

# Financing models and budgeting

**Francisco Ramos**

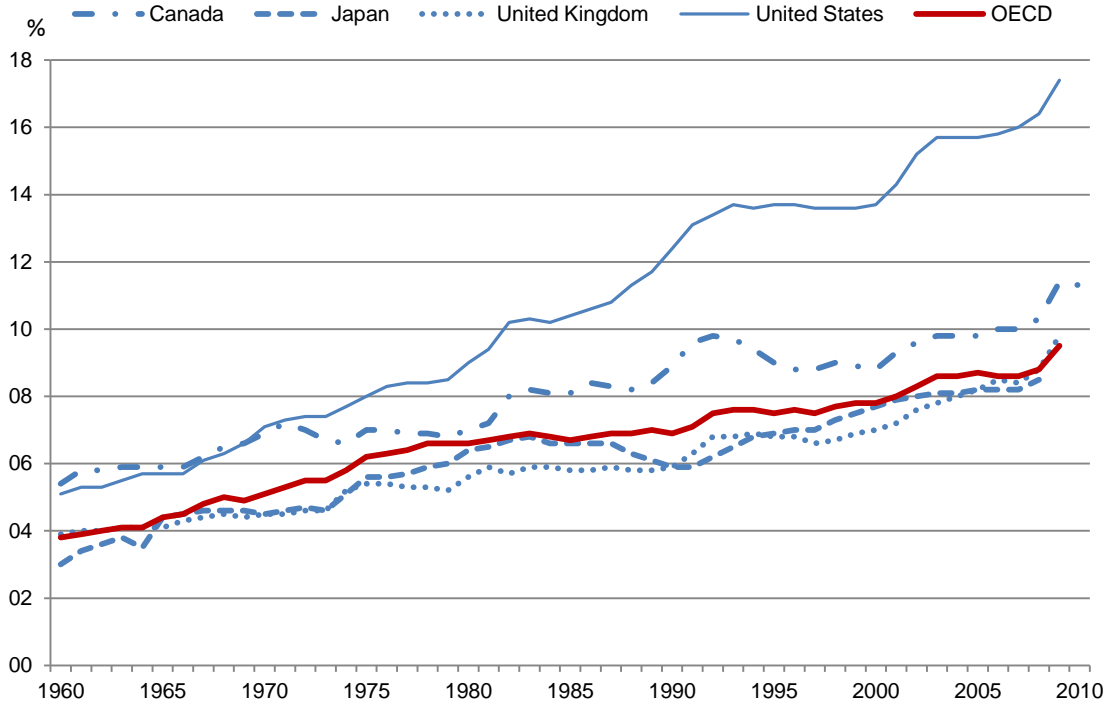
September, 2013

EAHP Academy Seminar

**NOTHING TO DISCLOSE**

1. Health financing options
2. Control of health expenditures growth
3. Hospital financing
4. Pharmaceutical expenditures

# Health expenditure as a share of GDP, 1960-2009, selected OECD countries



Source: OECD Health Data 2011.

# Health financing

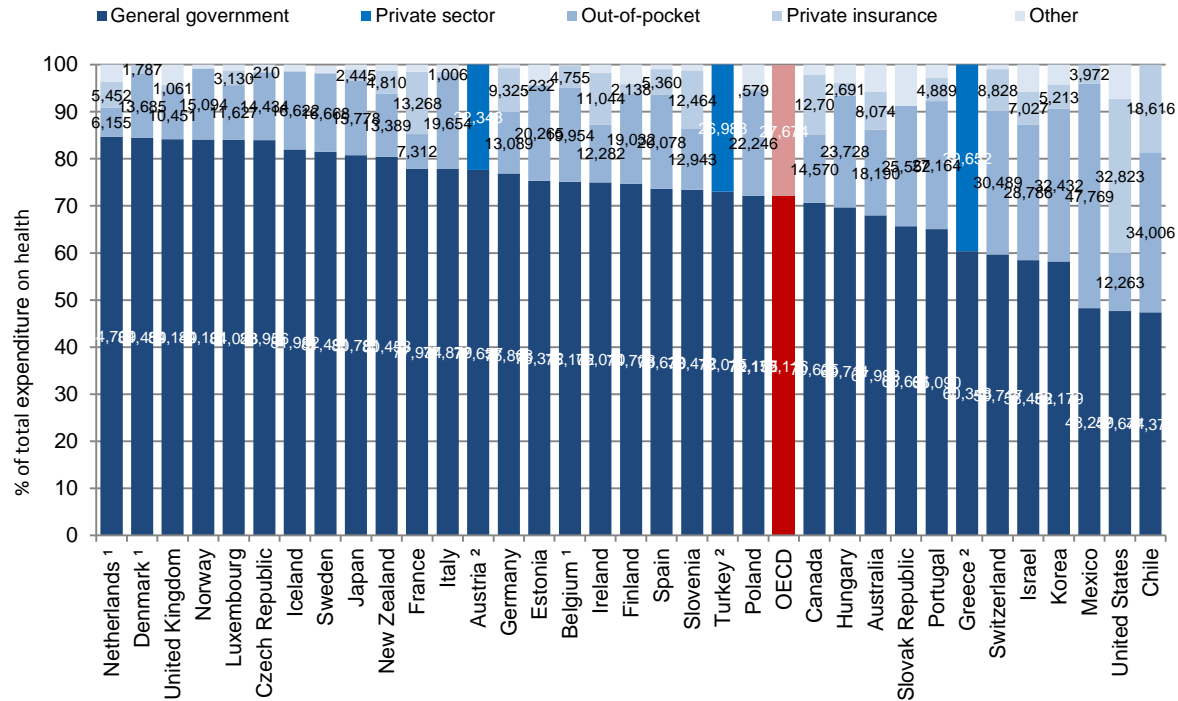
- Taxes (NHS)
  - Public provision of care
  - Related to total income
  - Focus on equity
- Social insurance
  - Private/public provision of care
  - Related to salaries
  - Focus on social protection

# Health financing

- Private insurance
  - Private provision of care
  - Related to risk
  - Focus on demand
- Direct payments
  - Co-payments on public care
  - Related to utilization
  - Focus on patient “satisfaction”

