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“health forum”

The Economic and the Health Dividend of the Health Care System

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1. A new understanding of health
2. The **economic** dividend of the health economy
3. The **health** dividend of the health economy
4. Summary

1. Introduction: A new understanding of health

A new understanding of health – Towards an open health society

OLD UNDERSTANDING

NEW UNDERSTANDING

Part of healthcare



is the health economy and its economic footprint

Instead of mainly public financing



second health market; new forms of insurances and paying

Instead of input orientation



better quality, more outcome orientation

Instead of health care as cost factor



growing sectors, increasing work forces, new career opportunities

Instead of healthcare consumption



investment in health to promote growth and productivity

Instead of separate silos, e.g. the Statutory health insurance



health in all areas of life and lifelong; less fragmentation

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2. The **economic** dividend of the health economy
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2. The economic dividend of the health economy

German Health Satellite Account

- » The technical university of Berlin together with Roland Berger and BASYS / WifOR and in close cooperation with the Federal Statistical Office was commissioned by the Federal Ministry of Economics and Technology (BMWi) to create a satellite account.

- » The following requirements have been described for that purpose by BMWi. The satellite account shows
 - **gross value added**
 - **employment figures**
 - **interrelationships within the health economy and with other industries**
 - **imports /exports**
 - **and other economic indicators**based on a justifiable definition of the health economy.

- » These data are available for 2005 and were completed until 2012

2. The economic dividend of the health economy

System of Health Accounts

- » With the help of the Satellite Account it is now possible to identify following economic indicators:

On the production side

- » **Gross value added**
- » **Inputs**
- » **Production cost**
- » **Imports**
- » **Supplies of products at manufacturer prices**

On the expenditure side

- » **Final consumption expenditure at market prices**
- » **Exports**
- » **Investments**
- » **Intermediaries use**

- » The main result of the Satellite Account is the health input-output table. It was integrated into the National Accounts and allows direct comparison of health expenditure accounts and the internationally used "System of Health Accounts "(SHA). It was first identified in this form for the health economy".

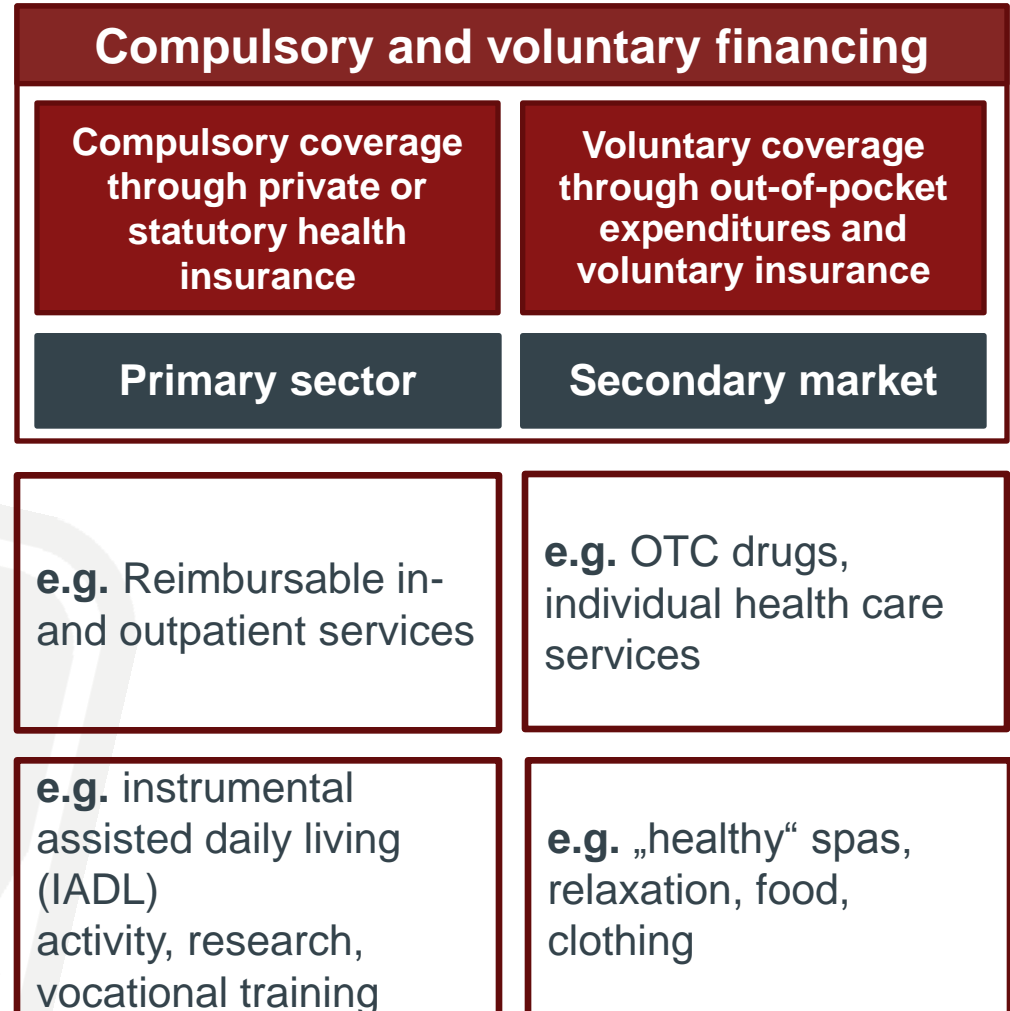
Source: Henke, K.-D., Neumann, K., Schneider, M. et al.,
Erstellung eines Satellitenkontos für die Gesundheitswirtschaft in Deutschland, Baden-Baden 2010, p. 171



2. The economic dividend of the health economy

The new view: Satellite account

The four consumption sectors in the health economy in real terms



Source: Henke, K.-D., Neumann, K., Schneider, M. et al., 2010.



