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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	**Employment, Social Policy, Health and Consumer Affairs** Council meeting on 1 December 2014 Europe 2020 - Mid-term review - *Exchange of views* (Public debate in accordance with Article 8(2) of the Council's Rules of Procedure [proposed by the Presidency])

1. Delegations will find attached a note from the Presidency on the above-mentioned subject as a basis for an exchange of views at the Council meeting on 1 December 2014.

2. In order to structure the debate, the Presidency has included a set of questions at the end of this note. Delegations will be requested to limit their responses to one intervention.

ANNEX

Investing in Health:

The 'Missing Dimension' of the Europe 2020 Strategy

Introduction

It is well established that improving health outcomes can have a positive impact on economic outcomes and societal well-being, for example through longer working lives, higher productivity, a reduced cost burden arising from ill-health, improved educational outcomes and social inclusion. Despite this, health has been consigned to a relatively marginal role within the Europe 2020 Strategy, as was also the case with its predecessor, the Lisbon Agenda. With the mid-term review of the Europe 2020 Strategy now underway, there is an opportunity to consider more fully the contribution that investments in health can make to the objectives of the 2020 Strategy.

The Europe 2020 Strategy was launched in 2010, at the height of the economic crisis, and aims to foster 'smart, sustainable and inclusive growth'. It includes five headline targets in the areas of employment, R&D, climate change and energy, education, and the fight against poverty and social exclusion. In June 2010, the European Council noted that the strategy should boost **competitiveness, productivity, growth potential, social cohesion** and **economic convergence,** and focus policies on the introduction of medium- to longer-term reforms that promote **growth** and **employment** and ensure the **sustainability of public finances.**[1]

1 European Council conclusions, 17 June 2010.

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Where the Europe 2020 Strategy has focused on health – particularly via the European Semester - this has tended to centre on the contribution that more cost-effective health systems can make to sustainable public finances. While important, this should not preclude a recognition of the contribution that health can make to the wider objectives of the Europe 2020 Strategy. The Council set this out well in 2011 stating that 'Investments in health should be acknowledged as a contributor to economic growth. While health is a value in itself, it is also a pre-condition to achieve economic growth'[2] The Commission staff working document 'Investing in Health' concluded, similarly, that 'universal access to safe, high-quality, efficient healthcare services, better cooperation between social and healthcare services and effective public health policies to prevent chronic disease can make an important contribution to economic productivity and social inclusion'.[3]

The purpose of this note is to consider the potential contribution of investment in health to some of the main objectives of the Europe 2020 Strategy – namely: employment and productivity; sustainable public finances; education and reduced poverty and social exclusion. It will then examine how a shift to an outcomes-based approach to health systems can contribute to the goal of sustainable health systems, before finally suggesting some practical ways to strengthen the role of health within the Europe 2020 Strategy through the European Semester.

1. The contribution of health to the objectives of the Europe 2020 Strategy

Employment and productivity

One of the five headline targets of the Europe 2020 Strategy is for 75% of 20-64 year olds to be in employment. At the end of this age range, an individual's health and whether they have experienced 'health shocks', such as heart attacks and strokes, will be important determinants of labour market participation and decisions about when to retire. One study has found that people in poor health are likely to retire between 1 and 3 years earlier than people in good health. Building on the work of the European Innovation Partnership on Active and Healthy Ageing, a revised Europe 2020 Strategy should take account of the important role that improved health outcomes can play in meeting the headline employment target – in particular by contributing to longer working lives.

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[2] EPSCO Council conclusions, 'Towards modern, responsive and sustainable health systems', 6 June 2011.

[3] Commission staff working document (CSWD), 'Investing in Health' (2013), p.20.

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Across the age range, the impact of health on productivity, and thereby competitiveness, also stands out as a missing element of the 2020 Strategy. Sickness is a major cause of absenteeism, which imposes significant costs on firms, and inevitably reduces an individual's productivity. People in poor health tend to have lower earning, which has also been seen by economists as a proxy for productivity. On employment and productivity grounds alone, there is a strong case for approaching the economic consequences of health policy in terms broader than just the burden it puts on public finances. Improved health outcomes can impact positively on economic outcomes, and as such should be recognised as an investment in longer working lives and competitiveness.

