

# Health financing in Europe: Opportunities for Diverse Models to Improve Budget Headroom

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## Background

Sustainable healthcare financing is vital for Europe’s health priorities amid post-COVID challenges, including budget constraints due to economic and geopolitical factors.

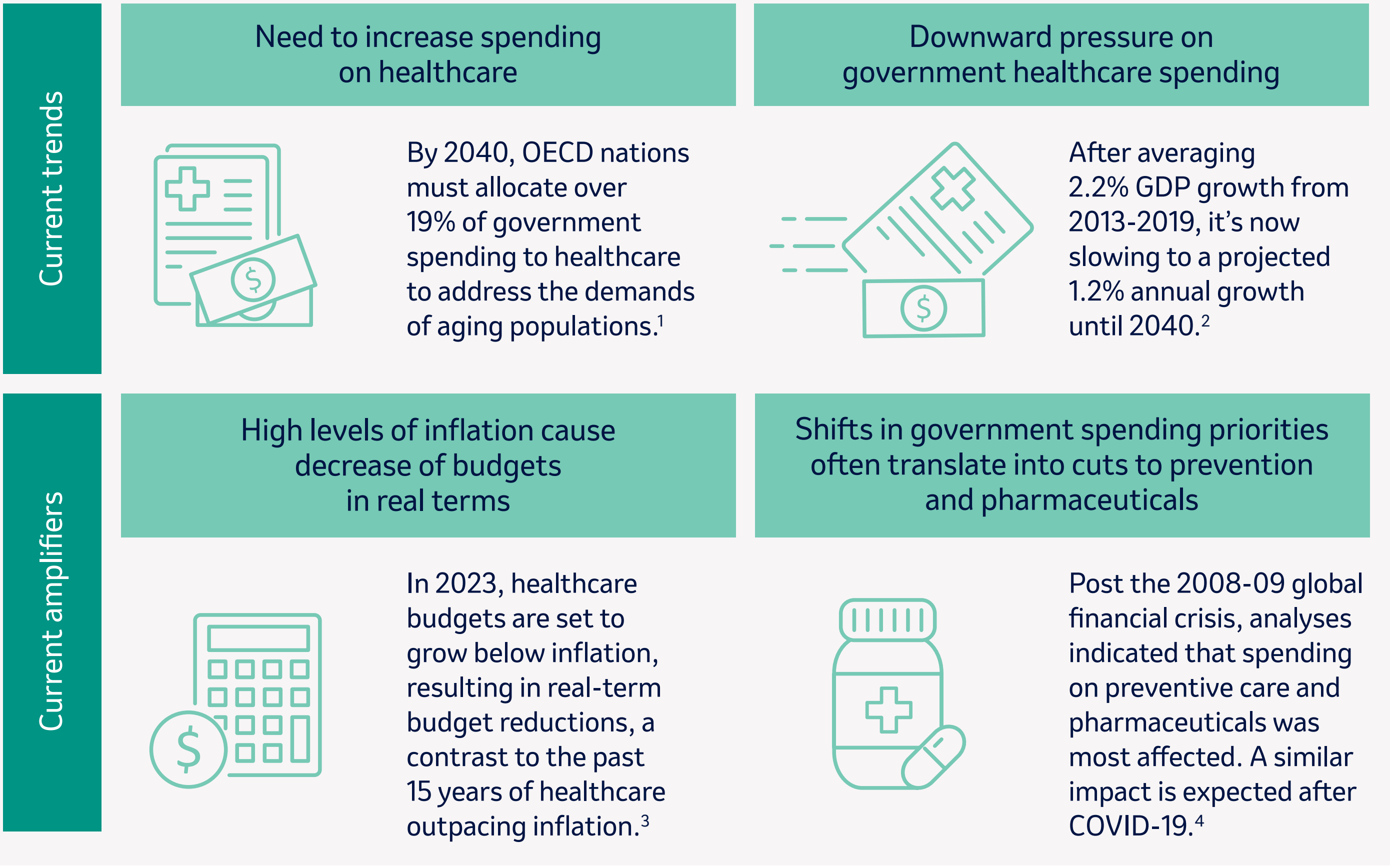


Figure 1: Healthcare and pharmaceutical expenditure as percentage of GDP across EU<sup>5</sup>

Budget pressures prompt governments to cut pharmaceutical spending, risking long-term access to innovation. While overall healthcare spending has continued to increase, pharmaceutical spending as a proportion of that has remained at 15% in Europe..

