstein, Economist, Ministry of Health

Key Messages

- The use of performance budgeting frameworks continues to increase over time and are now the norm across the OECD. In the health sector, the impact of performance information on influencing budgeting decisions is higher than the average across all sectors.
- In most OECD countries, national government is responsible for establishing and administering performance measurement systems. As well as affecting budgeting decisions, performance measurement systems are often used as a tool for improving service quality, monitoring compliance with national standards, and monitoring productivity.
- Finding the right number of indicators is important to a successful measurement system. This can depend on the reporting mechanism, for example for presentation of indicators to parliament, a smaller number may be more appropriate.
- Norway introduced in 2014 a quality-based financing mechanism based on the National Quality Indicator System (NQIS). This provides financial rewards to regional health authorities based on the results of around 100 indicators, based on both comparisons across the regional health authorities and improvements made over time.
- France introduced ‘quality and efficiency programmes’; a set of indicators tied to the Social Security Law to provide transparent reporting on the quality and outcomes of Social Security organisations.
Session 3: Programme Budgeting for Health

Overview

Strengthening budgetary institutions, the laws and procedures that guide the budgetary process and governance, can help to allocate funds in a way that reflects the priorities of the health sector. Attention has focused on the classification and formulation of budgets for health care. Many OECD countries have reoriented their budgets to focus on programmes, which can be defined as groups of activities with related objectives. This aims to direct spending towards the achievements of policy objectives and create a stronger link between funding and results.

Presenters and Topics

- **Programme budgeting in the health Sector**, Edwin Lau, Head of Budgeting and Public Expenditures Division, OECD
- **Programme budgeting in health: a WHO perspective**, Dr Hélène Barroy, WHO HQ Health Financing
- **Overview of the New Zealand health system**, Carolyn Palmer, Manager, Health Team, the Treasury, New Zealand

Key Messages

- Many countries have adopted programme budgeting, with the health sector often being the forefront of national reforms. However, due to a lack of uniform guide for programme budgeting, there is a wide divergence in approaches across countries. The source of variation includes the number and type of programmes included in the budget.
- Some key trends in programme budgeting can be identified, such as programmes often follow the health policy objectives of the Ministry of Health. It is common that programme budgets include a variety of ‘types’, rather than adopting a uniform approach. For most countries, performance indicators are used alongside the programme structure. These trends were consistent across OECD countries, and from the WHO perspective.
- Even when health budgets are formulated along programmatic lines, health facilities often continue to receive, use and account for by inputs. Therefore, change in budget structure alone is not sufficient to make effective change in health spending. There must be explicit linkages with expenditure management and payment systems.
- The New Zealand experience shows an example of a programme budgeting framework in the health sector, in the context of a system where the majority of health services are decentralised to the District Health Board level. Performance monitoring frameworks are in place, capturing financial and non-financial indicators.
Session 4: Approaches to Improving Productivity in Health

Overview

Productivity is an important measure of performance, assessing how well organisations convert inputs into outputs. It has received particular attention in the health sector due to concerns about low levels of productivity growth compared to other sectors, with consequent effects on the longer-term sustainability of health systems. There is a wealth of innovation in OECD countries to manage cost pressures in health systems.

Presenters and Topics

- **Productivity in the Health Sector, Ivor Beazley**, Budgeting and Public Expenditures Directorate, OECD

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<thead>
<tr>
<th>Box 1. Key Messages from the Group Work Discussions</th>
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<td><strong>Measuring productivity in the health sector</strong></td>
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<td>- Countries have different methods of measuring productivity, e.g. the UK makes comparisons across hospitals to identify outliers by measuring the cost per activity.</td>
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<td>- Countries tracked a high number of indicators, including the average length of stay in hospitals, survival rates.</td>
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<td>- Quality is a critical issue for productivity measurement, that is, measuring the quantity of outputs is of limited interest if the outputs do not adequately account for the quality of care received or lead to an actual improvement in health outcomes.</td>
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<td><strong>Consequences of productivity information</strong></td>
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<td>- Benchmarking is the most popular tool for assessing productivity across OECD countries. Most benchmarking had no formal consequences, and was used more as a learning tool.</td>
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<td>- Peer review processes were a popular mechanism to assess productivity.</td>
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<td>- There were instances of hard consequences, e.g. in Italy, where benchmarking influences CEO salaries.</td>
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<td><strong>Health system arrangements and governance</strong></td>
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<td>- Government has an important stewardship role to enhance productivity, by ensuring provision of adequate volumes of care and at least some price control.</td>
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<td>- Productivity improvement depends on identifying new efficient care delivery models and technologies, and to ensure that these new practices will be used across the system over time.</td>
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<td>- Health systems should also support innovation, such as allowing professional and providers to identify good practices and to support the use of new care models.</td>
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<td>- Another aspect is the adherence to health technology assessments (HTAs) to review benefit packages to include new efficient interventions, and to exclude obsolete practices. In many cases, delegates thought that HTAs have limited impact on decisions, especially pharmaceuticals.</td>
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Session 5: Performance and Transparency in the Capital Budget

Overview

Capital budgeting is relevant for many large infrastructure projects in the health sector, notably the construction of hospitals and other health facilities. Recurring challenges in capital budgeting include the risk of corruption and the frequent underestimation of the costs of investment. Addressing accountability can help to tackle these challenges. Politicians and managers must be accountable for the compliance and performance of capital projects. There must also be social accountability, ensuring transparency and allowing for citizen engagement.

Main Panellists and Topics

- Accountability in capital budgeting, Wojciech Zieliński, Budgeting and Public Expenditures Directorate, OECD
- Healthcare capital in the UK, Will Lockwood, Capital and Land Strategy, Department of Health and Social Care (DHSC) and Alex Munn, Health Spending Team, HM Treasury
- Health expenditure monitoring and control in Italy: Focus on health investment, Federica Di Pilla, Ministry of Economy and Finance

Key Messages

- The majority of countries distinguish between capital and current expenditure, though these are often presented within a unified budget (rather than in dual budgets). However, value for money analysis is often frequently missing in capital budgets, only occurring in the most costly cases.
- Evidence across OECD countries suggests limited use of public-private partnerships (PPPs), with the majority of countries in the meeting stating that less than 5% of investments flow through PPPs.
- In the UK, NHS providers spend the majority of the Department of Health and Social Care (DHSC) capital budget. NHS providers typically make decisions on capital expenditure, independent from the DHSC. However, HM Treasury gives guidance through ‘The Green Book,’ which helps officials develop transparent, objective, evidence-based appraisals and evaluations of proposals to inform decision-making. There are also monitoring challenges, which has led to underspending of the capital budget in recent years.
- In Italy, regions are responsible for organising and delivering health care, and must present a capital project to have access to state funding. The ‘Investment Evaluation Unit’ exists in order to coordinate between the different levels of government (state, regions and health bodies). It collaborates with the regions in the planning, evaluation, implementation and verification of investment plans.
Session 6: Discussions on Future Programme of Work

In light of the discussions held during the meeting, country representatives proposed the following subjects to be considered in the future programme of work.

- Productivity measures, with particular focus on labour productivity and wage bill management
- Performance and programme budgeting, including programmes that cut across multiple ministries (e.g. long-term care, mental health)
- Spending reviews and programme evaluations in health
- Dynamics of budgeting for social health insurance systems
All outputs and main publications of the OECD Joint Network of Senior Budget and Health Officials are available on the website, and published in the Journal on Budgeting. Alternatively, for further information on any of our analytical reports or network meetings, please feel free to contact:

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