



Health Taxes and UHC Financing

The Caribbean Experience
October 30, 2024

Edit Velenyi, PhD, Senior Economist
The World Bank
Latin America and the Caribbean



WORLD BANK GROUP



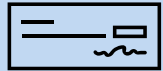
PRESENTATION ROADMAP



NCDs: A MAJOR CHALLENGE TO ECONOMIC GROWTH



NCDs are responsible for over **75% of all deaths** in the Caribbean, with significant productivity losses.



High healthcare costs place **pressure on national budgets and economic stability**.



NCDs account for between **1.4% and 8% of GDP loss in Caribbean** countries due to decreased **productivity & healthcare costs**: 5.34% in Barbados and 5.87% in Jamaica.

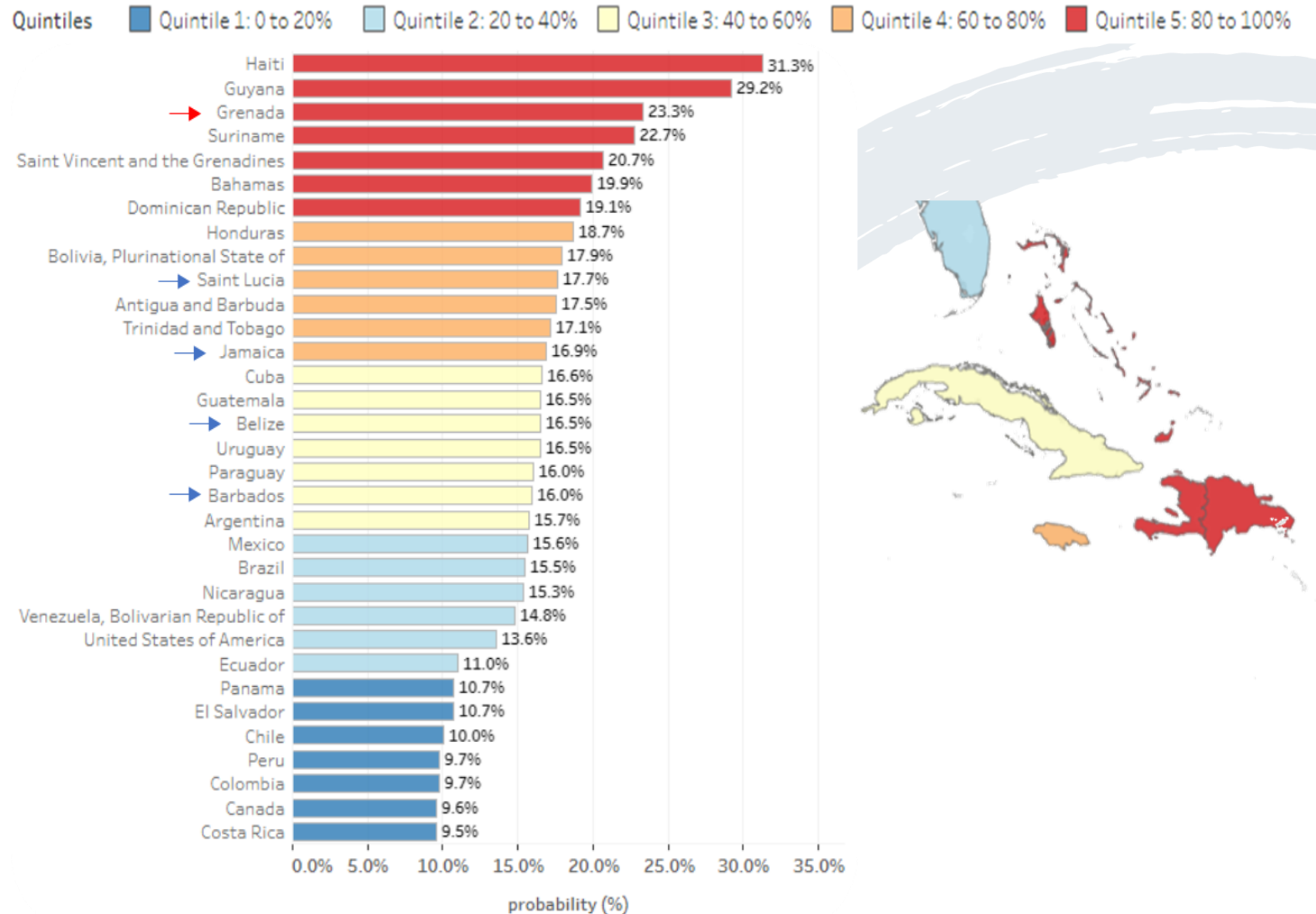
Barbados loses \$75 million annually due to NCD-related productivity loss while, in **Jamaica**, NCDs lead to a loss of **\$17.2 billion** in economic output over 15 years.

