



Is permanent cost containment/cutting  
the right approach in health care?

## Outline

### Different aspects of containment

1) What are we talking about (4 different perspectives)

- a) Use of health services
- b) Funding/Financing health care services
- c) Purchasing of services
- d) More planning and/or more competition?

2) Financing, Funding and Purchasing of Health Care: A Book with seven seals

3) Is cost cutting the right approach?

Appendix: Health Care in Southeast Europe (9 charts)



# 1) What are we talking about?

Providing health care services.....

## Use of health care finances

- in hospitals
- in nursing homes
- in rehabilitation facilities
- for outpatient nursing care and related services
- for office-based doctors
- for dentists
- in pharmacies (prescription pharmaceuticals, over-the-counter market)
- for therapy (physical therapy, ergotherapy, speech therapy)
- for medical aids (visual aids, hearing aids etc.)
- for emergency services
- for ambulance services
- for medical devices



## 2) What are we talking about?

### Financing/Funding health care services

#### Beveridge versus Bismarckian Systems?

- General revenue (i.e. mainly direct and indirect taxes)
- Payroll taxes (Employer and employee contributions to a statutory health insurance system)

#### Second health care market

- Out-of-pocket expenditures for drugs, services, wellness, fitness etc.
- Co-payments

A mixture of different ways of financing



### 3) What are we talking about?

#### Purchasing of services

##### **Purchase of Health Care Services**

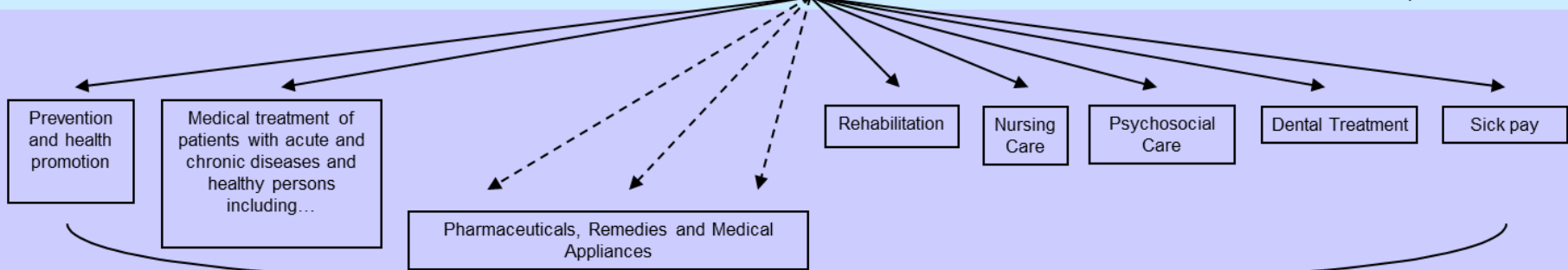
- a) through sectoral budgets?
- b) through intersectoral budgets?
- c) through purchases by individual health insurers?
- d) through purchases by all health insurers ("jointly and uniformly")?
- e) through single regional "standard" health insurers?
- f) through municipal budgets?
- g) through purchaser groups?
- h) through private organizations?
- i) in the framework of the medical association's disbursement of fees?

# 4) What are we talking about?

More planning and/or more competition?