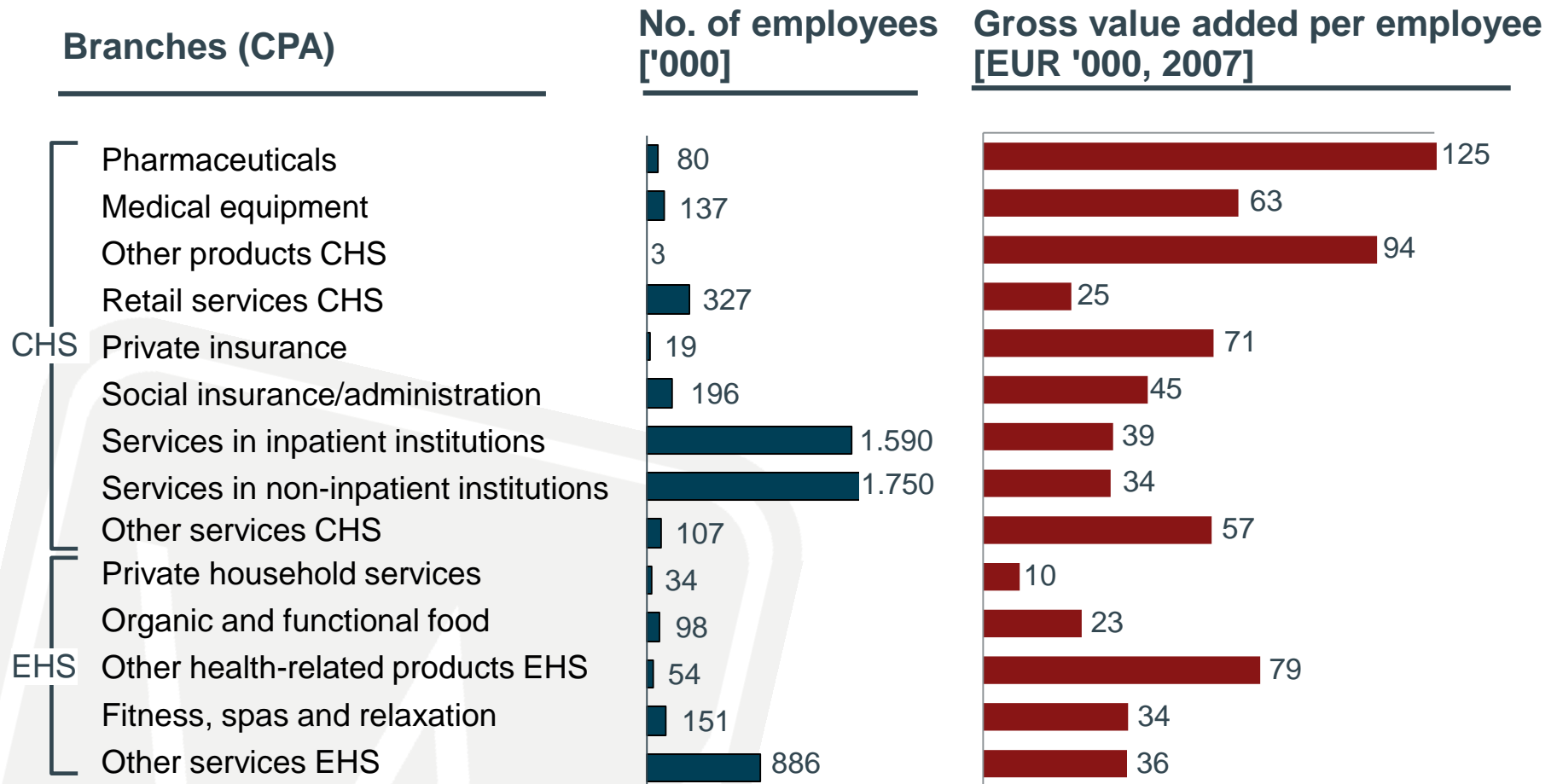
2. The economic dividend of the health economy

