# 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.

Current trends

**Current amplifiers** 

Need to increase spending on healthcare

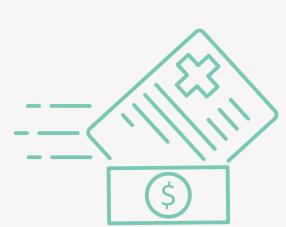
> By 2040, OECD nations must allocate over 19% of government spending to healthcare to address the demands of aging populations.<sup>1</sup>

High levels of inflation cause decrease of budgets in real terms



In 2023, healthcare budgets are set to grow below inflation, resulting in real-term budget reductions, a contrast to the past 15 years of healthcare outpacing inflation.3

Downward pressure on government healthcare spending



After averaging 2.2% GDP growth from 2013-2019, it's now slowing to a projected 1.2% annual growth until 2040.<sup>2</sup>

Shifts in government spending priorities often translate into cuts to prevention and pharmaceuticals



Post the 2008-09 global financial crisis, analyses indicated that spending on preventive care and pharmaceuticals was most affected. A similar impact is expected after COVID-19.4

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..

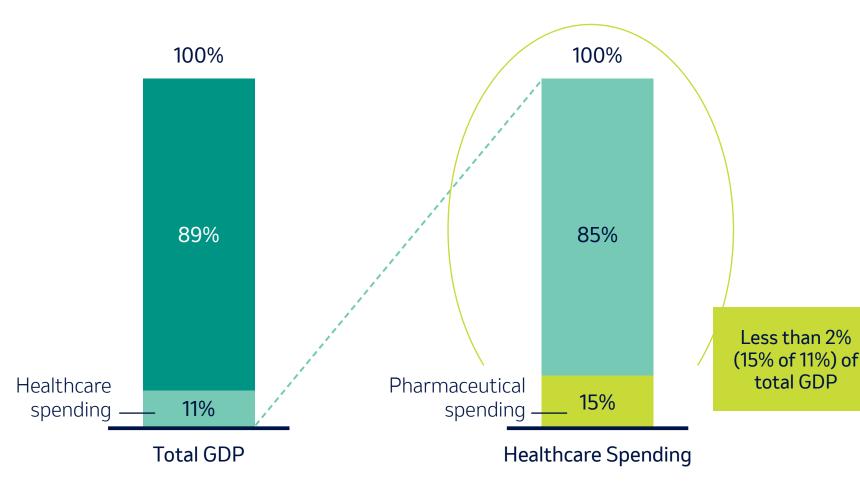


Figure 2: Four recommended ways to improve healthcare spending<sup>6</sup>

Keep overall government spending constant but increase allocation to health within government budgets

> Shift more of the financial burden to meet health care demands to the private sector

Increase healthcare system efficiency to find savings and improve health outcomes

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.

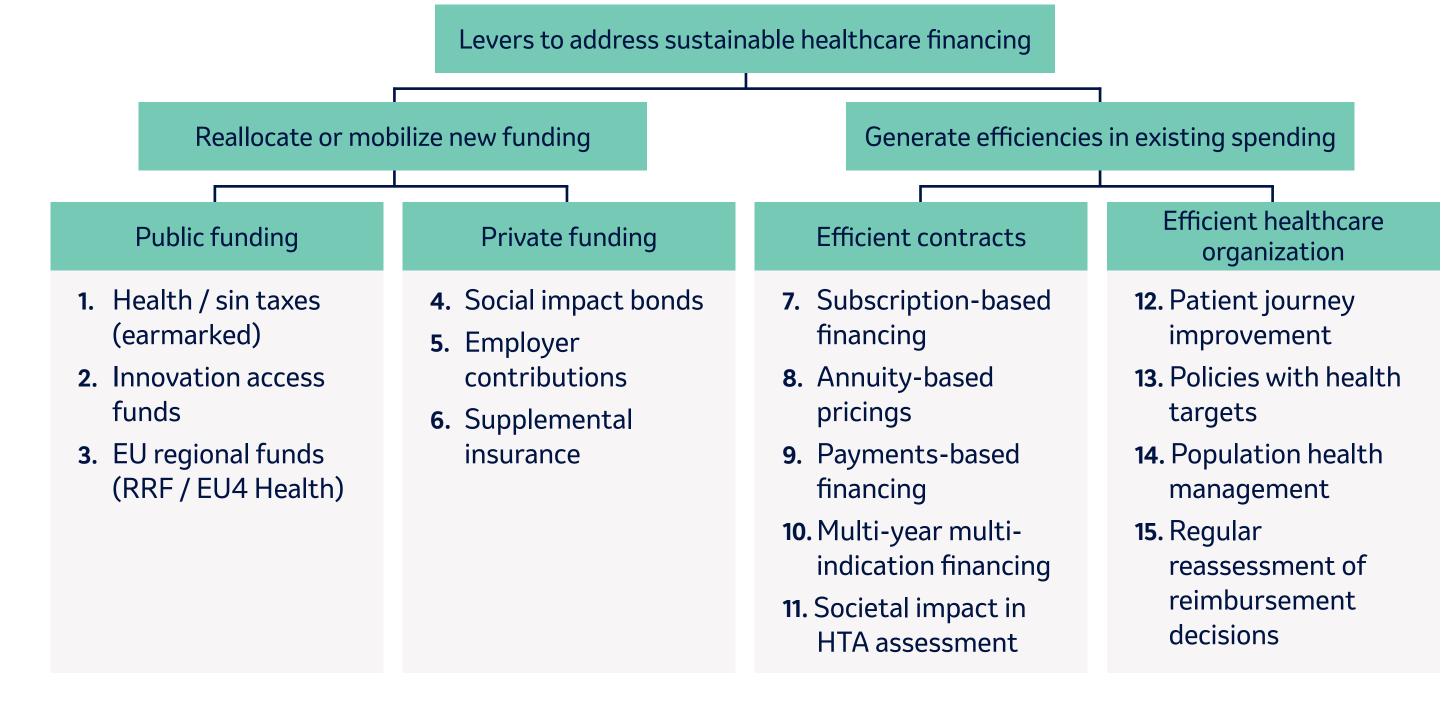
Create public sector budget efficiencies by identifying cost-saving opportunities without limiting supply.

