



Fiscal sustainability of health systems

Enhancing the dialogue



Booklet



Fiscal sustainability and the specific challenge of budgeting for health

Ensuring that government spending on health is both high-performing and fiscally sustainable is a challenging task. Rising incomes and advances in medical technologies increase expectations of what health systems can achieve. Ageing populations and changes in lifestyles affect patterns of morbidity, and consequently the cost of health care. Productivity gains, whilst achievable, are made more challenging by the labour-intensive nature of health care services.

Taken together, these factors combine to create *strong upward pressure on health spending*, and consequently on budgets for health. Governments are also concerned about how to eliminate ineffective or wasteful spending on health, and maximise value-for-money.

The OECD Joint Network of Senior Budget and Health officials


A brief history

Given the unique financial challenges faced by health systems, an *effective dialogue* between the different government agencies responsible for health financing is critical. To help facilitate this dialogue, the OECD Joint Network of Senior Budget and Health Officials was established in 2011. It brings together people who work on the health budget, including representatives from ministries of finance, health and social security organisations. Over the years it has provided an effective space for government officials to openly discuss challenges and solutions to the fiscal sustainability of health systems.

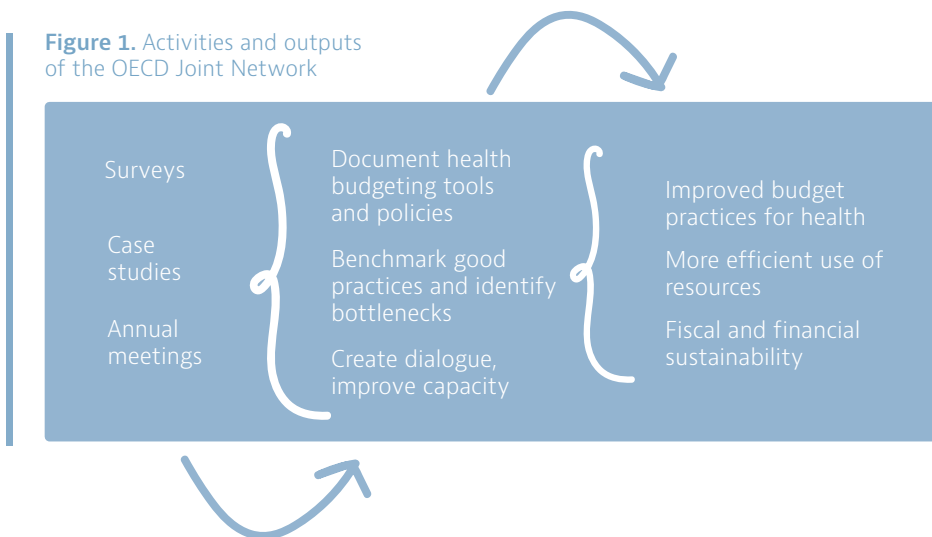
Our aim – to identify and disseminate best practices

The OECD Joint Network has three core activities: annual meetings, cross-country surveys and country case studies. The aim of these activities is to identify and disseminate best practices in managing health care budgets, alongside other policies that can ensure fiscal and broader financial sustainability of health systems.

For example, in a recent survey we explored the policy and spending responsibilities of different levels of government. Note that activities beyond our annual meetings rely on voluntary financial contributions from member countries or other sources.

 Key policy questions today:

1. What can governments do to boost productivity and cut wasteful spending on health?
2. How can governments align health spending with priority policy objectives and increase accountability for performance?
3. How can different agencies responsible for health coordinate their budgets to deliver better results?



Health spending: some key facts

Health care is among the main drivers of government spending in OECD countries and accounts for a large share of public budgets. Indeed, health spending has typically outpaced economic growth for most of the last two decades. Such spending pressures are a fiscal concern for governments, as health care is predominantly publicly funded in most OECD countries. Furthermore, the latest OECD estimates project health spending to reach 11.3% of GDP by 2030 if costs are not adequately contained.

Yet most budget officials from OECD countries believe it is harder to achieve savings in health than for other government spending, and that they only have blunt tools to deliver efficiency gains (full survey results available in *Fiscal Sustainability of Health Systems: Bridging Health and Finance Perspectives*).

At the same time, health spending has led to considerable improvements in the health of populations. It is also an important source of economic growth and jobs. Governments have made major strides to make health systems more people-centred, developing new approaches to service delivery. Financing mechanisms can help facilitate such transformations and measure whether new treatment pathways are cost-effective.

