

## **Europe cannot afford people in bad health Economics of health and care as a guide for investments**

*Hans Martens*

It is widely accepted that a new way of looking at Europe's health sector is necessary if we are to maintain universal health coverage. Financial resources are limited, and the sustainability of Europe's health systems is under threat. Economic growth is slow, health expenditures outpace GDP growth, public budgets are under strain and demographics – with a growing aging population – are putting pressure on the younger tax-paying generations. In an effort to ensure the sustainability of Europe's health systems, reforms, underpinned by a new understanding of the economic value of health for individuals and society is needed.

### **Bad health – a major economic burden**

The real costs of ill health include not just the direct costs of health and care, but also the wider socio-economic consequences and informal care needs. The number of Europeans who are not in good health – or at risk of ill health – must be reduced. In the coming years, Europe simply cannot afford its citizens not to be in good health.

Diabetes is a case in point. A recent study by the Danish Diabetes Association shows that the total cost of diabetes type II to Danish society is €4.3 billion annually. Of this, €1.8m billion is directly linked to loss of productivity as diabetes patients have higher unemployment rates, more absenteeism and retire earlier than other sections of the population. The direct health costs of diabetes type II is of a similar magnitude: €0.75 billion in health system bills, €0.86 billion for community care and €0.15 billion on medicines. Preventing disease at the onset and stopping its progression would bring significant economic benefit for health system, patients and society.

In the case of diabetes, roughly 40% of total costs relate to the wider economy rather than to the health system. This demonstrates that ignoring the broader socio-economic consequences and costs of ill-health – from the perspective of societies, health systems and patients – is short-sighted. A wider definition of the value of health would be needed across Europe.

### **How to shift attention from cost of healthcare to economic value of health and care?**

Reforming health systems requires making them more cost-efficient and investing in those interventions that are economically most advantageous. This should not prevent spending that will lead to improvements in the longer term and avoidance of healthcare in a first place. The priority should be to preserve good health and prevent the progression of chronic diseases.

The full value of investing in health and healthcare starts by measuring the outcomes for patients – the 'production side' of the health system – thus identifying the value of healthcare, measured as outcomes in relation to cost. In addition, the broader socio-economic value of individual's good health for the citizen, health system and society should be considered. Agreeing on how to measure outcomes has already proven to be difficult, and identifying the exact socio-economic consequences will not be easy, but that does not mean that we should not try. It is also worth to note that as disease burden

is heavily influenced by one's socioeconomic status, targeting disease prevention to those who are at risk the most would create maximum economic value, but also tackle inequalities.

The scarcity of resources has rightly directed the focus to the growing costs and inefficiencies in the health systems. The costs and pricing of drugs and medical technologies have especially received much attention. However, the largest costs in the healthcare system are linked to organisational aspects, such as management and wages, and further reforms are needed in order to tackle the related inefficiencies.<sup>1</sup> How institutions, doctors and nurses organise their work and spend their budgets will play a key role in ensuring successful reforms. It is important that the components of the health system work efficiently, allowing seamless connections between primary health care, hospitals, community care and home care. Developing integrated health systems where all components are under one administrative umbrella is needed. This can be further aided by the digitalisation of health systems.

While health system comparisons across borders have proven to be a difficult issue and countries fear being “named and shamed”, there is real value in benchmarking to identify best practices. Sharing experiences would benefit all member states: who gets the best results and by doing what? The member states should consider the benefits of the ongoing work on Health System Performance Assessment in the European Commission, OECD and elsewhere and explore how it could best help them in carrying out difficult reforms by identifying best practices and learning from these. In addition, the potential to use the European Semester and the country-specific recommendations to guide member states' economic policies and public finances should be fully utilised to encourage efficiency increases in health spending and smart investments in health.

Instruments such as the EU Directive on Public Procurement can play a role as well, by helping to change how health equipment, services, as well as medicines are purchased. Those deciding on procurement should identify the most economically advantageous offer providing the best price-quality ratio – not the cheapest product or the one offering only the desired clinical outcomes. Value-based purchasing and procurement of medicines and medical technology would be a big step forward.

The solution is not to exclude anybody or to use a cheese-slicer to cut costs, but to prevent diseases in a personalised way, and ensure smart and efficient healthcare delivery. This requires identifying waste in spending by making a link between cost and performance, and understanding the true value of health and healthcare systems. Patient-related or clinical outcomes are important but do not give a precise picture of the economic consequences for patients, health systems and societies. Only by assessing the broader socio-economic value do we get the necessary knowledge to make the right decisions about where to invest in health and care in the future.

*The arguments in this paper are further developed in a more comprehensive paper, which can be found [here](#)*

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*Disclaimer: The views expressed in this Commentary are the sole responsibility of the author.*

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<sup>1</sup> For an interesting analysis of waste and efficiency in health systems, see Efficiency estimates of health care systems in the EU, European Commission, Economic Papers 549, June 2015.