

How can funding models foster health systems' resilience?

Episode 3 of the webinar series

'Health Management in action: Fostering health systems' resilience'

Speaker

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The third episode of the webinar series *'Health Management in action: Fostering health system's resilience'* focused on financial models with the specific case study of the Italian National Health System and the benefits of a value-based payment model.

There are three major models of healthcare financing: private insurance sources; mutualistic systems; and the universalistic model of the National Health Service, as in the UK and in Italy. Normally health systems apply a mix of these three models. In the case of Italy, although the major part of financing comes from the national government's budget, other private sources complement it to meet the more and more complex needs of the population.

Current state of play in resource allocations

In Italy, the 21 regions are at the centre of health service delivery. They are mandated to provide the so-called 'core benefit package' to citizens and are resourced from the national budget. Regions are also fully responsible for organising the provision of healthcare services through a network of local health agencies, authorities and organisations. The private sector also contributes through accredited hospitals and other healthcare organisations both at residential and home care levels. The allocated national budget is complemented by regional and local sources, and even hospitals can generate their own income by providing specific services. The budget allocation is based on historical expenditure weighted by sex and age. This method, however, does not take into account social deprivation, education, employability and family conditions of the regional setting. Each region further allocates resources to the local health authorities and hospitals, according to their epidemiological situation, population needs, and the Diagnosis Related Group (DRG). Research or academic hospitals are granted additional resources.

Efficiency and effectiveness of healthcare systems – can a value-based approach be the solution?

In Italy, there is an emerging consideration, that is to complement the current method of resource allocation with a value-based approach. On the one hand, population needs are increasing. On the other hand, it is not only the financing towards hospitals and healthcare providers that should be assessed for the value produced, but also the investments by private manufacturers, pharma, devices industry, technology providers. Therefore, the assessment is becoming more and more complex.

In value-based healthcare, data, measurements and assessments are absolutely crucial. As an example, Italy was one of the first countries to establish pharmaceutical registries to collect data about the outcomes of treatments by innovative drugs. Based on the data

collected, value-based agreements were concluded with pharma companies where payments were commensurate to the value generated as outcomes.

Sustainability and resilience of the Italian National Health System

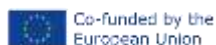
An analysis about the Italian National Health System has been carried out in collaboration with the London School of Economics and the World Economic Forum along five dimensions: governance, financing schemes, workforce, technologies and delivery models. The evaluations revealed that the Italian Health System's financing mechanisms is quite equitable and sufficiently resilient because of its ability to adapt and change. However, in some regions the ageing health workforce leads to difficulties in providing care at an appropriate level of quality and quantity. In terms of sustainability, the system does not take into account deprivation, education, employability and there has been scarce attention to value-based payments in some regions.

Three recommendations have been issued to policy-makers:

- Take into account social deprivation, education, employability and housing conditions in the resource allocation formula to regions.
- Facilitate access to private integrity funds through tax incentives.
- Scale-up the value-based payment model from drugs to other areas of care.

Take-home messages

- Health system financing models are usually hybrid and combine components from different models. Depending on the specific combination of funding mechanisms, hybrid financing models impact differently on the health system's sustainability and resilience.
- In order to improve sustainability and resilience, value-based payment models prove to be helpful, based on the Italian examples. This payment model can be experimented in relatively simple contexts, such as innovative drugs and then scaled-up to other areas of care.
- In value-based healthcare, data, measurements and assessments are absolutely crucial. Only through data it is possible to measure the value generated.



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