\$42 million could be saved in **Jamaica** from treatment and policy measures targeting alcohol and tobacco consumption.

A GROWING DISEASE BURDEN, A GROWING ECONOMIC CRISIS

Premature Mortality (dying between 30-70 of age) from NCDs: level by country in the Caribbean and highest ranked countries in LATAM.

- The Caribbean has one of the **highest rates of NCD-related premature deaths** (age 30-70) in the world.
- **Mega trends**, such as **aging, climate change and migration**, are driving the NCD disease burden.
- **NCD service coverage remains** the lowest component of UHC.
- **Service disruptions** severely affect chronic patients (COVID-19)
- **Without interventions** to halt the NCDs crisis, premature death will rise, and future healthcare expenditures are unsustainable.



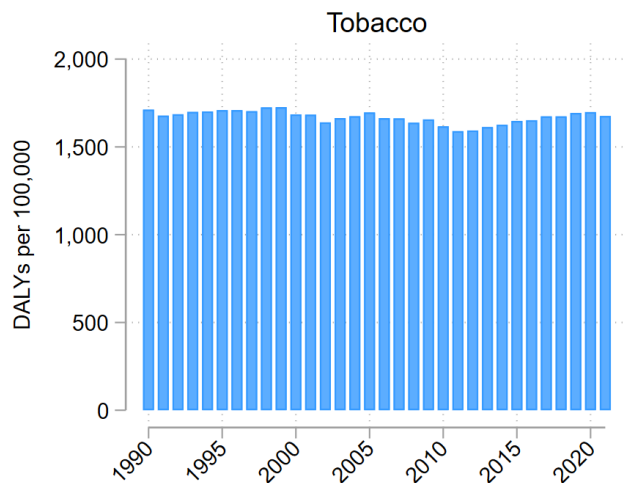
A significant share of mortality and morbidity is associated with the consumption of tobacco, alcohol, and SSBs in the Caribbean

- 12% of all deaths and 8.5% of all disability-adjusted life years lost in 2019.
- Tobacco accounts for most of these (5% of all DALYs), while alcohol accounts for 3.7% of all DALYs. However, mortality and morbidity due to alcohol use is growing significantly faster than tobacco use.

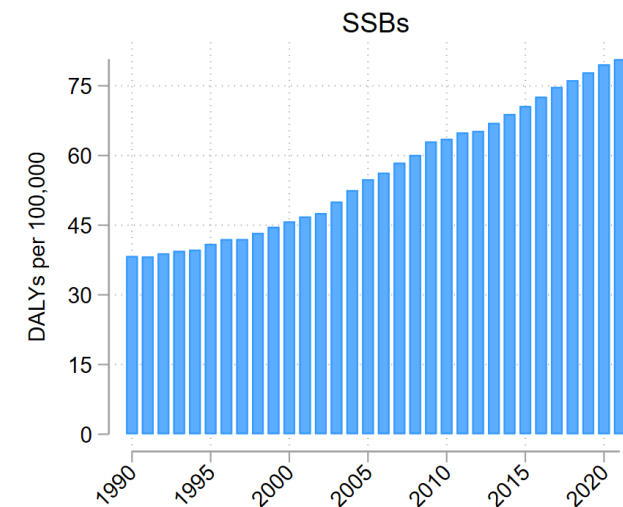
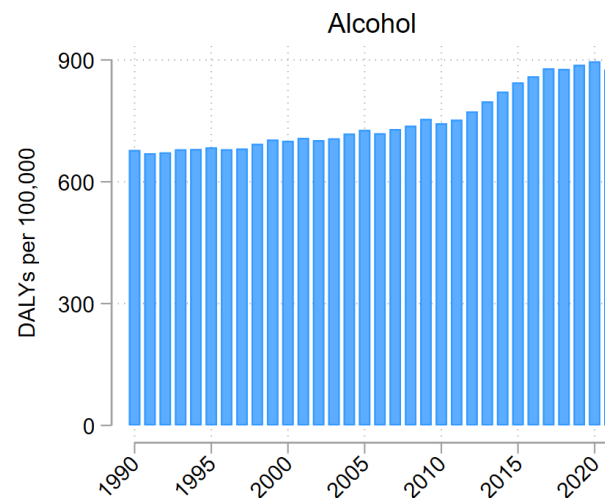
While diets high in SSBs result in significantly **less mortality** and morbidity than tobacco and alcohol, the **rapid growth** in mortality and morbidity is concerning