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.
- The research examined select models with the potential for wider adoption across European countries.
- Models included: innovation access funds (IAFs), EU regional healthcare funding instruments, and health policies for better resource allocation and accountability.
- IAFs alleviated healthcare budget pressures, enhanced patient access, and tackled pharmaceutical spending challenges for multiple stakeholders (Figure 3:2, 3:13,4\*,4, 5).

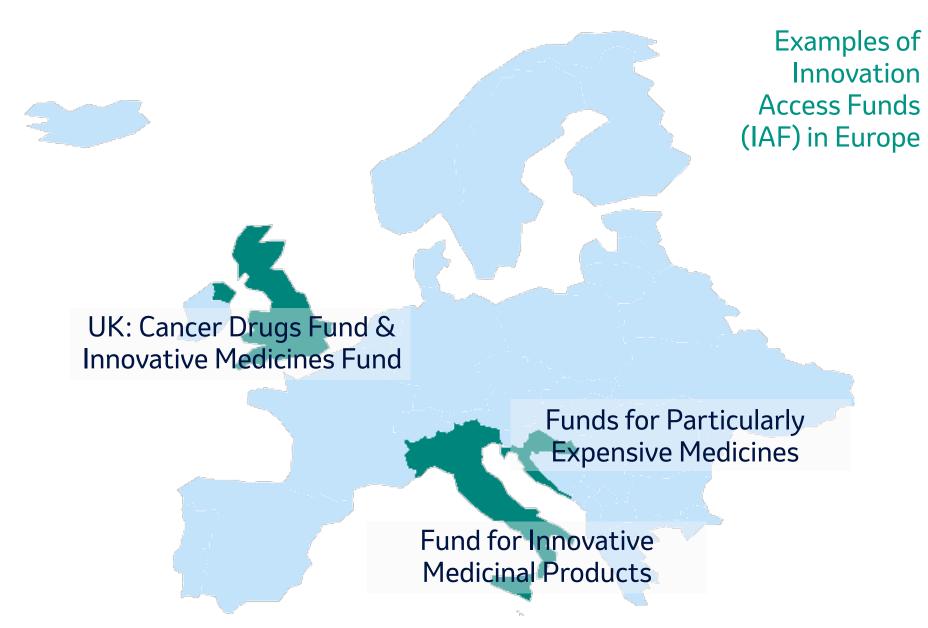


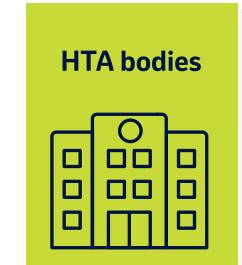
Figure 4: Innovation access funds can address challenges faced by diverse stakeholders

		Stakeholders			
Proble	ems addressed and stakeholders most affected	Payors	HTA bodies	Manufacturers	Patients / HCPs
Budgetary	Innovative medicines and multi-indication drugs create budget uncertainties for constrained payers.				
Budg	IAFs address budget caps, reducing prescription restrictions and manufacturer paybacks.				
o access	Innovative medicines may require further data on clinical effectiveness prior to determining reimbursement. However, generating real world evidence requires patient access.				
Time to	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

**Patients** । ९१९

- Provides access to promising new treatments for patients, often many months earlier than before
- Increases the number of treatment options
- Mitigates access inequalities



- Enables HTA body to define criteria for access to innovative drugs and provide access to drugs most needed
- Gains time and additional insight for final cost-benefit analysis while medicine is conditionally reimbursed through IAF



**Manufacturers** 

- Secures additional budget to fund innovative drugs
- Maintains control over spending for innovative drugs in IAF scope Usually includes risk-sharing with
- manufacturers to control overshoot of budget.

Provides interim funding and access

- for newly approved or most recently recommended drugs • Reduces risk and cost of drug
- development
- Reduces risk of obligatory paybacks Potential for smooth transition to routine reimbursement\*

\*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.