Bundling of health products into 14 groups

No.	Text	CPA71 No.
Core health sector		
G_1	Pharmaceutical products	24.4
G_2	Medical equipment	33
G_3	Other goods in the core health sector	24R; 35
G_4	Retail sales in the core health sector	52
G_5	Private insurance policies covering health risks	66
G_6	Health-related social insurance and administrative services	75.1-2; 75.3
G_7	Services provided by inpatient institutions	85
G_8	Services provided by non-inpatient institutions	85
G_9	Other services in the core health sector	51; 60.1; 60.2-3; 73; 80; 91
Extended health sector		
G_10	Home help services in private households	95
G_11	Organic and functional foodstuffs	01; 15.1-8; 15.9
G_12	Other health-related goods in the extended sector	17; 18; 19; 22.1; 24R; 25.1; 26.1; 29; 31; 33; 36
G_13	Services for sports, fitness, spas and relaxation	55; 92
G_14	Other health-related services in the extended sector	51; 52; 60.2-3; 63; 66; 72; 74; 80; 85; 91; 93

2. High productivity can be found predominantly in the industrial health economy

Core and extended health sector



2. The economic dividend of the health economy

Health economy between 2005 and 2012

Between 2005 and 2012 the health economy was responsible for

▶ around 11% of gross value added,

▶ around 7% of export,

▶ around 20% of final consumption and

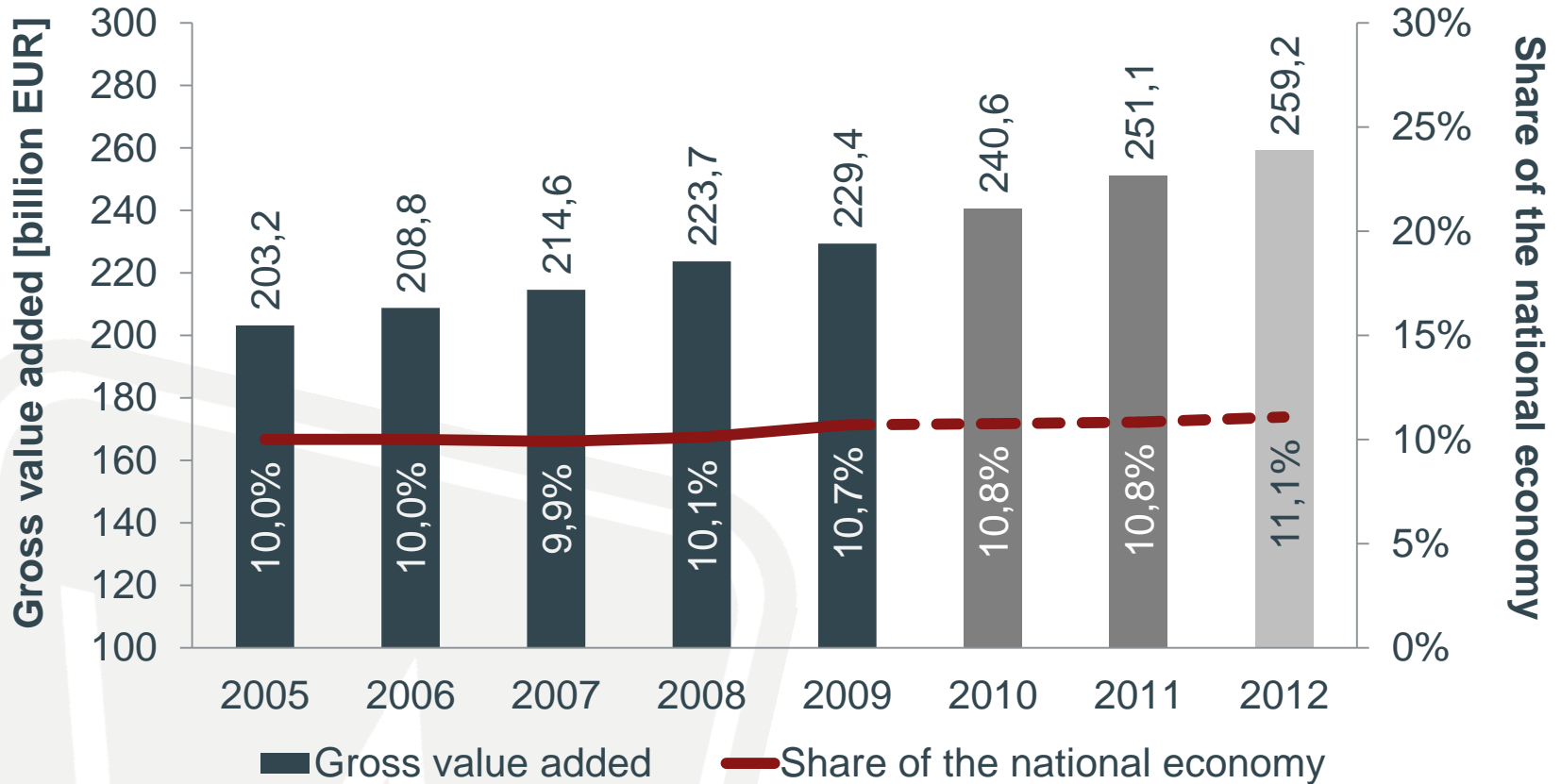
▶ around 15% of total employment.

Source: Ostwald, D.A., Henke, K.-D., Kim, Z.-G. (2013).



