Ares(2020)3783905

From: [redacted] (REFORM)
To: [redacted] (SANTE); [redacted] (SANTE); [redacted] (SANTE)
Subject: meeting with [redacted] and Medtech
Date: vendredi 15 septembre 2017 15:58:21
Attachments: Economic value as a guide for decisions on health systems final.doc
From sick care to helath care Final.doc
Modernising Community Care Final.doc

This morning SANTE B1 ([redacted]) met a delegation composed by [redacted] (private consultant), [redacted] and [redacted] (MedTech Europe).
[redacted] and [redacted] presented the goals of MedTech to move into a more comprehensive assessment of efficiency and sustainability of health systems, which brings the focus on the concept of value and on the broad socio-economic impact of good health, in line with the position expressed in the attached documents.
They announced their intention to identify good practice cases and develop evidence based on sound methodological approaches. MedTech intends to share such evidence with SANTE.
As [redacted] of CHES/EPC, [redacted] announced his interest in hosting a discussion on State of Health in the EU, possibly in the context of CHES annual lecture.
[redacted]

From: [redacted] [mailto: [redacted] @[redacted].com]
Sent: Friday, September 08, 2017 11:40 AM
To: [redacted] (SANTE)
Cc: [redacted] (SANTE); [redacted] (SANTE); [redacted] (MedTech Europe); [redacted]
Subject: Re: Follow up

Dear [redacted],

I look forward to seeing you next Friday, and just to give some background for the work I have been doing, I attach three small papers. The two of them are summaries of previous work, while the slightly longer paper (on Modernising Community Care) is a new one and dealing with the concrete issues of economic benefits of shifting to out-.of-hospital services in some cases.

As I mentioned previously there will be two representatives of MedTech Europe, as this organisation is presently having a discussion about how they can contribute to develop out-of-hospital health care and thus contribute to more sustainable health systems.

My best regards

[redacted]

From: [redacted] [mailto: [redacted] @[redacted].com]
Sent: Wednesday, July 05, 2017 6:56 PM
To: [redacted] (SANTE); [redacted]
Cc: [redacted]; [redacted]
Subject: Follow up

Dear [redacted],

We had a little discussion after the latest CHES event at EPC about some work and ideas concerning the advantages – and not least the economic advantages – of shifting to more out-of-hospital service in our health systems. More and more is becoming possible with the advance of technology, and in many cases out-of-hospital solutions are preferred by patients. That it is less costly to keep patients out of hospitals is obvious – of course on the condition that the treatment is of high quality.

I believe I also mentioned the work I have been doing over the last couple of years within the framework of Medtech Europe, on the wider economic aspects of health, so taking the value considerations a step further by including the economic effects for patients, the health system and the societal economy. I have discussed these issues with your colleague, [redacted] in the process of developing the thinking.
When it comes to the question of care within or outside of hospitals, the economic benefits becomes more visible when such broader economic points are taken into consideration, so in times of patient centred, value based health care a lot can be achieved by choosing the best possible pathway for the patients.
You motioned in our conversation that your would always be open to discuss these issues and in particular if we could indicate economic gains and advantages to be achieved. I believe there is, and at present I am continuing the work I started a couple of years ago with MedTech Europe on developing the concepts and methodologies to identify the economic advantages (Economic Value as a Guide for Investing in Health and Care), and indeed illustrate this with concrete examples. Clearly to reap the full benefits, there needs to be information provided to for example family doctors on the new opportunities and the pro's and con's in using them, and there probably also needs to be changes in the way health systems are governed – developing towards integrated care systems rather than traditional "silo" thinking.

I would be happy to come over to you to present the initial concepts and thinking with a colleague or two from MedTech Europe, and this could possibly be done in July if your time permits. Another possibility would be to see if you and any of your colleagues, who may have an interest, would be available for example in September – where we will have developed out thinking more than today.
Kindly let me know what timing would be best for you.
Best regards
[redacted]

Economic value as a guide for health policy decisions

Europe's health systems offer universal coverage and are mainly (70-90%) financed from national or regional governments' budgets and/or employee/employer contributions. Health systems are under pressure due to lower economic growth and growing costs as a result of ageing, rising chronic diseases, and increasing demand for health care. Thus, policy makers at all levels must address the **sustainability of the systems**, which in the "European model" also means (relatively) equal access for all to the health systems.