# Financing of health care

## Expenditure on health by type of financing, 2009 (or nearest year)



1. Current expenditure.

2. No breakdown of private financing available for latest year.

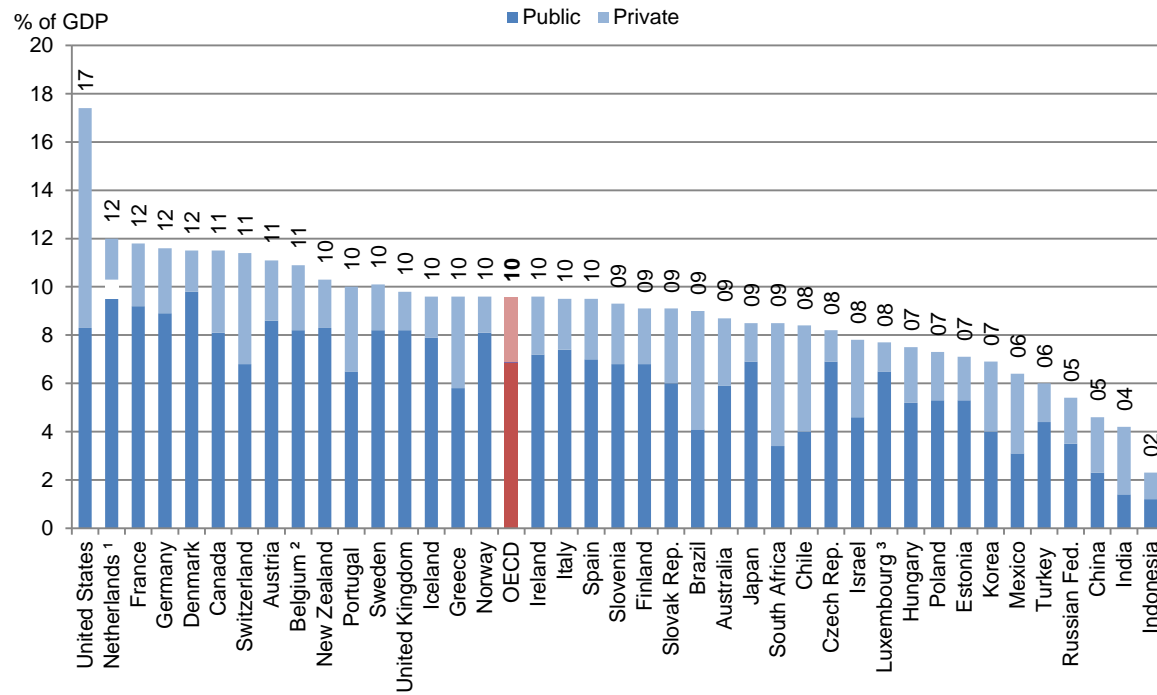
Source: OECD Health Data 2011.

# Health financing

- No exclusivity of any model
- Prevalence of public financing in Europe (both taxes and social security)
- No success on control of health expenditures



## Total health expenditure as a share of GDP, 2009 (or nearest year)



1. In the Netherlands, it is not possible to clearly distinguish the public and private share related to investments.

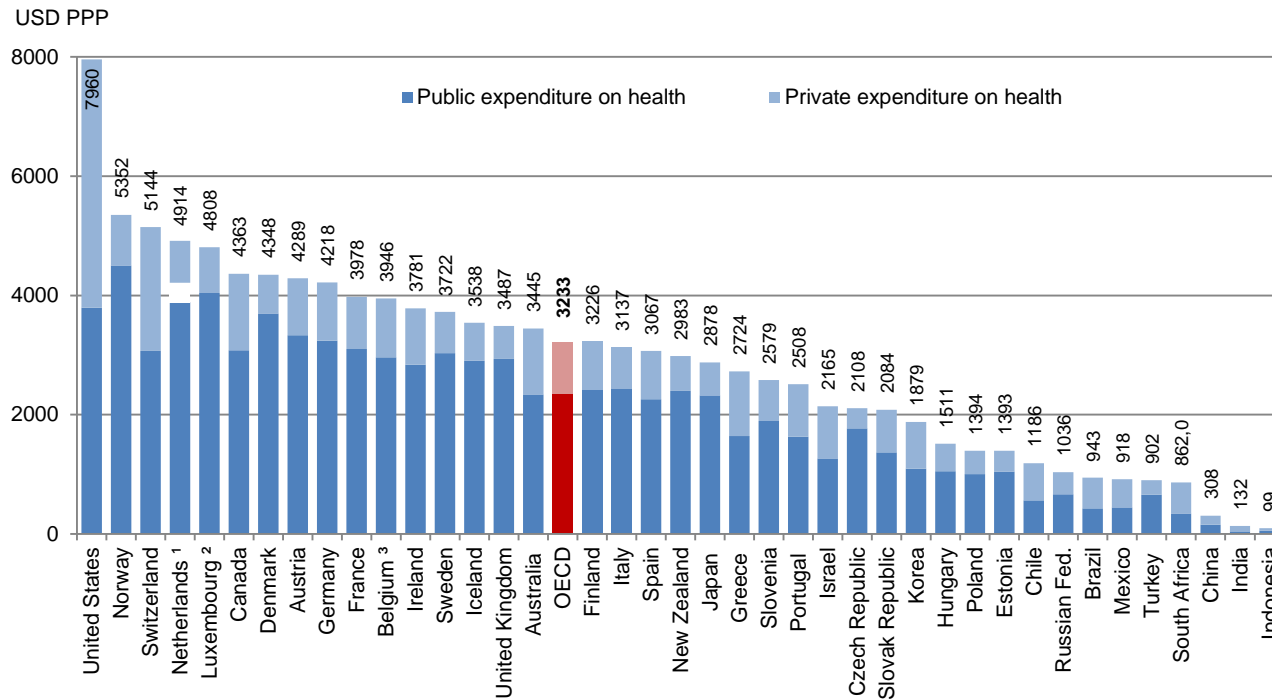
2. Total expenditure excluding investments.

3. Health expenditure is for the insured population rather than the resident population.

Source: OECD Health Data 2011; WHO Global Health Expenditure Database.

# Health expenditure per capita

## Total health expenditure per capita, public and private, 2009 (or nearest year)



1. In the Netherlands, it is not possible to clearly distinguish the public and private share related to investments.

2. Health expenditure is for the insured population rather than the resident population.

3. Total expenditure excluding investments.

Source: OECD Health Data 2011; WHO Global Health Expenditure Database

# Economic analysis

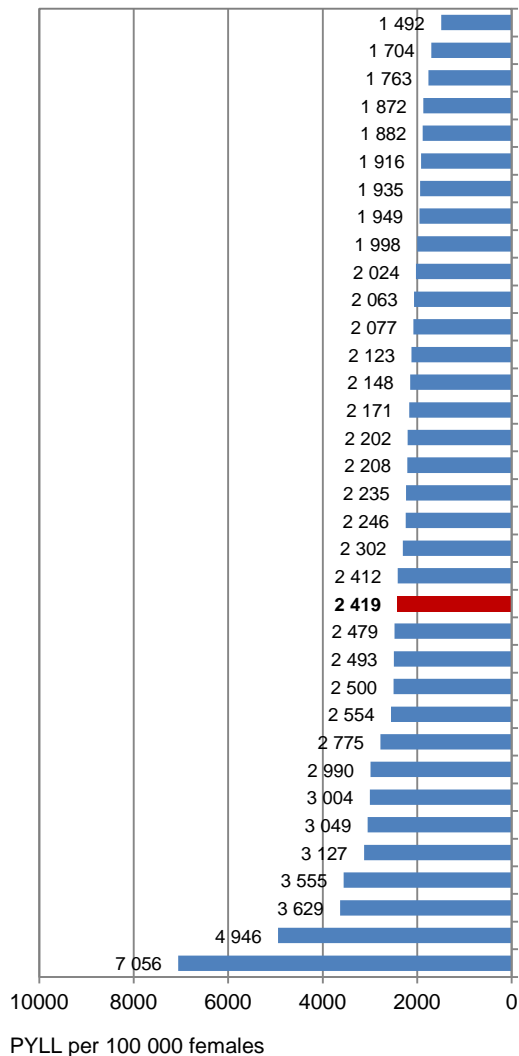
- Efficacy / effectiveness
- Efficiency
- Equity
- Opportunity costs