2. The economic dividend of the health economy

Development of the health economy's gross value added



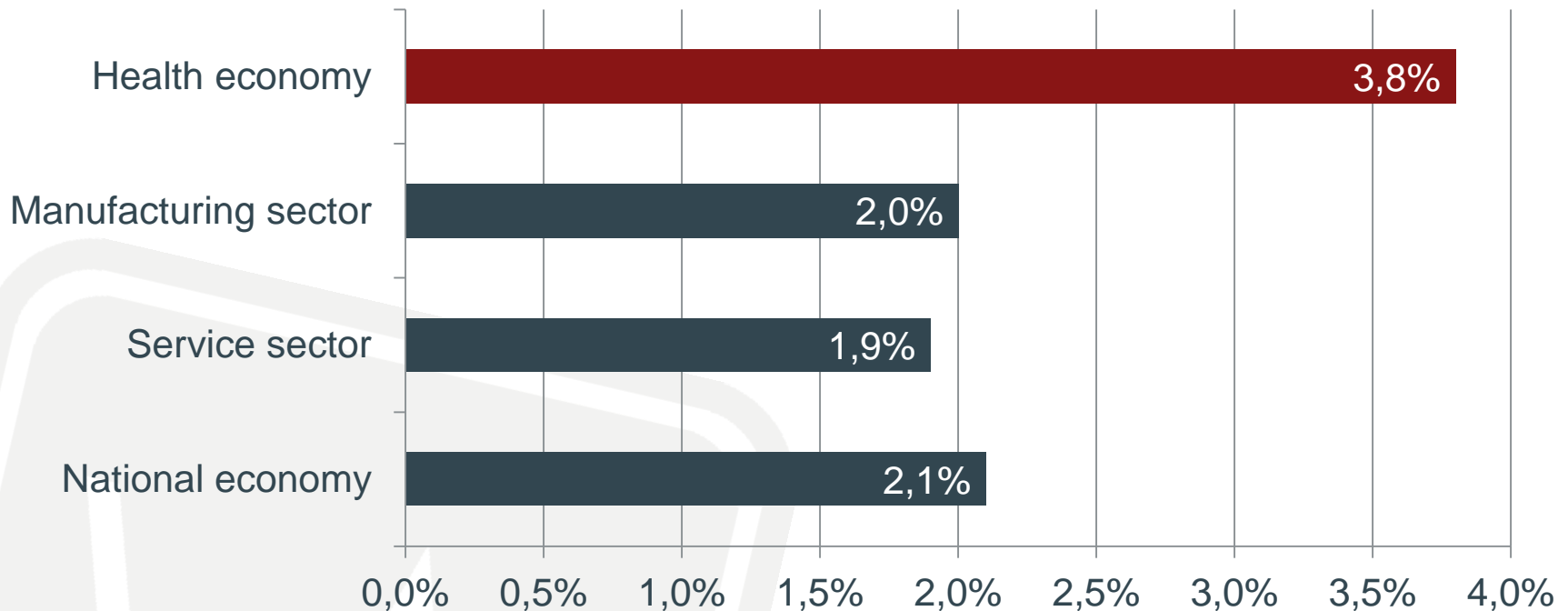
Source: GGR, 2013; Database: Destatis; Calculation and figure: WifOR, 2013; Values at current prices.

▶ The gross value added increased from 2005 to 2012 by nearly EUR 60 billion. In 2012 the health economy's gross value added amounts to EUR 260 billion.