Policy makers need the right tools and appropriate information to be able to make the crucial decisions about the future of health systems. Faced with rising health expenditures, the reflex response is to focus on the costs of health systems. However, while initial cost-containment measures may have given some short-term fiscal relief, continued cost cutting is leading to **loss of quality, economic and social capacity, and rising healthcare costs in the medium to long term. These unintended consequences** highlight the **need for structural reforms and investments in innovation that benefits** citizens, health systems and our economy.

The addition of the value based healthcare concept has changed the focus, and makes it possible to begin to look at the value of health and healthcare offered – seen as the outcomes that matters to patients divided by the costs of achieving these outcomes. These thoughts, pioneered by Michael E. Porter[1], are now becoming increasingly important in the discussion about health systems and the identification of best practices – including the new and important joint EU-OECD project on benchmarking health systems performance.[2] PaARIS can become an instrument for highlighting the outcomes that matter to patients.

Using a broader economic lens when considering the full value of investing in health and care will be a cornerstone of future healthcare.

Measuring the value of health and care by taking into account the value of healthcare (measured on the basis of clinical and patient-reported outcomes) provides a better and more solid basis for taking policy decisions about healthcare. But is it enough?

If the broader concept of economic value (and not only cost-efficiency in obtaining outcomes) is added to complement the equation, it will create a more refined and comprehensive view of the full value of investment in health and care. This will sharpen the focus on better control of operating costs, as well as incorporating the containment of expenditures through disease prevention and avoidance of disease progression. Such an approach would also account for the value of having citizens in good health, and the benefits this brings for the health system, for society and for the economy.

The importance of prevention and progression of diseases has obvious advantages for individual citizens, but also enormous socio-economic advantages as it enables citizens to remain economically active and productive. At the same time, it reduces

[1] See for example: http://www.nejm.org/doi/full/10.1056/NEJMp1011024
[2] http://www.oecd.org/health/paris.htm

the need for formal or informal care. For retired citizens in particular, there are significant benefits of being in good health and remain socially and economically active.

Economic value as a guide for investments[3] will therefore play a positive role for future sustainability, but it should be remembered that value should not only be measured in terms of outcomes – the value of investments in healthcare are *outcomes + economic value* at all levels. The following should be taken into consideration:

- Cost-efficient delivery of health care and operational efficiency

- Cost-avoidance by preventing disease and progression of diseases and keeping citizens in "good health"

- Enabling citizens to remain economically productive and socially active; reducing the requirement for formal or informal care which is a major indirect cost of a population not in good health.

In addition to looking at the (clinical/patient-reported) outcomes and the economic value components, the benefits for other people involved in healthcare and the value of information needs to be added into the equation to obtain a comprehensive view of the value of investments in health and care.

Conclusion

By incorporating all aspects of economics in health care, focus can be directed towards instruments that support informed decisions about the future direction of health policies. This will help decision makers to select the best healthcare investments based on the value they create, thus contributing to the creation of efficient, sustainable, valuable health systems despite the adverse macroeconomic conditions. It is also clear that there is enormous potential in eliminating waste, improving operations and management of health systems, and in preventing onset of illnesses or preventing illnesses from progressing to advanced and costly stages.

In order to do this successfully it is essential to invest in identifying and updating best practices and transformative innovation. This includes best practices in structural changes, administration, management, and clinical practices. It must also enhance value-based access to transformative medical technologies and solutions, along with improvements in diagnostics, treatment and management offered in the most economically advantageous ways.

[3]http://www.medtecheurope.org/sites/default/files/resource_items/files/Economic%20Value%20as%20a%20guide%20to%20invest%20in%20Health%20and%20Care.pdf

Modernising Health Care: Community care for better value for patients, the health system and the societal economy

Content

Introduction

Efforts to improve performance of health systems happen in many places as the sustainability of the European healthcare systems is under pressure. The main reasons for the financial pressure are well-known: lower economic growth, large, comprehensive and costly health systems and – not least – the demographic developments we are seeing all over Europe with a rapidly ageing population and a decrease in the working – and tax paying – part of the population, and with a shift to chronic disease as the main health, cost and economic burden of healthcare expenditure.