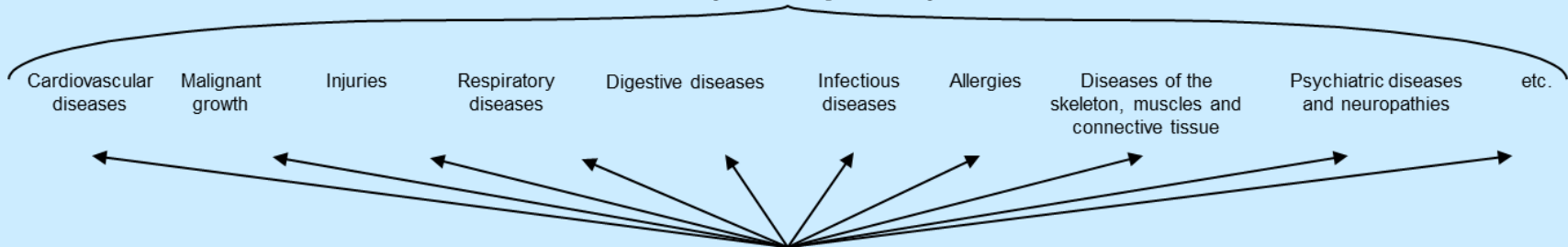


## Economic Resources – how to use them? More planning and/or competition?



## Conservation, promotion and regeneration of health

### Reduction of (widespread) diseases



## Individual health care and health promotion



## Financing, Funding and Purchasing of Health Care: A Book with seven seals

### **Cost increases, higher prices, growing expenditures, more revenue, higher income?**

direct and indirect cost increases: Some downsides and upsides

- reduction of labour cost, depending on the way of funding
- Cost increases always mean individual income or revenue
- Better Health and education: two major components of human capital
- Individual and collective benefit of better health



## Is cost cutting the right approach?

It all depends on many factors

- The most important one is Quality and Outcome
- New ways of paying the providers (second health market)
- Containment of indirect cost (i.e. days off work, transfer payments)
- Increasing work force, new career opportunities, health economy
- Health as an investment
- Lifelong prevention in all areas of life („Health in all policies“)



# Health Care in Southeast Europe

## Strategy Goals for 2020

1) Cooperation with the German Chambers of Foreign Trade, country by country in SEE (and the embassies/ consulates)

2) Cooperation with “Health Made in Germany”; Germany Trade and Invest (GTAI)

- Gesellschaft für Außenwirtschaft und Standortmarketing mbH-Online Marketing; [www.gtai.de/](http://www.gtai.de/)

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Source: Eurostat, SEE RCC (<http://www.rcc.int/pages/72/about-see-2020>).

# Southeast Europe: Economic facts of pharma



## Domestic production (output) of pharmaceutical industry

**Hungary and Slovenia dominate the markets of the pharmaceutical industries by domestic production.**

Domestic Production (in USD million)	2006	2007	2008	2009	2010	2011	2012
Albania	48	65	67	58	61	77	68
Bosnia and Herzegovina	104	144	155	137	137	172	171
Bulgaria	418	542	431	391	376	501	531
Croatia	560	695	684	611	582	720	688
Hungary	2.588	2.842	3.239	3.067	3.328	3.832	3.721
Kosovo	31	33	45	48	40	46	57
Montenegro	10	10	12	10	9	10	10
Romania	608	757	775	942	801	907	885
Serbia	340	456	489	403	364	509	485
Slovakia	280	361	429	407	446	496	458
Slovenia	1.471	1.806	2.206	1.874	1.917	2.180	2.140
<b>total</b>	<b>6.460</b>	<b>7.711</b>	<b>8.533</b>	<b>7.949</b>	<b>8.060</b>	<b>9.449</b>	<b>9.215</b>

Source: Own calculation; INDSTAT (2014); STAN (2014); ESA (2014); ILOSTAT (2014).

# Southeast Europe: Economic facts of pharma



Nearly 4bn GVA of the pharmaceutical industry in SEE

**Hungary and Slovenia dominate the markets of the pharmaceutical industries by gross value added. The two countries create more than 2/3 of the gva.**

GVA (in USD million)	2006	2007	2008	2009	2010	2011	2012
Albania	19	26	27	24	26	29	26
Bosnia and Herzegovina	41	56	62	57	58	65	67
Bulgaria	102	138	149	145	134	170	163
Croatia	221	272	275	255	245	275	268
Hungary	1.287	1.360	1.431	1.307	1.599	1.705	1.684
Kosovo	12	13	18	20	17	18	22
Montenegro	5	4	5	5	4	5	5
Romania	303	379	392	471	90	140	141
Serbia	135	179	196	168	153	194	189
Slovakia	98	120	165	210	233	241	222
Slovenia	817	915	1.044	890	842	930	880
total	3.040	3.462	3.766	3.552	3.401	3.772	3.666

Source: Own calculation; INDSTAT (2014); STAN (2014); ESA (2014); ILOSTAT (2014).

