

Financial sustainability challenges for unified health systems in Europe



Joseph Kutzin, WHO

Moving towards universal, comprehensive and sustainable health systems: lessons from an international perspective

FINANCIAL SUSTAINABILITY

Getting the sustainability question right



Concept is meaningless without reference to policy objectives

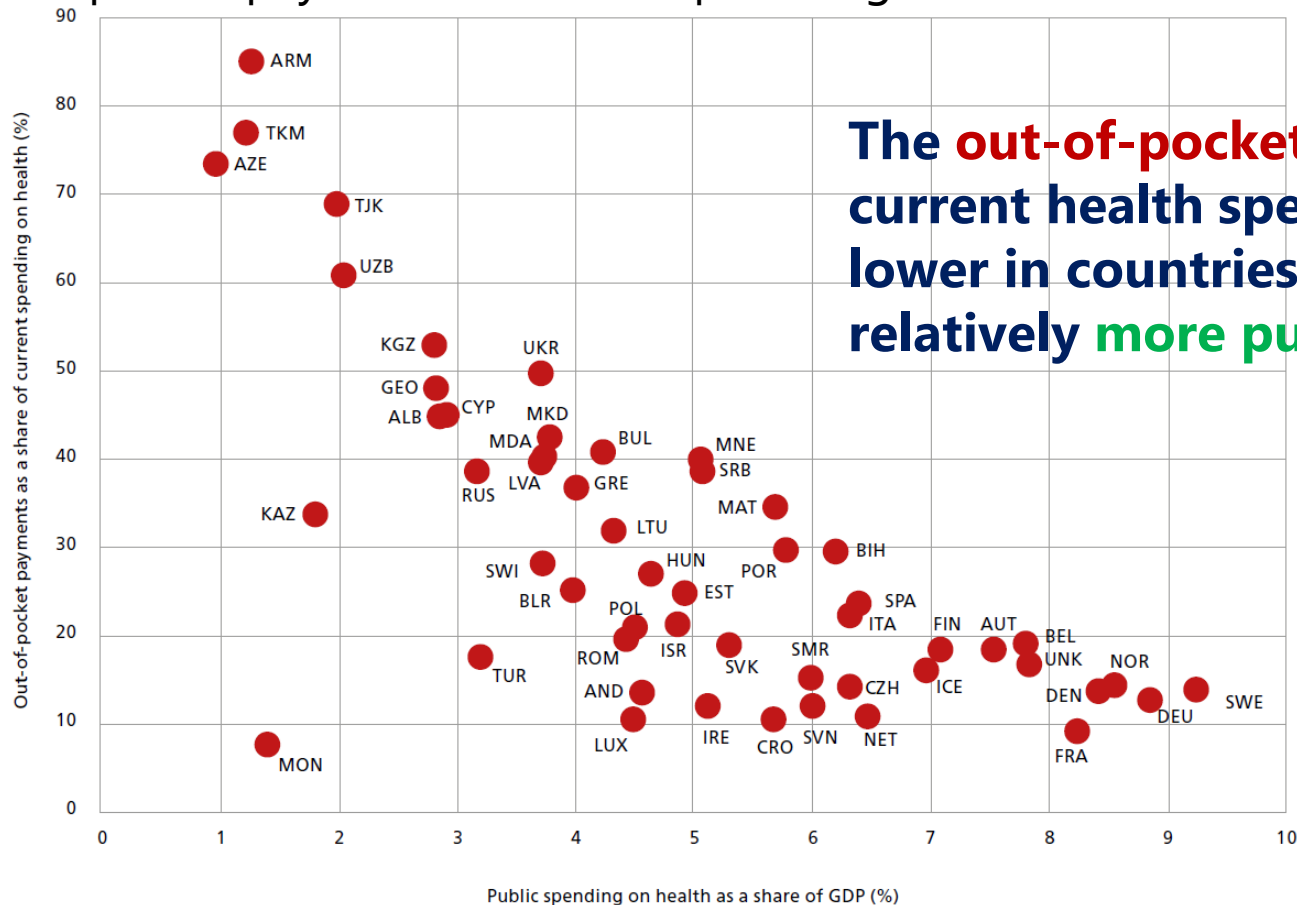
- Sustain progress towards UHC (equitable use of high quality services, with financial protection)
- Sustain improvements in health and equity in health
- Sustain progress towards achievement of health security

