EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR HEALTH AND FOOD SAFETY

Unit B1 - Performance of national health systems

REPORT

Seminar on

"Strategic investments for the future of healthcare"

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MAIN MESSAGES SUMMARY

- There is an urgency to start restructuring care delivery, fuelled by factors such as chronic diseases, ageing population and health workforce shortages. To tackle the challenges, new care models are needed and their implementation requires essential investments and investments strategies.
- Involvement of a broad range of public and private partners and investors is required, with a combination of bottom-up and top-down approaches to realise the new care models.
- Several communities have to talk to each other: investors, health providers, policy-makers, regulators, universities, SMEs, etc.
    - The objective is to break barriers and end up talking the same language, and pursue common goals.
    - There is a need to create eco-systems where all different players can work together: stakeholder platforms, hubs, etc.
- Partnerships among purchasers and providers of care services are a fundamental element:
    - Various models are possible – there is no "one size fits all", the local context must be considered.
    - Partnerships preferably driven by local communities.
    - Role for a lead provider / service integrator.
    - Basic principle of trust and sharing responsibility, risks and benefits.
    - Incentives: payment-for-results, outcome-based payments, value-based contracting etc., are possible mechanisms for building a sense of joint ownership and responsibility – everybody becomes a "shareholder".
- Sustained financing is essential: for up-front investments and during a transitional period; long-term contracts also help with certainty until the benefits appear and bring the anticipated return-on-investment.
- Combination of funding from multiple sources is required: EFSI and other EU-supported financial instruments managed by the EIB/EIF can be essential enablers.
    - Plan how to access and blend financing components.
    - Need to raise capacities at all levels to manage new financial instruments.
- Broad scope for health investments exists, not just for infrastructure but also for e-health, service provision and reorganisation.
- An integrated investment approach should be pursued: Infrastructure,

technology and service models to be considered together.

- There is need for an enabling and encouraging regulatory environment for investments.
- Long-term thinking and strategy is required, with dual aim:

    a) Reform and delivery of transformed health services.

    b) Investment planning.

    A should condition B, not the other way around.

- Rethink contractual models for healthcare: no specific "new model" is evidently superior to others - results depend hugely on relationships, financial incentives and leadership.
- There is a need and an opportunity for smart investments to transform our health systems for the better – the time is now.

1. BACKGROUND AND RATIONALE

The seminar was organised by the European Commission's DG SANTE, with the co-operation of DG ECFIN, DG RTD and the European Investment Bank (EIB).

The event aimed to promote the Investment Plan for Europe and the European Fund for Strategic Investments (EFSI) in the health sector and to encourage the community of stakeholders in health to design and implement new forms of healthcare, which are necessary part of structural reforms in health systems. Channelling new forms of investments, including using EU financial instruments such as EFSI, which absorbs part of the investment risk and has benefited already major health projects in various Member States, can play a key role in this context. Finally, the event aimed to foster network and community building, especially across the public and private sectors, with a view of increasing dialogue and forming partnerships for pursuing investments in health.

National health systems in the EU face common challenges: ageing populations and a rise of chronic diseases leading to growing demand for healthcare; shortages and uneven distribution of health professionals etc. Furthermore, (public) financial resources available for health are constrained. Today's health systems are in need of reforms to tackle these challenges. New care models, which support a shift from hospital-centred to more community and integrated care approaches, are a crucial part of the reforms to improve the efficiency and sustainability of health systems.

Some regions in Europe have embarked on the implementation of new care models. Most implementations are at an early stage, at pilot level or small scale, but do show the benefits of transitioning to new care organisation models. Implementation at large scale is a challenge. One of the most significant barriers concerns the lack of investments and investment strategies. The difficulty lies with planning, accessing and blending financing components in a strategic way to meet the investment needs. This is coupled with the need to configure new and adapted contracting and business models that can encourage all involved partners (from the public and private sectors) to co-design, co-invest and co-deliver care models for the transformation of health systems.

The seminar sought to put all these aspects in perspective and discuss how stakeholders may address them in a practical context. The seminar gathered over 100 representatives from Member States and regional authorities responsible for developing and implementing investment strategies in health; economic development agencies; healthcare payers, managers and providers; related associations; as well as public and private investors active or interested in the health sector, including national promotional banks. Participants' testimonies showed that the event successfully addressed a knowledge gap and met significant and increasing interest in this topic.

