

Technological Advances, Public Health Spending Increases, and Health Care Reforms in the Advanced Economies

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Health Care Innovation in a Time of Fiscal Austerity
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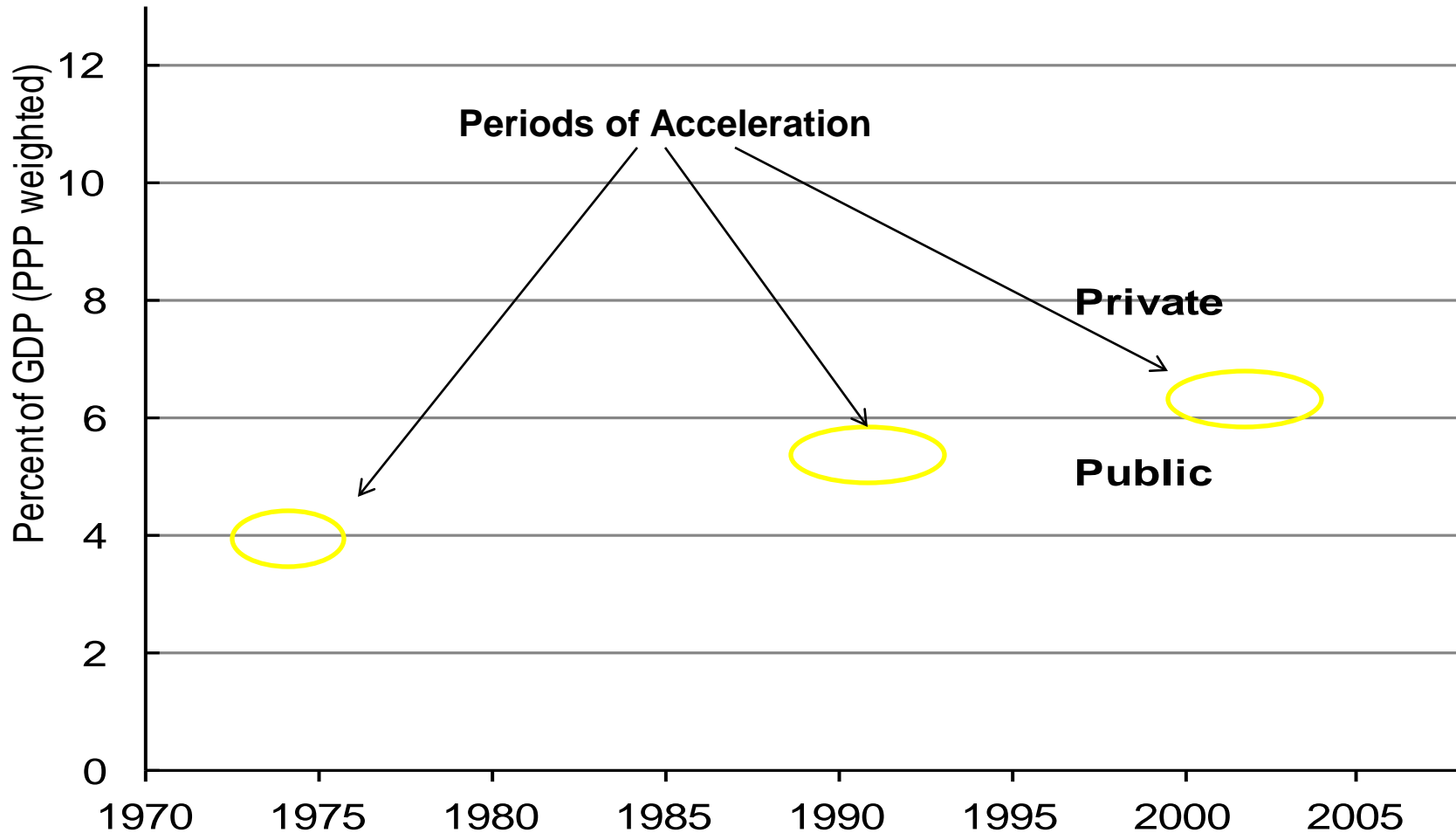