It is not merely about keeping the system functioning or balancing revenues and expenditures

- Otherwise, it's easy: just cut spending

Public spending matters for our policy objectives

Relationship between public spending on health and out-of-pocket payments in the European Region, 2018



The **out-of-pocket payment** share of current health spending is generally lower in countries that spend relatively **more publicly** on health

Reframing the sustainability challenge



How can we improve health system performance subject to the constraint of maintaining fiscal balance?

From a financing perspective, this requires either/both

- More public spending – where feasible (current outlook is not optimistic)
- Better public spending – always needed

FINANCING “MODEL” AND SUSTAINABILITY

I believe in functions, not models



Regardless of label, all systems

- Raise revenues
- Pool funding
- Purchase services
- Define (implicitly or explicitly) benefit entitlements and ration services

The revenue side



Stylized NHS (non-contributory entitlement)

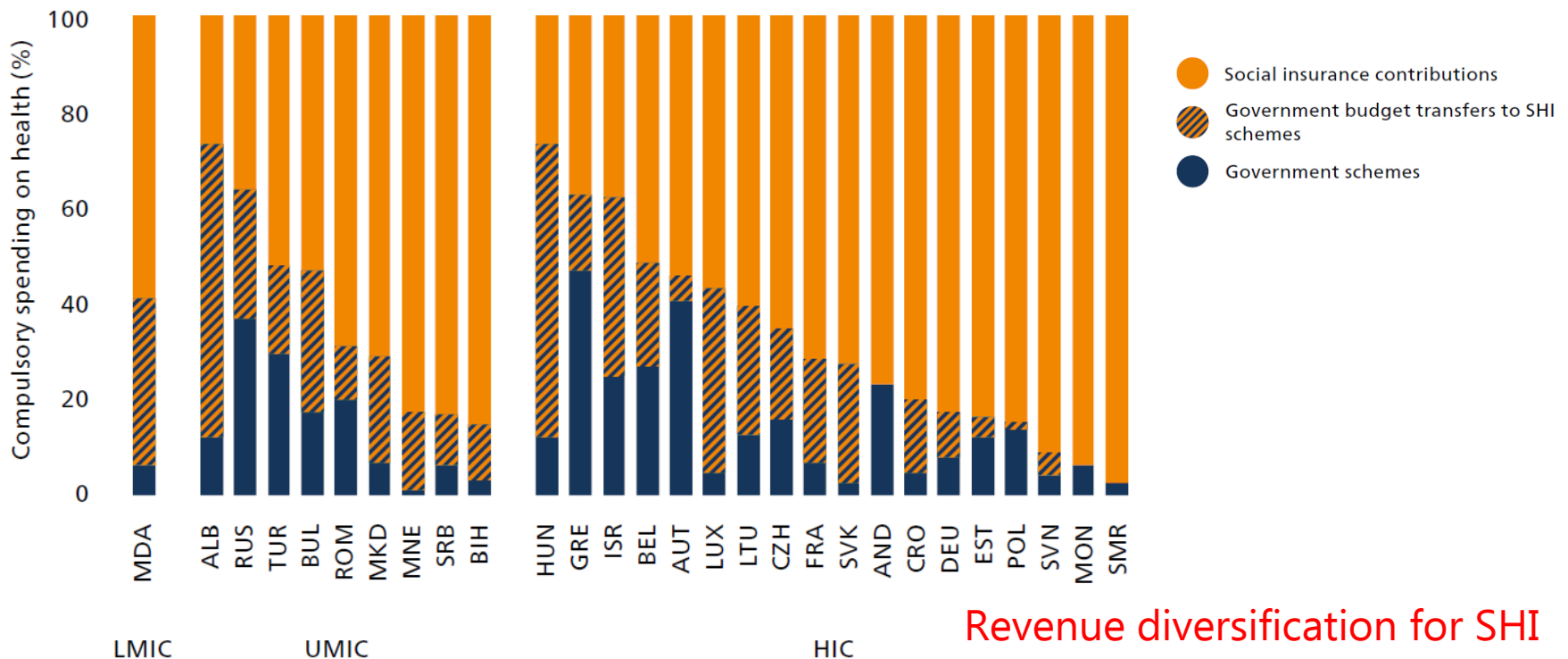
- Revenues from general budget, perhaps including some earmarked taxes for health