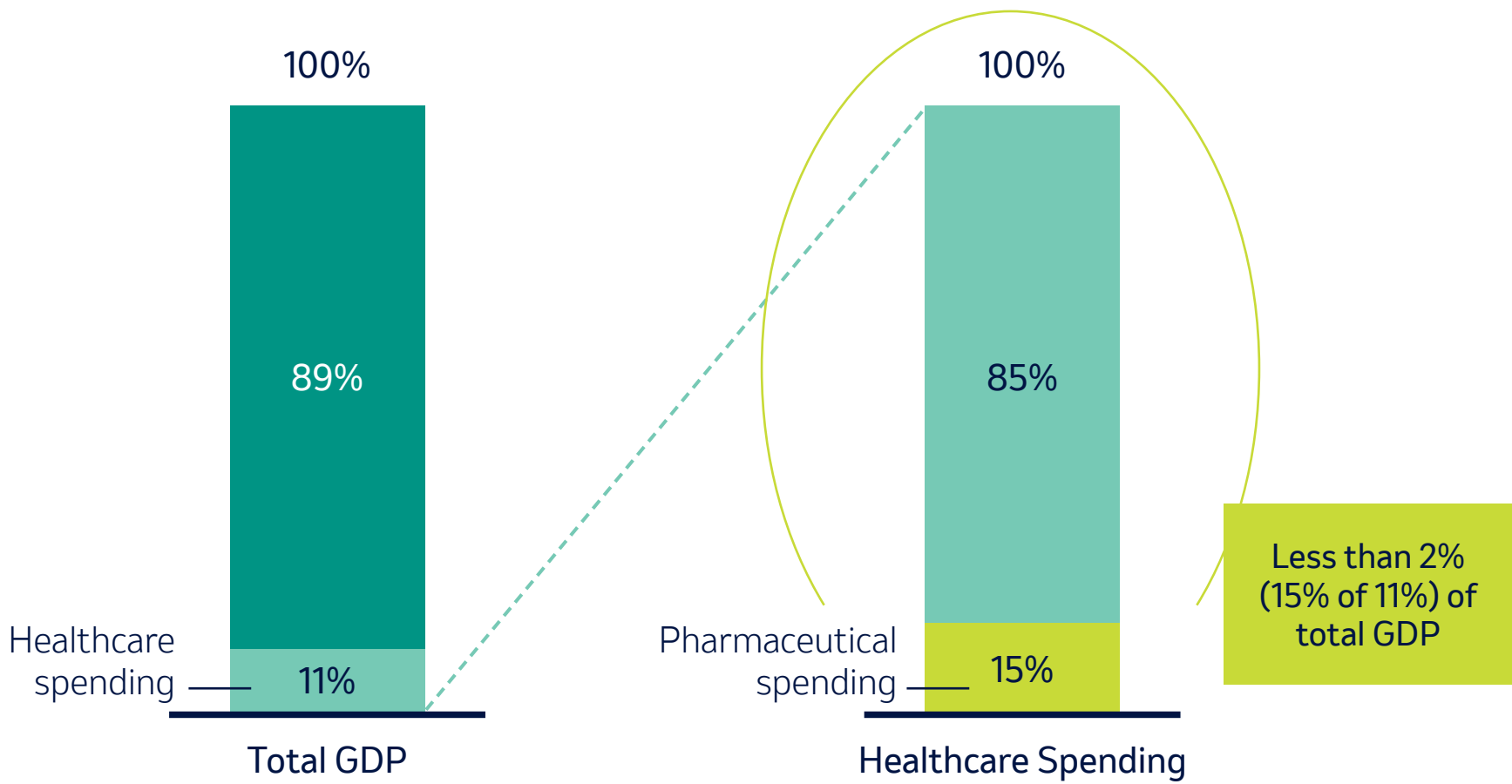


Figure 2: Four recommended ways to improve healthcare spending<sup>6</sup>

- Keep overall government spending constant but increase allocation to health within government budgets
- Increase healthcare system efficiency to find savings and improve health outcomes
- Shift more of the financial burden to meet health care demands to the private sector
- Increase health spending without changing other government spending so overall government spending rises

## Objective

The objective of this research is to identify diverse, new, and underutilised health financing models and approaches implemented in Europe and promote dialogue on how such models could be applied more widely to address unique healthcare financing challenges.