Objectives of presentation

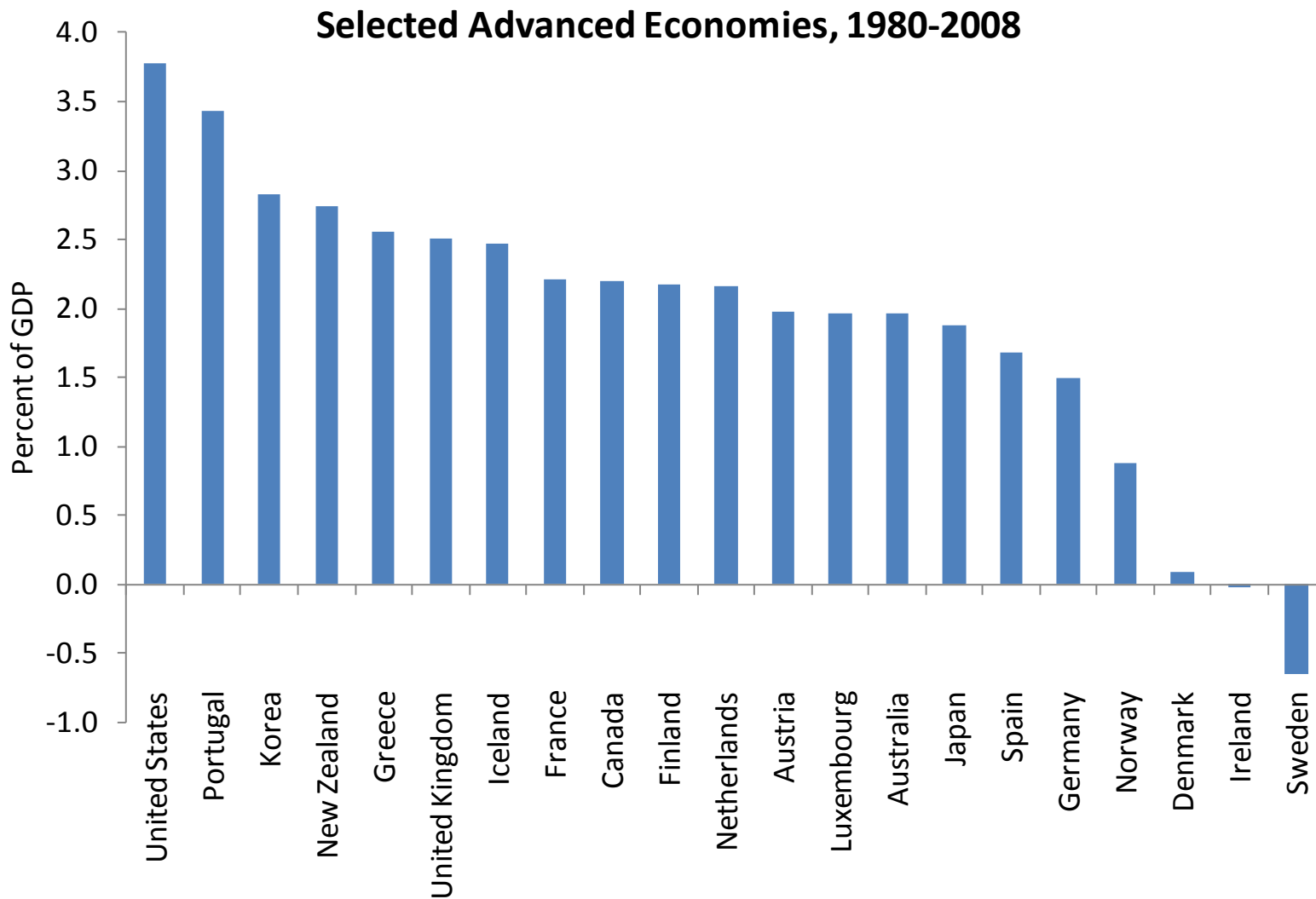
- ❑ **Examine trends in public health spending over the past 40 years**
- ❑ **Project country-specific public health spending pressures for advanced economies**
- ❑ **Identify reform options in advanced economies that can help contain public spending increases efficiently and equitably**

Led by public sector, large spending increases in advanced economies over past 40 years

