Pan American Health Organization

World Health Organization

REGIONAL OFFICE FOR THE Americas

Taxation Policy within the context of Health Financing

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Context and Background

What is health financing?

- An essential function to support the development and ongoing functioning of a health system
- Attempts to organize complex mechanisms involving **sources of revenues, pooling of funds, and payment or purchasing** systems across the health system (flow and arrangement on funds)

Critical success factors (health financing reforms)

- Guided by a country vision and objectives
- Focus on the **entire population**
- Solid diagnosis of performance issues within the health system, including population **health needs**
- NOT a model – rather a **coordinated health system transformation**
- Iterative, phased approach (take years…)
- Multi-stakeholder approach (including MOF)
- Dedicated staff (e.g. working group)
- Good data and information
- Public engagement
- Simplicity key to policy design and implementation

Evidence & Best Practices

Public financial management
enabler

Revenue Raising

- Public sources key to UHC
- Budgetary space for health – policymakers have active role
- Out-of-pocket payments regressive
- Direct taxes progressive, and indirect taxes regressive
- New taxes – work if earmarked
- Beyond earmarking political commitment key to fund the health sector

Pooling Revenues

- Maximize the redistributive capacity of prepaid funds
- Best if pools are large, diverse in risk mix, compulsory
- Fragmentation a barrier to redistribution, inefficient
- Best to pooling together general budget revenues and compulsory insurance contributions
- Reducing fragmentation is not enough – supply side inequalities, alignment with purchasing arrangements, and mitigation strategies all essential

Purchasing Services

- Strategic purchasing critical and information-intensive activity
- Effective strategic purchasing requires (a) appropriate (and clear) institutional structure, (b) well-designed and implemented operational systems to carry out purchasing functions, (c) provider autonomy, (d) evolving institutional and technical capacity, and (e) political will
- Health provider payment systems – match objectives, incentives, unintended consequences, and capacity of providers

Benefit Design

- Includes services and population groups, and conditions of access (including rationing)
- With multiple schemes, critical to minimize duplication
- Policies on benefit design – aligned and coordinated with other polices e.g. payment mechanisms
- Unfunded mandates and benefits not available impact population trust
- User charges and co-payments disproportionately affect the poor and patients with (multiple) chronic conditions

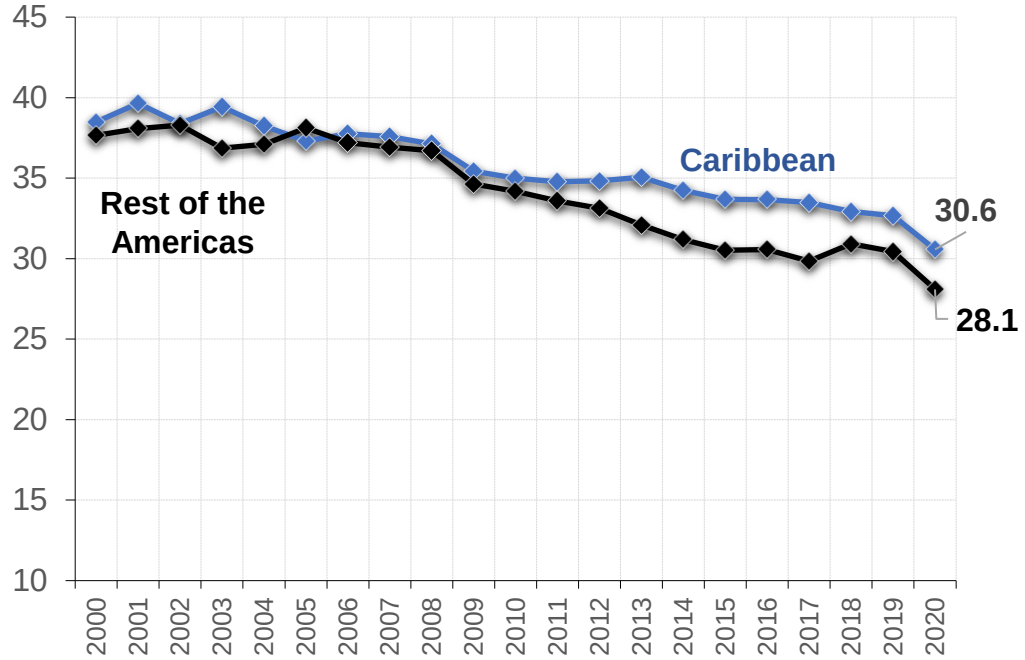
Sources: Kutzin J., Witter S., Jowett M., Bayarsaikhan D. Developing a national health financing strategy: a reference guide. Geneva: World Health Organization; 2017.
WHO advanced course on health financing for UHC 2023.

Key challenges/ issues that constraint progress in health financing and UHC

- **Small economies**, remote geography, and **size of population** (implications for efficiencies, economies of scale, quality of care, distribution and retention of providers, incentives, supply chain management/prices, access to capital, borrowing)
- **Demand pressures** (e.g. high burden of NCDs, aging)
- Relatively **fragmented and uncoordinated** financing and delivery (inefficiencies)
- High **out-of-pocket expenditure** (avg. 31% of health expenditure; some 55%)
- **Public debt** (~88% of GDP) and **informal employment** rate (~ 50%)
- **Limited supply of services** ➔ limited expertise and capacity in certain medical specialties ➔ out-of-country care services ➔ out-of-pocket spending
- Migration of **health professionals**
- **Gaps in data and research** needed to design and implement health financing reforms (e.g. private sector costs and utilization, demand for out-of-country services, unmet demand)