Stylized SHI (contributory-based entitlement, whether single or multi-fund)

- At least in Europe, typically a combination of wage-based and other taxes

Budget transfers to SHI in Europe

Compulsory spending on health in European Region countries mainly financed through SHI schemes, by source of SHI scheme revenue, 2018



Revenue diversification for SHI offers protection against the weakness of wage-linked contributions – a resilience feature

Revenue side challenges



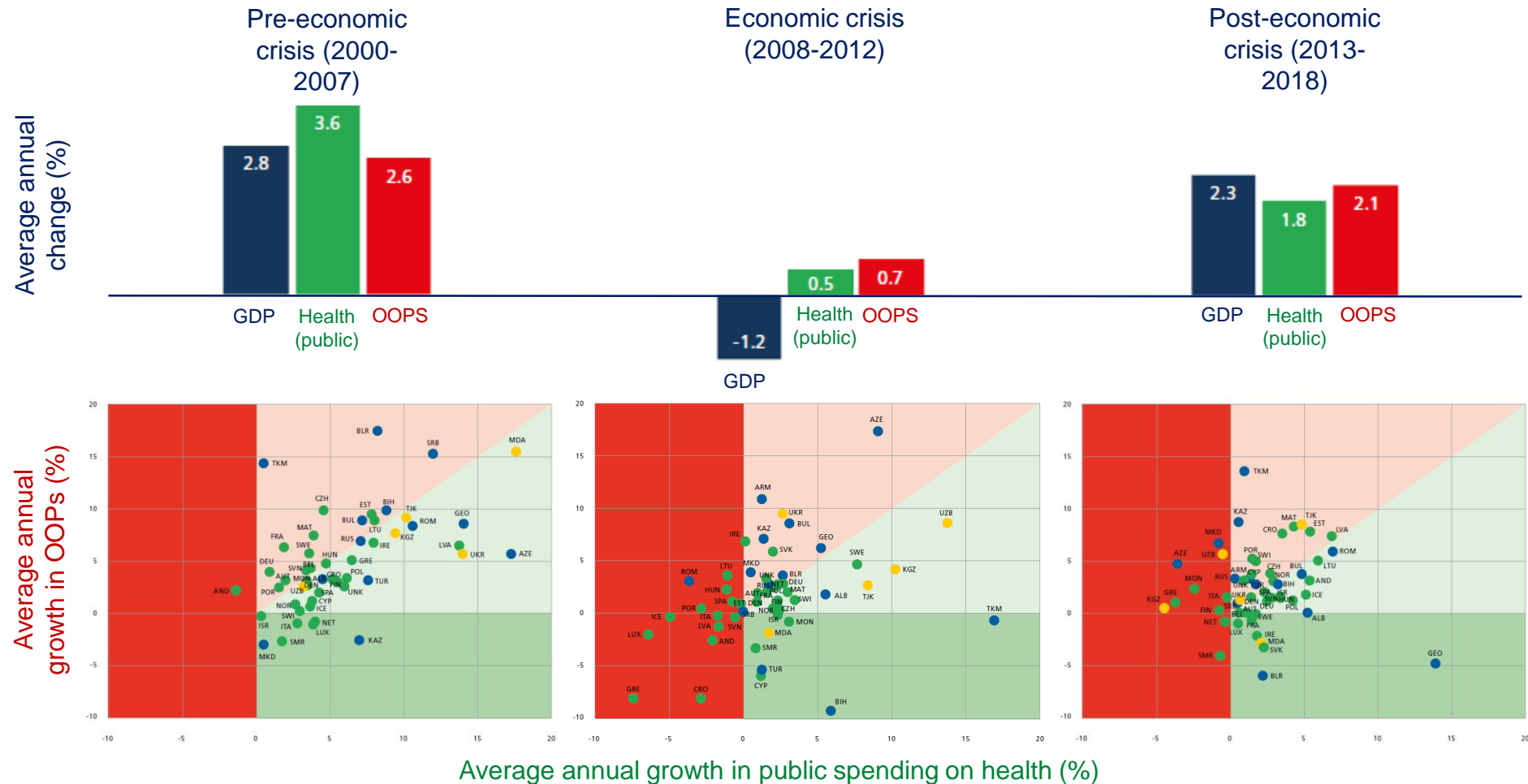
The overall macro-fiscal context arising from COVID and Russia's war in Ukraine