2. The economic dividend of the health economy

Development of the health economy's gross value added

Compound annual growth rate from 2006 to 2011

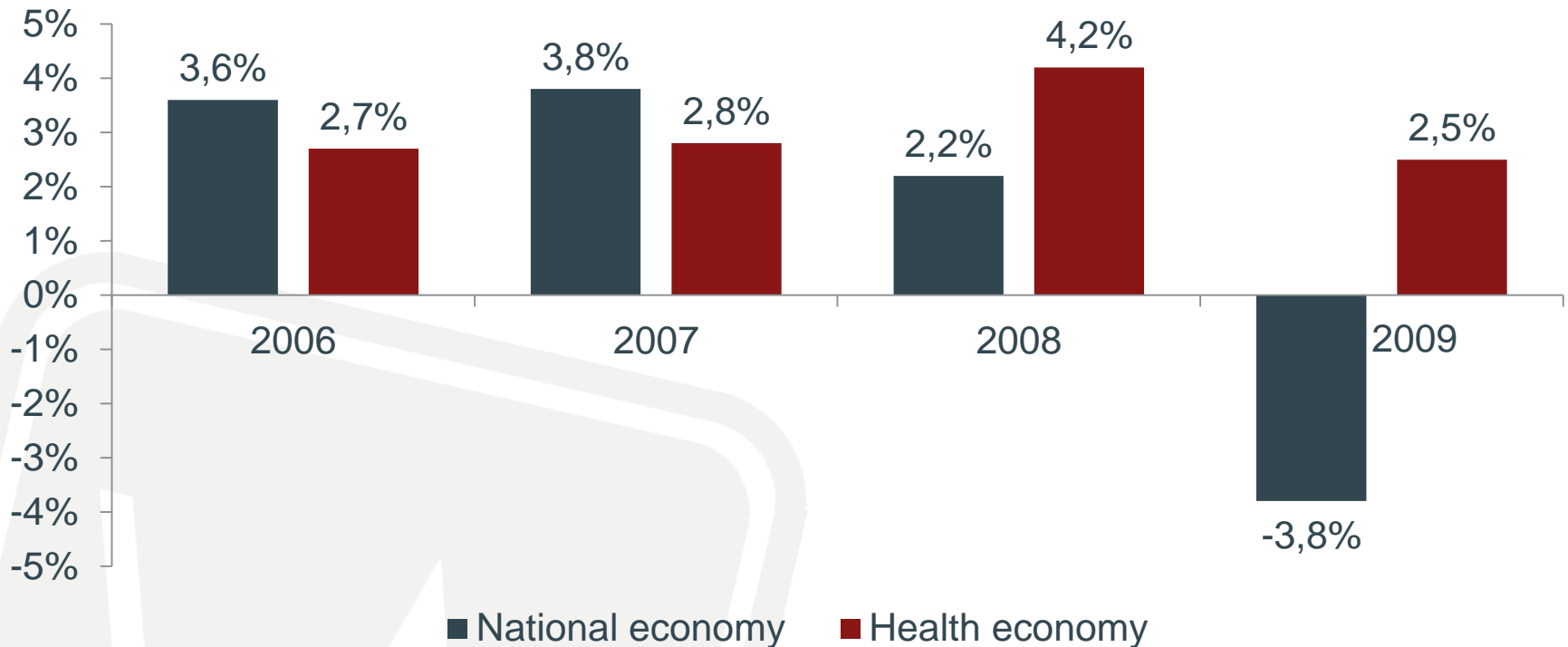


Source: GGR, 2013; Database: Destatis; Calculation and figure: WifOR, 2013; Values at current prices.

From 2006 to 2011 the health economy grew nearly twice as fast as the national economy in Germany.

2. The economic dividend of the health economy

The health economy as stabilizing factor



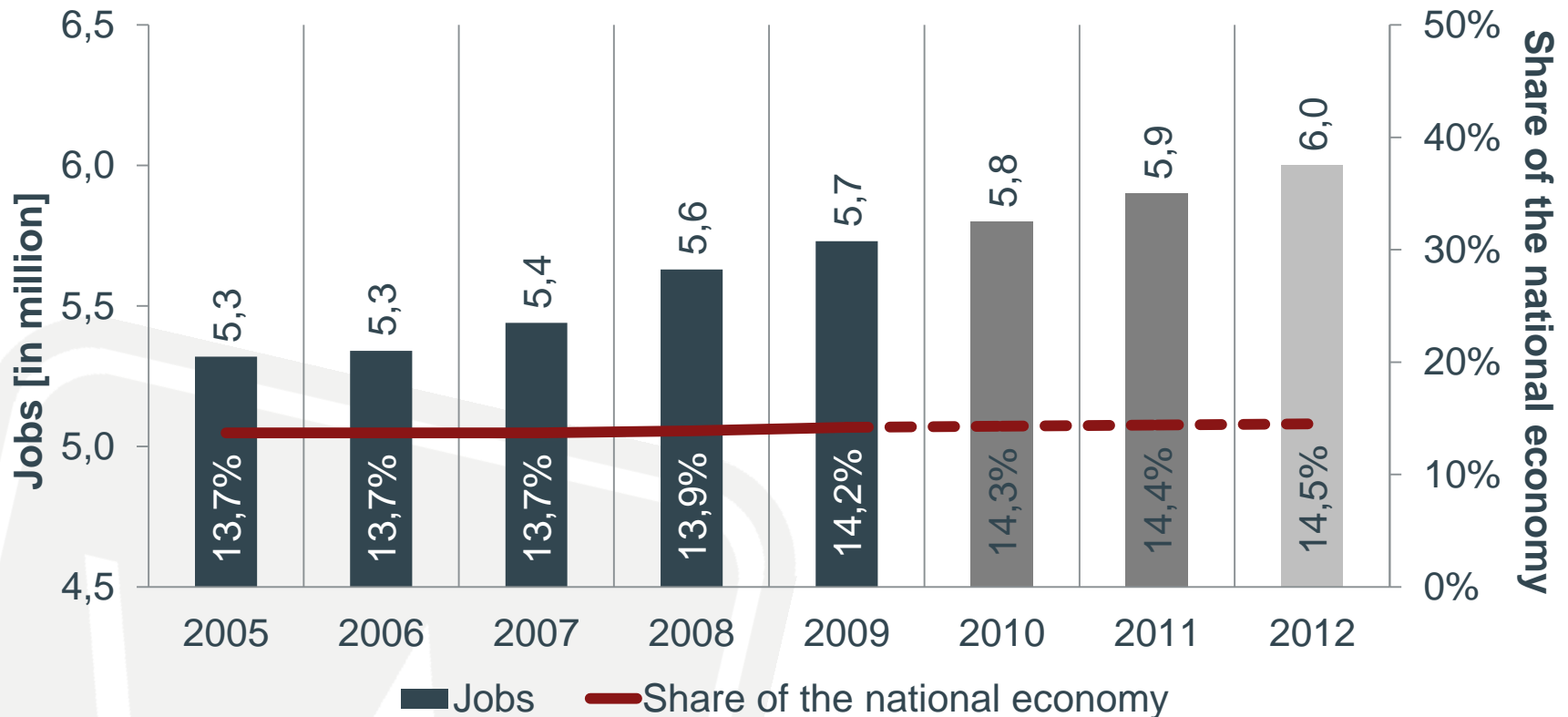
Source: GGR, 2013; Database: Destatis; Calculation and figure: BMWi / WifOR, 2013; Values at current prices.



