



EU Country-Specific Recommendations on Fiscal sustainability of health systems

European Commission
Directorate General for Economic and Financial Affairs

SGGP meeting
Brussels, 7 June 2019

Outline

- **Country Specific Recommendations (CSRs) on the fiscal sustainability of health systems**
- **What is fiscal sustainability and how is it assessed?**
- **What relevance do fiscal sustainability CSRs have for Ministries of health?**
- **Conclusions**



Article 168 of the Treaty on the Functioning of the European Union

"Union action shall respect the responsibilities of the Member States for the definition of their health policy and for the organisation and delivery of health services and medical care"

Health Care in the European Semester

Health systems analysis in the European Semester:

1. **Sustainability of public finances** – additional public spending on health care due to the ageing of the population as contingent liability in future countries' budgets.
2. **Social protection & employment** – equal access to quality health care reduces social inequalities, increases employability and labour productivity.
3. **Investment** – linked to the above.

Health Care in the European Semester - CSRs



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European Semester 2019:

- 16 CSRs on health care
 - **CZ, IE, MT, AT, PT, SI, SK, FI** on fiscal sustainability grounds
 - **BG, CY, LV, LT, HU, RO, PL** on social protection (access) or investment grounds
 - **EL** post programme country

| Member States / Health Care CSRs | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2012-19 |
|----------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| Belgium | X | | | | | | | | 1 |
| Bulgaria | X | X | X | X | X | X | X | X | 8 |
| Czech Republic | | X | X | X | X | X | X | X | 7 |
| Germany | X | X | X | | | | | | 3 |
| Greece | | | | | | | | X | 1 |
| Ireland | | | X | X | X | | X | X | 5 |
| Spain | | X | X | X | | | | | 3 |
| France | | X | X | | | | | | 2 |
| Croatia | | | X | X | | | | | 2 |
| Hungary | | | | | | | | X | 1 |
| Italy | | | | | X | | | | 1 |
| Cyprus | | | | | X | | X | X | 3 |
| Latvia | | | X | X | X | X | X | X | 6 |
| Lithuania | | | | X | X | X | X | X | 5 |
| Malta | | X | X | | X | X | X | X | 6 |
| Austria | X | X | X | | X | X | X | X | 7 |
| Poland | | X | X | | | | | X | 3 |
| Portugal | | | X | | X | X | X | X | 5 |
| Romania | | X | X | X | X | X | X | X | 7 |
| Slovenia | | | X | X | X | X | X | X | 6 |
| Slovakia | | X | X | X | X | X | X | X | 7 |
| Finland | | X | X | X | X | X | X | X | 7 |
| Total each year | 4 | 11 | 16 | 11 | 14 | 11 | 13 | 15 | |

Legend

- X **CSRs on fiscal sustainability grounds**
- X **CSRs on social protection grounds**
- X **Post Programme country**

So, what is fiscal sustainability?



There are various sustainability concepts

fiscal
sustainability
of HC and LTC
systems



financial
sustainability of
HC and LTC
systems

overall
sustainability of
HC and LTC
systems

HC and LTC
workforce
sustainability

The concept of fiscal sustainability

- **Ability of a government to assume the financial burden of its **debt** in the future.**

***EU specific:** fiscal sustainability assessment in the context of the principles enshrined in the Treaties and the Stability and Growth Pact fiscal rules*

European Commission > ... > Economic and fiscal policy coordination > EU Economic governance: monitoring, prevention, correction >