These facts create an urgency to find solutions that can keep health care sustainable as stressed by the European Union in its *Communication on Effective, Accessible and Resilient Health Systems* from 2014, [1] as well as many other reports from other international bodies (such as the OECD and WHO) and at the national level.

This paper argues that in order to find solutions that really can work focus must be on the value created by health systems measured on the basis of clinical and patient reported outcomes, but also incorporating the wider socio-economic values, and on utilising the new technological developments within integrated and flexible health systems.[2]

Changes in the institutional roles in health care

In the whole picture of our health systems – going from the primary health care to tertiary care, care in hospitals has for many years been dominant – in size, in costs and in political weight and importance. Clearly hospitals are necessary and they are the cornerstone of the clinical part of dealing with emergency care, acute diseases and exacerbations and specialized care requiring a hospital infrastructure, but they are not necessarily the most optimal point to deal with all aspects of health, including prevention, various forms of interventions, treatments, management of the disease (especially chronic) and restitution. And they are not necessarily the optimum place to obtain high patient satisfaction ratings either – besides for example having the risks associated with AMR.

[1] http://ec.europa.eu/health//sites/health/files/systems_performance_assessment/docs/com2014_215_final_en.pdf

[2] See for example ……

The number of beds and length of stay at hospitals has decreased over recent years, although there are big differences between European countries[3]. In order to make this more than a cost-cutting success, there must be a smooth operation between the hospitals and the out-of-hospital care – for example to avoid re-hospitalisations, but also to ensure that patients can be socially and – not least – economically active. This is often not the case for example because health systems operate in silos, and because the administrative setup and reimbursement systems are not promoting a smooth operation across the "silos".

But one should also constantly rethink where the best care can be delivered - both from an economic perspective and from the perspective of maintaining people in a good health, ie how the best value for money invested in healthcare is obtained.

Conditions for out-of-hospital care are improving

If Community Care is defined as health services that take place outside of hospitals, we are talking about very different types of health care. Possibilities for care outside of the hospital are improving rapidly due to technological developments. Technological developments are happening fast and perhaps sometimes so fast that decision-makers does not recognise its importance. In the current environment increased alertness to the developments, increased flexibility in the way health systems are organised and managed and the way reimbursement systems operate should be a priority. This could mean to move from 'set in stone' systems to flexible one with less emphasis on acquired rights and more on rewarding smart solutions that can improve the sustainability of the health systems by providing quality and specialist care with same or better outcomes for the same or lower costs.

The fact that hospitals has been the centre piece to such a high degree coupled with their often very unique administrative and organisational status, has also meant that there has been less focus on the relation between hospitals and the surrounding parts of the health system and on how the individual parts of the system works smoothly together. Close links between primary health care practitioners and hospitals has – together with traditional attitudes – created some very established patient pathways into hospitals – often without even considering alternatives.

Trust in alternatives?

Health systems are set up in silos and. hospital budgets across Europe are funded separately from and at a higher level than budgets for community and other healthcare settings. This so called "silo" budgeting leads to silo treatment, disruption of the continuity of care, and often reduced access to medical technologies that could lead to more use of out of hospital care whether or not it will deliver the highest quality and patient satisfaction.

With growing utilisation of value based health care and the patient centred approach, this will not be sustainable. There will be pressure from (the informed parts of) the patient groups for having the necessary insight into different alternatives to create an informed opinion, and there should ultimately be a strong pressure from those responsible for the societal economy to provide for pathways that not only give higher patient satisfaction but also higher societal economic value and thus in the end more sustainable health systems.

With value based health care also follows different types of reimbursement systems and in order to handle them, the value of the treatment and of the patient pathway must be clearly

[3] Length of stay – OECD….

defined and agreed upon. This will be further accentuated if value-based procurement is strengthened and used to make investments in health more efficient[4]. This should also give incentives for development and professionalization of community care by improving existing services or by new (private) alternatives of high quality.

Do reimbursement systems create barriers for change?

