

# **Projecting future health care expenditure at European level: drivers, methodology and main results**

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Predicting future evolution of health care expenditure is one of crucial challenges facing the European governments in the context of the demographic and social changes taking currently place in Europe. As a public good provided, at least in basic terms, free of charge to the whole population, health care is a major and constantly growing component of public finances.

Expenditure on health care has been growing, both in absolute and relative terms (as percentage of GDP and of total government spending) ever since governments took up responsibility for universal provision of health care. Furthermore, it is expected to continue growing over the decades to come in the context of ageing populations and growing public expectations on the accessibility and quality of care, unless substantial structural reforms in the way health care is provided and financed are enacted. Since significant increase is expected also in public expenditure on pensions, long-term care and other age-related components of social spending, the European governments face the growing risk of undermining long-term sustainability of their public finances.

To correctly assess this risk over the next couple of decades and establish adequate policy responses to the challenges, devising a reliable method to estimate future health care expenditure (as well as other components of public spending) is essential. However, the complexity of the systems and multiplicity of factors affecting both total and public spending make it a complicated and highly uncertain task. Given the large variability of the systems, financing methods and in-built incentives, the main challenge of such exercise is to reconcile the obvious need for the precision of the model reflecting as many systemic features as possible with the comparability across the systems.

Tackling this issue has been the main idea behind the large project undertaken by the European Commission and Economic Policy Committee which aimed at projecting public health care expenditure in twenty seven Member States of the European Union and Norway over the period 2007-2060. Its main value added was to establish a unique internationally comparable database and to build a model allowing to project health care spending in a common, coherent framework of macroeconomic variables and a set of projections covering a number of other age-related items of public social expenditure. The model incorporates the most recent developments in the demography, epidemiology and health economics, allowing the comparison of the risks and challenges facing both individual countries' health care systems and the European society in its entirety.

This paper provides a comprehensive overview of the theoretical background, practical aspects of projecting health care expenditure in a unique multinational context, the actual

results of the projections undertaken in the context of long-term budgetary projections and a number of policy recommendations which can be drawn from the exercise.