Stability and Growth Pact

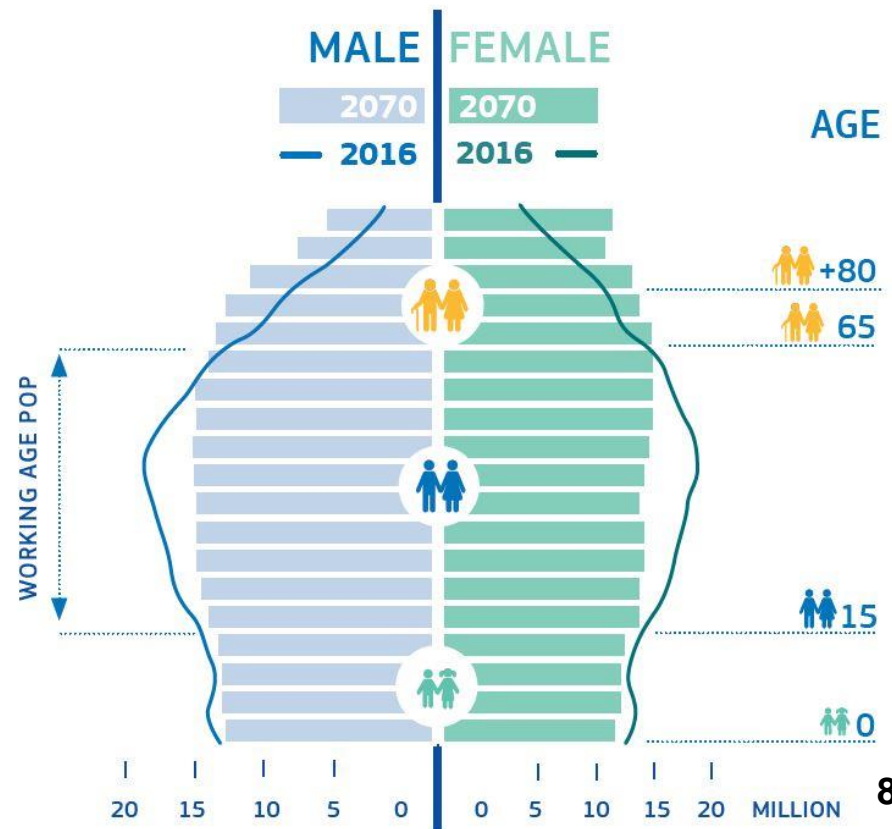
The Stability and Growth Pact (SGP) is a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies.

The ageing challenge

BETWEEN 2016 AND 2070...

- The total population of the EU is set to grow by 9 million
- The number of people aged 65 + will increase by over 50 million
- The working age population will shrink by over 40 million
- The fertility rate will increase slightly but remain low

POPULATION PYRAMID EU



The 2018 Ageing Report



- Commission (ECFIN) & EPC (AWG)
- Published in 2018 together with Council Conclusions
- 6th update
- Provides comparable economic and budgetary projections for 2016-2070
- Projects public expenditure on pensions, **health care, long-term care**, education and unemployment benefits