Wage-linked contributions (and entitlement!) not resilient to employment shocks, but can be cushioned by general revenues and employment policies (e.g. Germany)

For all countries: for how long can counter-cyclical spending be maintained?

Single vs multi-payer arrangement not relevant to the revenue side

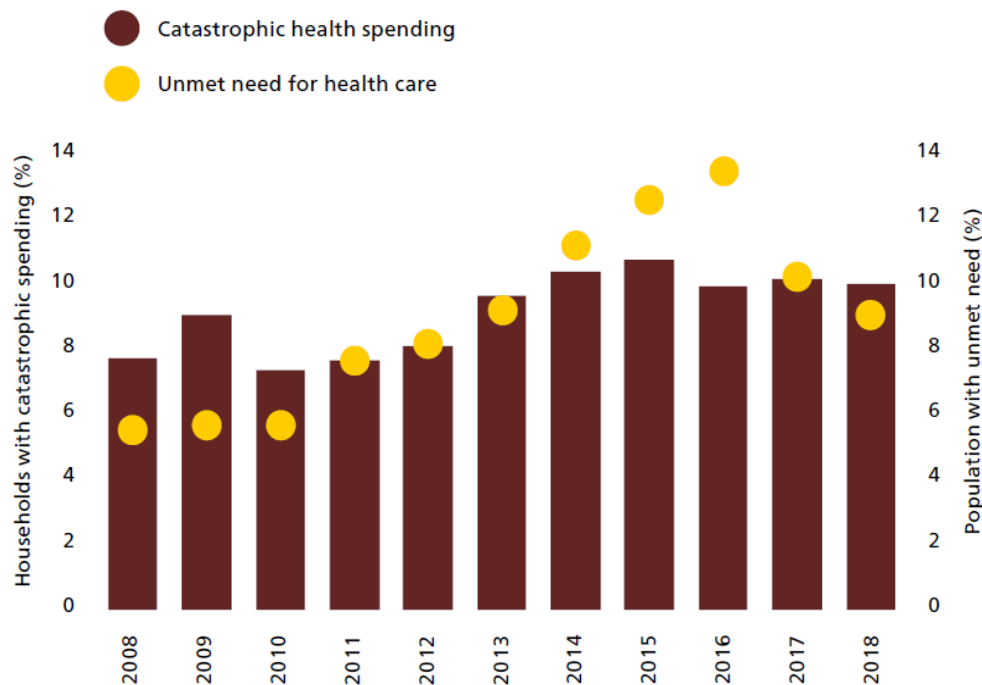
Learning from the 2008 global financial crisis: austerity slowed public spending on health...