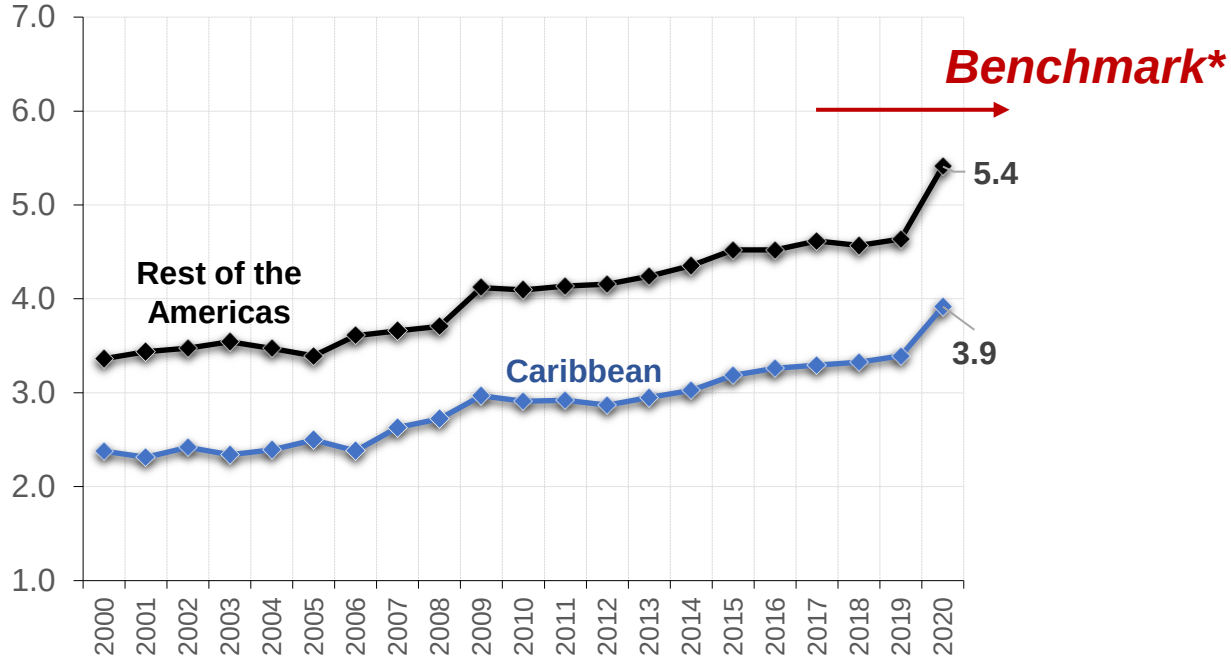
Two key indicators - health financing

Out-of-pocket expenditure (as % of total health expenditure) – simple average



Source: WHO, Global Health Expenditure Database

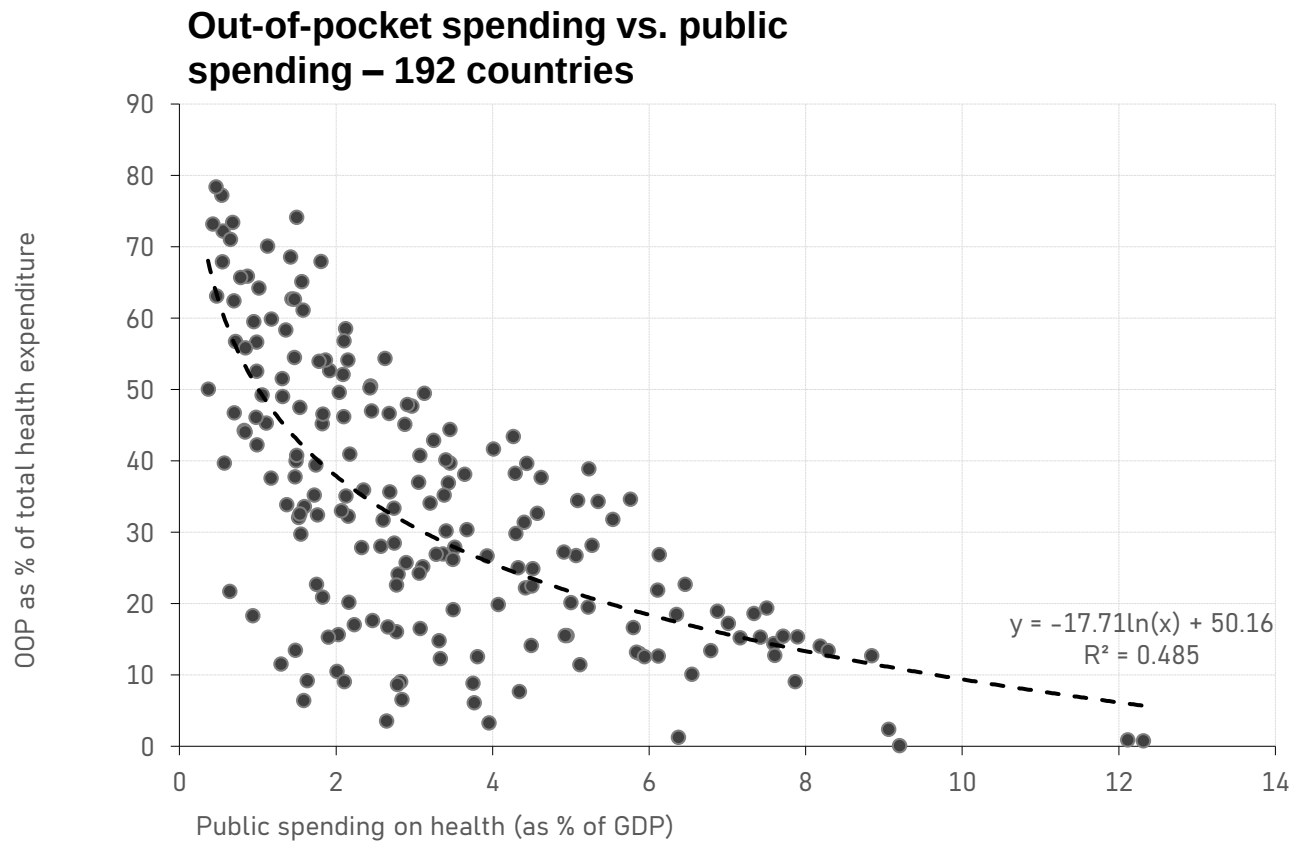
Public spending in health (as % of GDP) – simple average