Health Spending in 27 Advanced Countries, 1970-2008



Increases have varied considerably across countries

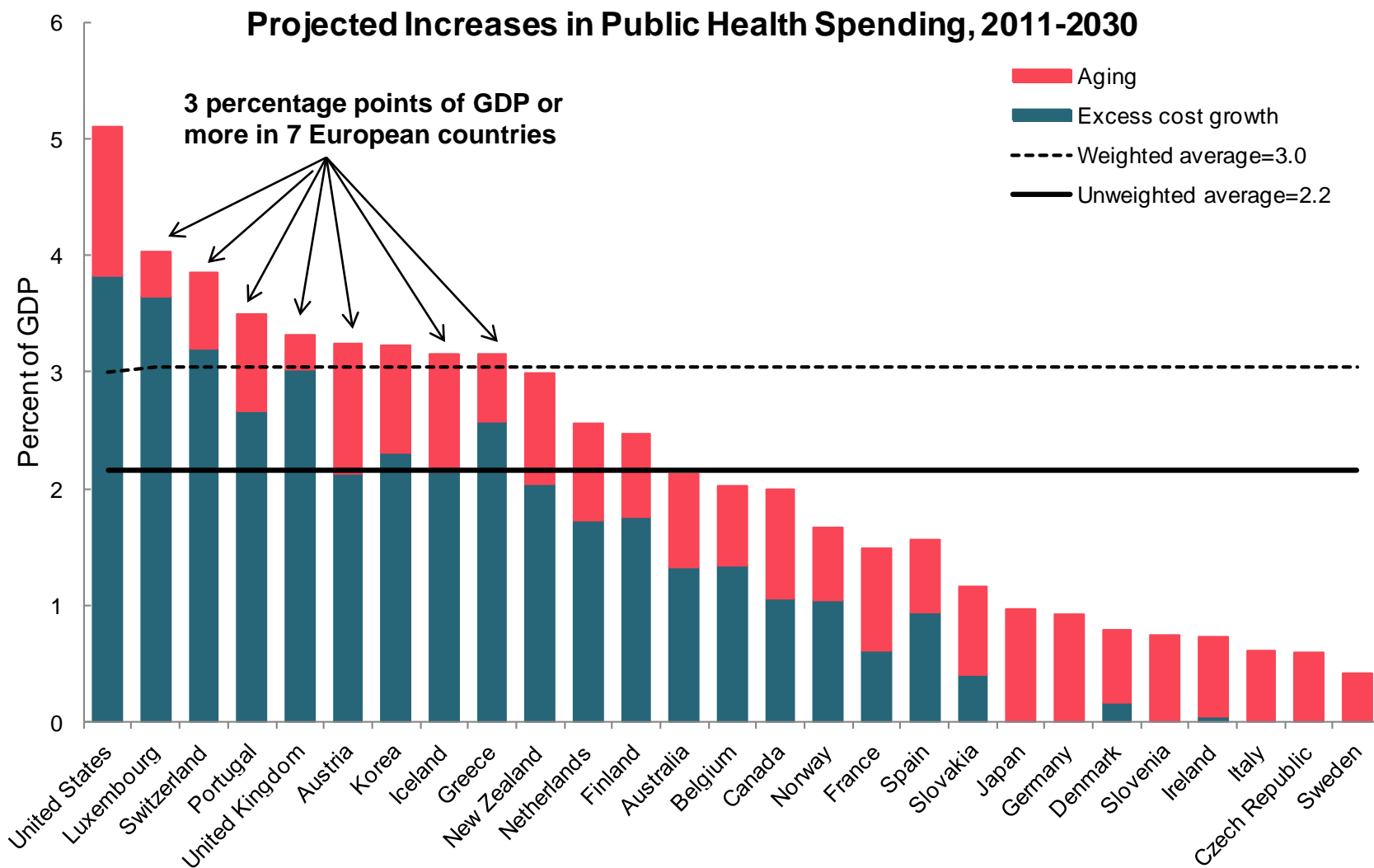


Non-demographic factors are the main drivers of health spending

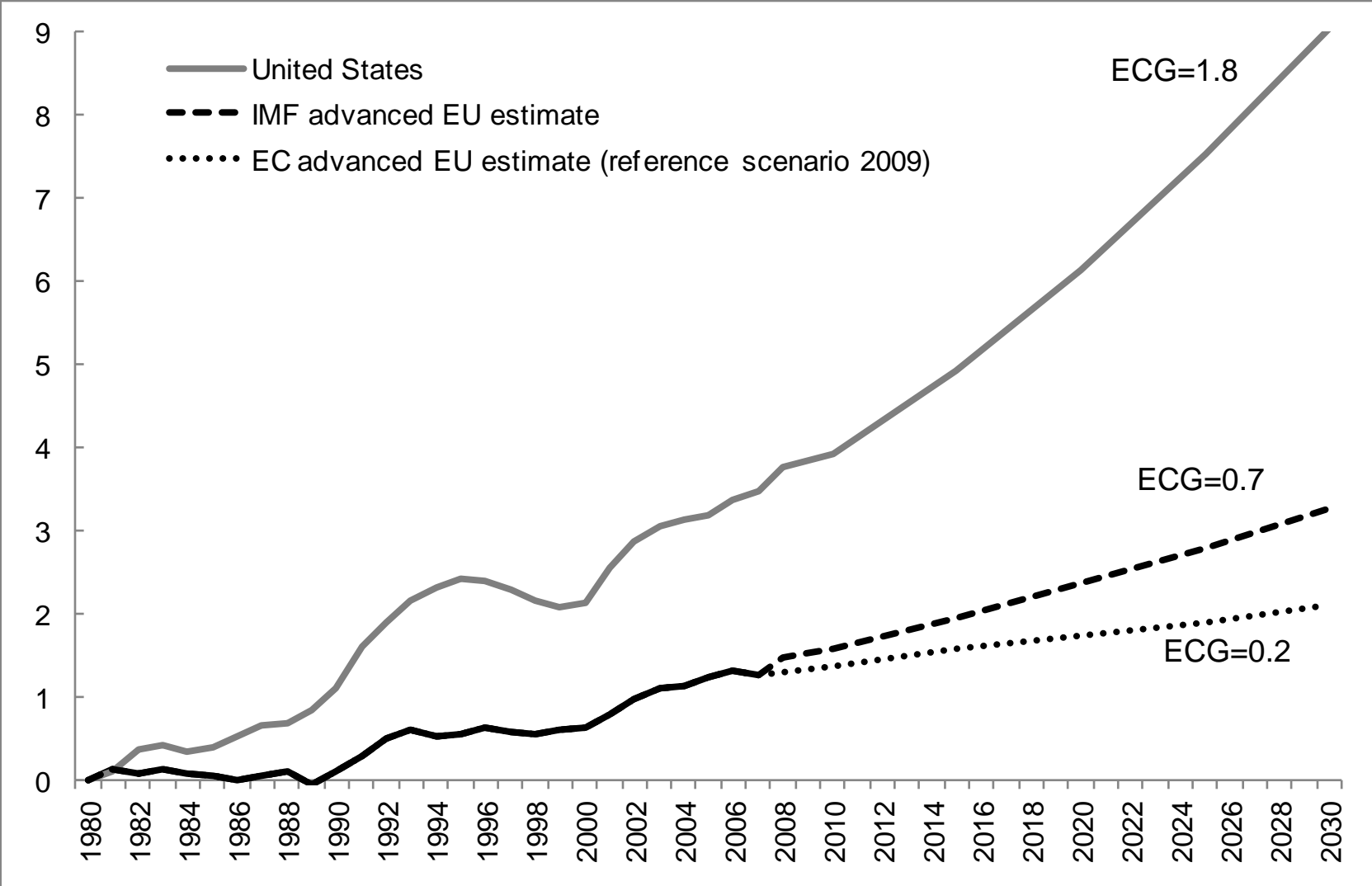


- ❑ Population aging explains about one fourth of the increase in spending-to-GDP ratios
- ❑ Excess Cost Growth (ECG) — the difference between real health expenditure growth and real GDP growth— explains the rest
 - Rising income
 - Technological advances
 - Baumol effect
 - Health policies and institutions
- ❑ Large inefficiencies in public health spending

Public spending pressures in advanced countries are substantial and vary



Spending projections reflect past trends



Reform experience points to five major policy options...