# Southeast Europe: Economic facts of pharma



More than 50.000 Employees in the pharmaceutical industry in SEE

**Hungary, Bulgaria, Slovenia and Romania have the most employees in the pharmaceutical industries.**

Employees	2006	2007	2008	2009	2010	2011	2012
Albania	224	234	199	205	211	231	233
Bosnia and Herzegovina	482	513	460	481	476	517	591
Bulgaria	7.900	7.900	7.200	6.700	7.100	7.500	7.800
Croatia	3.882	4.155	4.953	4.533	3.919	3.928	3.919
Hungary	25.800	25.700	23.900	21.100	23.100	23.500	23.300
Kosovo	146	117	132	167	137	139	196
Montenegro	54	40	40	38	32	36	41
Romania	9.700	10.600	9.500	8.900	7.400	7.300	6.797
Serbia	1.580	1.629	1.446	1.412	1.261	1.535	1.671
Slovakia	2.800	2.800	2.600	2.400	2.300	2.300	2.300
Slovenia	5.400	5.600	5.800	6.000	6.200	6.500	6.900
total	57.744	59.054	56.031	51.730	51.925	53.256	53.515

Source: Own calculation; INDSTAT (2014); STAN (2014); ESA (2014); ILOSTAT (2014).

# Southeast Europe: Economic facts of pharma



## Wages and Salaries of pharmaceutical industry

### Highest total wages and salaries in Hungary and Slovenia

Wages and Salaries (in USD million)	2006	2007	2008	2009	2010	2011	2012
Albania	7	9	10	8	9	11	10
Bosnia and Herzegovina	14	19	23	20	19	24	25
Bulgaria	36	46	57	50	49	63	59
Croatia	77	91	102	88	82	100	99
Hungary	343	421	472	426	450	499	466
Kosovo	4	4	7	7	6	6	8
Montenegro	2	1	2	2	1	2	2
Romania	88	123	171	113	95	104	79
Serbia	47	60	73	58	51	71	70
Slovakia	31	40	46	47	42	48	47
Slovenia	259	308	356	343	316	339	335
<b>total</b>	<b>908</b>	<b>1.122</b>	<b>1.318</b>	<b>1.162</b>	<b>1.120</b>	<b>1.266</b>	<b>1.200</b>

Source: Own calculation; INDSTAT (2014); STAN (2014); ESA (2014); ILOSTAT (2014).

# What is the importance of the economic footprint?



Just numbers? Further steps

## 1. Importance for a worldwide, European and national economic and industrial policy?

- » A first quantification on the basis of the National Accounting Systems
- » From cost driver to a value creator: Starting point for initiating the perception shift
- » The next and more difficult step will be to define and measure the health effects (health dividend) of the economic dividend

# What is the importance of the economic footprint?



Just numbers? Meaningfulness of the figures; further steps

## 2. Comparison with other branches (e.g. automobile industry?) possible?

- » The same pioneering work can be done for other branches as well, i.e. a blueprint and further research
- » The industrial policy will perhaps be influenced by this kind of work on a national and European level.
- » A new worldwide perception of the pharmaceutical industry?

## 3. What about the macroeconomic allocation of scarce resources?

- » Do alternative usages of these resources lead to a better life? What about the macroeconomic and global “allocation architecture”?
- » Basis for next steps: Health Footprint and Socio-Economic Footprint

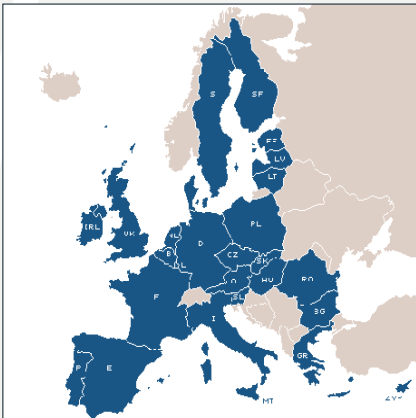
# Future research

## On the way to a European health economy



### German health economy

- » Research project of the Federal Ministry of Economics and Technology: Analysis of the economic effects of the health care industry
- » Database: Extensive data by the Federal Statistical Office (Destatis)
- » Result: Direct, indirect and induced economic effects and development of a health input-output table



### European health economy

Database: Eurostat (input-output tables), OECD etc. → Open questions:

1. What data are available?
2. Which scope is required to calculate the European health economy (Core health sector / Extended health sector; first / second health market)?

**Approach: 1)** Analysis of the health economy in selected markets (e.g. Croatia, Spain.)  
2) Analysis of the health economy in the entire EU

**Result: Direct, indirect and induced economic effects**