Ministry of Health, Welfare and Sport

# From high-value, high-cost to high-value, low cost healthcare

## Keeping the Dutch ‘market’ narrative alive under fiscal pressure

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# Accelerating per capita cost inflation (PPP) compared to GDP

Frankrijk
België
Duitsland
Denemarken
Nederland
Zwitserland

1972
2010

5.500
5.000
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
500
0

0
5.000
10.000
15.000
20.000
25.000
30.000
35.000
40.000
45.000
50.000
55.000

# Phase 1 (2006 – 2011): a ‘market’ with few ‘losers’

*More not less solidarity*

- Individual mandate & open enrolment & community rating
- Risk adjustment (induces a narrow premium range)
- Health care allowance (tax credit) & free care children
- Initial low compulsory deductible (€ 165 in 2006; € 350 in 2013)

*Embedded in stable political and professional governance*

- Stewardship: co-governing with major interest groups
- Global budget (increasingly without enforcement)
- Navigation through professional gatekeepers, not through payers

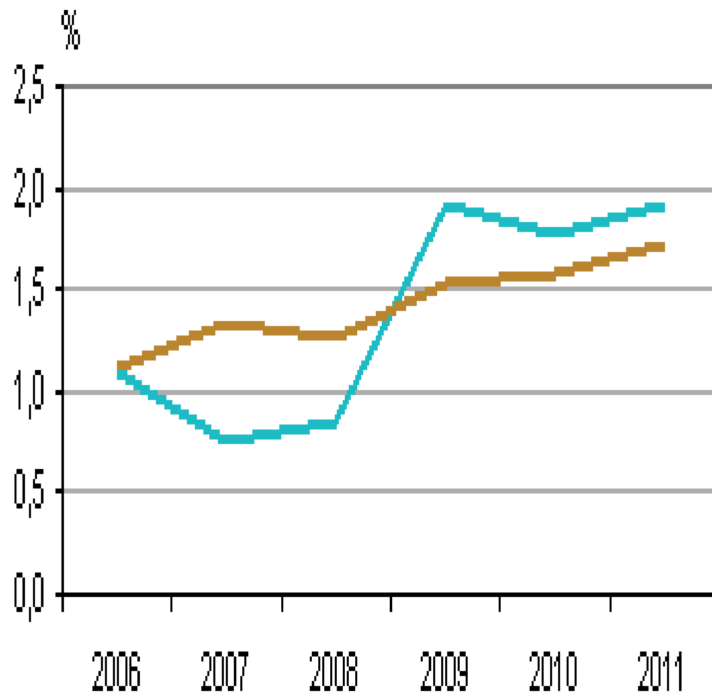
*Health purchasing: more discretionary powers, but without ‘risk’*

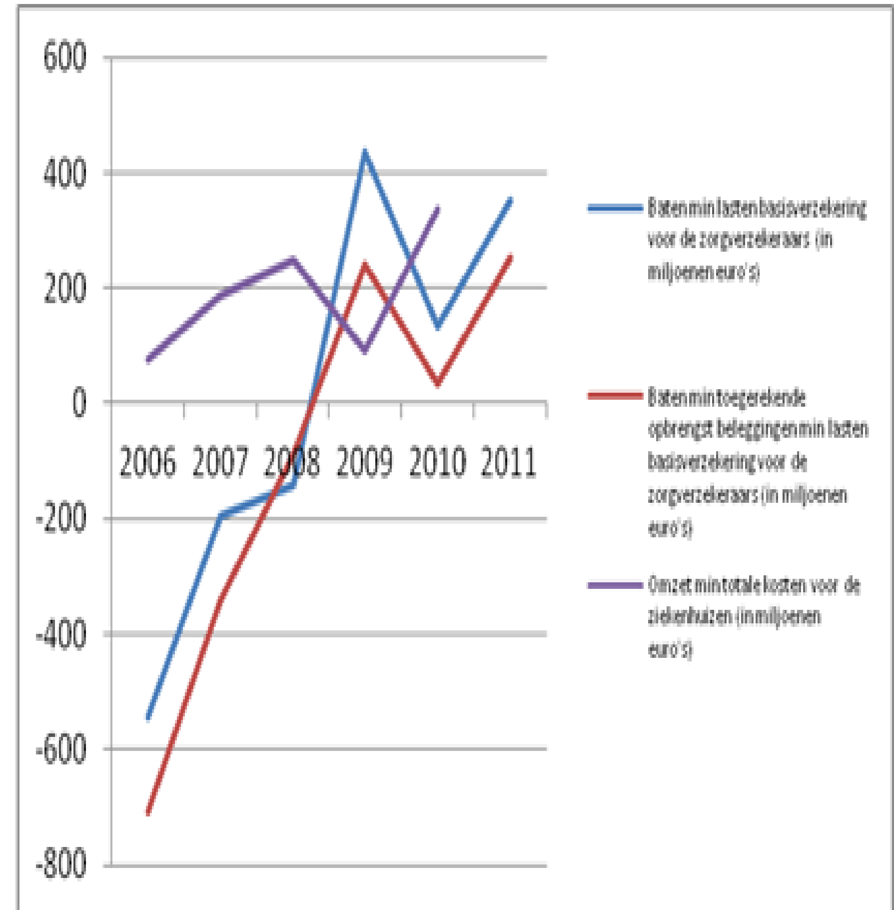
- New safety nets: DTC’s, (volume) overruns, risk equilization