Source: WHO, Global Health Expenditure Database

*66th SESSION OF THE REGIONAL COMMITTEE OF WHO FOR THE AMERICAS, 2014

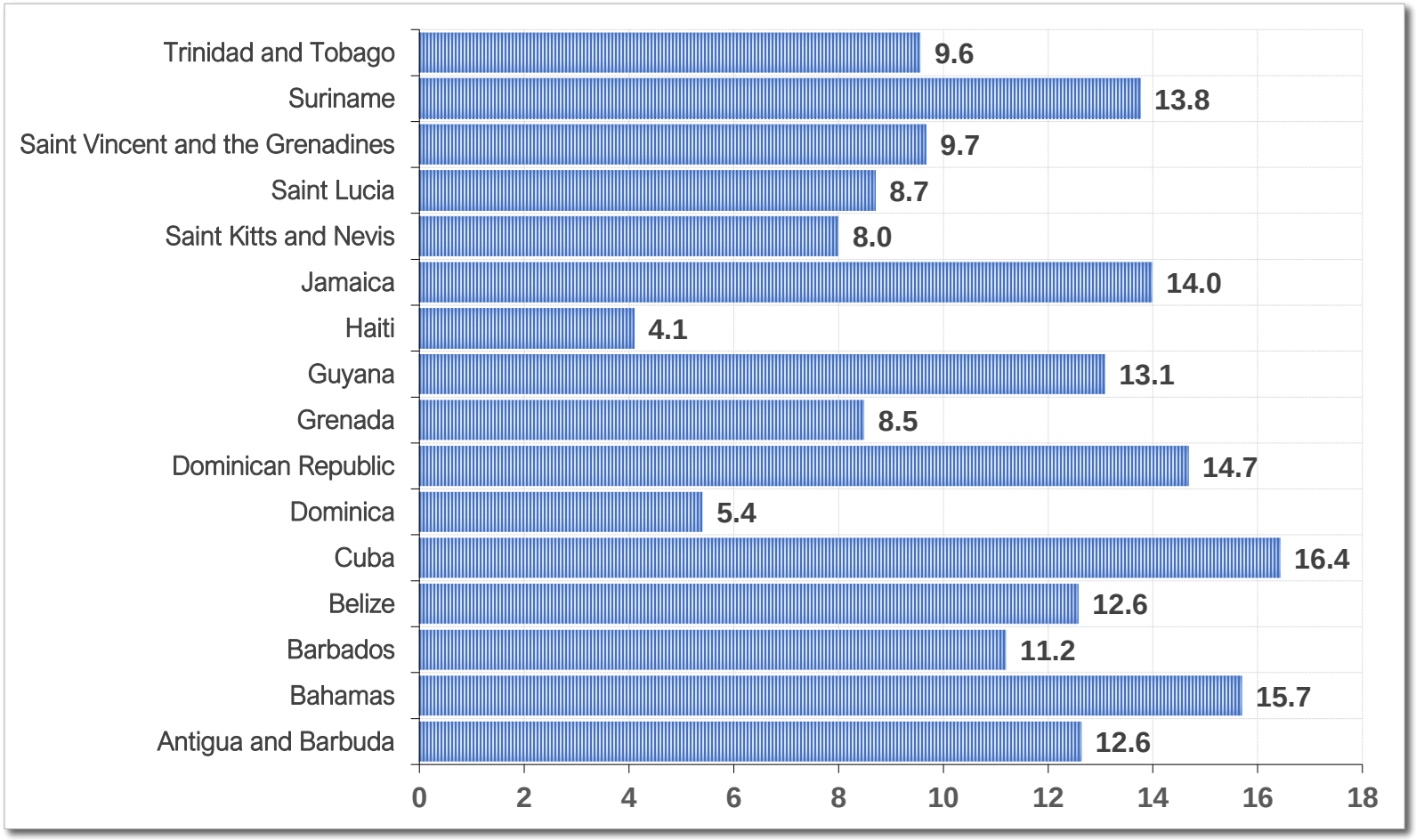
OOP and public spending on health



Source: World Health Organization. Each dot represents a country's 21-year average (from 2000 to 2020)

Government health budget (prioritization)