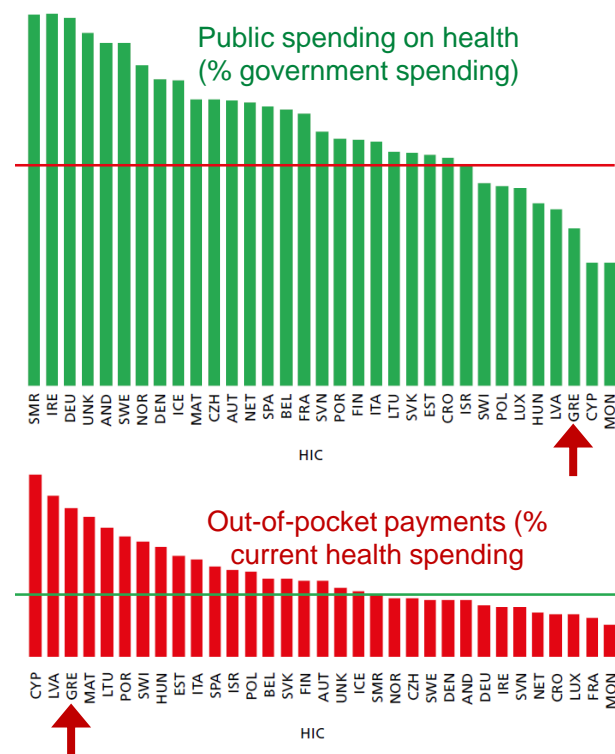
Source: [Spending on Health in Europe: Entering a New Era](#) (WHO Barcelona Office for Health Financing)

...and undermined progress towards UHC

Shifting health care costs onto households increased unmet need and financial hardship in Greece and other countries in Europe



Public spending on health was less resilient to economic shocks in some countries than others



The expenditure side



“Strategic purchasing” means not only aligning payment with provider performance and population health needs, but also managing expenditure growth

- Avoid open-ended financial obligations (no overall budget cap on reimbursements)
- **Budget impact analysis** should be required for any proposed expansion of benefits

These are aspects of **fiscally responsible health financing**, while staying focused on achieving sectoral goals

Potential advantages of Single Payer vs Multi-Payer



Potential for greater efficiency

- Reduce scope for **cost-shifting** (very difficult to manage system expenditure growth when provider scope for doing this is large)
- Reduce administrative costs and burden on providers
- Enable more effective service purchasing from unified national database

Potential for greater equity

- Reduce scope for selection/discrimination because **same benefits (and cost sharing) and payment rates for all patients**

Single payment system can involve multiple funds



Country	Insurance market	Single payer?
Netherlands, Switzerland	Multiple insurers (mostly for-profit) under strict regulation, with risk adjustment	Unified payment system for standard package; supplemental HI allowed
Germany	Multiple non-profit "sickness funds" with risk adjustment for standard package; about 10% of pop opts for private coverage	Unified for main system; private insurers generally pay more
Sweden, Denmark, Spain	Managed through sub-national governments (Spanish regions with separate purchasing agency); supplemental HIF allowed	Unified for standard national package; supplemental HI extra
Japan	Multiple, non-competing	Unified payment system
Korea, Estonia	Single national fund	Single payment system
Maryland (hospitals)	Multiple, competing	Unified "all-payer" system

From a purchasing perspective



Advantage arises from having a single payment system

- Single Fund for country or territory: Hungary, Estonia, Sweden, Norway...
- Multiple insurers using unified payment system: Germany, Switzerland, Japan

“Single payer” in the sense of standard benefits, unified payment systems, common administrative processes

From a pooling perspective, however...



Aligning with UHC goals requires additional administrative requirements

- Risk selection behavior by insurers is a socially unproductive use of resources
- Risk adjustment (Germany, Netherlands, Czech Republic) involves some additional cost, and needs to be good enough to reduce/eliminate the incentives for *strategic pooling* behavior by insurers

POLICIES THAT WORK TO SUSTAIN PROGRESS

Move towards unified purchasing (and benefits)