# Initial results: more innovation & increasing financial strength

- Changed mental model: much entrepreneurship on the boundaries
- Strong growth (hospital) productivity (3%)
- Lower administrative costs (2002: 6%; 2010 2.9%)
- moderate cost-growth outlier patients
- Increasing solvency levels: providers & insurers (now at 20%)
- Moderate premium increases 2006, 2007 & 2008

# Increasing net margins & solvency levels



# Overfunded: substitution towards lower case costs, but also much more less complex volume (2006 – 2008)

| | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
|---|---|---|---|---|---|---|---|---|---|---|
| Totaal | 47,9% | 26,5% | 18,0% | 13,2% | 11,3% | 10,9% | 9,9% | 9,5% | 8,7% | 2,2% |

# Phase 2 (2012 …): creating a real ‘market’

- Ending safety nets, insurers ‘at risk’ on overruns and ex-post corrections
- 70% of hospital prices now freely negotiable
- Stiff pricing pressure on generics & elective surgery (full risk)
- New layer of corporatist governance adds an anchor: covenant (2.5% growth)
- In 2013 no premium increases

# Ex-post risk-equilization scheme terminated

| Year | Value |
|---|---|
| 1992 | 0% |
| 1993 | 3% |
| 1994 | 3% |
| 1995 | 3% |
| 1996 | 9% |
| 1997 | 15% |
| 1998 | 15% |
| 1999 | 16% |
| 2000 | 16% |
| 2001 | 20% |
| 2002 | 24% |
| 2003 | 23% |
| 2004 | 23% |
| 2005 | 23% |
| 2006 | 23% |
| 2007 | 25% |
| 2008 | 34% |
| 2009 | 47% |
| 2010 | 61% |
| 2011 | 58% |
| 2012 | 91% |

Y-axis: 0%, 25%, 50%, 75%, 100%

# Declining pharmaceutical expenses

| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| 3.909 | 4.145 | 4.302 | 4.652 | 4.742 | 4.789 | 4.923 | 5.001 | 4.500 |

5.000
4.000
3.000
2.000
1.000
0

prognose

# More fiscal challenges ahead: the burden of austerity

## Real health expenditure growth 2013 – 2017 (€ bln.)

Groei voor RA Rutte 2
Groei na RA Rutte 2

miljarden euro's

12
10
8
6
4
2
0
-2
-4
-6

Sociale zekerheid
Zorg
Onderwijs
Overdrachten aan bedrijven
Openbaar bestuur
Veiligheid
Defensie
Bereikbaarheid
Internationale samenwerking

# ‘Coalition Cycle’; medium term framework

At the start of each coalition period a 4-5 year budgetary frame is set
→the Bureau for Economic and Policy Analysis (CPB)

Spending in principle is fixed and independent of economic shocks

Automatic stabilization means that revenue may follow the economic cycle

# ‘Spring Cycle’; the annual budgeting process

Budget overruns (14/15) may be addressed in one of four ways

Overruns a main source of instability

Common language as a starting point for effective enforcement
→ budgetary rules

# Joint MoH MoF Taskforce

Taskforce containment of healthcare spending
*'towards more affordable healthcare'*

Posed and answered 3 questions

1. what is the problem and what is our goal?
2. what are underlying causes of past high growth?
3. which are the better solutions?

The current coalition agreement

Rijksoverheid

Naar beter betaalbare zorg

Rapport Taskforce Beheersing Zorguitgaven

**Bruggen slaan**
Regeerakkoord VVD - PvdA
29 oktober 2012

# Integral policymaking in practice

The 3rd key TF recommendation:

*Integral strategy aiming and touching on all actors in the health system*

Continuous efforts on all levels

(ministries, sectors, policies, insitutions)

fiscal discipline and room for the market

competition authority versus health inspection

# Joint agenda; bridging fiscal and health interests

Pressure on healthcare spending mounts

- Lower economic growth
- Ageing

Bridging fiscal and health interests

1. Information (t+2)
2. Evidence based discussions
3. How far from the 3% limit on the budget deficit
4. No fragmented solidarity through health policy