

LSE

THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

LSE Research Online

[Panos Kanavos](#), [Olivier J. Wouters](#)

Health care after the Great Recession: financing options for sustainable and high- quality health systems

**Article (Accepted version)
(Refereed)**

Original citation:

Kanavos, Panos and Wouters, Olivier J. (2016) *Health care after the Great Recession: financing options for sustainable and high-quality health systems*. *Global Policy*. ISSN 1758-5880

DOI: [10.1111/1758-5899.12389](https://doi.org/10.1111/1758-5899.12389)

© 2016 [University of Durham](#) and [John Wiley & Sons, Ltd](#)

This version available at: <http://eprints.lse.ac.uk/68791/>

Available in LSE Research Online: January 2017

LSE has developed LSE Research Online so that users may access research output of the School. Copyright © and Moral Rights for the papers on this site are retained by the individual authors and/or other copyright owners. Users may download and/or print one copy of any article(s) in LSE Research Online to facilitate their private study or for non-commercial research. You may not engage in further distribution of the material or use it for any profit-making activities or any commercial gain. You may freely distribute the URL (<http://eprints.lse.ac.uk>) of the LSE Research Online website.

This document is the author's final accepted version of the journal article. There may be differences between this version and the published version. You are advised to consult the publisher's version if you wish to cite from it.

Health care after the Great Recession: Financing options for sustainable and high-quality health systems

Panos Kanavos, Olivier J. Wouters
London School of Economics and Political Science

Abstract

Given the growing complexity of health care, current global demographic and epidemiologic trends, adverse economic conditions in many parts of the world, and limited national budgets, it is increasingly difficult for policymakers and regulators to ensure continued access to affordable and high-quality health care. Decision makers must implement policies that support efficient, equitable, and sustainable health systems. To that end, this special issue aims to foster dialogue on the current state of health-care financing and some of the challenges that lie ahead for health systems. The objectives of this special issue are threefold: (1) to analyse trends in health-care financing in a range of countries with varying degrees of economic development and political organization; (2) to review the viability of different financing models based on international experiences; and (3) to examine how efficiency in health care systems can be achieved without sacrificing quality. The issue consists of three sections and includes contributions from academic experts, health-care practitioners, and members of the broader stakeholder community.

Background

In the wake of one of the most severe financial crises in recent history, resources for health and social care services are under threat as many member states of the Organisation for Economic Co-operation and Development (OECD) are cutting back on public spending to reduce budget deficits (Cylus *et al.* 2012; Reeves *et al.* 2014). At the same time, a growing number of low- and middle-income countries are investing heavily in health care, including statutory health insurance, in an effort to promote human development and economic growth (Gottret and Schieber 2006). All countries need to explore policy options to allocate resources efficiently, safeguard the quality of health care, promote prevention and lifestyle management, address the rising burden of chronic disease, and ensure the financial sustainability of health systems, among other priorities.

The objectives of this special issue in *Global Policy* are threefold: (1) to analyse trends in health-care financing in a range of countries with varying degrees of economic development and political organization; (2) to review the viability of different financing models based on international experiences; and (3) to examine how efficiency in health care systems can be achieved without sacrificing quality. The issue consists of three

sections and includes contributions from academic experts, health-care practitioners, and members of the broader stakeholder community.

Section 1: Public and private models of financing health care

The first section of the special issue explores the strengths and weaknesses of various public and private models of financing health care in the context of economic recessions. **Angelis, Tordrup, and Kanavos** open the section with a conceptual and empirical analysis of the epidemiologic, demographic, fiscal, macroeconomic, and technological pressures on public health insurance in selected OECD countries. They analyse the financial sustainability of these health systems over the next ten to fifteen years. **Wouters and McKee** then review the global evidence on whether private financing options—that is, private health insurance, medical savings accounts, and out-of-pocket payments—are efficient and equitable, especially in times of economic crisis; they also consider whether these options offer patients adequate financial protection against unexpected health-care costs.

Holland approaches the issue of health improvement during periods of austerity from a public health perspective. The article reviews historical precedents to outline potential government strategies for enhancing individual and population health. **Costa Font et al.**, meanwhile, examine how selected European countries are financing long-term care for elderly and disabled patients—a major component of most health-care budgets. Spending on such care is rising rapidly in many high-income countries due to ageing populations and the growing burden of chronic diseases, and the authors consider future financing options for long-term care. **Mills et al.** develop a taxonomy of health-care programmes, such as integrated care and disease management programmes. They investigate the role of these programmes in promoting sustainable financing and equitable and high-quality care.