2. THE INVESTMENT PLAN FOR EUROPE – WHAT CAN IT DO FOR HEALTH?

In the *opening session of the seminar*, **DG SANTE's Director-General Xavier Prats-Monné** welcomed the audience and set the background and purpose of the seminar.

In his opening speech, **Commission Vice-President Katainen** referred to the importance of the health sector for the European economy and highlighted the Investment Plan as a boost to investment in Europe, which has already shown results since its start in mid-2015, in various sectors including health. He gave examples of how the health sector has benefited, in particular, in the life science research, technology and infrastructure areas. He finally encouraged participants to consider EU financial instruments, and specifically the European Fund for Strategic Investments (EFSI), for their investment projects and to seize the further potential EFSI has for the health sector.

In his keynote speech, **EIB Vice-President Fayolle** reminded of the financing possibilities for the health sector provided by the EIB, not only under EFSI but beyond. The EIB has invested EUR 28bn in the sector in the last 20 years, primarily in life sciences innovation and health infrastructure. The Investment Plan for Europe will allow the EIB Group to invest further volumes in more projects and in higher-risk areas, including for SMEs, mid-caps and social enterprises in the health sector. He illustrated this with concrete examples. He invited participants to explore and make use of such investment opportunities.

In the *session devoted to the Investment Plan for Europe*, the chair **Director Benjamin Angel** from **DG ECFIN** referred to the key partnership that brought the European Commission and the European Investment Bank to jointly deliver EFSI. In this session, the EIB Group explained the opportunities EFSI offers in catalysing in practice investments in the health sector: scope, procedures and examples (the presentations are available here).

Felicitas Riedl, Head of the EIB Life Sciences Division (Projects Directorate), presented an historic overview of EIB financing in health, current challenges in the sector, the scope of eligibility, and future perspectives to financing including with the support of the EFSI guarantee. Finally, she presented two case studies on projects supporting innovative health care models. **Remi Charrier, Head of Institutional Business Development at the European Investment Fund (EIF)**, presented replicable examples where EIF has supported health companies and clinics which are SMEs or mid-caps. He explained the financing stages and the investment paths under the various EIF mandates, and the structure of possible financing vehicles or funds.

Dana Burduja, **senior EIB economist**, presented the **European Investment Advisory Hub (EIAH)**, a platform set up under the Investment Plan within the EIB advisory structures. The EIAH, pulling expertise from various EIB teams, partners and expert networks, offers a single access point to a comprehensive range of advisory and technical assistance services to support the development, structuring and financing of projects, as well as to achieve effective implementation of EU financial instruments. 5.6% of the requests received by the EIAH are so far from the health sector.

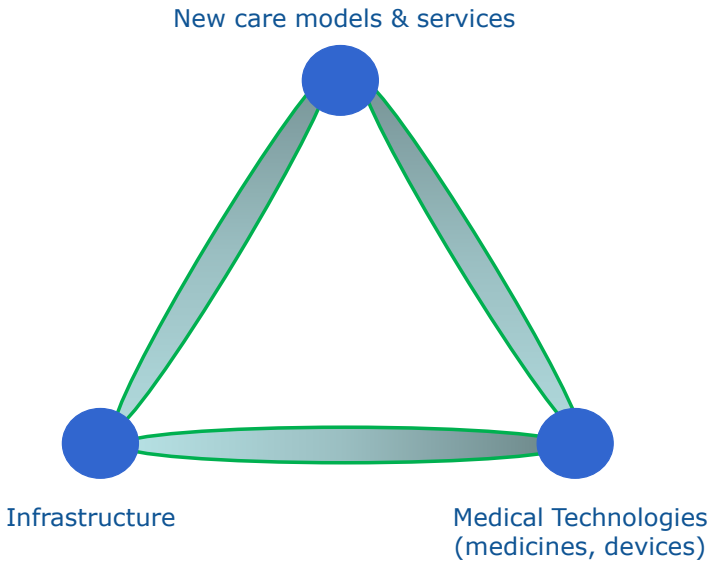
3. PLANNING AND BLENDING MULTI-SOURCE INVESTMENTS

For the first part of the session, a number of keynote speakers gave examples of investment strategies and approaches which can support transformation to new care

models (see the speakers and presentations here). In the second part of the session, the participants were split into working groups, which each discussed a number of related issues.