# Political analysis

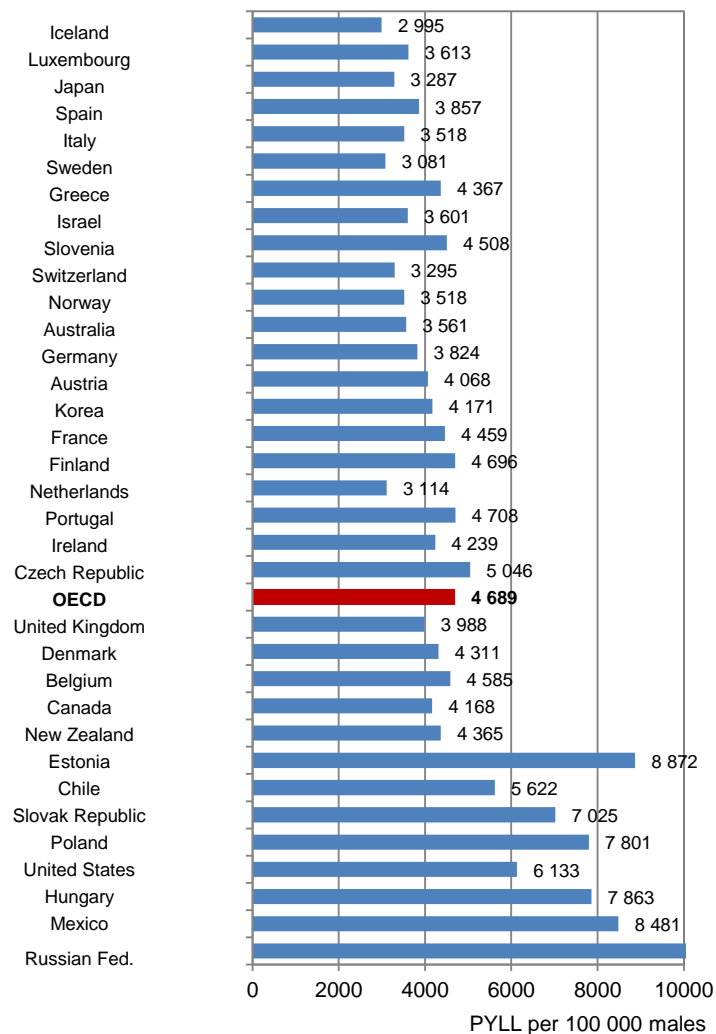
- Sustainability
- Effectiveness
- Patient satisfaction
- Equity / efficiency

# Potential years of life lost (PYLL), females and males, 2009 (or nearest year)

## Females

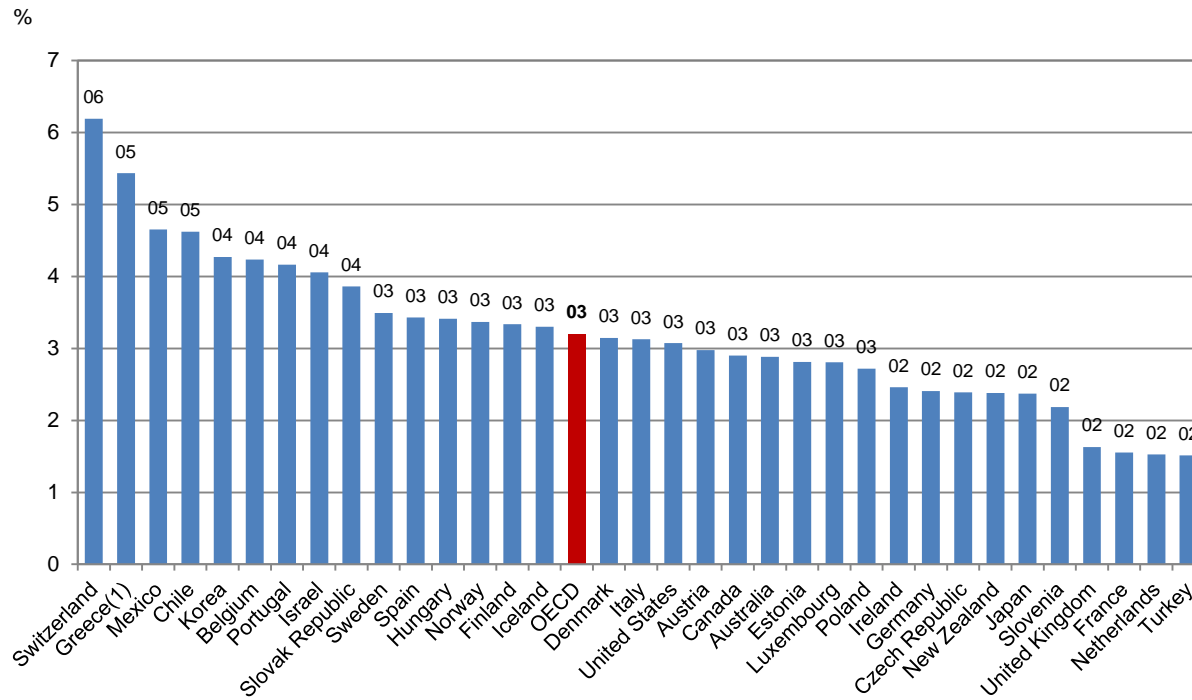


## Males



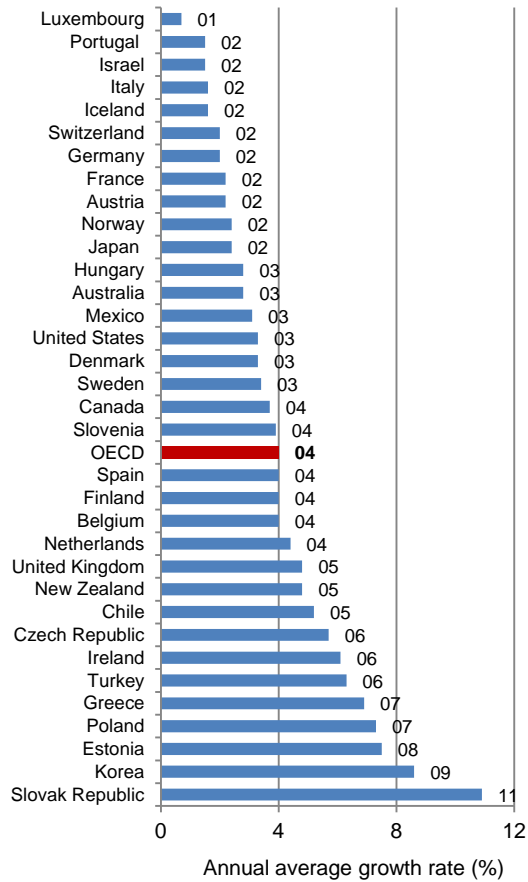
# Burden of out-of-pocket health expenditure

Out-of-pocket expenditure as a share of final household consumption, 2009 (or nearest year)