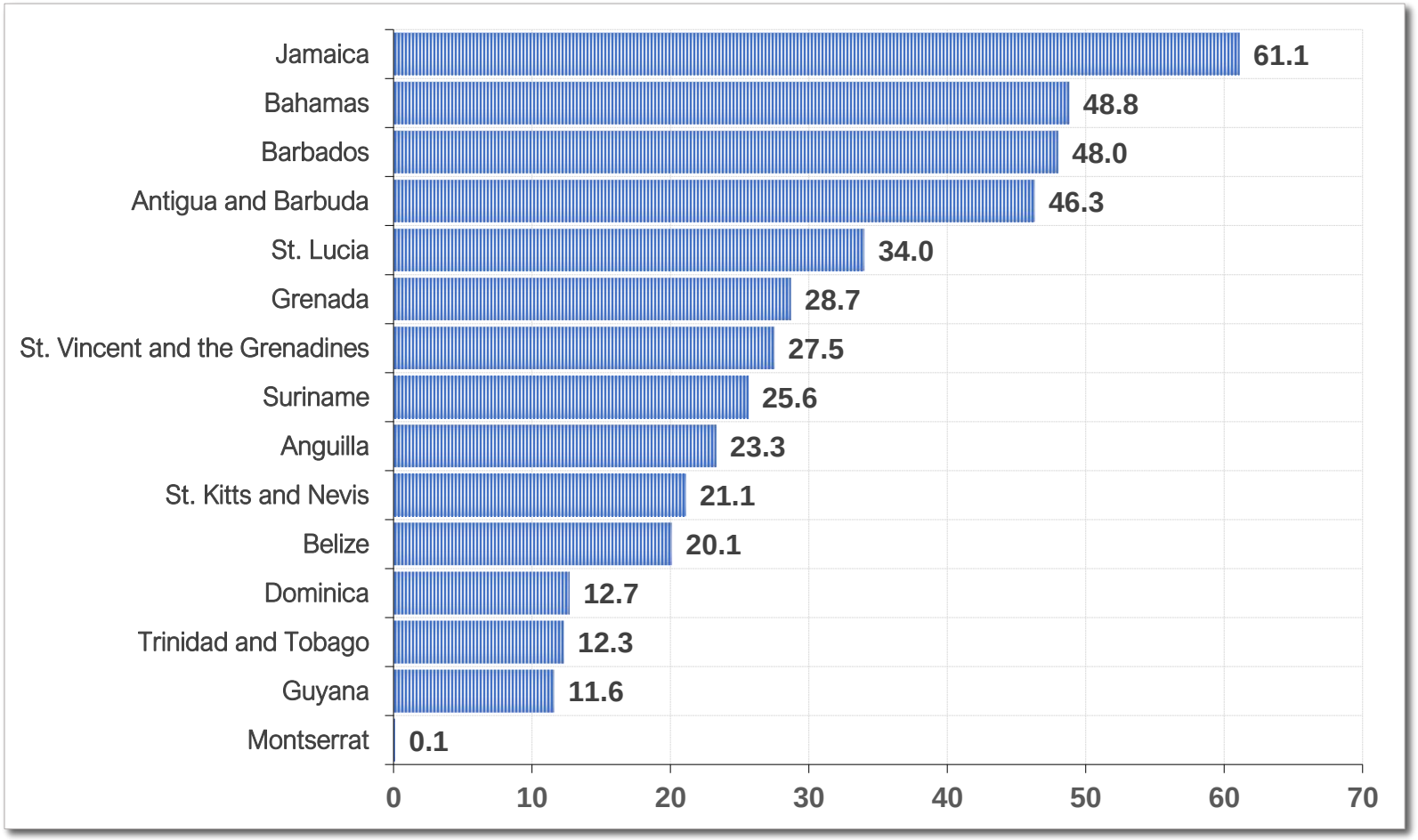
Government Health Expenditure as % General Government Expenditure, 2020



Source: WHO, Global Health Expenditure Database

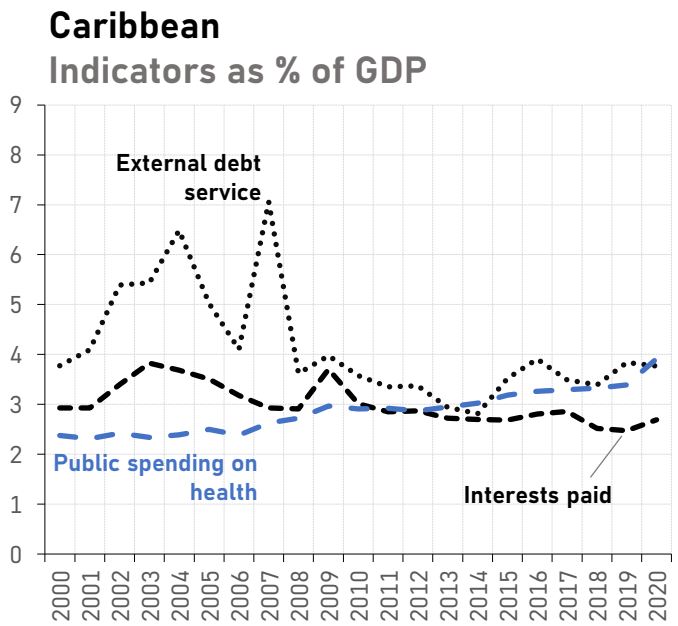
Public debt: a constraint to development