The health economy is a stabilizing factor during economic slow-downs.

2. The economic dividend of the health economy

Development of the health economy's employment effects



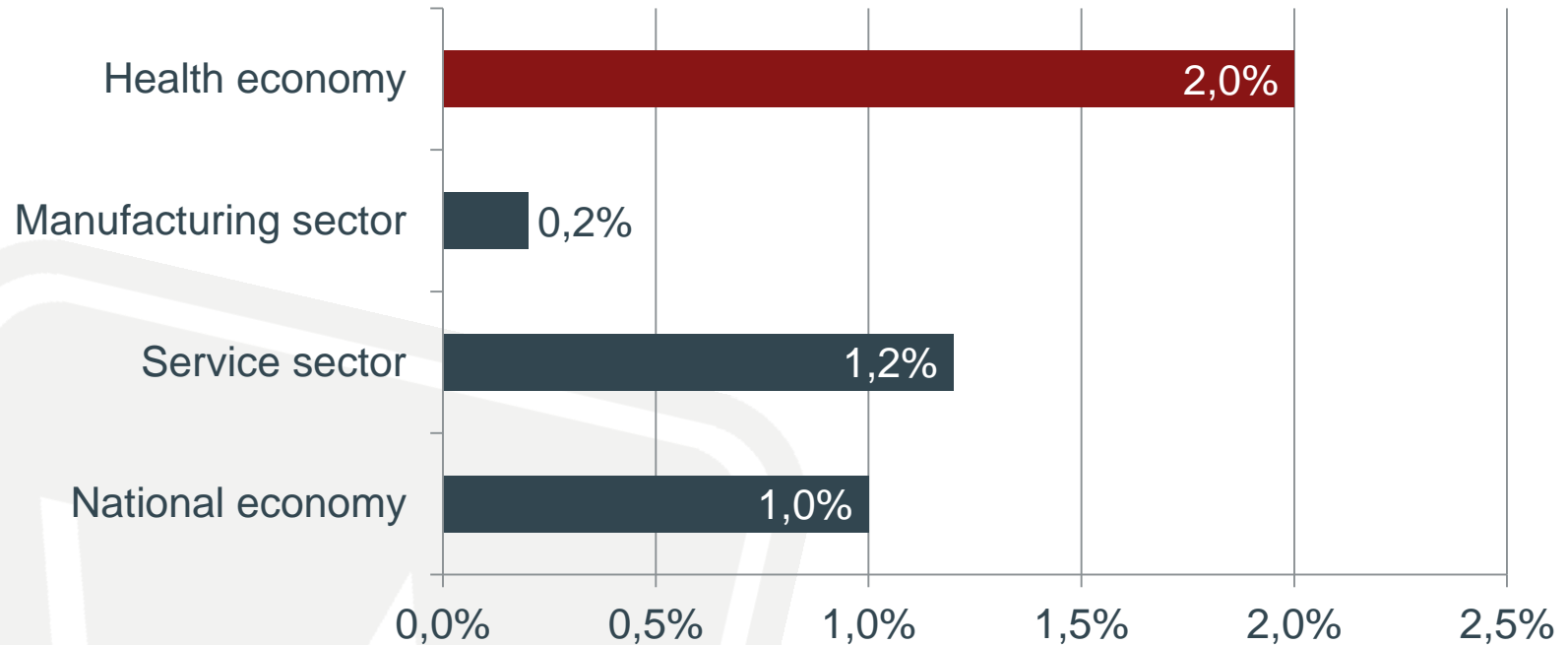
Source: GGR, 2013; Database: Destatis; Calculation and figure: WifOR, 2013.

More than 6 million jobs in 2012, i.e. every 7th German is working in the health economy. In the health economy 700,000 new jobs were created since 2005.