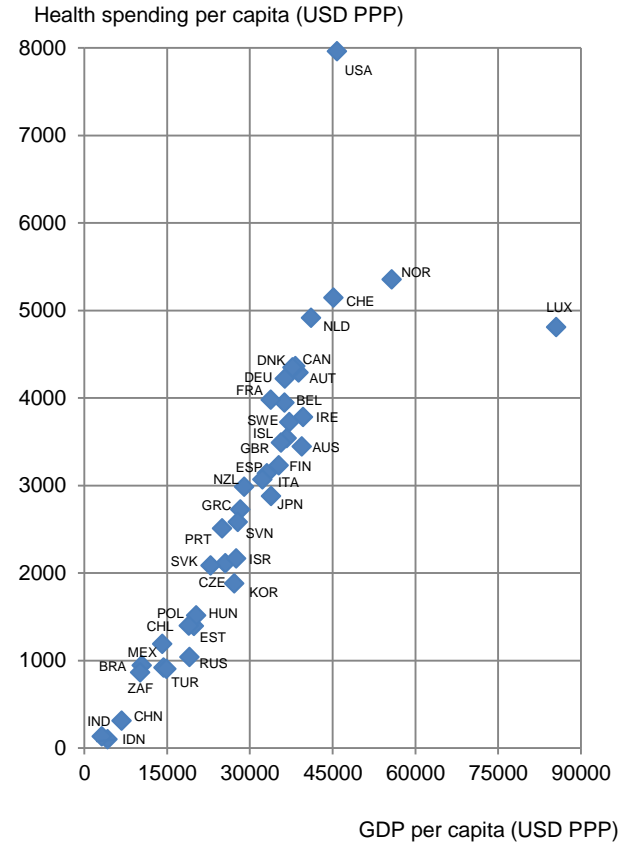


1. Private sector total.

**Annual average growth rate in health expenditure per capita in real terms, 2000-09 (or nearest year)**



**Total health expenditure per capita and GDP per capita, 2009 (or nearest year)**



# Health expenditures

- Economic crise
- Growth trend change in 2010
- Consequences?



# Growth of health expenditures

- Medical technologies (including pharma)
- Demographic trend
- Better coverage of population on health care access
- Better income of population

# Control of health expenditures

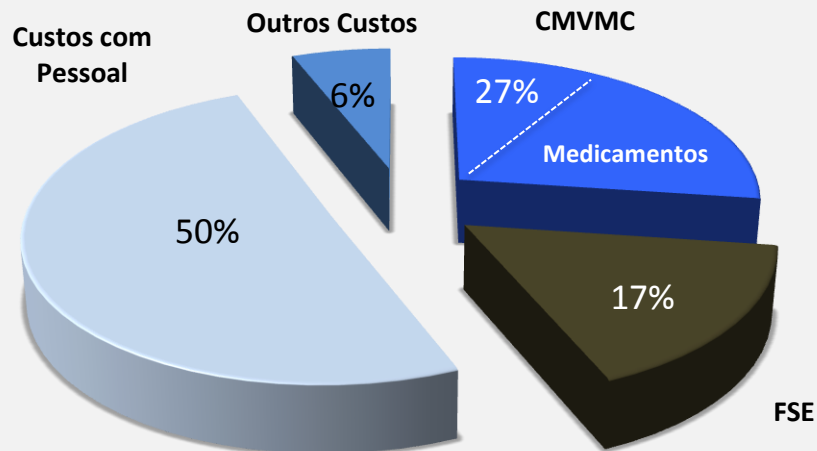
- Demand side
- Supply measures
- Co-payments
- Administrative restrictions to supply (to avoid demand induction)
- Fixed budgets

# Hospital financing

- Retrospective models
- Prospective models
  
- Global budget
- Payment per case (DRG or equivalent)
- Payment per patient
- Fee for service

# Hospital costs, Portugal

## Mix da Estrutura de Custos dos Hospitais - 2010

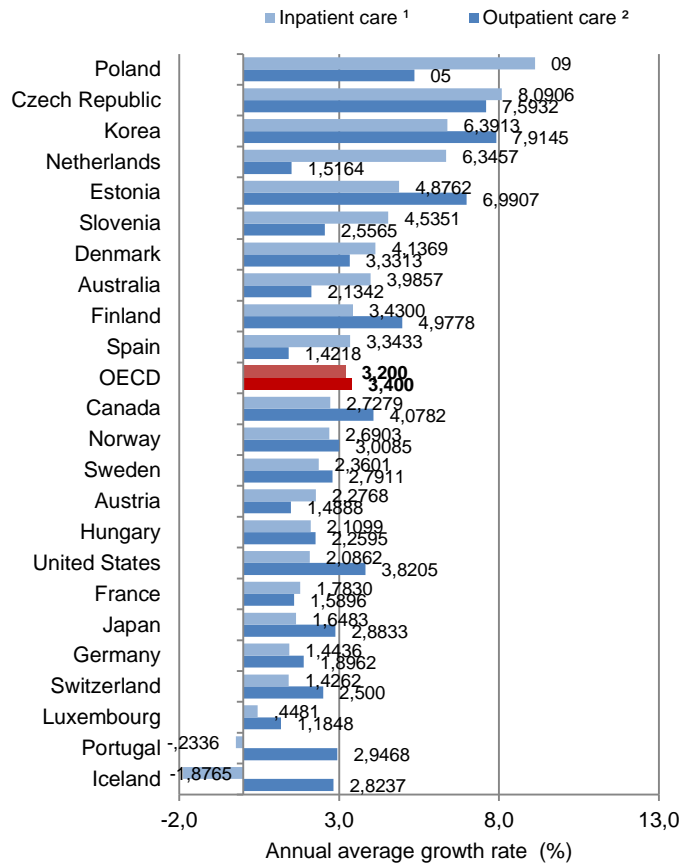


<u>CMVMC - 2010</u>	<u>em Eur</u>	<u>% Rel</u>
_CMVMC	1,600,244	100%
_Medicamentos	1,012,264	63%