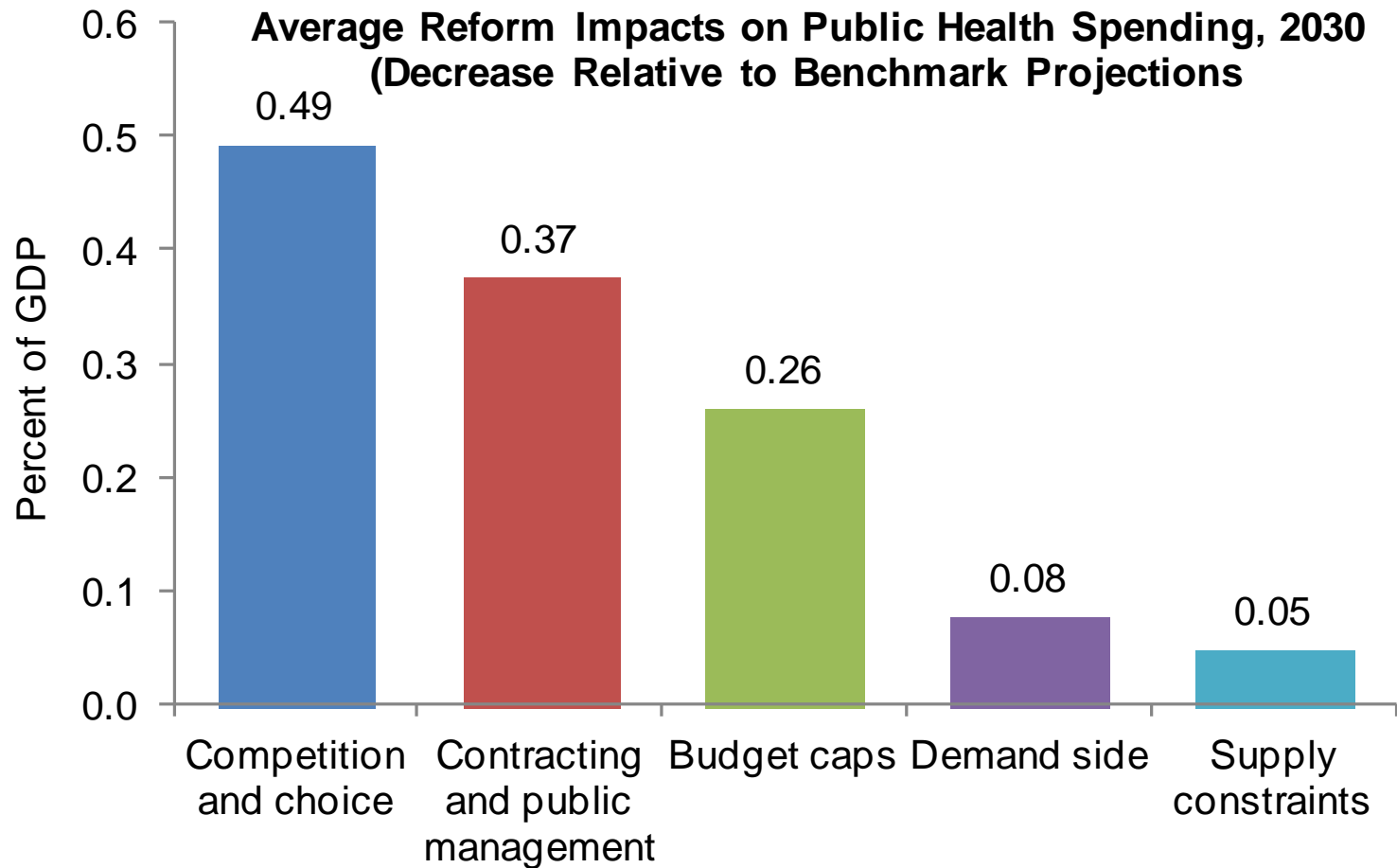
- ❑ Budget caps (Italy, Japan, and Sweden)
- ❑ Gate-keeping, case-based payment (Germany and Italy), and greater sub-national government involvement (Canada and Sweden) – grouped under contracting and public management

Reform experience points to five major policy options...



- ❑ **Competition and choice (Germany and Japan)**
- ❑ **Greater reliance on private financing, especially of complementary health care outside public package (Australia, Canada, and France)**
- ❑ **Restricting the supply of health inputs and outputs (Canada)**

.....which have the potential to contain projected increase in public spending





Some reforms don't work

- Price controls
- Deregulation of insurers
- Greater availability of information on the quality and price of health services to patients

Potential reforms not included in the analysis



- ❑ Greater emphasis on preventive care could also contribute to expenditure containment
- ❑ Improved health information technology (HIT) could help improve efficiency

Simulated reform impacts need to be interpreted with caution



- ❑ Savings may not be large enough to avoid sizeable spending increases in some countries
- ❑ Therefore, deeper health reforms or cuts in other spending may be required to support required fiscal adjustment



Thank you!