

Health as Investment Expenditure

Mauro Marè

Director, Observatory on Welfare
Luiss Business School, Rome

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1. Health as investment

Key point of my speech: an increasing proportion **of health expenditure has an obvious investment** component: it **produces multi-year benefits** that last **more than one year**: e.g., the cases of v and ATMPs.

COVID-19 has highlighted that **healthcare is a fundamental investment** for any country. It determines the **economic and social sustainability** of any nation.

the **value** of human life and life in **good health** are key for **growth potential** : vaccines solve, less permanently, pandemics. In the same way, ATMPs permanently treat different serious long-term pathologies.

1 Health as investment

Vaccines and ATMPs clearly **enrich the physical, human and technological capital stock** of a country

The problem is then: **how can they be economically/accounted for?**

What is the correct method of accounting health expenditures as investment?

2 Definition of investment

distinction between current and capital expenditure is an old issue in Public Economics and essentially is based on the assessment of the "*different duration of the effect produced by goods and services*"

Expenditure is current if it is related to the **purchase of goods and services whose "benefits are exhausted in the accounting year in which the expenditure takes place"**;

Expenditure is an investment (capital account) when it **'affects several years'**

EU rules and Italian Public accounting rules (RGS, 2019): Investment expenses identify all expenditures that **'directly or indirectly affect the formation of national, physical and human capital'**.

public investment is the "*volume of expenditure that the State and other public administrations bear with the aim of increasing the stock of physical and technological capital*"

3 Are ATMP investments under an economic point of view?

I will briefly make the case of ATMPs: ATMPs expenditure in principle can be considered **investment** (may be included in gross fixed capital formation)

ATMPs therapies have in fact very special characteristics:

- a. they show a **high timing asymmetry** between the **emergence of costs** – which are almost all – and that of **benefits**
- b. they **produce direct and indirect benefits over time:**
 - In terms of **healthcare costs savings, drug consumption, reduction of health services** of different kind
 - **In terms of value:** the **increase in life expectancy**, the improvement of the qualities of human life; **increased productivity, higher tax revenues**; and so on..

4 Revisions of national accounts: recent experience

In the last 30 years, we have had many innovations in **European System of National Accounts (Eurostat)**

in the 1993 SNA, the scope of investment was expanded to include **software, mining exploration originals, and valuables expenses**

In the **SNA 2008**, the scope of investment was **expanded to include R&D and military defense spending (a bomb or a bullet are considered as an investment...)** (a bullet is fully consumed and destroyed in the of shooting...)

The **2010 ESA** expressly acknowledges that: "research and development expenditure" and "capital expenditure" are investment in nature, so they are recorded as gross fixed capital formation and not as current expenditure. (SEC 2010).

5 Conclusion: to consider and qualify ATMPs as investment expenditure

The time has come to **review and update the current European accounting conventions** in an extensive way

An increasing share of current expenditure (health, environment, education, etc.) is necessary to **increase a nation's capital economic stock and assets** (and therefore can be considered at least in part, as an investment expenditure)

The **accounting criteria** are the result of a **compromise** and are essentially an **accounting convention.....**

It **can and must be updated** in the course of technological conditions, according to the degree of economic and social development, and the **common feeling of nations and peoples.**

Accounting criteria are not 'holy Tablets of the law'