2. The economic dividend of the health economy

Development of the health economy's employment effects

Compound annual growth rate from 2006 to 2011

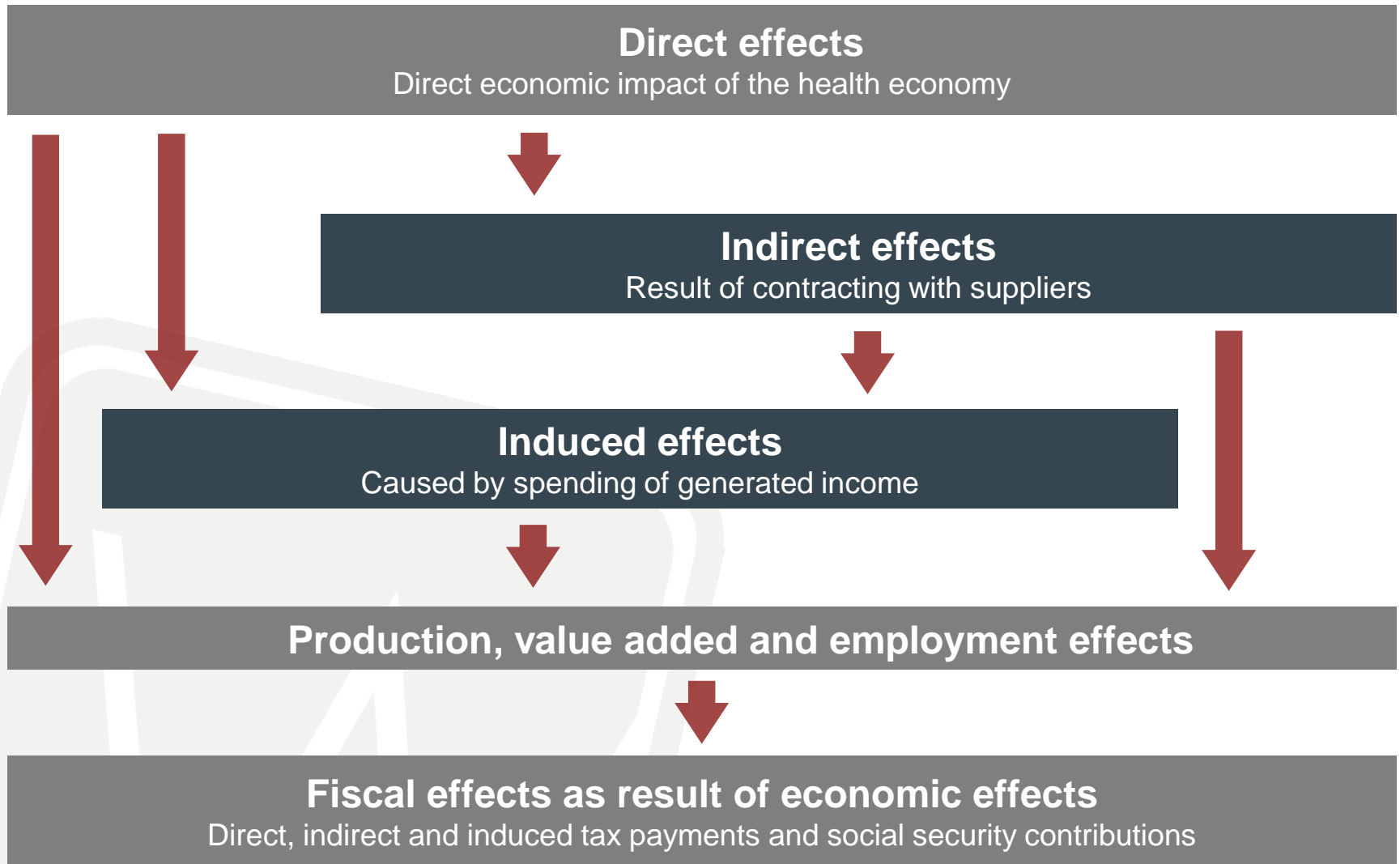


Source: GGR, 2013; Database: Destatis; Calculation and figure: WifOR, 2013.

From 2006 to 2011 annually 2% additional jobs were created, i.e. 10 times more than in the manufacturing sector.

2. The economic dividend of the health economy

Simplified illustration of the formation of spillover effects

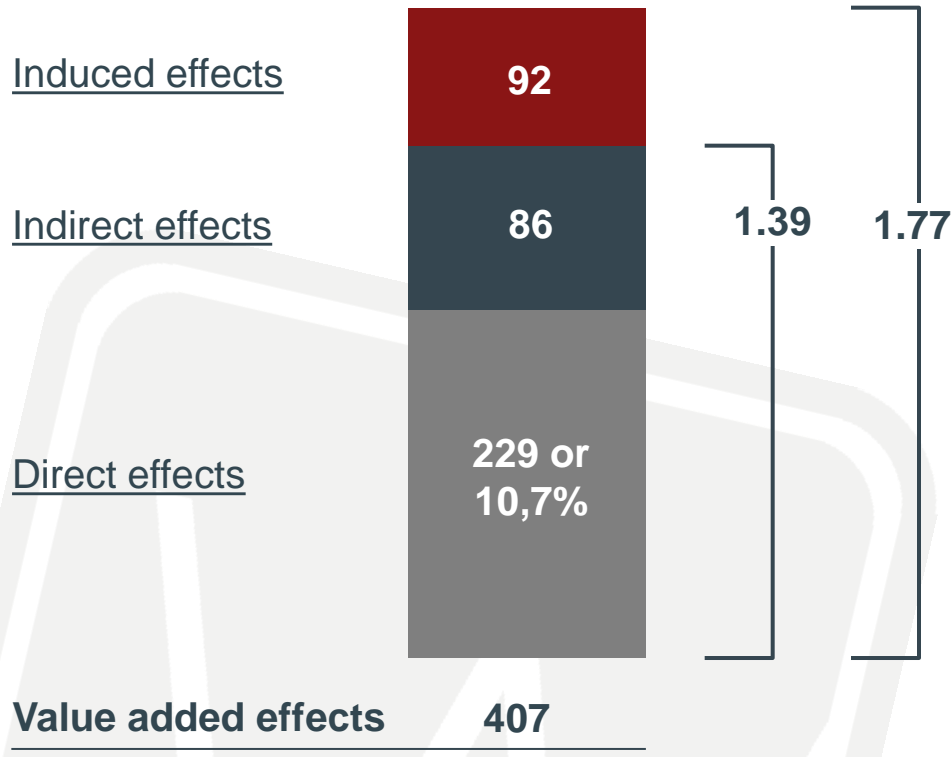


Source: own illustration.