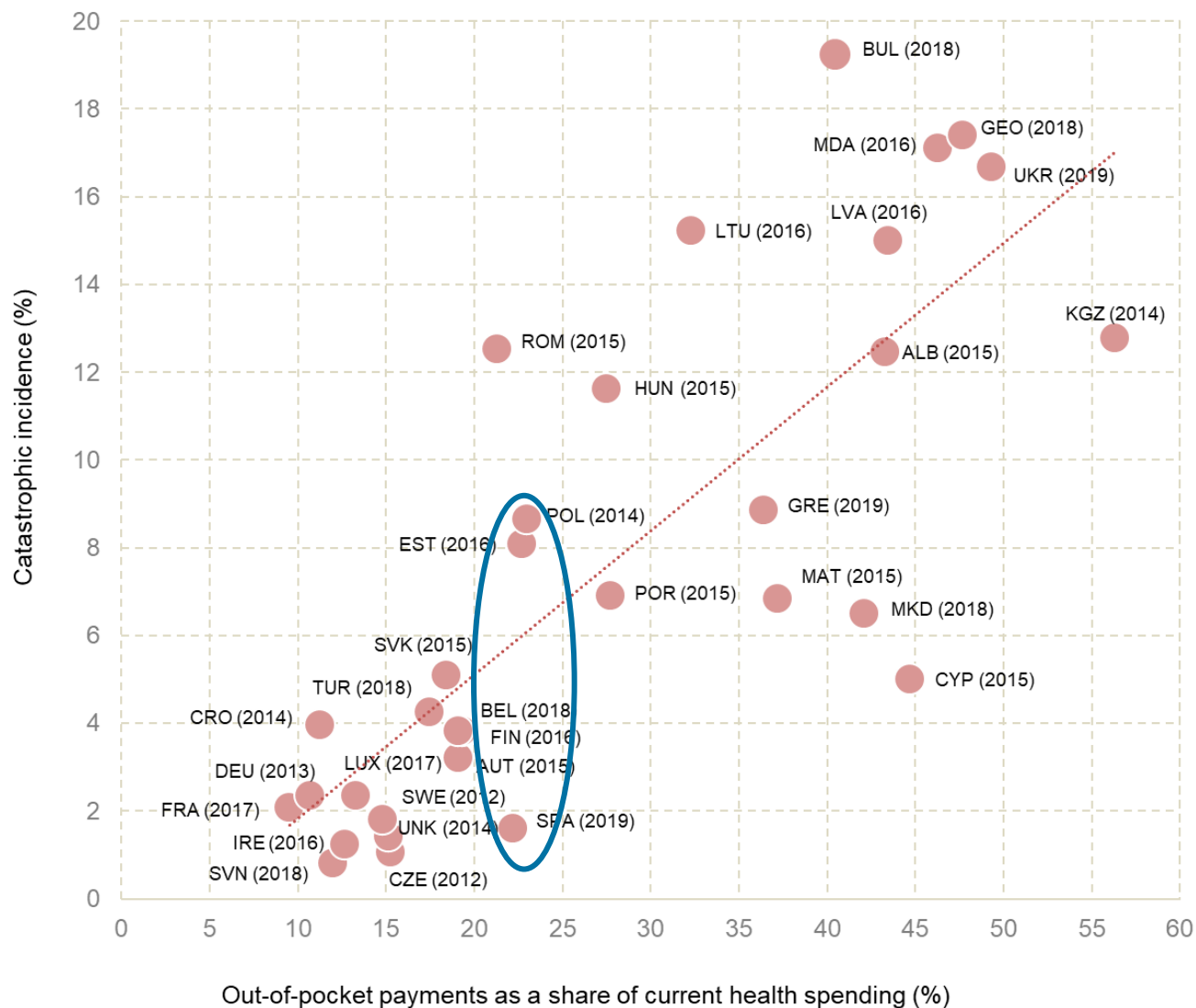
Unified purchasing arrangements offer best **potential** to create coherent incentive environment for providers and minimize unproductive administrative cost

Unified benefit entitlements offer best potential to enhance equity

Whether to do this via one single fund or multiple (with risk adjustment) depends critically on starting point and political context