The **main messages** from the **presentations** and the working group **discussions** are:

- Long-term thinking and strategy is required, with dual aim: (a) reform and delivery of transformed health services; and (b) investment planning and purchasing strategy - with (a) conditioning (b), not the other way around. New solutions to delink investment decisions from short-term political cycles should be pursued. Investments and purchases need to be done according to overall health strategies to ensure that they will bring the desired results. Health Technology Assessment has a role in supporting purchasing strategies.
- Investments in health need a strategic framework, an umbrella strategy combining different sectors. The difficulty is to adjust both this framework and the funding possibilities.
- Investments in health infrastructure cannot be disconnected from other activities, especially reforms in health systems. Infrastructure must fit technology and care models. Creation of new infrastructure and technologies must be directed to providing better access to health services. In fact, an integrated investment approach is required: infrastructure, technology and service models to be considered together – an "investment triangle in health".



- The way in which societies and economies function changes, with ICT gaining a more important role and with people expecting that more health and social care services will be offered online. The role of ICT is to support all three vertices of the triangle: infrastructure, medical technologies and care models.
- The vast majority of investments in health systems come from state and local budgets, so the authorities' perspective cannot be ignored. In fact, a shift in government funds is starting to take place, to support reforms.

- Authorities and institutions at national/government level have different tasks than the ones at local level. The former should be responsible for setting goals and designing general strategies and strategic frameworks, whereas the latter know the context in which investments are to be done, thus they should be responsible for taking the relevant decisions. We should not expect national governments to prepare detailed investment plans; on the contrary, one should proceed with regional and local roadmaps.
- There is no "one size fits all" approach for funding, as the health systems are different. An approach which works well in one Member State, or region, may not be directly applicable elsewhere.
- The two key elements for better use of available financing instruments are: (1) political will, and (2) putting together all the relevant stakeholders.
- A broad perspective for health investments is required, with involvement of a broad range of partners/investors. There are roles for both public and private sectors – and these may need to collaborate more strongly than before.
- Health authorities need to think outside their “budget silo” in the Ministries of Health.
    - Health authorities can, for instance, work more closely with the Economic Development Agencies to support the transition to new care models, given the remit of these agencies to promote innovation and growth.
    - Another approach, already applied, is to explore a combination of European financing and public-private co-financing (perhaps though a PPP consortium), to support the infrastructural needs of transitioning to new care models, whilst the service needs of these models are supported by the national health budget.
- Ultimately, there is a necessity to combine financing from multiple sources, which in turn requires planning how to access and blend financing components. This is best done as part of the bottom-up strategy to implement new care models at regional/local level.
- The following possibilities were identified, on the basis of existing experiences or anticipated developments, as the most typically supporting investment in the respective areas:
    - Infrastructure: lending (from the EIB, including guaranteed financing under EFSI, national promotional banks and other financial institutions), European Structural and Investment Funds (ESIF), national and regional funds, Public-Private Partnerships, private care providers.
    - Technology development typically supported by: lending and equity (from the EIB, including guaranteed financing under EFSI, InnovFin (Horizon2020), national and regional innovation funds, Economic Development Agencies, European funds (Horizon 2020, ESIF), private Venture Capital, industry co-funding and charity.

- Care/service models can be supported by: [anticipated] lending (from the EIB, including guaranteed financing under EFSI, InnovFin (Horizon2020) national promotional banks and other financial institutions), European Structural and Investment Funds (ESIF), national and regional funds, social investors, impact investors and local investment impact funds, private care providers and private health insurers.

- However, in line with the "investment triangle in health", anticipated developments point at increasing integration and synergies between the different financing approaches and streams and merging the three areas, or in a 'chain of innovation' approach following one another (e.g., technological SMEs will be boosted by the anticipated demand emerging from contracts for innovative tools and services).
- European Structural and Investment Funds (ESIF) have already been used to finance reforms of healthcare systems, but also research and innovation. However some evidence from the ground (e.g. in the UK) shows that ESIF programmes need better tailoring, something which requires the collaboration of regional and local healthcare actors.
- A possibility of using EFSI to implement initiatives under the European Innovation Partnerships on Active and Health Ageing (EIP AHA), as well as the Smart Specialisation Strategies defined under the ESIF framework, was suggested as a clear opportunity.
- The EIT (European Institute for Innovation and Technology) expertise and networks were also mentioned as an additional resource to support investment.
- EIB Jaspers was referred to as a platform for technical assistance with major ESIF projects, including for blending financing and interventions under EFSI.
- The rigidity of ESIF regulations and financial rules can be an obstacle to investment and blending with other financing; there are also no clear synergies yet on the ground between ESIF and EFSI, ESIF are geographically-bound, and public providers struggle sometimes to access investment financing.
- There is a need to rethink contractual models with private investors, to encourage them to engage in health reforms and new care models. The same is required for business models, in relation to the expected return-on-investment. Areas that can serve as examples on how to attract investors to initiatives that appear risky or difficult to assess from a financial point of view are: environmental projects and green bonds.
- In order to modernise/upgrade the health system one has to think about the business case and cross-sectoral approach, e.g., linking healthcare with energy efficiency. The impact of any investment in health should be properly assessed, not only in terms of improved health outcomes, but also more broadly on job and income creation, R&D, households' debt reduction, etc.

