

GLOBAL HEALTH

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SECURING A HEALTHIER FUTURE

BY CATHERINE CONNOR, LAUREL HATT AND THIERRY VAN BASTELAER

Paying for a Healthier Future

Development assistance for health has ballooned from \$5.6 billion in 1990 to \$21.8 billion in 2007. Until the recent economic crisis, many developing countries were enjoying economic growth rates of five to six percent, and stepping up their commitment to health. Despite these trends, unfortunately, many developing countries still face financing gaps that must be overcome to secure a healthier tomorrow.

Given the magnitude of health issues remaining in many developing countries, there is a continuing need to accelerate investment in health over the coming decades.

INCREASE INVESTMENT

How much should a developing country spend on health? In 2009, the WHO set a target of \$54 per capita for a basic package of essential health services in developing countries. Even under very optimistic assumptions, estimates show that governments in 28 African countries would still not reach that target by 2020.

HOW CAN THE GAP IN FINANCING BE BRIDGED?

Increase government budget allocations. This outcome depends on many factors, beginning with growth of the formal taxable economy – rising GDP in developing countries between 1995 and 2006 made it possible for governments to almost double the amount of resources going to health. Another factor is the capacity of governments to collect tax revenues efficiently by upgrading tax administration systems and staff capacity, and by upholding accountability and anti-corruption measures. In addition, the health sector – particularly ministries of health – must demonstrate to ministries of finance that budget allocations will be fully executed and spent efficiently. Finally, governments must resist the temptation to reduce their own budget allocations to health when donor funding for health increases.

Leverage the formal private sector. A recent report by the International Finance Corporation estimates that \$11–\$20 billion of new investments could be raised in Africa from private investors in the next 10 years, largely in physical infrastructure for health. In order to encourage this type of investment, and to ensure that private spending achieves desired outcomes, it will

be necessary to strengthen the capacity of public and private regulatory bodies, and to enhance the ability of public entities to procure services and manage contracts with private organizations.

Countries can also promote tax policies that are friendly to private sector investment in the health system, and work to increase access to local and international capital for private investors in health.

Support innovative financing mechanisms for new health technologies.

Innovative financing mechanisms, such as advance market commitments for vaccines and the Affordable Medicines Facility for Malaria, provide revenue to stimulate the development and manufacture of vaccines for developing countries and to facilitate widespread financial access to malaria treatments, respectively.

IMPROVE EQUITY IN RISK SHARING

Formal and informal private spending on health is mostly in the form of out-of-pocket spending – the most regressive and exclusionary form of health financing, which accounts for an average of 34–50 percent of total health financing in developing countries. This contributes to the financial catastrophe that more than 135 million people suffer because of the costs of health care. In addition, the absence of financial protection against health costs generates a vicious circle: families postpone seeking care because of financial barriers, suffer worse clinical outcomes, leading to foregone income, and even higher financial vulnerability down the road.

WHAT ARE SOME OPTIONS TO REDUCE POOR HOUSEHOLDS' VULNERABILITY?

Develop and strengthen health insurance systems.

More extensive and sustainable risk pooling systems are needed to harness household spending – particularly for expensive, inpatient care – in an equitable and predictable way. These efforts can take several forms:

- National or social health insurance schemes;
- Community-based health insurance;
- Voluntary private insurance programs targeting the poor, such as schemes managed by microfinance organizations.

Explore and develop alternative micro health financing tools. In settings where insurance is unavailable or unaffordable but microfinance services are offered, savings and loans can help spread the impact of the cost of health care over manageable periods of time. Health savings accounts can help accumulate amounts necessary to cover most outpatient expenses. Health loans allow poor households to borrow the amount necessary for most inpatient care, and repay it over several months – avoiding the necessity to sell productive assets at the time of a health crisis.

Target fee exemptions and subsidies to the most vulnerable. Although large numbers of households in developing countries are financially able to contribute a small portion of the cost of health care, even small contributions may be out of reach for the poorest and most vulnerable households. Targeted subsidies via vouchers, conditional cash transfers, and targeted user fee exemptions are a central element of equitable health financing policies that have been proven to increase use.

INCREASE EFFICIENCY

Even if sufficient funding for health becomes available and even if it is generated without placing an excessive financial burden on poor households, there remains an overriding need to ensure that existing and future resources are spent as efficiently and effectively as possible. According to a conservative estimate by the WHO, 20-40 percent of health resources are being routinely wasted. Addressing this means ensuring that the most effective interventions are prioritized, efficient providers (public or private) are selected, and that providers are incentivized to perform well in terms of health outcomes and quality.

WHAT ARE SOME OPTIONS TO INCREASE THE EFFICIENCY OF RESOURCES DEVOTED TO HEALTH?

Implement performance-based financing systems. By aligning financial incentives with the achievement of desired results, performance-based financing seeks to change behaviors among public and private sector providers by linking their payment to health outcomes and other measurable indicators of performance. Performance-based financing gives incentives to households, providers, and local governments to find on-the-ground, practical and effective solutions to health systems challenges. In addition to its ability to increase efficiency in financing, performance-based financing offers stronger incentives to health workers to provide higher quality of care and, more broadly, a better medical experience for patients.

Engage in public-private partnerships for the provision of care. By contracting with private sector service providers to expand access to high-quality services, governments and the private sector can each focus on their respective strengths. Appropriately qualified and certified private providers can bring the benefits of more efficient management and systems to the delivery of quality care, while governments can focus their efforts on raising fiscal resources for health, or subsidizing access by the poorest or most vulnerable citizens.

Increase donor coordination and put donor spending on-budget. Improving coordination among donors so that agendas and priorities are aligned with those of recipient countries increases the efficiency of resource utilization and reduces the country's reporting burden. Donor health financing that is "on-budget" (included within the country's national budget) can help to foster sustainability, accountability and transparency.

Improve public financial management systems. Improve systems to ensure that resources are used for the right purposes (financial accountability) and produce the desired results (programmatic accountability). Financial management systems in the public sector have been a problem in most developing countries due in part to lack of staff capacity, poorly functioning accounting systems (in many cases, hand-written ledgers are still used), and corruption.

THE WAY FORWARD

Health financing challenges are real, and these solutions are not simple. The good news is that, while these approaches are beneficial in their own right, they also can reinforce one another. A number of countries – Brazil, Cambodia, China, Ghana, Mali, Mexico, Rwanda, Thailand – are demonstrating that progress is indeed possible.

Lessons from these country experiences highlight three principles of good practice in health financing. First, countries need to make choices based on sound evidence, local context and robust stakeholder input. Second, external technical support must be fully objective and sensitive to country-specific needs. Third, care should be taken to balance the urgency to respond to immediate priorities using short-term solutions with the importance of careful design of long-term health financing strategy and systems that will address both current and future health needs. **GH**



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