

Influencing the Process of Health Care Reform

Don Creighton, Pfizer Inc.

***Health Care Modernization in Central and Eastern Europe,
Center for Strategic & International Studies***

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Principles for Modernizing a Health Care System



- ◆ Clear and accountable health system objectives:
 - Fair Access
 - Efficiency
 - Responsiveness to Society
 - Innovation

- ◆ Must prioritize and acknowledge trade-offs

Understanding the Context – Health is an Asset as well as a Cost



- ◆ EU DG-Sanco study: “Health generates Wealth” [1]
 - Health care is a key sector and driver of economic growth
 - Health care output accounts for more than 7% of GDP in the EU-15
 - Bigger than financial services and retail trade
 - 9% of all workers in the EU-25 are employed in health and social sectors
 - Ill health is a drain on labor and capital productivity
 - WHO Commission on Macroeconomics and Health concludes 50% of the growth differential between rich and poor countries is due to ill-health and low life expectancy

[1] The contribution of health to the economy in the European Union. European Commission, Health & Consumer Protection Directorate-General. August 2005.

Understanding the Context – The Value of Health



- ◆ Reducing working days lost by investing more in health awareness, education, prevention, better diagnostics and therapy
 - Europe loses over 500 million work days every year to work-related health problems.^[1]
 - Many new medicines can prevent acute conditions (i.e. keep patients out of hospital) and mitigate co-morbidity diseases (i.e. decelerates onset of cardiovascular disease in diabetes patients), which saves the community from emergency and chronic care and related productivity losses.
 - About 2.2 million working days are annually lost due to migraines in Switzerland.^[2]
 - Over the past 40 years, the use of medicines has helped reduce the number of hospital admissions by half for 12 major diseases, including ulcers, mental illness and infectious disease.^[3]
 - Specific disease area examples include:
 - Cardiovascular disease
 - Mental Illness
 - AIDS

^[1] The Social situation in the EU 2003, European Commission.

^[2] Schoffski, O. Diffusion of Medicines in Europe. December 2002.

^[3] ABPI/EFPIA, 2004

Understanding the Context – The Value of Health (Cont'd)



- ◆ Maintaining health and vitality is essential for countering the demographic realities of a smaller labor force (in absolute and relative terms).
 - The EU's total working-age population will fall by 20.8 million, or -6.8 percent, between 2005 and 2030 if measures are not taken to improve the health of older populations.[\[1\]](#)
- ◆ Participation in the labor workforce of a healthy older population will be critical for economic growth in Europe, Japan and the US [\[2\]](#)
 - The report estimates that the workforces in Germany, the UK, France and Italy would grow 5 per cent – as opposed to decline 7 per cent – if each five-year group of workers is working at the current rate of the immediately precedent cohort (i.e. if as many 55-59 year olds are working in 2025 as people aged 50-55 are today).
 - As a result, it is estimated that economic growth in these countries would rise 2.2 per cent per year, instead of 1.6 per cent

[\[1\]](#) EU Commission Green Paper on Demographic Change, March 2005.

[\[2\]](#) "Demographics." *Financial Times (Lex)*, Oct 09, 2005.

Understanding the Context – Specific Market Characteristics



- ◆ Challenges or Opportunities of modernization based on market characteristics:
 - Institutional background – e.g. existing network of hospitals
 - Political factors – Party mandate, strength and influence
 - Inefficiencies of specific system – corruption
 - Population – ageing
 - Culture factors – Solidarity versus Equivalency
 - Patient expectations – Access to Information and innovation
 - Health and health-related Indicators (HIV, Smoking rates, etc)
 - Resources available

Modernization of the Health Care System – Inputs from All Stakeholders



- ◆ Focus of modernization determines key links
- ◆ Workforce = involvement from Ministry of Education, Interior
- ◆ Development/reform of financing mechanisms = involvement from Ministry of Finance
- ◆ Pricing and reimbursement of medicines = involvement from Ministry of Trade
- ◆ And patients, industry.....

