

## **EXPERT PANEL ON EFFECTIVE WAYS OF INVESTING IN HEALTH**

### **Request for an opinion:                      Defining value in “value-based healthcare”**

#### **Background – Rationale**

Based on the Commission communication from 2014, the Commission aims to support its Member States in moving towards effective, accessible and resilient health systems. In this respect, effectiveness refers to the health system’s ability to produce positive health outcomes, i.e. to improve the health of the population. Access is the result of interactions between different factors, including health system coverage, depth of coverage, affordability and availability of healthcare services. Resilience is the ability of the health system to adapt effectively to changing environments and apply innovative solutions to tackle significant challenges with limited resources.

Health systems today are under pressure to adapt and to modernise due to the rising costs associated with ageing populations, new technological developments and changing epidemiology. In this context, it is becoming increasingly important for health systems to spend the resources they do have wisely and efficiently.

By and large, the status quo is that health systems are still paying for medical goods and services in terms of inputs, i.e. procedures carried out or volume of medical goods purchased. However, there are some examples of providers taking a more holistic approach and considering the outcomes of the treatments, rather than purely input costs, to inform their spending decisions.

Market competition is effective in some sub systems of healthcare, (e.g. for some out of patent medical products, but also for on-patent products through dynamic competition) and public payer mechanisms to incite competition may exist in other sub systems (e.g. the use of DRGs in selective contracting to incite price competition among hospitals). However, this is not always the case.

Therefore, value-based health systems are seen by some as a system change which could improve the quality of health care for patients, while simultaneously making health care more cost-effective. However, there is no single definition of value-based health care or even of what value means in the health context. What a patient considers valuable may not be the same as what a physician considers valuable. Moreover, the interests and values of different stakeholders, such as payers, health care providers or producers of medicines and medical devices will not be aligned.

Currently value is often discussed and defined as “health outcomes relative to monetised inputs” and focuses on a health care management approach aiming at increasing cost-effectiveness. These discussions are also linked to considerations concerning performance-based payment systems, and are being proposed more and more by the pharmaceutical industry when it comes to drugs and device pricing. On the other hand, there are at least three different aspects of value, which may also need to be considered: 1) personalised value, meaning that an individual receives appropriate care; 2) allocative or population value, referring to the distribution among population sub-groups; 3) utilisation value, relating to the best outcomes with the available resources. Furthermore, other aspects of value could also

include considerations concerning population-level externalities (e.g. herding effects from immunisation, AMR associated with antibiotics use), solidarity, the market, social cohesion, equity and sustainability.

Given the many different aspects, many of which are dependent on stakeholder interests, it is important to define the different approaches to value and develop a more holistic view of value in a wider health system context, encompassing the aspects mentioned above and taking account of society as a whole. Such definitions will be a prerequisite for assessing how the concept of value can help achieve the Commission goal of building effective, accessible and resilient health systems.

### **Terms of Reference for the Expert Panel on Health**

The Expert Panel on effective ways of investing in Health is requested to provide its analysis on the following points:

- (a) How do you define value in “value-based healthcare”? What aspects of health systems could the different definitions cover?
- (b) How can “value-based healthcare” inform decision making, contribute to health system transformation, and help health systems across the European Union become more effective, accessible and resilient?

### **Timing**

Finalisation before the summer break 2019.