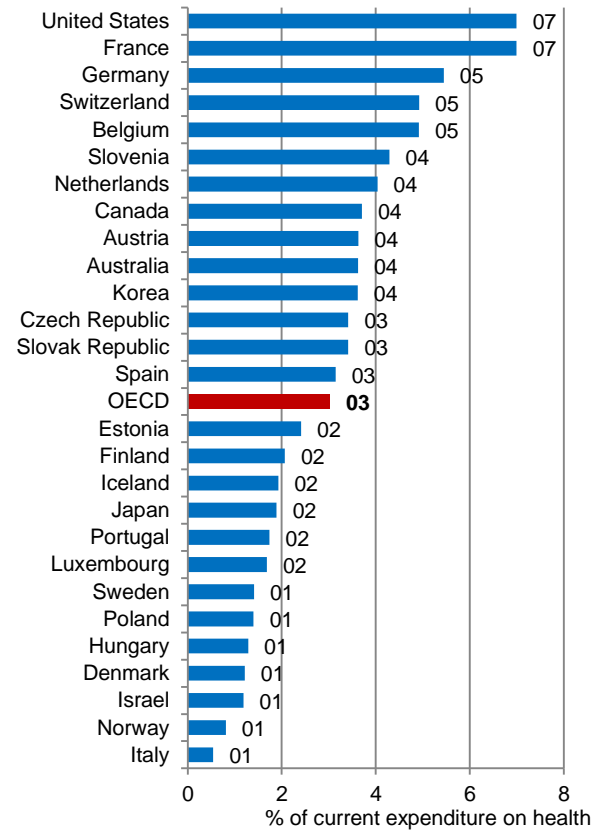
- Staff, 50%
- Pharmaceuticals, 20%

Fonte: in Relatório do Grupo da Reforma Hospitalar

## Growth in inpatient and outpatient care expenditure per capita, in real terms, 2000-09 (or nearest year)



## Expenditure on health care administration and insurance, 2009 (or nearest year)



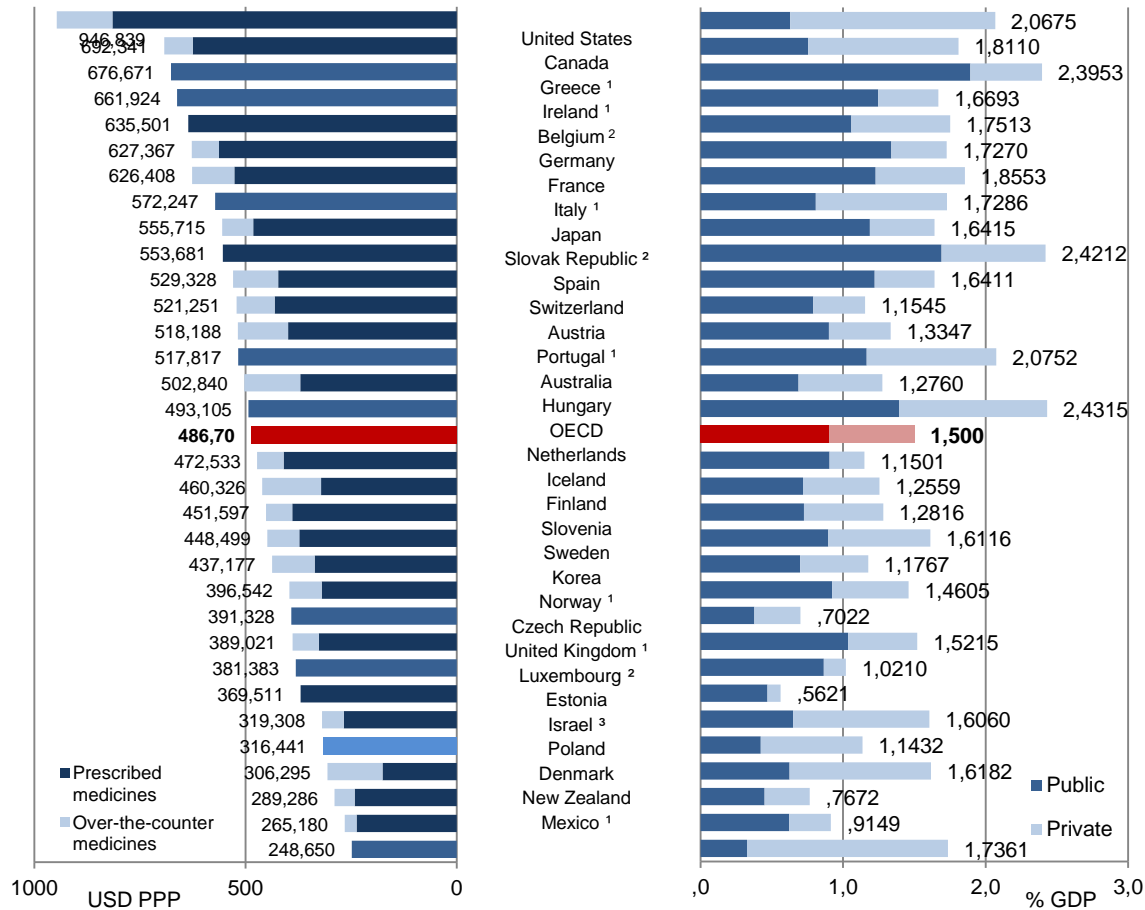
1. Including day care.

2. Including home-care and ancillary services.

Source: OECD Health Data 2011.

# Pharmaceutical expenditure

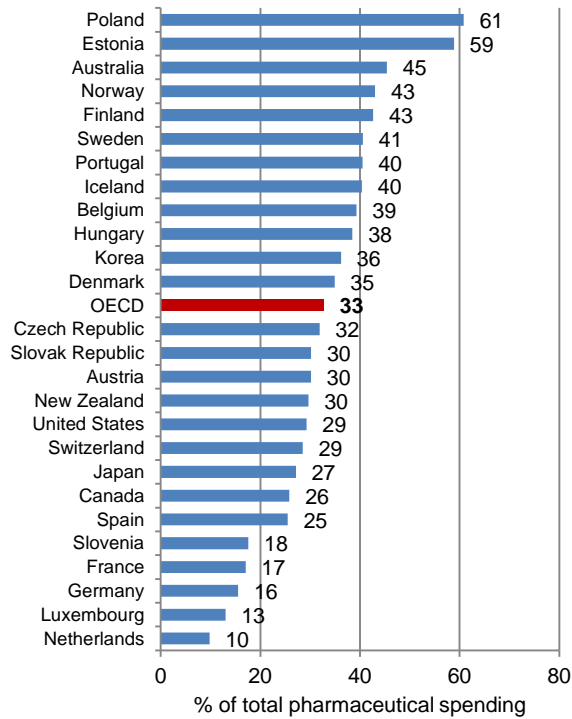
## Expenditure on pharmaceuticals per capita and as a share of GDP, 2009 (or nearest year)



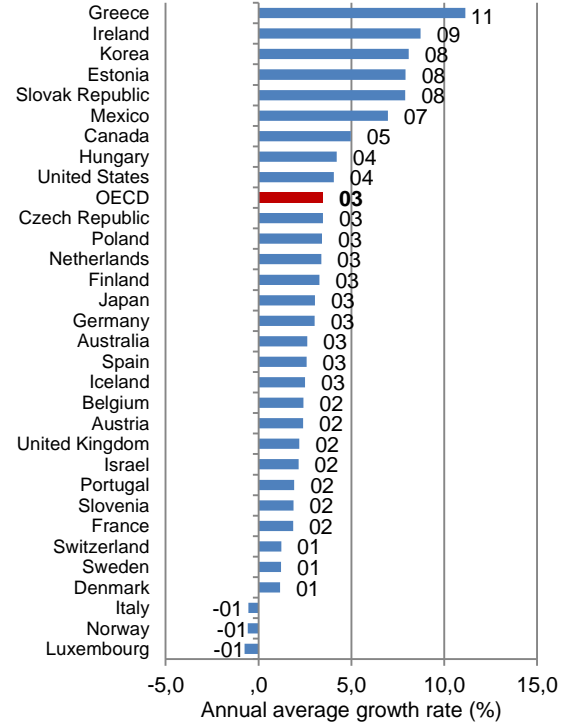
1. Cannot be separated and includes medical non-durables. 2. Prescribed medicines only. 3. Total medical goods.

Source: OECD Health Data 2011.