## Methods

This study utilised a mixed methodology, including literature review, expert interviews, and detailed analysis of select financing models. The analysis assessed how these models tackle funding challenges, require implementation enablers, and shed light on the broader applicability in European countries. In addressing the four proposed healthcare spending improvements, this research prioritized: 1) building the investment case to enable relocation of budget to healthcare, and 2) identifying innovative ways to reduce inefficiency and improve ability to pay.

To enhance healthcare and pharmaceutical affordability this study focused on two most feasible options:

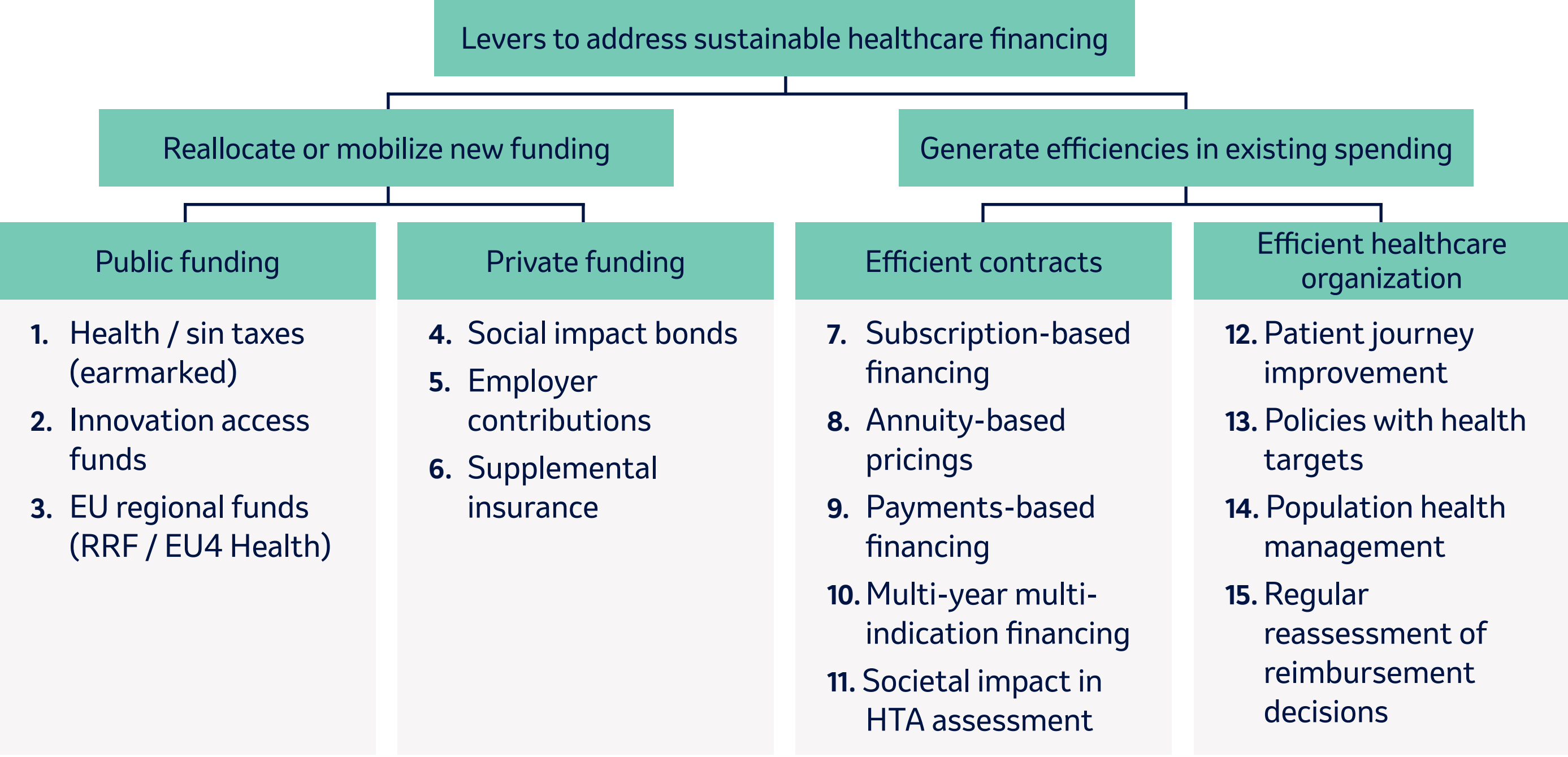
- Increase the public sector budget by clarifying the value proposition and attracting new resources.
- Create public sector budget efficiencies by identifying cost-saving opportunities without limiting supply.