- Several communities are affected by any investment decision and should be actively involved: investors, SMEs, health professionals and healthcare providers, politicians, regulators, universities, etc. Communication between and within communities should be facilitated, with easy circulation of information, and possibly making use of concrete examples. This would also help get rid of barriers between communities.
- Different communities should be brought together in ecosystems (hubs, platforms), where they can build common languages and reach shared objectives and plans.
- Benefits should be linked to investments: those who invest should have a return. No negative externalities should appear for example, situations in which someone brings the capital and a different player profits from the benefit.

4. PARTNERSHIPS, CONTRACTING AND BUSINESS APPROACHES FOR NEW CARE MODELS

In the first part of the session, a number of keynote speakers presented options for partnerships, contracting and payment approaches between purchasers and providers of services, with real examples from national and regional experiences in Europe (see the speakers and presentations here). In the second part of the session, the participants were split into working groups, which each discussed a set of related issues in more depth.

The **main messages** from the **presentations** and the working group **discussions** are:

- Partnership and collaboration are key ingredients for implementing new models of care delivery.
- A range of options for integration of service providers exists – subcontracting, contractual joint ventures, corporate joint ventures or mergers - with differing approaches to contractual partnerships, their governance and the degree of sharing risks, assets and rewards among partners.
- Pooling of budgets for primary care, community services, hospital services and social care is an approach considered in models that target integration of care.
- There is a role for a "lead provider" or a "service integrator" to manage the partnership and interface with the local authority that procures the range of services in a new care model. A new and neutral entity (neither representing payers nor existing providers) may be helpful in taking over this role and coordinating the co-operation.
- Arrangements between payers and service providers for new care models should take into consideration the local context and specificities. The local community should take the lead in forming the necessary partnerships.
- The same applies to the design of care models. There are some building blocks/key elements which need to be present in each model, however each

system is specific, therefore the implementation of a new care model is a matter of adaptation not copying. There is no “one size fits all”.

- Having a platform to exchange knowledge/practices and to support twinning between similar health care systems, regions etc. is crucial in this regard. This can be fed with analysis of practices to identify what works well, where, in which context, with which incentives and what the pertaining success factors are.
- Trust is very important for the partnership to function properly. It concerns, for instance, letting private entities enter areas which were exclusively public before.
- Sharing responsibility, accountability, risks and benefits is an important principle.
    - Contractual agreements between purchasers and providers of services on a "shared risk - shared benefits" basis start to feature in integrated care.
- Another important principle is value. Measuring value and outcomes of investments, in terms of performance in new care models, contributes strongly to designing contractual relations between the public and private sectors.
    - Performance-related payment schemes, also known as "payment-for-results", "outcome-based payments" or "value-based contracting", gain more consideration. By making a percentage of the overall economic compensation to service providers dependable on results/health outcomes achieved, the aim is to stimulate improvement of service provision, quality and efficiency of care.
- It takes several years to see the benefits from redesigned care services and to realise the return on the (start-up) investment. This underlines the importance of long-term contracts to give a degree of certainty to the partnership.
- Some proxy indicators can be used to provide “early” evidence that the partnerships and care models are on track to deliver outcomes and value.
    - Healthy life years, number of avoidable hospitalisations, mortality rates, cancer survival rate, level of delayed discharges and number of days of absence due to health problems were suggested as indicators already existing and ready to use. The European Core Health Indicators (ECHI) and the work of the International Consortium for Health Outcomes Measurement (ICHOM) can be useful in this regard.
- Private service providers are being increasingly contracted by public authorities that seek to outsource services such as telemedicine consultations. There is however, significant resistance from healthcare professionals, and often the public, to the involvement of the private sector in provision of health services. This highlights the issues around building partnerships. A key element is to focus on the user and on systemic changes, and balance the trade-offs between public value and commercially viable approaches.
- A very important aspect with regards to the above is the availability of data, which in turn requires a system for measurements, data collection and analysis.