Health care projections

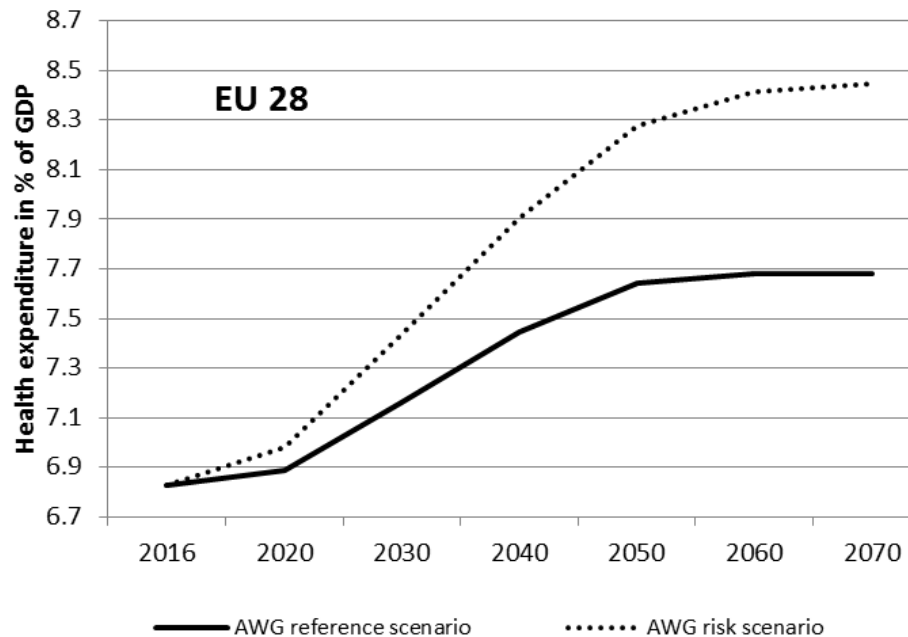
incl. non-demographic
determinants

Baseline scenario:

An increase of 0.9 pps. of GDP

Risk scenario:

An increase of 1.6 pps. of GDP



Long-term care projections

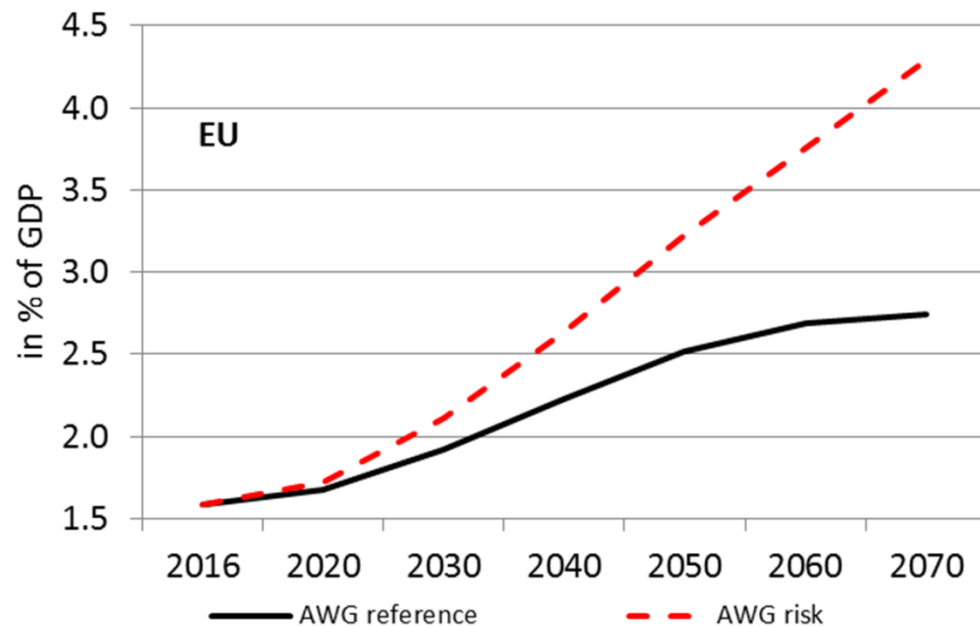
incl. convergence to EU average in
cost and coverage

Baseline scenario:

An increase of 1.2 pps. of GDP

Risk scenario:

An increase of 2.7 pps. of GDP



Fiscal sustainability analysis of the European Commission (indicators S0, S1 and S2)

Long-term fiscal sustainability (S2 indicator)

S2 shows if the future stream of public revenue will be sufficient to cover the **initial debt and future additional ageing costs (discounted)**, while ensuring that the debt-to-GDP ratio is not on an ever-increasing path.



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Fiscal
Sustainability
Report 2018

Volume 1

INSTITUTIONAL PAPER 094 | JANUARY 2019



How fiscal sustainability of HC and LTC systems is assessed



Ageing Report projects **future public expenditure** on HC and LTC increase due to ageing and non-demographic factors

Fiscal sustainability report combines **expenditure projections** with **income projections** and public debt projections to assess whether there is fiscal risk and whether health care or long-term care expenditure contribute decisively to it

This therefore provides us with an **assessment** of the **medium and long-term fiscal sustainability of health and long-term care systems** of EU Member States

What to do when a health system is assessed to be fiscally unsustainable?