- Since 1990, DALY's per 100,000 have increased 138%.

Tobacco has the largest impact on deaths and morbidity

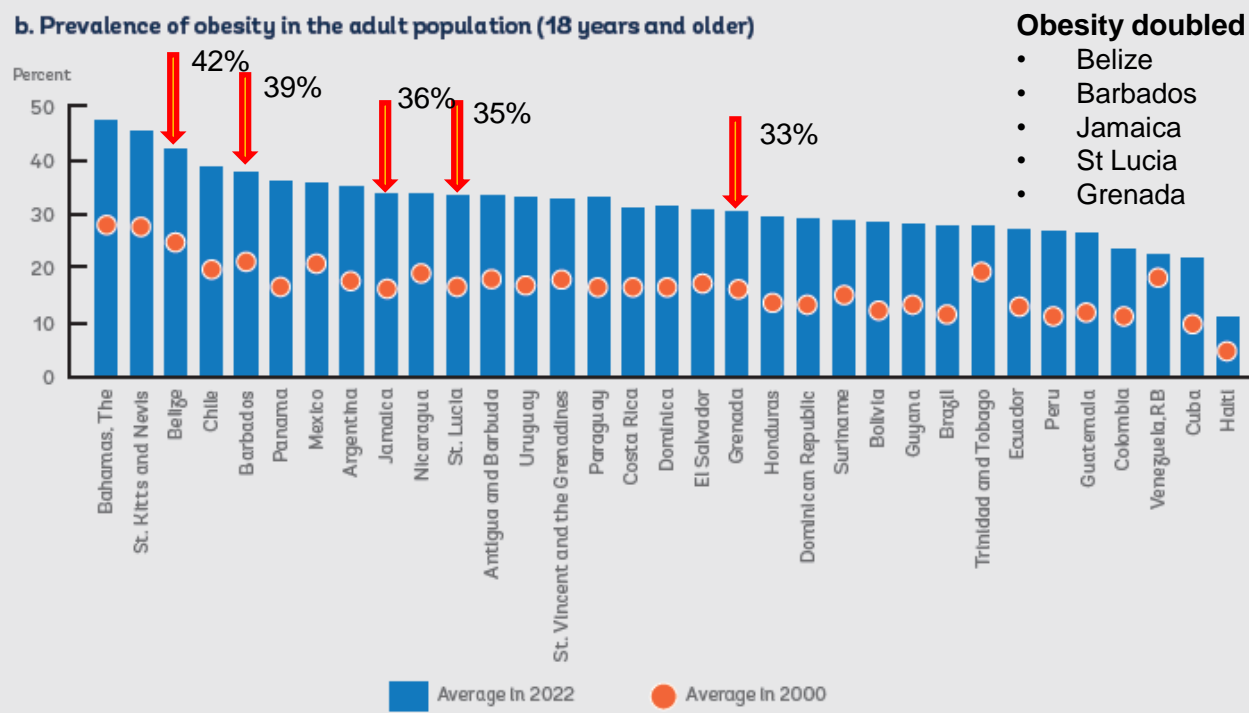


Caribbean
DALYs per 100,000, 1990-2021

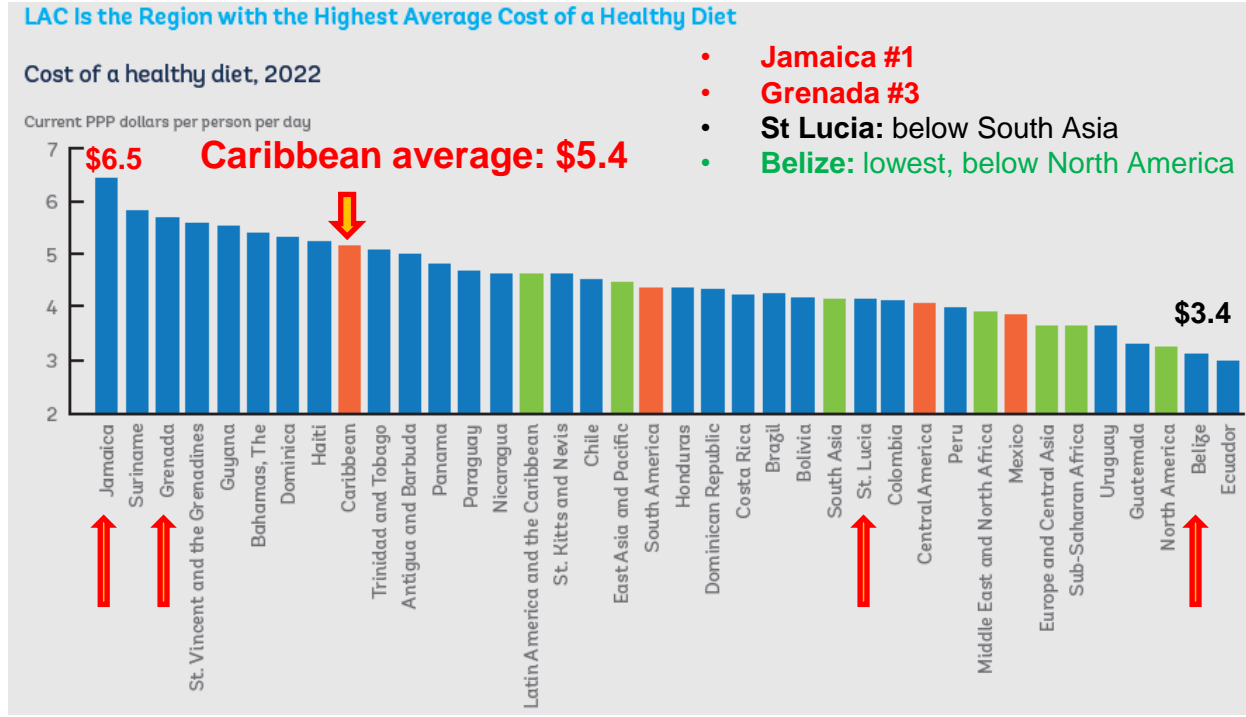


Rising obesity & NCD mortality will lead to major economic costs

Obesity prevalence increased in all countries between 2000-2022



The cost of a healthy diet in the Caribbean is the highest of all regions

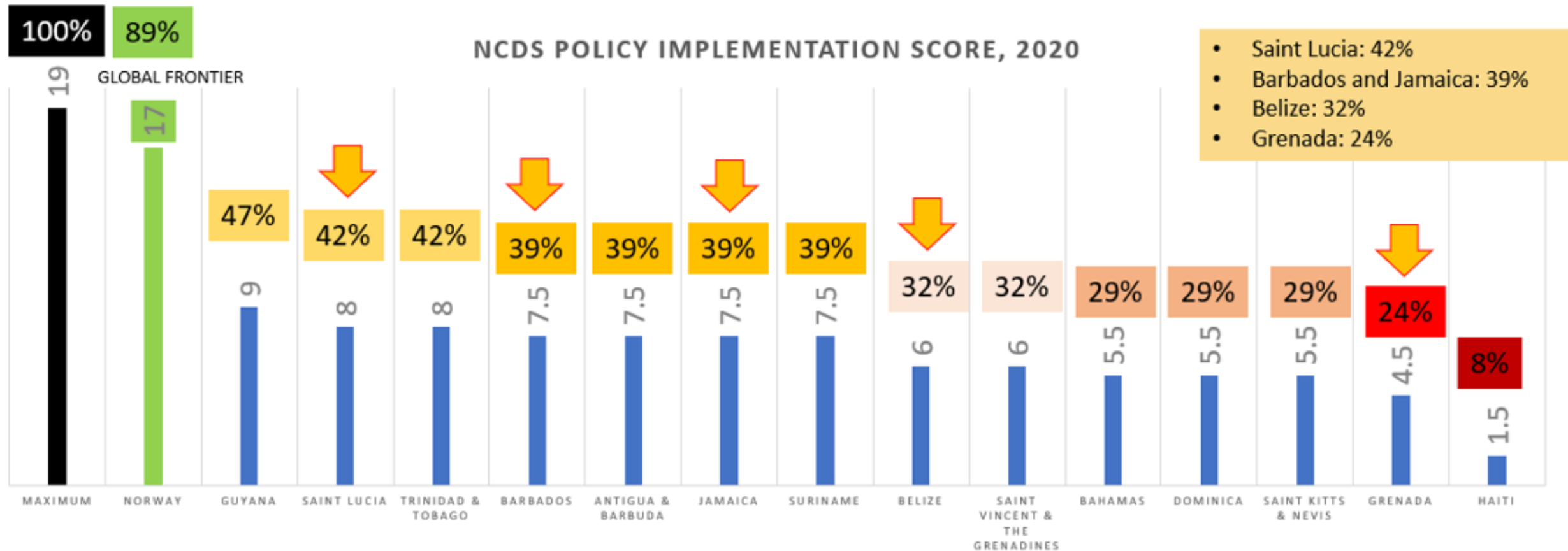


- **Health Risks:** Strong links between obesity and increased risk of diabetes, cancer, and cardiovascular diseases.
- **Economic Consequences:** Besides medical costs, obesity leads to reduced productivity in the labor market, exacerbating economic costs.