**Out-of-pocket expenditure as a share of total pharmaceutical expenditure, 2009 (or nearest year)**

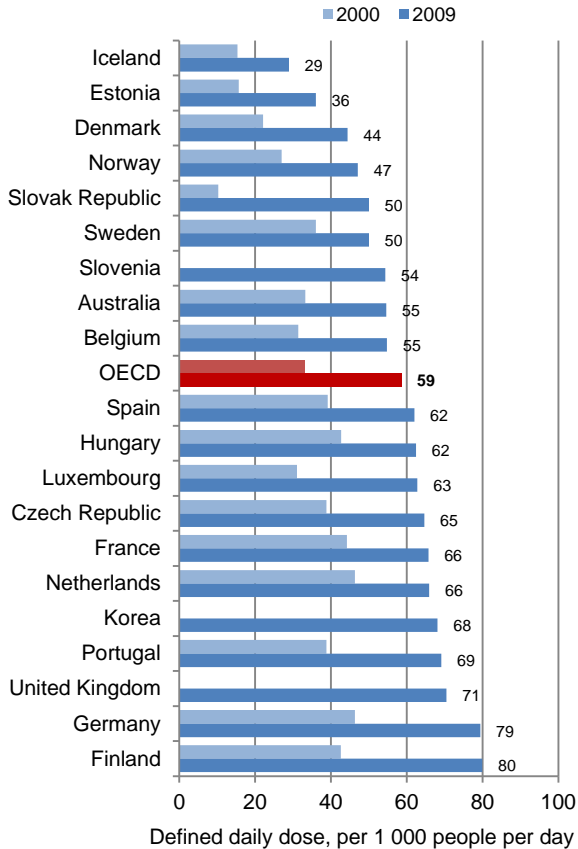


**Growth in real per capita pharmaceutical expenditure, 2000-09 (or nearest year)**

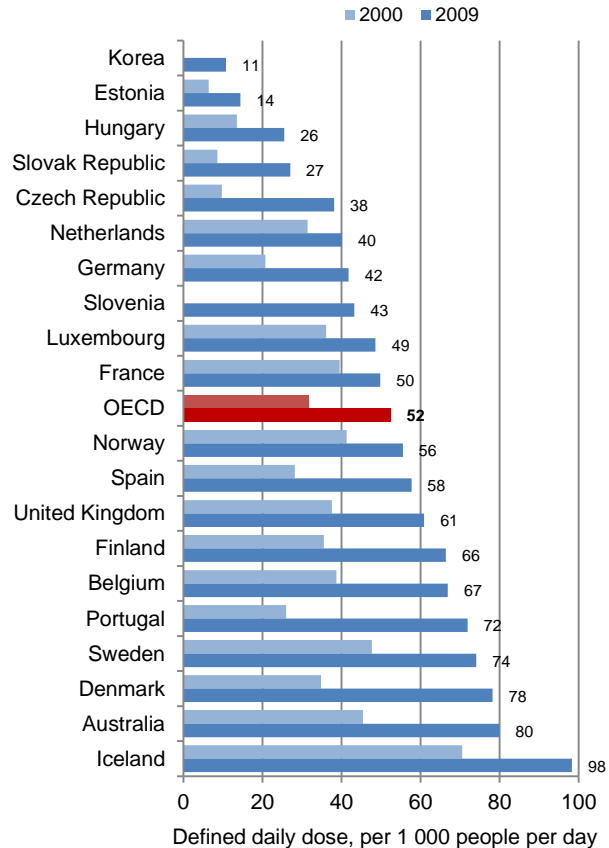


# Pharmaceutical consumption

**Antidiabetics consumption, 2000 and 2009 (or nearest year)**

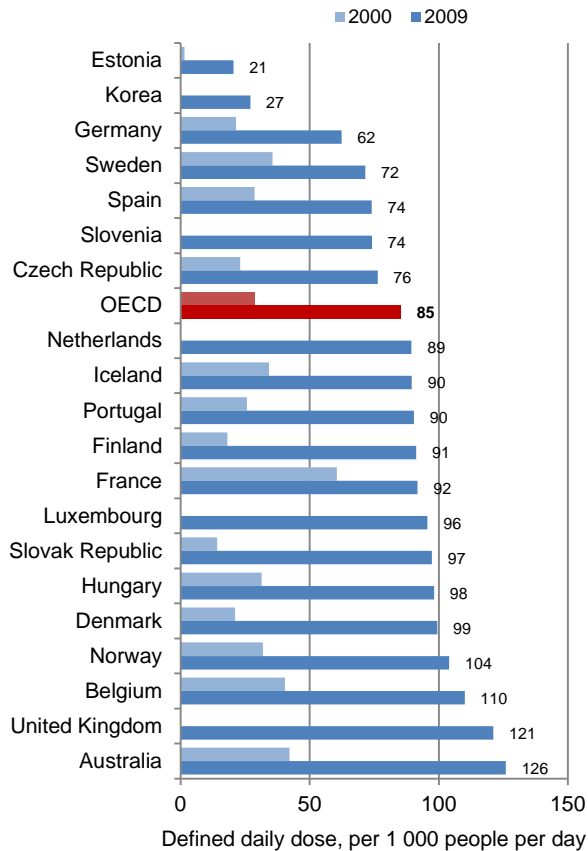


**Antidepressants consumption, 2000 and 2009 (or nearest year)**

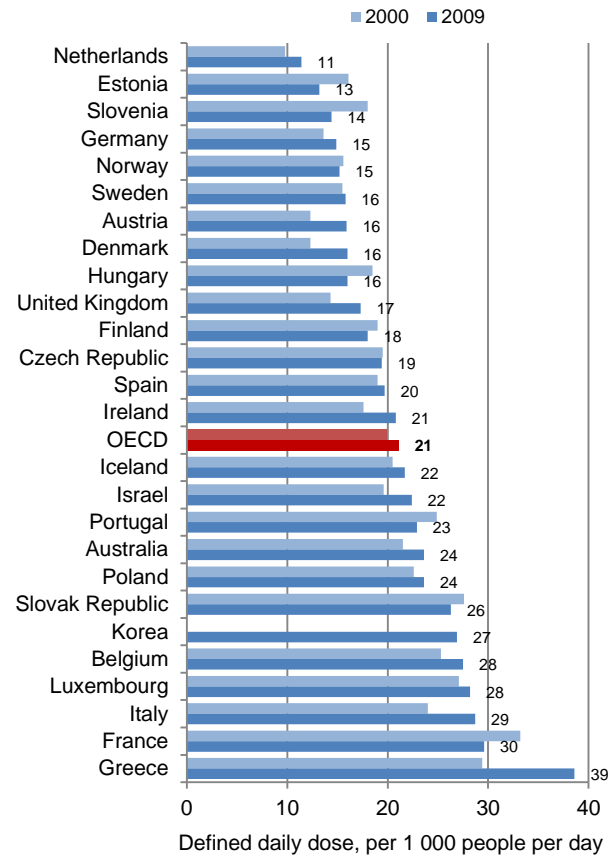




### Anticholesterols consumption, 2000 and 2009 (or nearest year)



### Antibiotics consumption, 2000 and 2009 (or nearest year)



# Control of pharmaceutical expenditures

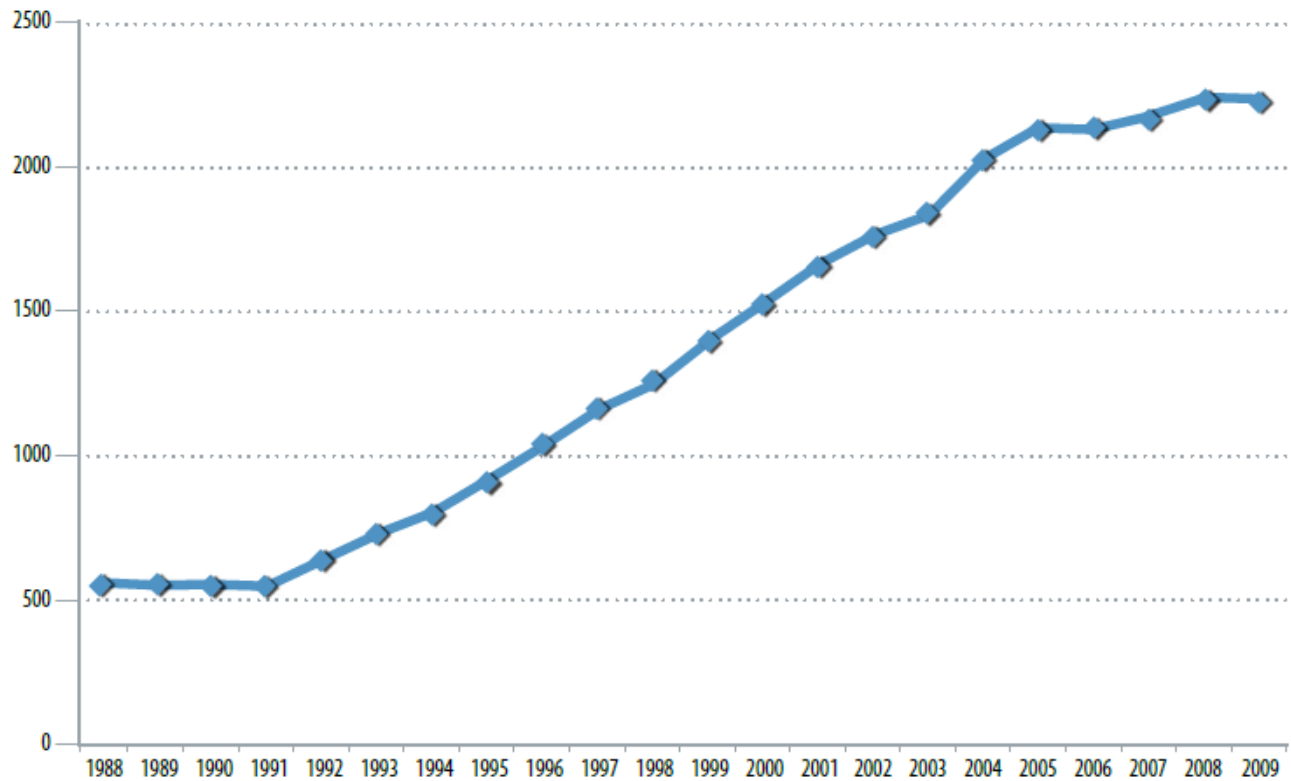
- Economic assessment (efficiency as criteria)
- Clinical budgets
- Price control
- Risk share

# Control of pharmaceutical expenditures

- Risk share with industry
- Risk share with providers
  - Public providers (does it works really?)