Jobs in the health and social care sector also make an important contribution to European economies. The sector accounts for approximately 10% of employment (including a relatively high proportion of high-skilled jobs) and created 2.8 million new jobs between 2008 and 2011.[4]

Sustainable public finances

In the post-financial crisis environment of fiscal consolidation, ensuring the sustainability of public finances has become a key concern. It was one of the issues highlighted by the European Council when the Europe 2020 Strategy was finalised in 2010.[5] Within the European Semester, increasing attention is being paid to the cost-effectiveness of healthcare systems – a concern which reflects the relatively high proportion of government expenditure devoted to health (almost 15% on average in 2010).[6]

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[4] CSWD, 'Investing in Health (2013), p.16.
[5] European Council conclusions, 17 June 2010.
[6] CSWD, 'Investing in Health' (2013), pp.1-2.

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While the focus on efficiency savings is an appropriate and necessary component of the 2020 Strategy, it should not be seen as an impediment to well-designed investments in health that will lead to efficiency gains later on. The most obvious example of this is investment in prevention and effective early intervention, which can lead to important long-term savings. Preventative actions that have strengthened cost-effectiveness include vaccination against communicable diseases, targeted screening programmes and initiatives to promote healthy lifestyles, such as reducing smoking levels, alcohol abuse, and improving nutrition.[7] Beyond prevention, investments with the potential to increase cost-effectiveness include greater use of information technology and successful deployment of health technology assessment (HTA).[8]

Investing in prevention and innovation should therefore be recognised as an important part of the cost-effectiveness toolkit, and therefore merits due attention in the Europe 2020 agenda during its second five years.

Education

The education targets of the Europe 2020 strategy are to reduce the rate of early school leaving to below 10%, and for at least 40% of 30-34 year olds to have completed third level education. Once again, a connection can be made between these education targets and health outcomes. As might be expected, evidence exists to support a link between illness at school and educational attainment, while people with good health are likely to have a greater incentive to invest in their education. Moreover, educational environments are also uniquely well placed to promote healthy lifestyles, for example by teaching nutrition and encouraging regular exercise, and therefore have an important role to play in prevention strategies.

[7] OECD, 'Health System Priorities when Money is Tight', p.14.

[8] OECD, 'Health System Priorities when Money is Tight', p. 18; CSWD, Investing in Health',

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Poverty and social exclusion

The Europe 2020 Strategy aims to lift at least twenty million people out of the risk of poverty and social exclusion by 2020. The 2013 Commission staff working document 'Investing in Health' observes that 'healthcare plays a significant role in reducing the at-risk-of-poverty rate' and points out that, due to the economic crisis, some countries have increased charges for essential services. Such increases are obviously a source of concern 'given that vulnerable populations are already disproportionately affected by the economic crisis and that ill health has negative outcomes on employment'.[9] People in poor health may also be unable to spend more time with family and friends or to pursue leisure activities. Family and friends are also impacted: carers tend to work less, their mental health (due to stress) may suffer and they are more likely to be at risk of poverty – especially women.[10] This further reinforces the link between ill health and social exclusion.

2. Investing in Health: shifting to an outcomes-based approach

Investing in a shift to outcomes-based approaches

Maximising population health has clear economic and social benefits. Achieving this requires an approach that spans all policy areas, but key to it is having healthcare systems that deliver good health outcomes to the population in the most effective and cost-effective way. In the context of the European Semester, the need to improve the cost-effectiveness of healthcare systems has been stressed in the country-specific recommendations that have been developed for most Member States. However, the emphasis has been on the costs part of the equation – focusing on the significant financial and human resources going in to the healthcare systems. Relatively little attention has been paid to their effectiveness - what are the outcomes of the systems in improving the health of individuals and the population as a whole? How can these be further improved?

[9] CSWD, 'Investing in Health', p.18.

[10] OECD report, ‘The Impact of Caring on Family Carers’, 2011.

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Compared to the vast amount of information available on healthcare costs and resources, there is relatively little information that enables accurate comparisons to be made between health systems in relation to their outcomes. This partly reflects the lack of focus on this aspect, but there is already enough information available to indicate that EU Member States' healthcare systems differ markedly in their effectiveness and in the health outcomes they produce.

Some figures are cited in the recent European Commission communication on effective, accessible and resilient health systems[11]. This points out, for example, that there is a fourfold difference in the perinatal mortality rate between Member States, that the number of women between 50 and 69 screened for breast cancer varies from below 10% to over 80%; and most tellingly, that the amenable mortality rate (i.e. the premature deaths that should not occur if timely and effective healthcare is provided) varies between countries by a factor of five.

Clearly, there is much scope for improvement.

