

2016 JOINT REPORT ON HEALTH CARE AND LONG-TERM CARE SYSTEMS AND FISCAL SUSTAINABILITY

Frequently asked questions

1. What are the key elements of the report?

The 2016 Joint Report on Health Care and Long-term Care Systems and Fiscal Sustainability is prepared jointly by the Commission services (DG ECFIN) and the Economic Policy Committee (Ageing Working Group). It updates and expands the analysis in the [Joint Report on Health Systems](#) published in 2010. The report also builds on the findings of the [Ageing Report 2015](#) and the [Fiscal Sustainability Report 2015](#). It points out the evolution of public expenditure on health and long-term care as one of the main risks for the sustainability of public finances of the Member States in the long term. It assesses the main challenges and identifies policy options to improve the fiscal sustainability and the efficiency of health systems in the EU. It also contains country-specific analysis of challenges that health care and long-term care systems face.

2. Why is it important to increase the fiscal sustainability and cost-effectiveness of health care and long-term care systems in the EU?

Health systems in the EU aim at providing timely access to good quality care, contributing to wellbeing of citizens and to economic prosperity. **Demographic changes** will have profound consequences for our society and for public spending, particularly on healthcare and long-term care. Europeans will live much longer in 2060 than nowadays: up to 84 years for men (77 in 2013) and 89 years for women (83 in 2013). While longer lives are a major achievement of modern European societies, ageing also poses significant challenges for health and long-term care systems, as older people often need not only more care, but often also costly care. Moreover, innovations in medical technology tend to increase costs over time, posing additional upward risks to health expenditure.

Public expenditure on health and long-term care absorbs a **significant and growing share** of Member States' resources (8.7% of GDP in 2015). It is expected to increase up to 10.6%-12.6% of GDP by 2060.

In the current context of high government debt, together with the future budgetary pressures posed by population ageing and technological progress, exploring ways to ensure the fiscal sustainability of health systems and to **improve their** cost-effectiveness becomes particularly important, in order to achieve the twin aim of fiscal sustainability and access to good quality health care services for all.

3. What are the overall conclusions of the report?

High projected health and long term care are one of the main drivers of fiscal sustainability risks for many Member States, and given the current macro-economic assumptions, even more significant than pensions. Getting more value for money and increasing the **cost-effectiveness** of health and long-term care services through appropriate policy reforms becomes essential to contribute to their sustainability. In particular, there is a multitude of policy options available to increase the health status of the European population without necessarily increasing expenditure in many Member States. Seriously considering the policy options highlighted in the report, tailored to country-specific situation, is essential in view of ensuring continued access to good quality health care for all.

4. What does the report tell us about the projected evolution of public expenditure on health care at EU level?

Public expenditure on health care accounted for 7.0% of GDP in the EU in 2015. As a result of population ageing, this expenditure may increase by 0.8 percentage points in the long term (to 7.8% of GDP). When accounting also for relevant non-demographic factors, such as patients' expectations towards better health care services and technological progress, which are the key drivers of health care expenditure, an increase in health care spending of 1.6 percentage points of GDP by 2060 (to 8.6% of GDP) can be expected, even assuming some future improvements in health status of the population.

5. What does the report tell us about the evolution of public expenditure on long-term care?

Public expenditure on long-term care accounted for 1.7% of GDP in the EU in 2015. Being mainly driven by demographic changes and the growing share of older people in the population, which are at high risk of suffering from disability, this expenditure is projected to increase to 2.7% of GDP between 2015 and 2060. Assuming that publicly funded coverage of the dependent population and the cost of long-term care services will converge across EU countries, the EU average expenditure is expected to increase by as much as 2.3 percentage points of GDP (to 4% of GDP), even assuming some future improvements in health status of the population (AWG risk scenario).

6. What are the key challenges of the health sector in the EU Member States?

Increasing costs due to demographic ageing are not the only challenge. An equally important challenge is financing spending due to demographic ageing. Also, increasing costs due to the availability of new medical technologies and increasing population expectations for better care services are reported as key concerns in this regard.

Containing costs on hospital and pharmaceutical care is particularly challenging in many countries. On the other hand investments in primary care and health promotion and disease prevention are ranked as important areas for investment by most countries, though difficult to implement. Related to long-term care, cost-containment in institutional care and investment in home care are important challenges to increase the efficiency of long-term care spending.

Many countries perceive it as a challenge to improve the access to affordable medicines. Over the next years, savings opportunities based on more traditional pharmaceutical policies will be reduced dramatically in the euro area. Public and private payers increasingly grapple with how to afford the rising number of new and often expensive medicines.

In many cases, budgeting officials and officials in charge of health systems do not have the same set of information, nor the same incentives, which makes it more difficult to find the most cost-effective solutions for improving the systems' sustainability. In many countries, decision making is still divided in ministerial silos.

Other identified challenges are frequent budget overruns on health care and long-term care spending, inadequate or insufficient information on the value for money of specific health investments, competing fiscal pressures stemming from various ministries, changing policy priorities and the reported existence of fraud or corruption.

7. How these challenges can be addressed?

The report explores several policy options to enhance the fiscal sustainability and the cost-effectiveness of health care and long-term care systems such as:

- Strengthening the cooperation between fiscal and health policy authorities can help focusing on the system's efficiency within an adequate budgetary envelope.
- Assessing health-policy reforms in a systematic manner based on evidence can inform on which reforms are needed most.
- Investing more in prevention and primary care could help to save money by reducing the need for more costly hospital-based treatments.
- Lowering the cost of medication by promoting the rationale use of medicines and avoiding over-prescription.
- Centralising procurement and other administrative measures cut significant costs without affecting quality.
- Exchanging information on good practice and good governance can increase efficiency and eliminate waste of health systems.
- Supporting delivering long-term care services at home rather than in institutional settings and allowing care recipients to remain independent longer.
- Ensuring adequate numbers and qualification-mix of formal carers to provide better quality care.
- Coordinating better between providers of care supports independent living and empowers patients with chronic conditions to avoid unnecessary hospitalisation.