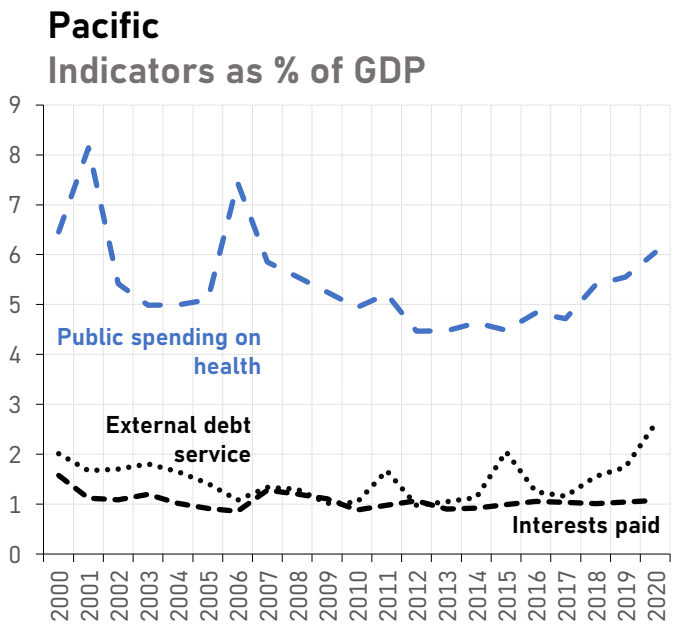
Average service of total debt, 2010-2019
(percentage of government income)