Reimbursement systems in community care can act as barriers to the adoption and uptake of innovation. As an example, some private healthcare providers have begun to offer remote GP consultations and these costs per consultation are funded by the patient. This is in contrast to a free or partially funded consultation when visiting the local GP. Where such consultations are equivalent – like coming back to the doctor's to go over test results – there is a much greater loss of productivity in the visitation scenario, yet the economic incentives are all skewed towards this type of historic intervention.

Many countries are creating local health economies where healthcare budgets are decentralized to better meet the needs of the population. These local solutions offer the ability to link health care with social care needs. Commissioning services from private or internal state providers are evolving and allowing more control over costs and greater efficiency and quality of care. New or transferred models of care are developed from the local situation. Ideas such as funding systems that follow the patient throughout the system rather than being institution specific are developing in some countries and as mentioned in some cases linked to value based health care. The funding and reimbursement structure is key to the successful link of health and social care models and the adoption and uptake of innovation in the community sector.

One of the obstacles to better access to medical technologies in many care settings is that assessment and evaluation systems are not designed to capture the full value of such technologies in a given setting, Thereby some of the most valuable aspects of dealing with patients in a community setting are being missed, including the potential for better quality of life and higher economic productivity for the patient. Therefore choosing medical technologies and services for use in the community care sector in Europe's health systems should aim at looking at health care which is value based, and incorporate the patients situation (socially and economically) and indeed the wider socio-economic consequences of health decisions. The value based point of view can also be promoted through integration in the procurement process, as it is described in the MEAT project (Most Economically Advantageous Tendering).[5]

The wider economic perspective

Adding the dimension of Economic Value to the broadening of health consideration from pure cost to value gives a more precise picture of the real costs not only within the health system, but also the economic situation for the patient, and indeed for the societal economy. In order to make the best possible policy discussions this fuller picture of the economic consequences should be taken into account.

Examples on how the wider economics can be incorporated in the value thinking are given in some recent papers[6], but here it should be mentioned that to increase the value, and indeed the economic value, costs considerations should ensure that waste is minimised – or even

[4] "Investing in health"
[5] XXXXX
[6] XXXXX

better – removed. Spending should focus on the economic value, and should be made in the parts of the system, where the spending creates the highest value for money. This may sound banal, but it does require a break with traditional thinking (including silo thinking) in order to allocate the funding where it makes highest value, and this equation is a moving target in the sense that new opportunities becomes available through technological developments constantly.

In order to make the best possible decisions about the allocation of available funds, it is equally important to be aware of the economic outcomes side and realise that this does not stop with the clinical outcomes, but also has to incorporate the patient relevant outcomes and experiences as a high score here probably will mean a better chance for the patient to be socially and economically active.

This can be exemplified by for example looking at kidney problems. If a patient needs to be hospitalised to undergo regular treatment (dialysis) it is costly as it requires all the hospital procedures to be enacted, but it will also make the patient incapable of working for quite some time. If the dialysis can be done by an out-of-hospital clinic – or at home – it will be less costly, but will also take less time away from the patient's ability to work.

However, choosing the right medical technology for use in the community is not a straight forward decision and should therefore not be based solely on the level of product innovation or its immediate cost impact, but on the basis of the overall value (including the economic value) it offers. The fact that new and innovative products may seem expensive to acquire is not the reason for not doing so. The right decision should involve the potential reduction in waste, and the added value and economic value for the system, but indeed also for the patient and for the societal economy.

<u>More and new information is needed</u>

The European Commission's *Joint Report on Health Care and Long-Term Care Systems & Fiscal Sustainability*[7] deals with many of the same issues as set out in this paper and with the same starting point, namely worries about the sustainability of health and care systems. The report deals in particular with one aspect of care, namely old age care, but many of the observations and conclusions are important for other aspects of care as well. The report states that "Investments in outpatient care, primary care and health promotion activities are ranked as important areas for investment by most EU Member States" but also that the knowledge about the economic fundamentals about where to invest are lacking, and to that can be added lack of information about the wider economics, including loss of productivity, and indeed lack of information about patient satisfaction with different solutions.

<u>The role of primary health</u>

Another point is need to invest in primary health care – be it family doctors and/or community institutions – in a function as gate keeper in order to avoid unnecessary hospitalisations and finding the optimal path way for the individual patient depending on the patients situation and capacity. In order to make this work there is, the report argues, a need for a much higher degree of system flexibility and a readiness to adapt reimbursement systems on a continued basis with a view to support the optimum path way for the patients.