Pursuing these options aims to minimize generic cost containment measures that indiscriminately cut costs, potentially affecting current and future supply due to adverse investment incentives.

## Results

The research identified various health financing models being used across Europe to reallocate or mobilize new resources or to use existing resource more efficiently and effectively.

Figure 3: Healthcare financing solutions observed across countries in Europe



Additionally, it highlighted four key enablers for more effective healthcare financing models:

- Using return on investment (ROI) data, including societal and economic returns, for health investment decisions, supported by robust data collection and quality.
- Employing horizon scanning to boost innovative financing models instead of austerity measures to enhance pharmaceutical budget flexibility.
- Treating pharmaceutical spending as an investment, not just an expenditure, through amortization.
- Assessing and acknowledging the broader value\* of pharmaceutical spending, considering cost offsets and healthcare budget sustainability.

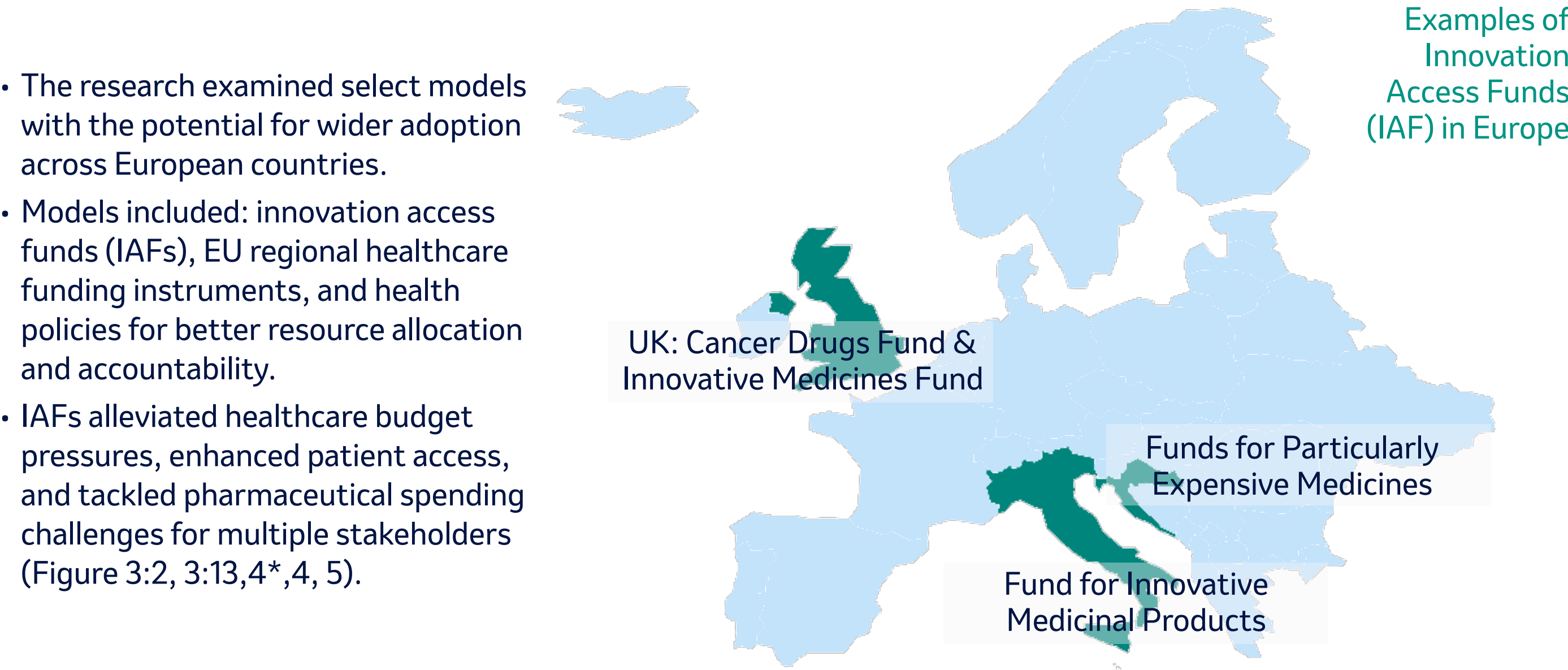
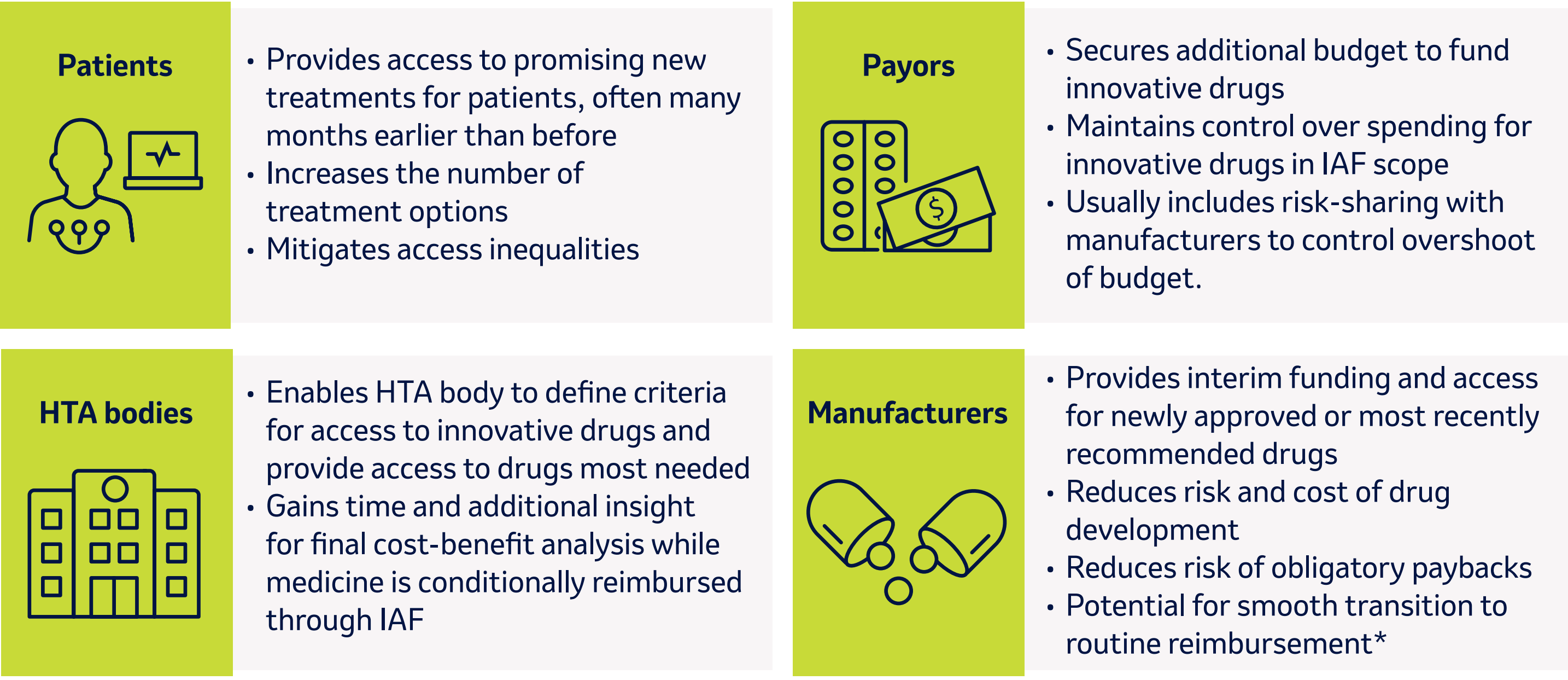


Figure 4: Innovation access funds can address challenges faced by diverse stakeholders

Problems addressed and stakeholders most affected		Stakeholders			
		Payors	HTA bodies	Manufacturers	Patients / HCPs
Budgetary	Innovative medicines and multi-indication drugs create budget uncertainties for constrained payers.	✓			
	IAFs address budget caps, reducing prescription restrictions and manufacturer paybacks.		✓	✓	✓
Time to access	Innovative medicines may require further data on clinical effectiveness prior to determining reimbursement. However, generating real world evidence requires patient access.	✓	✓		
	Access delays for new medicines, including rare diseases, are common, creating disparities across countries (EFPIA's WAIT indicator).			✓	✓

Figure 5: Innovation access funds can provide benefits across stakeholders



\*Not always the case e.g. IAF in Italy

## Conclusion

This study underscores the potential of diverse financing models to effectively tackle pressing healthcare financing challenges in countries in Europe. Embracing these strategies offers European nations the means to enhance healthcare system resilience and promote equitable access and outcomes.

References: 1) OECD, 2019; 2) OECD, 2022; 3) OECD healthcare financing [...] 4) EU: Healthcare outlook 2023; 5) IQVIA; 6) OECD