Figure 2. Health spending by government schemes and compulsory health insurance as share of total government expenditure, 2015 (or nearest year)

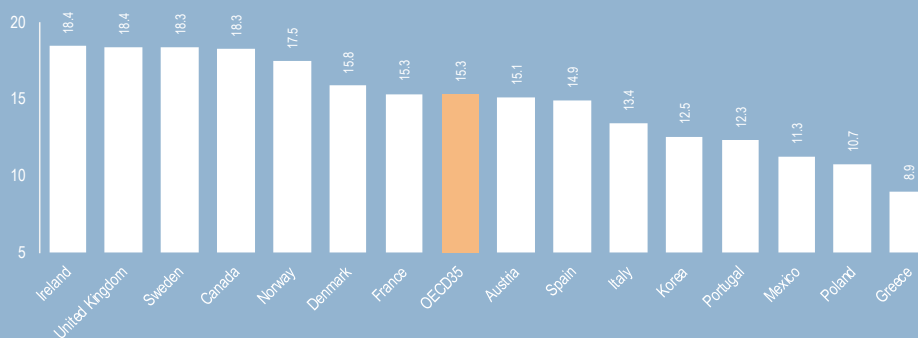
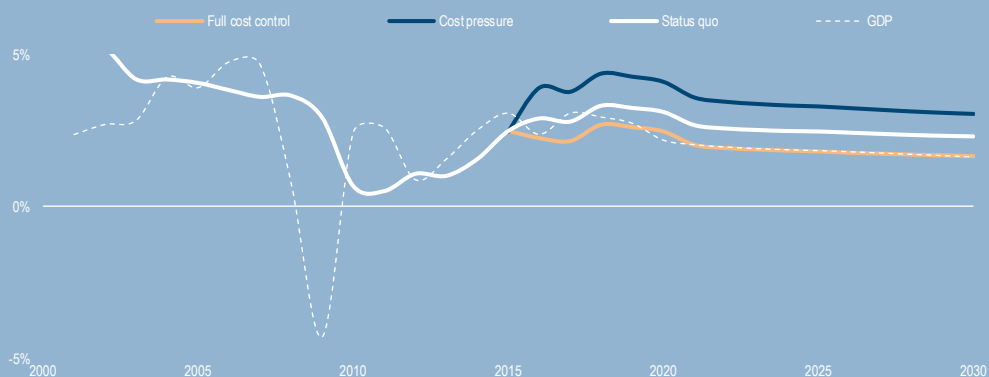


Figure 3. Annual growth in health spending as compared with economic growth across the OECD (projections from 2015 reflecting different policy scenarios)



Source: OECD Health Statistics 2017, OECD National Accounts Database and OECD (forthcoming), Health Spending Projections to 2030.



Extending the Joint Network to non-OECD countries

Financing health care in an effective and sustainable manner is not only a challenge for OECD countries. Health systems of emerging economies face similar funding pressures, while also striving to attain or deepen universal health coverage. Consequently, since 2015 the OECD has expanded its activities of the Joint Network to non-OECD countries.

Regional networks now operate in Asia; Central Eastern and South-Eastern Europe; and Latin America and the Caribbean. This initiative is in partnership with the Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Health Organization; the Asian and Inter-American Development Banks; and the World Bank.



Budgeting for health:
four general principles
derived from best practices
for overall budgeting

1. Ensure predictability of resources available. The finance ministry (or equivalent) disburses funds for the current budget cycle in a timely manner; and provides multi-year estimates of the resources available for health.
2. Jointly create performance agreements. Performance agreements, determined jointly by ministries of health and finance, reflect achievable outputs and are linked to spending.
3. Delegate detailed allocation decisions to the agency responsible for health. The finance ministry focuses on aggregate allocations, avoiding overly specified budget structures and narrowly defined spending categories.
4. Develop effective health spending reporting systems. The health ministry provides the finance ministry with timely information on spending, including any deviations from planned expenditures.

Core outputs

We aim to deliver evidence-based, policy relevant analysis. Our focus of work is demand-driven, reflecting topics that are of most interest to our delegates. Specific products include:

1. Network meetings

OECD country network meetings

Annual meetings have brought together senior officials since 2011.

Regional network meetings

These regional events have been held for Asia-Pacific (2017), Central Eastern and South-Eastern Europe (2012 & 2016); and Latin America and the Caribbean (2016 & 2019).

2. Analytical reports

Overview of fiscal sustainability of health systems

Our flagship report synthesises the main fiscal sustainability issues for health systems, and the policy levers available to finance and health ministries:

- Fiscal sustainability of health systems: bridging health and finance perspectives.

Performance budgeting, programme budgeting and performance measurement systems

This new series assesses how health budgets can be better linked to performance, with three reports due in 2019:

- Programme budgeting for health and its links to performance.
- Performance measurement systems in health and their budgetary implications.
- Performance budgeting for health in Latin America and the Caribbean.

Decision-making across levels of government

This work analyses decentralisation, and the differing policy and spending responsibilities across levels of government, with a report available in 2019:

- Decentralisation and decision-making powers in health.

Cross-country surveys on budgeting practices for health

These surveys provide snapshots of different country approaches to budgeting for health care, with a particular focus on cost containment tools:

- Survey of OECD countries, 2015.
- Survey of Latin America and the Caribbean countries, 2016 & 2018.
- Survey of Central, Eastern and Southeastern European countries, forthcoming.
- Survey of Asia-Pacific countries, forthcoming.

Deep dives: country case studies

These case studies analyse the budgeting and health financing challenges faced in specific country settings. Six country reports have been completed to date:

- Case studies for France, Netherlands, Peru, Philippines, South Africa and the United Kingdom.



Contact us

For further information on any of our analytical reports or network meetings, please feel free to contact:

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You can also visit our website at
www.oecd.org/health/health-systems/sbo-health.htm

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