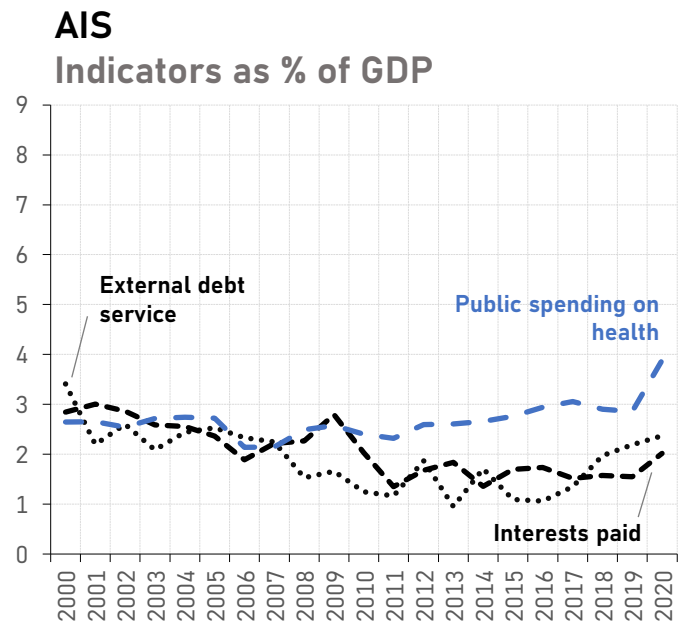


Source: ECLAC – on the basis of official figures

Public debt service and spending on health



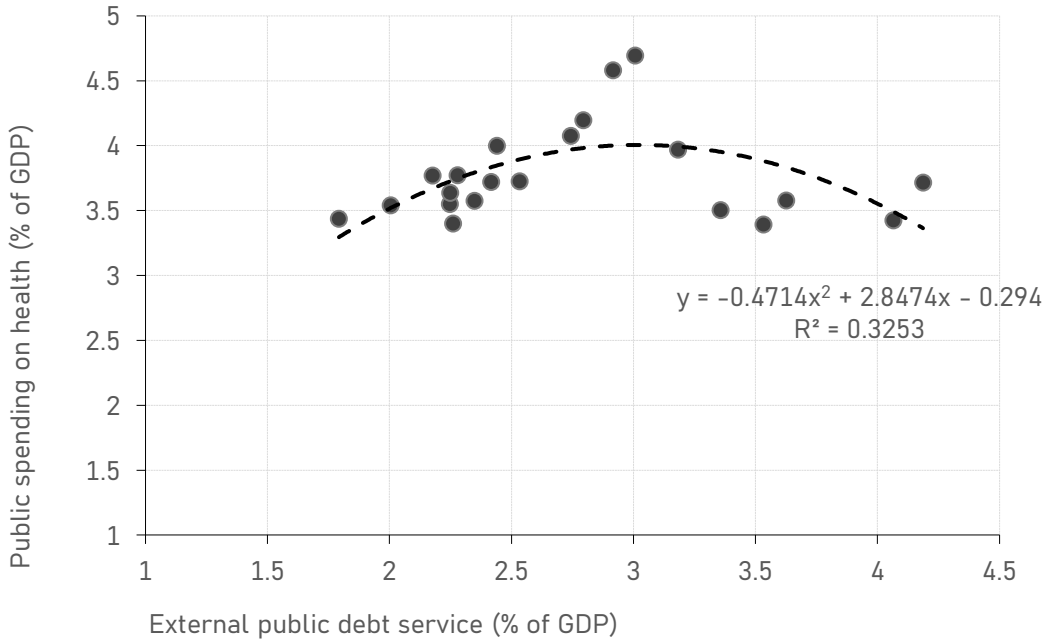




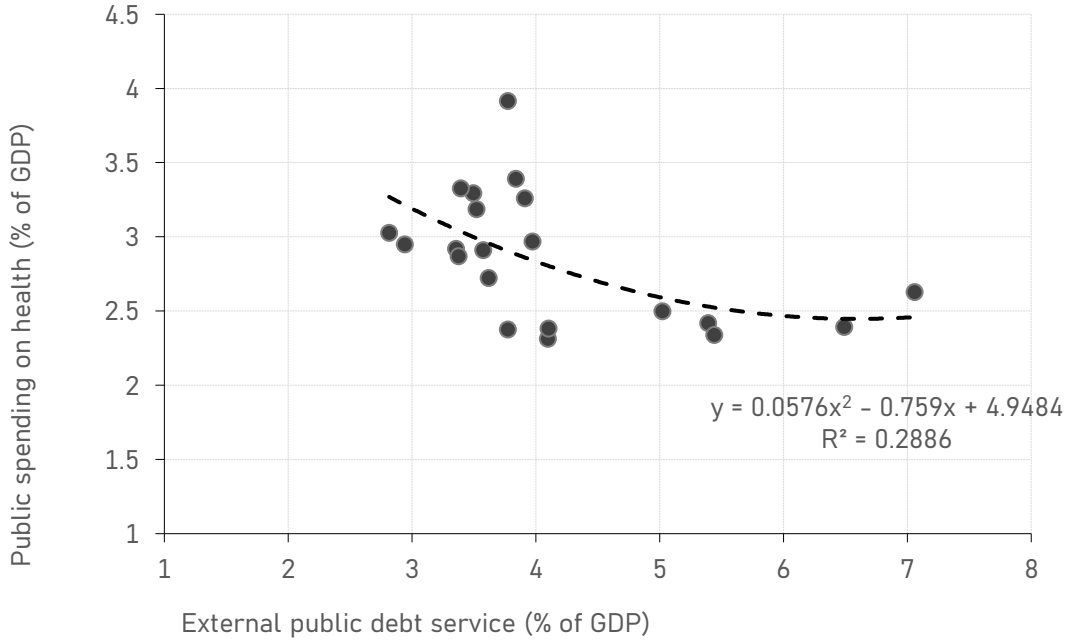
Source: International Monetary Fund, World Bank, World Health Organization

Public debt and health financing

External debt service and public spending on health – all SIDS



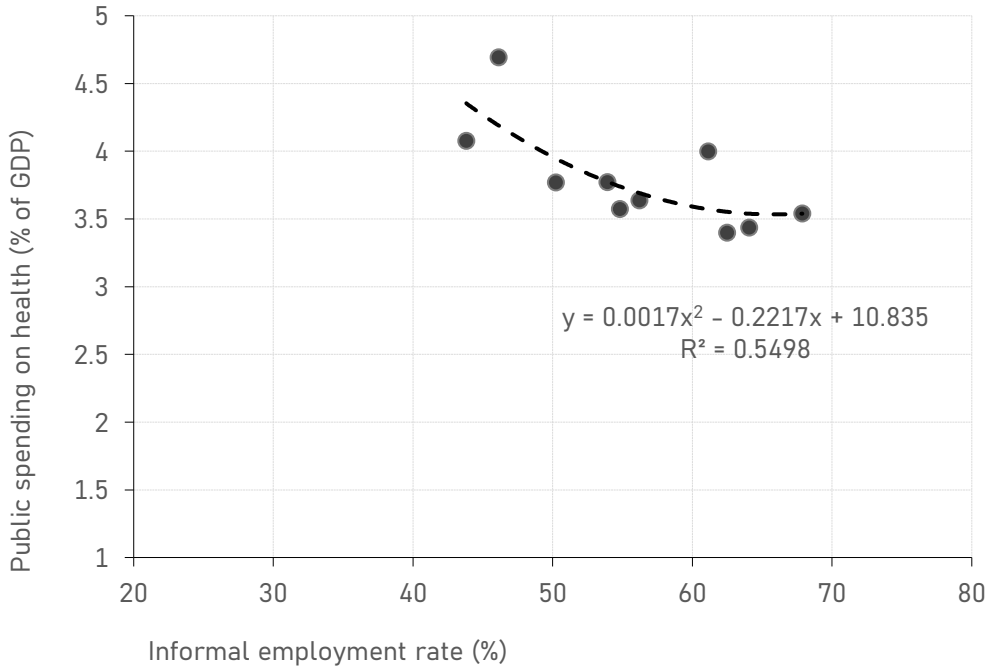
External debt service and public spending on health – Caribbean



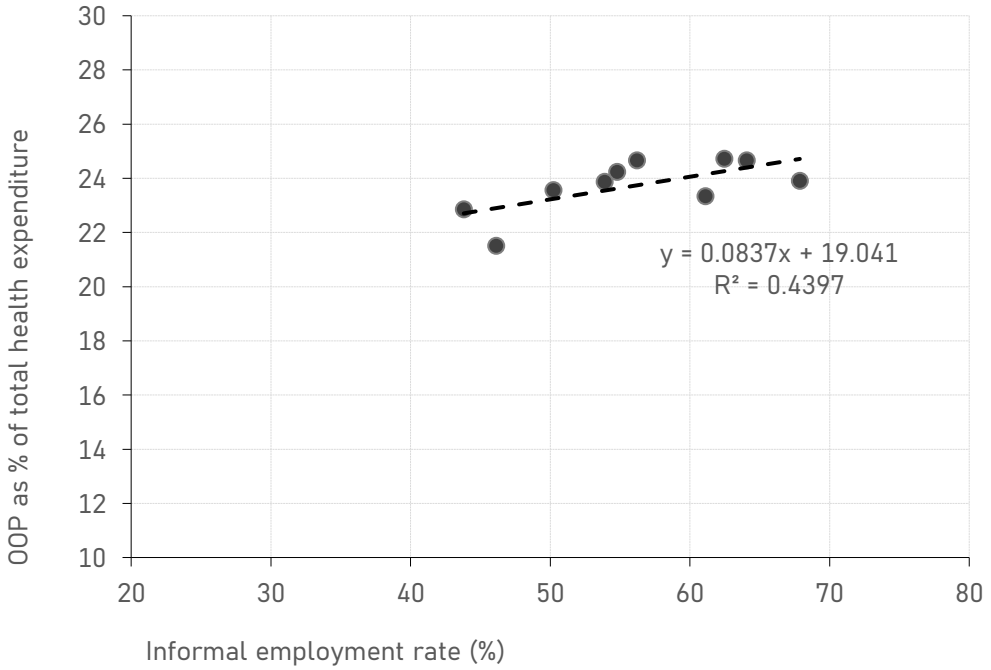
Source: World Bank, World Health Organization. Each dot represents the average of SIDS/year.