[7] *European Commission, Institutional Paper 037, October 2016. ISSN 2443-8014 (online)*

As the report states: To promote sustainability the design of the publicly funded benefits package should ensure an efficient use of public resources[8].

The increased focus on the primary health care, that for many years has nearly been "forgotten" in the debates about health systems, has developed because of the new interest for prevention, in particular of the life style related chronical diseases. Primary care can play the role of indicating and finding the best way forward for the individual patient seen from a clinical perspective, but hopefully also from an economic and patient well being point of view. To make this work, it requires better information about the ever developing alternatives, including the possibilities of better assistance for home care, but it also means that the primary health care must be reimbursed on the basis of value creation rather than quantity.

Information and benchmarking

A tool that holds of a lot of promises for finding ways to establish the best pathways for patients, and to personalise the path ways, is Big Data and in particular a targeted and direct use of such data to describe pathways in relation to the clinical circumstances and to the patient related circumstances of different kinds. The problem with the use of Big Data in health is the issue of data security and the lack of stimuli to develop relevant use of Big Data.

Examples from national context that demonstrates how systems can work, differences in performance and perhaps even the possibility of identifying best practises can often work as an eye opener, and is indeed the background for the use of health system performance assessments - HSPA's. Although health systems in Europe are different in many ways, they also have the same overall objectives, and there is no doubt that by comparing to other countries and indeed being more alert to pick up information about ideas from other countries, a lot can be learnt through adaptation of what has proven to be best practices – from a value for money point of view, from the wider economics point of view and indeed from the patients report well being point of view.

New role for patients

Although curing illnesses has involved the patient's engagement for many years, the point is now that the rapid innovation of products and services are now making it possible to invest whole swathes of services and product usage into non-acute and none-hospital settings. These have new differentiating features that cater to non-acute settings such as ease of use, increased patient safety enhancements, prevention diagnostics, ICT software and communication connections to substitute face to face consultation and pure substitutes for products previously only found in acute settings.

However, the most fundamental shift in community care is not the movement of products and services up and down a geographic line of provider locations – it is the essential recalibration of patient expectations of how they should manage their own health. This involves the twofold process of patient responsibility which in turn creates patient empowerment. It also raises the question to what extent governments should encourage this shift to community care, what form it should take and how strong should reforms be to accelerate uptake.

This question involves the question of equality and inequality. Perhaps not so much in the traditional meaning, namely possession of wealth, but rather inequality in the sense of the

[8] Ibid, page 3

information society, the differences in knowledge and intellectual capacity. People are equipped differently because of education, cultural background, age, etc., and it is therefore imperative that decisions – also about whether a patient should go through the traditional health system or can be served as well or better through (assisted) community care.

Conclusion

Problems, that health system have to deal with, change all the time. The same can be said about the challenges the health system deals with, and indeed about the development of instruments that can be used in health care – be it medicines, medical equipment, digitalisation or new skills and techniques, but generally it takes a long time for systems to adapt. At this point in time the most important long-term issue of the health systems is their sustainability, and the cure is not (just) concentrating on the cost side, but rather to look at the outcomes side and in combining the costs and the outcomes evaluate the value of the health system, and increasingly doing so by integrating the patient's view.

Hospitals are necessary, but not for everything in the health system. Hospitals are expensive, and may not always be needed. More focus should be given to the care that can be provided outside of hospital prevention of diseases, and to the prevention of disease progression, not only to save money in the health systems, but also to create positive economic value in societies by having a more productive, tax-paying population. By applying a more holistic view on health systems – in stead of silo views – it will be possible to create more socio-economic value, and the fore more robust health systems, by defining optimal pathways for citizens (and for patients if they become ill), which more often than at present could take place out of hospitals.

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From sick care to investing in good health: Preventing diseases and disease progression to contain costs and deliver higher value

Health systems have traditionally been focussed on diseases and exacerbations of chronic diseases, i.e. treating acute episodes of illness, and this is clearly a core and essential function of any health system. However, due to various pressures from dwindling resources, and the major cost and health burden coming from advanced chronic diseases and multi-morbidity, **health systems** need **to reorientate** in order to be sustainable. Keeping c**itizens in good health** should be a key objective for society and economy.