Should we cut costs or improve efficiency?



Focus on structural reforms to improve efficiency / cost-effectiveness

The Joint Report 2016

Joint Report
on Health Care and
Long-Term Care Systems
& Fiscal Sustainability

Volume 1

INSTITUTIONAL PAPER 037 | OCTOBER 2016

EUROPEAN ECONOMY



- In October 2016, EC (ECFIN)-EPC published the '**Joint Report on Health Care and Long-term Care systems & Fiscal Sustainability**', prepared jointly with the Member States and thereby ensuring ownership of the analysis and findings.

- **Volume 1** presents **policy challenges/reform options on how to contain spending pressures through efficiency gains**

- **Volume 2** presents **specific chapters on each Member State's HC and LTC systems**

**2019
UPDATE of
the country
documents**



Examples of structural reforms on health care systems to improve fiscal sustainability



- **Rebalancing from hospital towards primary care**
- **Prioritising prevention and health behaviours**
- **Integrated care (across HC but also with LTC)**
- **Cost-effective purchasing of pharmaceuticals and supplies (use of generics and biosimilars, regulation of prices, etc.)**
- **Increasing efficiency of hospital care (use of day care where appropriate, etc)**
- **Benchmarking performance**
- **Workforce planning**
- **Effective budgeting governance and control**

CSRs on the fiscal sustainability of health care systems 2019

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| MS | 2019 CSR - Health Care - Fiscal Sustainability |
|-----------|--|
| CZ | <i>Improve long-term fiscal sustainability of the pension and health-care systems.</i> |
| IE | <i>Address the expected increase in age-related expenditure by making the healthcare system more cost-effective.</i> |
| MT | <i>Ensure the fiscal sustainability of the healthcare and the pension systems...</i> |
| SK | <i>Safeguard the long-term sustainability of public finance, notably that by the healthcare and pension systems.</i> |
| FI | <i>Improve the cost-effectiveness of and equal access to social and healthcare services.</i> |
| AT | <i>Ensure the [fiscal] sustainability of the health, long-term care, and pension systems ...</i> |
| PT | <i>Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, greater efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals.</i> |
| SI | <i>Adopt and implement reforms in healthcare and long-term care that ensure quality, accessibility and long-term fiscal sustainability.</i> |

➤ **CSR recitals and Country Report analysis** give additional insights in the challenges to be addressed by structural reforms.

Common challenges addressed by 2019 Fiscal sustainability CSRs (non-exhaustive)

- Hospital financing: Portugal, Slovakia, Ireland
- Implementing overall system reforms: Slovenia and Finland
- Re-balancing between hospital and primary care: Ireland, Malta, Austria

Conclusions



- Ageing and non-demographic factors are projected to lead to long-term risk to fiscal sustainability of health and long-term care systems of several EU Member States
- In those cases it is necessary to increase the efficiency of health care systems to improve their fiscal sustainability while improving or maintaining accessibility and quality of care
- The EU contributes to this through the European Semester and a number of publications: Ageing Report, Fiscal sustainability Report, Joint Report, Country Reports and Country-Specific Recommendations
- Ministries of health are key to identifying and implementing the correct reforms for each system
- Other EU publications relevant to health systems are: State of health report and Country Profiles (SANTE) and JAF (EMPL)



- [European Semester Country Reports and Country Specific Recommendations](#)
- [2018 Ageing Report: Economic and budgetary projections](#)
- [2018 Fiscal Sustainability Report](#)
- [2016 Joint Report on Health Care Systems and Long-Term Care Systems](#)
- [Joint Report on Health Care and Long-term Care Systems & Fiscal Sustainability \(Volume 1\)](#)
- [Healthcare and LTC country documents \(Volume 2\)](#)
- [State of Health in the EU cycle](#)
- [SPC annual report 2018 \(Annex 3 JAF Health country profiles\)](#)