Informal economy and health financing

Informal economy and public spending on health – all SIDS



Informal economy and out-of-pocket spending – all SIDS



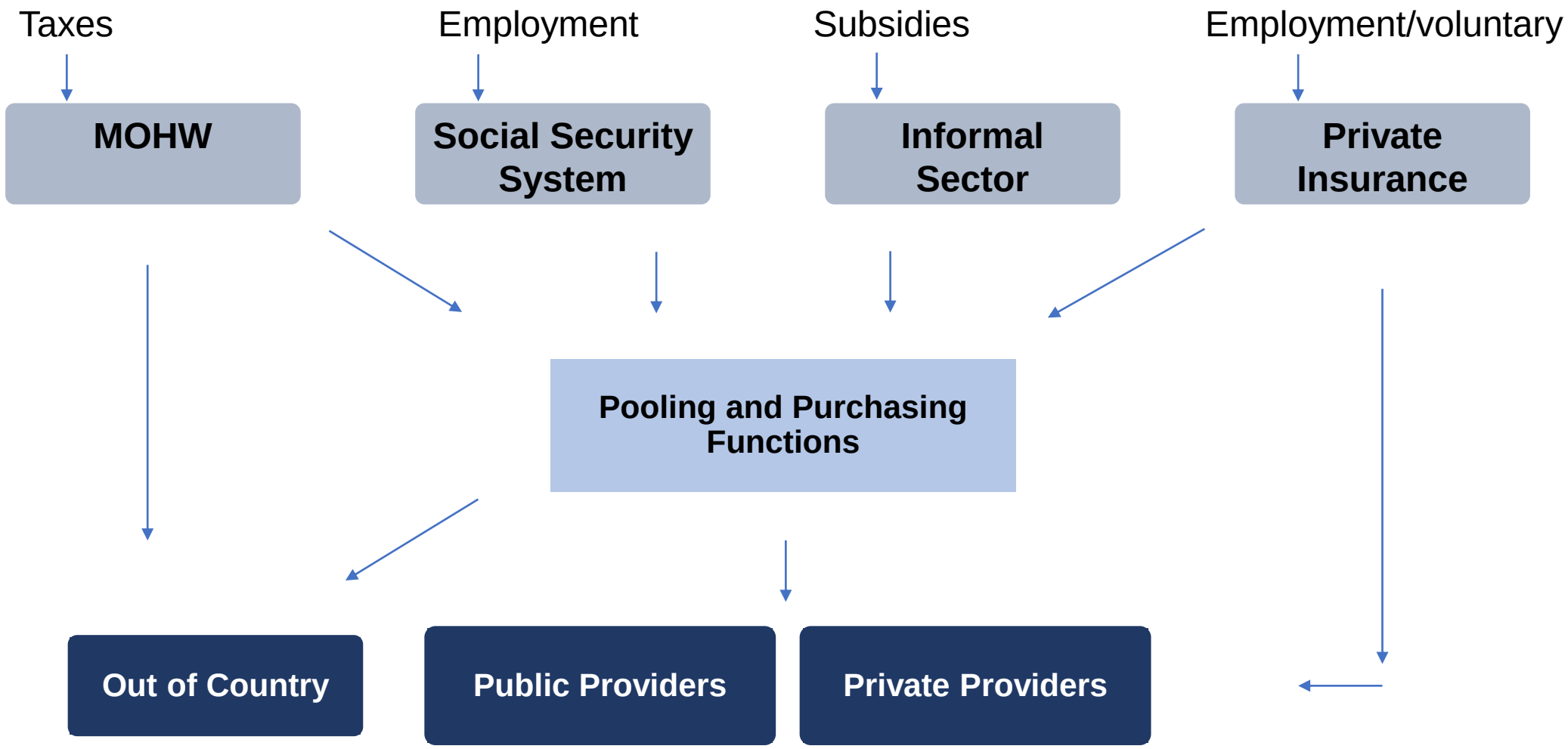
Source: International Labor Organization, World Health Organization. Each dot represents the average of SIDS/year.

Scope of health financing activities

01. Health system organization and structure	02. Revenue raising	03. Pooling revenues	04. Purchasing health services	05. Benefit design	06. Public financial management
• Scalability of Caribbean Island/State health systems (e.g. health care beyond borders, distribution of providers) • **Health financing gap (i.e. demand for health and availability of resources)** • Health infrastructure investment models	• Sources of health financing • **Social security contributions** • Tax-related reforms and initiatives, including tax collection reforms (fiscal space) • Re-prioritization of health within the government budget (fiscal space)	• Pooling arrangements and design (e.g. size, diversity, compulsory models) • Pooling fragmentation • **Models for public-private cross-subsidies**	• **Provider payment and incentive schemes and models (e.g. capitation)** • Supply mechanisms and management of medical technologies (e.g. strategic procurement and purchasing systems)	• Benefits entitlements and conditions of access (e.g. co-payments) • Cost-effectiveness analysis • **Measures to make direct co-payments and user charges more equitable**	• **Budget formulation and expenditure management systems**, including priority setting processes, output-based budgeting, and execution and reporting systems