Modernization of the Health Care System – Inputs from All Stakeholders



Public Service Agreement (PSA) framework continues to articulate and drive forward the UK's highest priorities and ambitions for delivery

- ◆ Objective I: Improve the health of the population
 - Halting the year-on-year rise in obesity among children under 11 by 2010 in the context of a broader strategy to tackle obesity in the population as a whole
 - Joint with the Department for Education and Skills and the Department for Culture, Media and Sport
 - Reducing the under-18 conception rate by 50% by 2010 as part of a broader strategy to improve sexual health
 - Joint with the Department for Education and Skills
- ◆ Objective II: Improve health outcomes for people with long-term conditions
- ◆ Objective III: Improve access to services
- ◆ Objective IV: Improve the patient and user experience

Benefits and Costs of Health Care Modernization – Beyond the Health Care System



- ◆ Benefits and costs accrue beyond the borders of the health care system
- ◆ Benefits:
 - Early disease management e.g. back pain = better health = higher productivity
- ◆ Costs:
 - Tax breaks = greater uptake of Private Medical Insurance = lower tax revenue
- ◆ Need to identify costs and benefits with rigorous analysis
- ◆ Health Impact Assessment
 - Tool used in some countries to explicitly consider the pros and cons of all types of government reforms on health

Benefits and Costs of Health Care Modernization – Beyond the Health Care System



- ◆ The EU Seventh Research Framework Programme (2007-2013), “Building the European research area of knowledge and growth,” proposes a budget of €67.8 billion--double the previous Programme to “respond to the competitiveness and employment needs of the EU.”^[1]
- ◆ Review of the progress of the Single Market program
 - Includes new policy platform on support for innovation
- ◆ In October 2005, the Commission submitted an integrated plan for EU measures – the “Community Lisbon Program” – to make Europe a more attractive location for investment and employment in order to stimulate growth, create more and better employment positions.^[2]
 - Targeted support for “knowledge and innovation in Europe” and “simplification of the regulatory framework.”

^[1] EU research – Building Knowledge Europe: The EU’s new Research Framework Programme 2007-2013. <<http://europa.eu.int/comm/research/press/2005/pr0704-2en.cfm>>

^[2] <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/973>

Benefits and Costs of Health Care Modernization – Beyond the Health Care System



- ◆ A recent study on innovation in the pharmaceutical sector undertaken for the European Commission^[1] concluded that:
 - Failure to reward innovation “may have a significant impact on the focus of innovative activity and the incentive to develop products in the future”;
 - National policies on generic competition should be clearly linked to higher prices for innovative patented products to preserve the incentive to innovate in the EU and
 - Price systems should include scope for price increases to encourage further R&D on the therapeutic class.

^[1] European Commission: Innovation in the Pharmaceutical Industry. Charles River Associates. November 2004.

Benefits and Costs of Health Care Modernization – Beyond the Health Care System



- ◆ Case Study: Economic impact of Quebec's 15-year rule on reimbursement of innovative drugs
 - In 1993, Quebec instituted the “15-year rule,” which ensures reimbursement of innovative drugs at original entry price for a period of 15 years even if their patent has expired and a generic copy exists – predictable environment for innovators.
 - In August 2005, Quebec Ministry of Finance and academic team reviewed effects of the law
 - Direct costs to the government of Quebec amounted to \$30 million
 - Removal of the law would result in a reduction of real GDP of \$340 million (-0.14%) due to direct (taxes from revenue) and indirect (investment) costs.
 - Over this time period (1994–2003), capital invested by the pharmaceutical industry was 9.1% versus 6.8% for the rest of Canada
 - Pharmaceutical capital investments in BC were only \$18 CDN per capita, compared to \$245 CDN in Quebec

Modernization - Sustainability



- ◆ Need for planning, monitoring, measuring in short and long term
- ◆ Staff shortages:
 - Analysis of shortage
 - Short term = international recruitment
 - Long term = incentives for domestic training
- ◆ Waiting lists:
 - Analysis of health needs
 - Short term = buying in extra capacity
 - Long term = efficient provision

Modernization - Sustainability



- ◆ *“It takes on average eighteen months for organizations to ‘recover’ after restructuring and to bring their performance back to its previous level’...*
- ◆ *.....’it is thought to take a further 18 months for the benefits to emerge – a total of three years from the initial reforms. Thus, just as the benefits of PCTs (established in 2002) are about to be realised, the Government has decided to restructure them. The cycle of perpetual change is ill-judged and not conducive to the successful provision and improvement of health services’*

Modernization - Consistency



- ◆ Hallmark of an efficient, modern system includes a predictable process that stakeholders can rely on for long-term planning
- ◆ Pendulum effect of changing drug reimbursement regulations demonstrated by OBIG (Austrian Health Institute)
 - Regulations change every 18 months on average
- ◆ Importance of cooperative effort
 - Public-private partnerships -- sustainable health solutions with measurable outcomes