2. The economic dividend of the health economy

Generation of considerable indirect and induced effects (2009)

Value added effects¹⁾ [EUR bn.]



- » Through the value added of the health economy, additional indirect and induced effects are generated
- » The multiplier for the indirect value added effects (including the direct ones) is 1.39, i.e. one Euro produced in the health economy generates an additional production of 0.39 EUR in the upstream industries
- » By taking the consumption of generated incomes into account the multiplier rises to 1.77

1) Model calculations based on the 2007 HIOT domestic production (excluding imports and processing of production)

Source: HETA



2. The economic dividend of the health economy

Value added and employment of the health economy (2009)

	Value added [in billion EUR]	Employment [in million]
Core health sector	175,9	4,48
	76,7%	78,2%
	8,2% of GDP	11,1% of EP
Extended health sector	52,5	1,25
	23,3%	21,8%
	2,5% of GDP	3,1% of EP
Total	229,4	5,73
	100%	100%
	10,7% of GDP	14,2% of EP
Absolute		
Share of the health economy [in %]		
Share of the total economy [in %]		

Source: Own calculation and Destatis.

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3. The health dividend of the health economy

a) economic dividend, b) health dividend, c) personal and social dividend

a) From the **economic benefits** of the health economy

b) to a **better health status** of the population and

c) from the healthier population to **individual, collective, social and economic benefits.**

3. The health dividend of the health economy

And its advantages

- » **The health dividend is the value added** through the health economy by reducing morbidity, invalidity and mortality.
- » Through a new therapy, a new drug or a new technical device, i.e. through innovation in health care, **the level of health of the population can be improved.**
- » A healthier population will improve **the productivity and the efficiency of the workforce.**

3. The health dividend of the health economy

A positive correlation between health and growth

Three key hypotheses



Healthy aging raises productivity and thus gives a supply-side boost to quality of life and growth



Healthy aging gives a demand-side boost by increasing private demand for non-reimbursable health-related goods and services (Second health market)



A healthy society saves money on treatment, rehabilitation and nursing care

The fiscal impact of the secondary health market requires further investigation

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4. Summary and future research

Repetition and conclusion

- » Shift in the understanding of **health care: Instead of a cost factor**, the health economy is seen as a growing market and a **macroeconomic driver**.
- » **The economic dividend of the health economy** (value added, employment, export, consumption, etc.) **should be measured regularly on the basis of the National Accounts**.

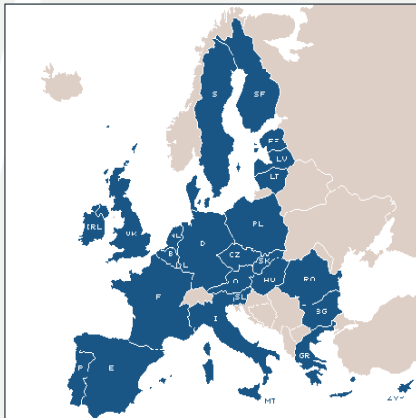
4. Summary and future research

On the way to a European health economy



German health economy

- » Research project of the Federal Ministry of Economics and Technology: Analysis of the economic effects of the health care industry
- » **Database: Extensive data by the Federal Statistical Office (Destatis)**
- » Result: Direct, indirect, induced economic and fiscal effects and development of a health input-output table



European health economy

- » **Database: Eurostat (input-output tables), OECD etc. → Open questions:**
 - Which scope is required to calculate the European health economy
 - Analysis of the health economy in selected markets (e.g. UK, France etc.)
 - **Analysis of the health economy in the entire EU**

4) Repetition and conclusion

Summary: The health economy as a leading economic / industrial sector

What is the health economy after all?

In the National Accounting Systems it is **an economic sector as many others.**

- » The health economy is the **biggest industry in Germany**
- » The so-called first health “market” is characterized by legally fixed prices
- » The second health market is ruled by market prices and supports the first health “market” financially

Critics and open questions.

The macroeconomic figures of the contribution to employment and growth **don't say much about the efficiency/outcome of the health economy.**

But this is true for other economic sectors as well.

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4. Summary and future research

Health impact assessment (HIA) as a major scientific challenge

An HIA helps policy-makers to identify the likely health impacts of a decision in other fields – such as

- » building a major roadway,
- » planning for a city's growth, or
- » developing a school curriculum.

HIAs can help decision-makers identify

- » unintended health risks,
- » reduce unnecessary costs,
- » find practical solutions and
- » leverage opportunities to improve the well-being of the community.



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