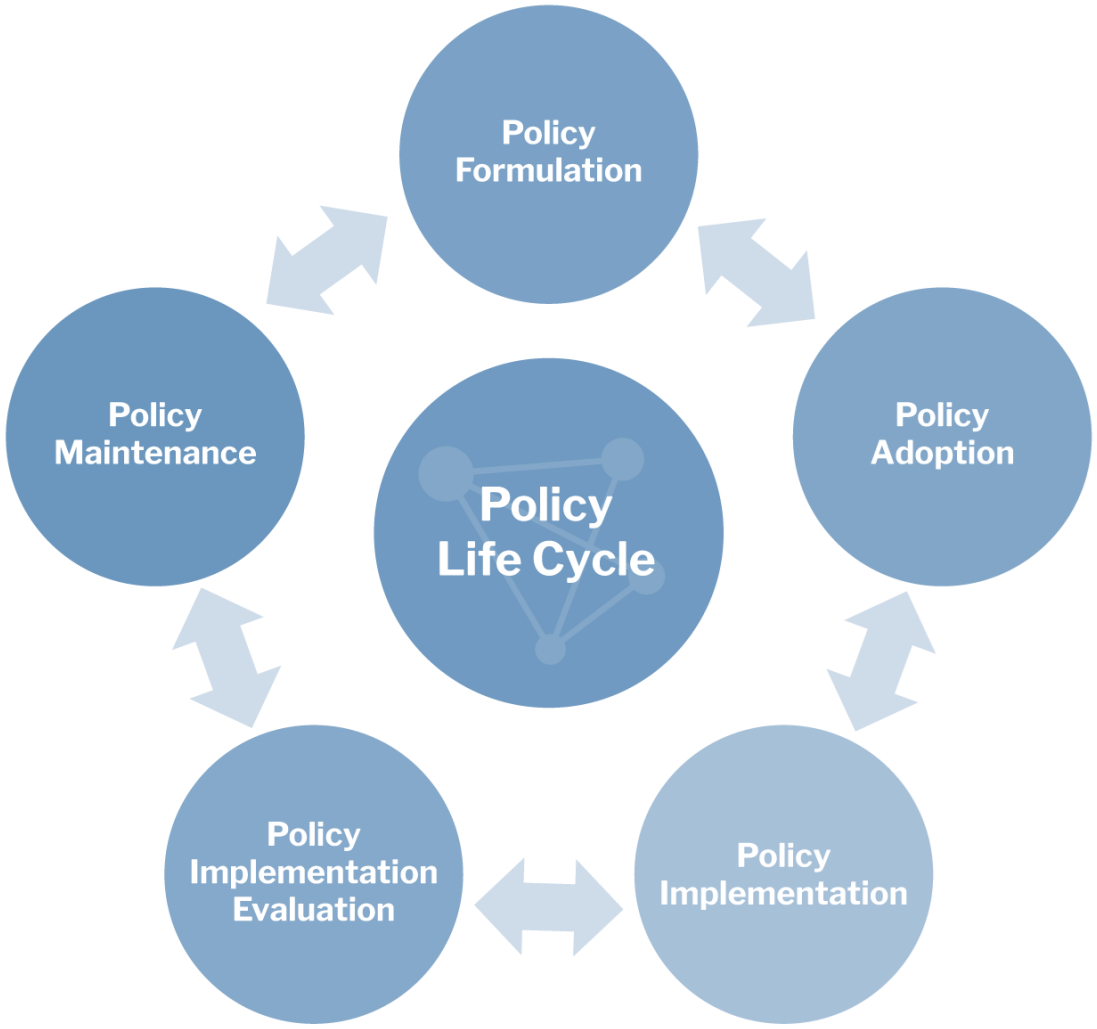
Thematic EXAMPLES (of scope)

Streamlined model



Approach to Technical Cooperation:

Policy Development Process



A SIMPLIFIED VIEW OF THE POLICY PROCESS

Source: Harvard Catalyst

Technical cooperation: sources of revenues/pooling

- Review of **current revenue sources**, and the mechanisms (e.g. premiums/contributions) and **operational processes** through which these resources are directed toward the delivery of services (e.g. state health insurance)
- Innovating financing
- Pandemic response financing (contingent and non-contingent)

Technical cooperation: purchasing

- Assessment of all **provider payment and incentives models** and mechanisms used across the system (e.g. NHI) and the operational processes involved (e.g. claims processing protocols, payments, processing)
  - Fee for service
  - Capitation
  - Budget
  - Performance-based incentives
  - Case-mix payments

Technical cooperation: benefits

- **Costing analysis of service delivery** across health care providers, alongside an analysis of providers' budgets and sources of revenues
- Review of the **different packages of benefits** used across the system (public and private)
- Assessment of **current procurement models** used in the country for medicines, medical supplies and other commodities
- Review of the current **model and processes involved in the acquisition of medical technologies** and equipment

Technical cooperation: health system organization

- Estimation of the **current demand for healthcare services**, including unmet demand
- A **system-level mapping** of health financing schemes/arrangements and delivery of healthcare services, alongside **patient utilization patterns** (public and private)
- **Development of care protocols and implementation of evidence-based clinical guidelines** to support improvements in the quality of care provided (e.g. HEARTS initiative)
- Establishing a comprehensive **national database** for planning and performance assessment – encompassing utilization, costing, and epidemiology
- **Local healthcare capacity** and out-of-country services

Technical cooperation: public financial management

- Review and enhance the **financial budget planning** system within the health sector

Take home messages

- Caribbean struggles to make progress towards UHC
- Health taxes, NCDs and health financing are related in multiple ways and dimensions
- Health taxes smart intervention in the short and long-term (revenues and relieved pressure system financing/UHC)

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Thank you !