The benefits of outcomes-based approaches: cost-effectiveness, sustainable health systems, and social inclusion

Outcome-centric systems will help to ensure that health system effectiveness is maximised. This is of particular importance as the EU's population ages and there is a concomitant rise in chronic disease, which will put already-stretched health systems under increasing pressure and threaten their sustainability. With the current resource-centred approach, the focus is to try to make the best use of ***available*** structures, practices and resources. An outcomes-based approach, on the other hand, focuses on interventions that are ***needed*** to achieve results. Unnecessary practices that add little or no clinical value and drain funding will be weeded out. Investments can be shifted from non-efficient practices towards innovatory approaches making best use of new technology and research, such as in the field of personalised medicine, which provide ways of delivering high quality care in an efficient way, and to make it more widely accessible.

[11] COM (2014) 215 final, April 2014.

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Making the transition to outcomes-based systems will not be achieved overnight and it will involve making some new investments in the short term to secure the significant long-term gains in healthcare and population health. Some Member States, such as Sweden and the UK, have already taken steps in this direction. The EU should signal its support for countries moving along this path.

One of the main obstacles to outcomes-based approaches is the practice known as 'silo-budgeting', which is often used to ensure short-term budget sustainability. Silo-budgeting results in healthcare planners having to make the best possible use of the available financial resources available, which limits their possibility to take account of the outcomes and the efficiency savings that investment in health can generate in the medium to long term, both within and beyond healthcare systems.

Therefore, serious thought should be given to how to address the conflict between silo-budgeting in healthcare planning and the goal of improving investments in health, in order to deliver better societal outcomes.

In particular, the assessment of national healthcare systems in the framework of the European Semester should prove that investing in innovative healthcare technologies, practices and processes can generate long-term savings. Moreover, it should take into account that different intermediate inputs within and beyond the healthcare systems (e.g. healthcare, social assistance, labour market, education) are related to one another, and that investing in innovation in one area can have measurable long-term benefits in other related areas.

By applying an outcomes-based approach to investments in health, the EU can encourage the creation of more effective health systems that ensure a better environment for innovation, better economic governance, and better healthcare results, thus contributing to the objectives of the EU 2020 Strategy for smart, sustainable and inclusive growth.

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3. The European Semester: what role for health?

The Europe 2020 Strategy is implemented and monitored in the context of the European Semester. Health's relatively limited role within the Strategy is thus reflected in the Semester, where health is overwhelmingly considered in terms of the contribution it can make to sustainable public finances.

Alongside the emphasis on public finance sustainability, more attention should be given to the outcomes that health systems deliver, underpinned by the recognition that improved health outcomes, and better population health, can make an important contribution to some of the primary objectives of the Europe 2020 strategy.

To develop a stronger focus on health outcomes, it will be necessary to develop robust health indicators and promote more widespread use of Health Systems Performance Assessment. This will provide the European Commission and the Member States with a set of tools which they can use in the framework of the European Semester to make an evidence-based, case-by-case assessment of the extent to which investment in health in each individual Member State contributes to the objectives of the Europe 2020 strategy.

Systematic use of those tools in the framework of the European Semester – integrating Health System Performance Assessment into national reform programmes, and having them taken into account in the development of country-specific recommendations – would be an important step towards more effective and sustainable healthcare systems, as well as bringing wider benefits for the economy.

There is also a need for greater coordination between health ministers and experts, and other actors in the European Semester process (particularly in the areas on public finances, employment, and social protection). Furthermore, coordination should strengthened between the Working Party on Public Health at Senior level and the Social Protection Committee, which could, for example, conduct a joint review of the implementation of country-specific recommendations and a joint consideration of new health-related CSRs.

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Ministers are asked to consider the following points in preparation for the discussion:

– How can investments in sustainable health systems contribute to the objectives of the EU 2020 Strategy for smart, sustainable and inclusive growth? Should the relationship between health outcomes and economic outcomes feature more prominently in the Europe 2020 Strategy?

– Do Member States agree that more action is needed at EU level to tackle the significant differences between national healthcare systems in relation to the health outcomes they produce? Can this goal be achieved by encouraging a shift from a resource-based approach to an outcomes-based approach in management of healthcare systems?

– Do Member States agree that silo-budgeting in healthcare planning is a serious obstacle to the transition to an outcomes-based approach?

– Do Member States agree that the outcomes produced by cost effectiveness of health systems should receive more attention in the European Semester, including by developing and making systematic use of health indicators?

– More specifically, do Member States agree that the European Semester should be improved by:

  – making greater use of health systems performance assessment in National Reform Programmes, which could then be taken into account in the development of country-specific recommendations?

  – having the new health-related country-specific recommendations and their implementation jointly reviewed by the Working Party on Public Health at Senior level and the Social Protection Committee?

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