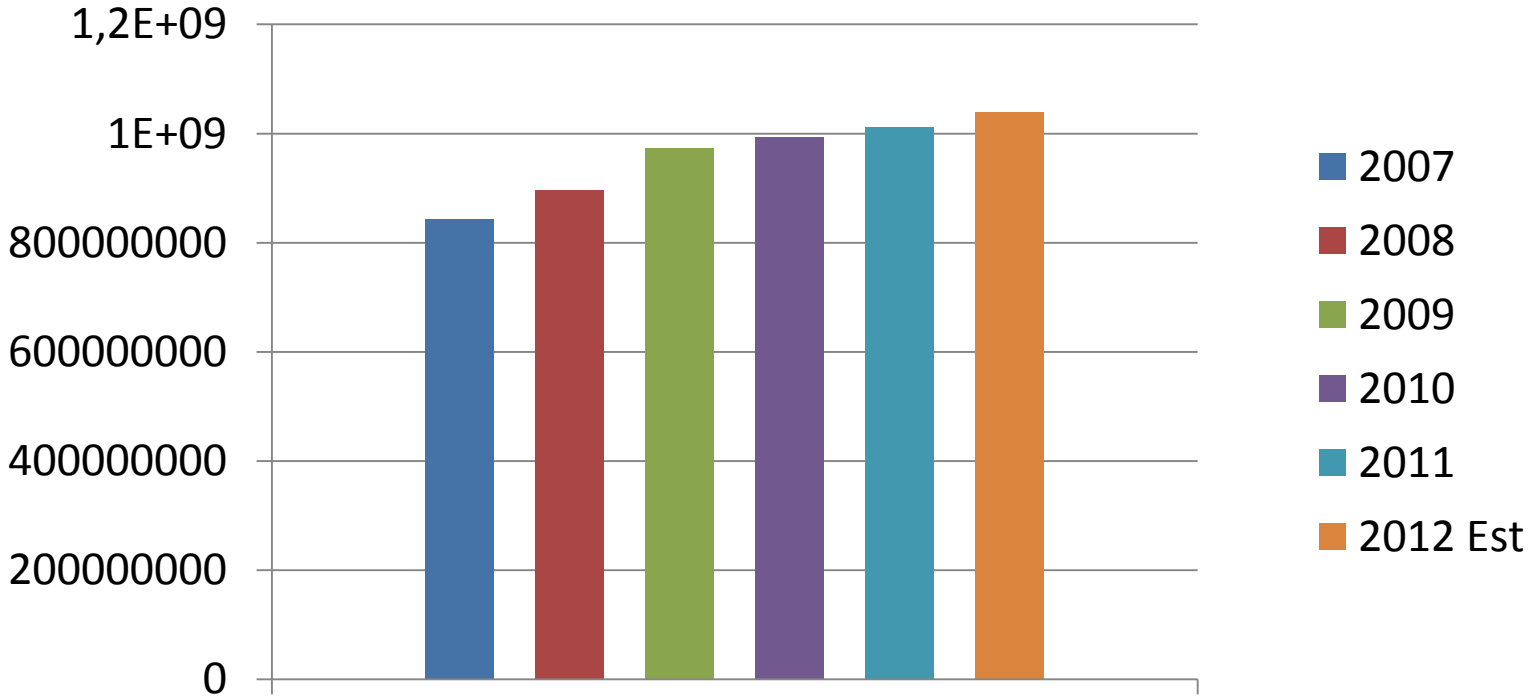
# Pharmaceutical expenditures Portugal

Figura 2.1: Despesa total em medicamentos

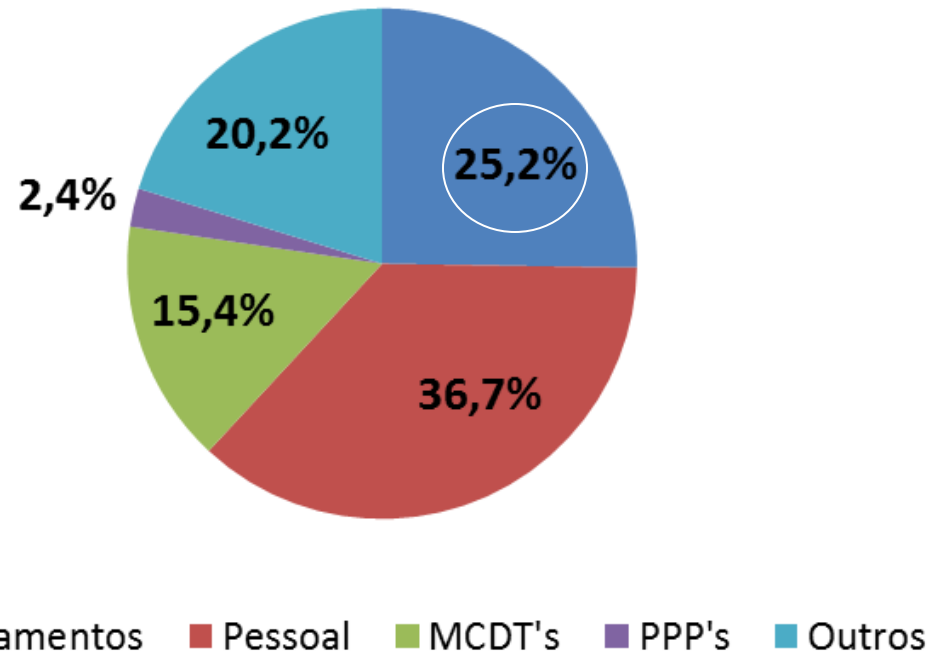


# Pharmaceutical expenditures in hospitals, Portugal

2007	2008	2009	2010	2011
843827398	895962774	972620821	993787331	1.012.518.276

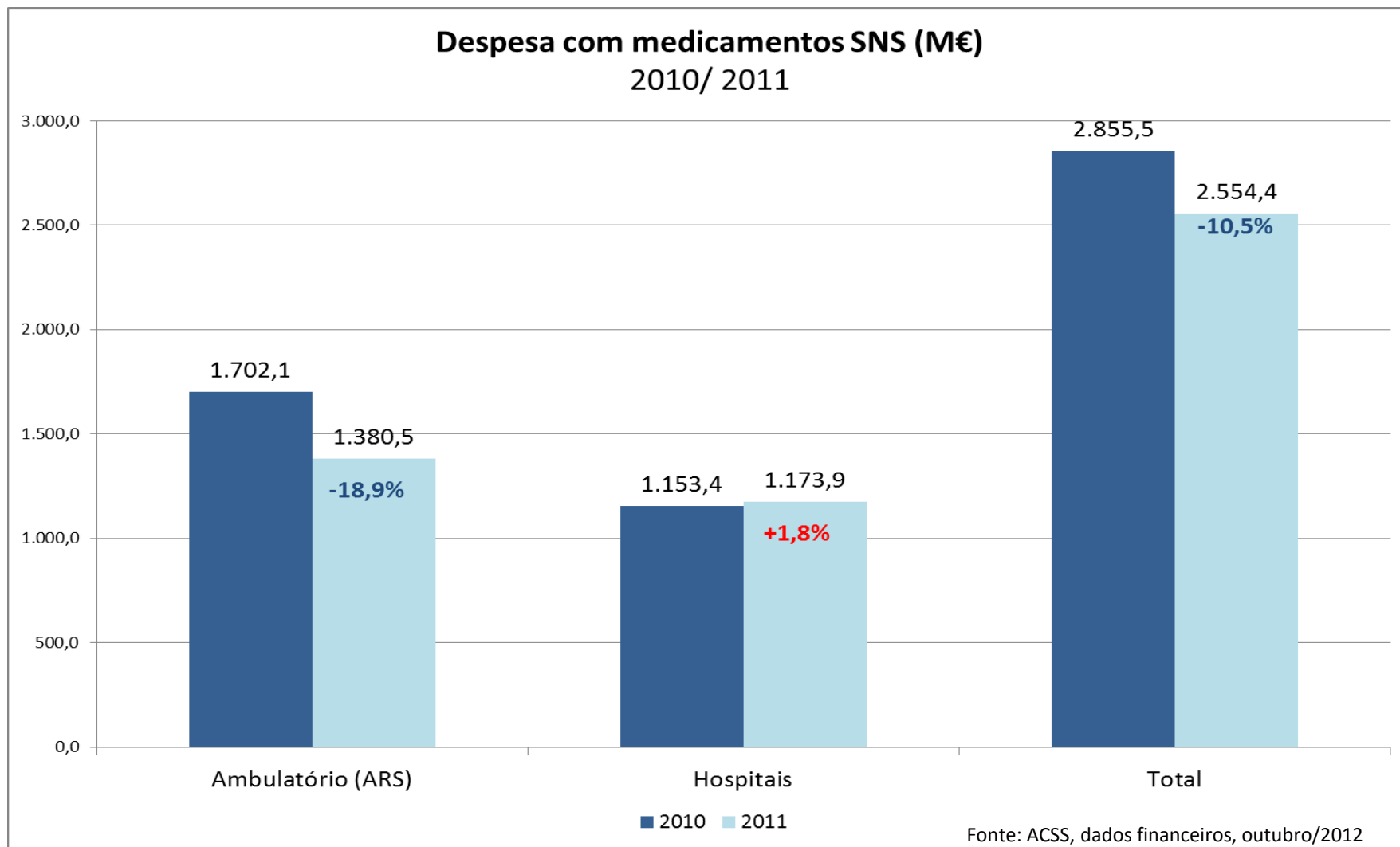


# Operational costs Portugal, NHS 2011



Fonte: ACSS, dados financeiros, 20/08/2012

# Pharmaceutical expenditures Portugal



# Control of pharmaceutical expenditures

## Portugal

- Troika MoU: reduce public expenditure to 1% of GDP in 2013
- Protocol with industry to fix expenditure limits
- Price reductions
- Prescription rules
- Incentives to generics
- Delays on innovation aprovals
- Economic assessment in hospitals drugs since 2007



# Control of pharmaceutical expenditures

## Portugal

- Public financing per patient
  - HIV (only pharmaceuticals)
  - Oncology (all care)
  - Renal failure (all specific care)

# Control of pharmaceutical expenditures

## Portugal

- Economic assessment
  - Guidelines since 1999
  - Societal perspective
  - Inclusion of direct, indirect and intangible costs
  - No explicit standard for decision

# Workshps

# Workshop 1

- Financing models of expensive drugs

**Identify risks of the option “payment per patient”**

# Workshop 2

- Pharmaceutical price and value of life

**Identify potential reasons why drug innovation is always more expensive. Compare with communication technologies**

# Workshop 3

- How to control budgets
  - A. How to improve budget capacity?**
  - B. How to consider potential savings in other sectors?**