- Both can get you there, though latter will cost more

But potential not enough; policies still matter

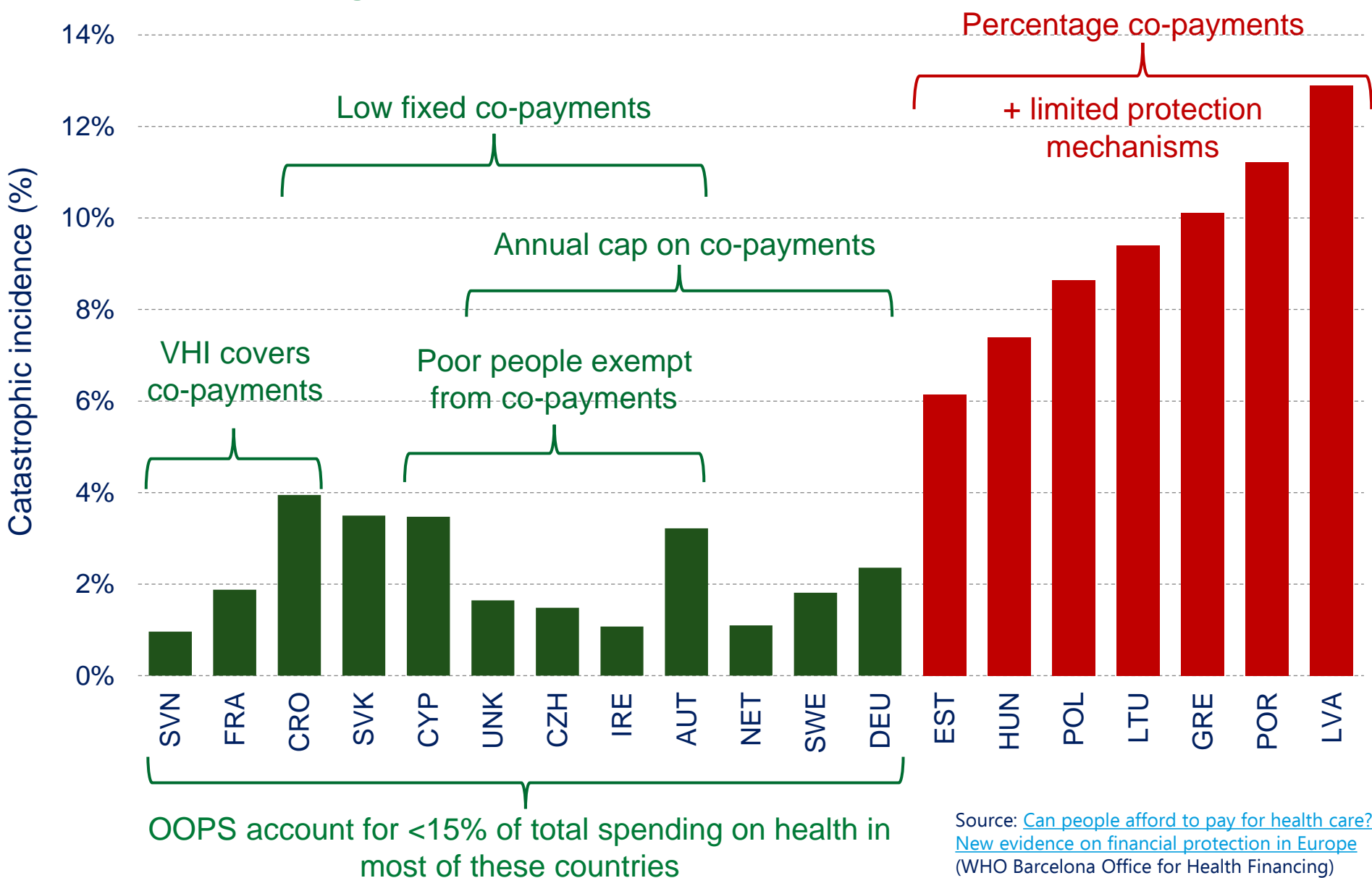


Countries with similar levels of out-of-pocket spending get different results on financial protection. Why?

Policies to sustain progress

Stronger financial protection

Weaker financial protection



CONCLUSIONS

Summary messages

Without reference to goals, sustainability not a meaningful concept

Difficult outlook for public spending on health, regardless of model

Unified payment system with common benefits offers best potential to sustain progress

Model alone is not enough; policy design matters