Ageing with increased incidence of diseases, growth of chronic diseases and multi-morbidity - often associated with lower socio-economic status - are just a few reasons why health systems should take a holistic view on health**. Instead** of a strong **focus** on **sick care**, focus in health care should change to **prioritize prevention of risks connected with diseases and prevention of progression of chronic diseases to advanced stages. Mo**st patients with early-stage chronic diseases are still in good health, and require significantly less costly care that is the case when the disease has progressed.

By shifting the focus away from the pure cost of 'sick care' towards **wider economic thinking on the value of health** makes sense**.** It means not only considering the traditional health economics but also the economics of being in good health – for the patient, for the health system and for society and the wider economy.

Being in "**good health"** (even when having a chronic disease), has obvious benefits for individuals and society. It is clear that a population in good health offers **value to society** at large: when citizens are in good health they can maintain a high socioeconomic status, allowing them to be **more socially active and economically productive**, and in addition they do **not** require formal or **informal care**, which again adds to the socio-economic benefits for society.

There are **further economic benefits** to keeping citizens in Europe in good health. In fact, **Europe cannot afford to have a population with a low health status**, which negatively **impacts the economy and social cohesion.** It is therefore crucial for the future sustainability of the health systems to focus on investing in preventing the onset and progression of (chronic) diseases and the health, economic and cost burdens associated with them.

The above offers perhaps the most profound scope for delivering **value by investing in health**. **Prevention is better than treatment**. It is also cheaper. While avoiding disease altogether is ideal, there remain huge opportunities for economic gain by keeping patients who have chronic diseases from sliding into the advanced stages of their illness. Initiatives and incentives are currently lacking in this area.

Incentives to recognise and support investing in keeping people healthy, avoiding the cost of 'sick care' and including wider socio-economic aspects should be created. Financial incentives and policy priorities should focus on keeping people in good health. Medical technologies can enable this transformation.

For example, a citizen with well-controlled diabetes can continue to be socially and economically active. In contrast, complications arising from advanced diabetes – including blindness and amputations – can dramatically affect productivity and have a major societal

economic impact. In most cases, it will imply considerable health and social costs even beyond the personal consequences.

Case study: Diabetes in Denmark

A study from Denmark (population 5.6 Million) by the Danish diabetes organisation brings the societal and economic consequences of the illness into focus. As elsewhere in Europe, the burden of diabetes type II is growing fast and the total cost to Danish society is calculated at DKK 31.8 billion (€ 4.3 billion) annually. Of this, DKK 13.2 billion (€ 1.8 billion) or 40% is directly linked to loss of productivity as diabetes patients have higher unemployment rates, more absenteeism and earlier retirement than other parts of the population. In addition, diabetes leaves a bill of DKK 5.5 billion (€ 0.75 billion) to the health system, DKK 6.4 billion (€ 0.85 billion) to the community care sector and DKK 1.1 (€ 0.15 billion) in medicines costs.

Given that chronic diseases will be increasingly present in Europe, it is important that special attention is given to this when discussing the value of healthcare. It provides a major cost-containment opportunity with important differences between early and advanced disease stages and offers a chance for increased economic and social capacity. Investment in modern health technologies, including innovative technologies and information, can help to increase significantly the quality of early and accurate diagnosis and management. This will ensure informed decision making, leading to economically beneficial investments in these areas and keeping citizens with diabetes in better health.

Reorienting the traditional 'sick care' system towards health care will ensure sustainability and support fiscal stability, social cohesion and foster a more productive society. Reforms can be supported by a shift to health care which is value-based and uses outcomes and economic value to guide investments for a modern health care. Such an approach could leverage the growing volume of information that is becoming available through digitalisation. Personalized diagnosis and care, and timely treatment for those that need it, can further optimize the effects of health care.

Conclusion

The prevention of disease progression not only creates a better situation for the citizen, it also reduces the costs of direct interventions. In addition, it delivers wider economic gains as it enables citizens to be socially and economically active contributors to the economy. Investing in early diagnosis and innovative disease management technologies can have substantial societal benefits.