Section 2: Efficiency in health care

The second section of the special issue examines aspects of efficiency in health-care delivery and how the use of scarce health-care resources can be optimised. **Cylus et al.** compare different ways of applying data envelopment analysis—a commonly used method to estimate productive efficiency—to measure health system performance. The methodological considerations raised in this article have implications for high-income countries trying to control health-care spending while still guaranteeing high-quality care, as well as for low- and middle-income countries trying to expand health-care delivery with limited budgets. **Wright et al.** compare the use of health technology assessment—defined by Luce and colleagues (2010) as “a method of evidence synthesis that considers evidence regarding clinical effectiveness, safety, cost-effectiveness and, when broadly applied, includes social, ethical, and legal aspects of the use of health technologies”—in England and Germany. The authors examine how health technology

assessment practices have evolved in each country over the past two decades. They document, from a regulatory governance perspective, key points of convergence and divergence between these two European Union member states.

Angelis, Kanavos, and Montibeller review priority-setting approaches in health care systems. They argue that multiple criteria decision analysis can provide a well-structured, transparent, and robust method of priority setting. **Kanavos et al.** address the issue of risk and uncertainty in decision-making, with particular reference to medical technologies. They discuss how risk-sharing agreements can help decision makers manage risk and uncertainty at the time of marketing approval for new technologies—for example, uncertainty about the budget impact, clinical benefit, cost-effectiveness, and/or utilisation of a new medicine. They examine how such schemes can help ensure that potentially cost-effective, new therapies remain affordable, and that new therapies do not pose a threat to the financial sustainability of health systems.

Section 3: Country case studies and stakeholder perspectives

The final section includes several country-specific case studies of recent health-care reform, as well as stakeholder assessments of current challenges facing health systems. **Novick** opens with a historical account of health-care reform in Argentina. The author diagnoses the key issues with the country's health system—notably the high degree of fragmentation and the excessive out-of-pocket cost burden for patients—and proposes ways forward. **Castro** examines the introduction and expansion of health technology assessment in Colombia over the last decade. The article offers lessons for other middle-income economies considering the use of such assessments to inform reimbursement and/or coverage decisions for new health technologies, particularly medicines and medical devices. **Lim** and **Yang and Wu** reflect on recent health-care reform in Singapore and rural China, respectively. The authors consider the implications of those reforms on equity, efficiency, financial sustainability, and other key policy outcomes. **Muth** assesses the barriers to health-care delivery in least developed countries. The author contends that the liberalisation of health insurance markets, alongside other private-sector approaches, offers an appropriate vehicle to improve delivery in resource-poor settings.

Zawada et al. measure the burden of out-of-pocket health care spending in Denmark, Germany, and Poland. Equity in health care is an increasingly important consideration in many countries. The authors show that health expenditure is more concentrated among the poor in Poland than in either Denmark or Germany, although the latter two countries still have room for improvement. Finally, **Arnaiz** and **Mossman et al.** conclude the supplement by examining issues of access to new therapies in high- and middle-income countries from the perspectives of the pharmaceutical industry and patients, respectively.

Conclusion

Given the growing complexity of health care, current global demographic and epidemiologic trends, adverse economic conditions in many parts of the world, and limited national budgets, it is increasingly difficult for policymakers and regulators to ensure continued access to affordable and high-quality health care. Decision makers must implement policies that support efficient, equitable, and sustainable health systems. To that end, this issue of *Global Policy* aims to foster dialogue on the current state of health-care financing and some of the challenges that lie ahead for health systems.

References

1. Cylus, J., Mladovsky, P., McKee, M. (2012) 'Is there a statistical relationship between economic crises and changes in government health expenditure growth?: an analysis of twenty-four European countries', *Health Services Research*, **47** (6), pp. 2204–2224.
2. Gottret, P., Schieber, G. (2006). 'Health Financing Revisited: A Practitioner's Guide', The World Bank, 324 p. Available: <http://siteresources.worldbank.org/INTHSD/Resources/topics/Health-Financing/HFRFull.pdf> (last accessed 11 January 2016).
3. Luce, B., Drummond, M., Jönsson B, *et al* (2010). 'EBM, HTA, and CER: Clearing the Confusion.' *Milbank Quarterly*, **88** (2): 256–276.
4. Reeves, A., Basu, S., McKee, M., Stuckler, D. (2014) 'The political economy of austerity and health care: Cross-national analysis of expenditure changes in 27 European nations 1995–2011', *Health Policy*, **115**, pp. 1–8.

Author information

Dr. Panos Kanavos is an associate professor at the London School of Economics and Political Science (LSE), programme director of the Medical Technology Research Group, and deputy director of LSE Health.

Olivier J. Wouters is a PhD candidate in health economics at the London School of Economics and Political Science (LSE) and a health policy researcher at LSE Health. His research focuses on pharmaceutical economics and policy.