Full access to good and timely data is essential to build an effective incentive system.

- Incentives should be developed for providers and for patients (who have to be actively involved). The rationale behind incentives is to internalise the benefits; providers should be shareholders of programmes that are delivered as part of new care models.
- The services need to be based upon patient needs, with patient outcomes and experience being the driving forces.
- Incentives should be linked to outcomes, not to procedures or inputs. They should be set up at population level, not individually. Incentive approaches shall consider that the benefit will often take place in the long run, especially in the case of prevention activities.
- Up-front investments must be provided to finance the start-up of any new activity. The public administration inevitably has to (at least partly) lead on innovative investment processes, including by acting as entrepreneurs, and cultivating the proper skills (the role by "regional hubs or integrators" was mentioned in this context), and especially when very long-term approaches (30-50 years) lacking immediate viability (e.g. anti-microbial resistance, biodefence) are needed.

5. CONCLUSIONS AND NEXT STEPS

In the concluding session, chaired by DG SANTE's Director-General Xavier Prats-Monné, a summary of key messages emerging from the two networking sessions was presented (see main messages summary box).

The Honourable **Christopher Fearne, Minister for Health (Malta)**, **Clemens Auer**, Director-General, **Ministry of Health (Austria)**, and **Vlasta Kovačič Mežek,** Assistant Director General, Directorate for Healthcare Economics, **Ministry of Health (Slovenia)**, presented their views, the insights that, as Member States representatives, they would take home from the seminar and the way forward they would propose.

It was highlighted that, for all levels especially the European level, it is necessary to keep disseminating and raising the awareness on the Investment Plan for Europe, the various EU financial instruments and the role of the EIAH, and to simplify its access and operation. For national and regional public administrations, the need arises to build capacities in accessing, blending and managing the various, especially the new, financing streams. If this is not done, accessing the variety of financing sources remains a question. A few existing regulatory barriers, e.g. impeding the public entities in some countries to access loan financing may need to be reconsidered. However, it is also acknowledged that the EU-level financing will never cover all needs in all corners in Europe; on the contrary, it is just a welcome complement and boost. One clear way forward, however, was for all to look for opportunities outside the traditional health budget silos (at national

and EU levels) and to design forward-looking and all-encompassing investment strategies.

Commissioner Vytenis Andriukaitis closed the event by emphasising that health systems in Europe are at a juncture of change, which requires measures of support in terms of: (a) investing in the transformation of healthcare delivery models, and (b) implementing the new care models in the right way in order to see the expected benefits. These two aspects need to be addressed together; because on their own, none of them will bring any results.

Regarding investments, the times are asking us to become more creative and think more strategically how to access and combine financing from various – and new – sources. One needs to look beyond the budget typically allocated to a Ministry of Health and explore opportunities in partnership with the Ministry of Finance and those offered by national or regional Economic Development Agencies, by National Promotional Banks, or link to other types of investors and consider public-private partnerships where these appear promising, and of course, try to take advantage of the opportunities which the Investment Plan for Europe and other EU funding programmes offer.

When it comes to implementation of new care models, two underlying principles are: "collaboration" and "partnerships". When all concerned stakeholders – politicians, care authorities, care professionals, citizens/patients, service providers, technology providers and investors – are committed to working together, this creates a favourable environment for the design and deployment of new care models. A number of good practices are emerging, which - individually and collectively - offer insights into how to design and implement successful new models. These are complemented by guidance and tools, such as those developed by the Action Group on Integrated Care of the European Innovation Partnership on Active and Healthy Ageing.

The European Commission is ready to support such collaboration and partnerships:

1) It encourages the strategic use of the EU financial instruments for the health sector.

- The seminar conclusions will feed into the Commission-EIB discussion on how the EIB/EIAH may provide the best financing and technical assistance to project promoters in the health sector, i.e. exploiting (existing or adapted) financing schemes, providing support for strategic planning and blending of multi-source financing.
- In particular, a market review to size financing gaps, investors/promoters' demand and opportunities arising from sub-optimal market situations or un-served market niches in the healthcare sector is planned with the EIAH.

2) It facilitates the identification and dissemination of good examples of new care models, i.e. aspects such as their design principles, governance, business and financing models and evidence of their benefits.

3) It supports actions to promote relevant networking, knowledge exchange and mutual learning.