OPPORTUNITIES FOR IMPROVEMENT: NCD POLICIES

In 2020, Caribbean countries scored low on NCD policy implementation, between 4.5-8 on a scale of 19.

That is, on average, less than 40% of key NCD policies were implemented meeting set standards.



OPPORTUNITIES TO IMPROVE IN SEVERAL POLICY AREAS TO TACKLE NCDs

2020 mean implementation scores for each policy across geopolitical blocs

- **Tobacco tax**
- **Tobacco mass media**
- **Alcohol advertisement bans**
- **Salt policies**
- **Fat policies**
- **Child food marketing**
- **Breastmilk code**
- **CVD therapy**

No country meets the 75% tax share set by the WHO (Range 15-54%)



	Former Soviet states	OECD	EU27	G20	Gulf states	SIDS	World Bank income category			
							High	Upper middle	Lower middle	Low
n	15	36	27	43	6	38	57	60	46	31
National NCD targets	93%	49%	44%	59%	100%	63%	55%	68%	70%	55%
Mortality data	90%	100%	98%	93%	50%	50%	89%	61%	23%	2%
Risk-factor surveys	83%	68%	61%	67%	58%	45%	59%	61%	57%	42%
National action plan	93%	58%	57%	63%	100%	59%	63%	64%	64%	52%
Tobacco tax	37%	76%	81%	74%	25%	18%	59%	39%	18%	8%
Smoke-free places	50%	49%	48%	52%	25%	46%	51%	62%	46%	45%
Graphic warnings	90%	92%	100%	92%	58%	50%	79%	63%	61%	37%
Tobacco advertising bans	57%	46%	54%	51%	92%	42%	50%	49%	52%	55%
Tobacco mass media	40%	53%	41%	48%	33%	21%	44%	27%	32%	13%
Alcohol-sale restrictions	53%	44%	44%	47%	58%	49%	47%	54%	54%	52%
Alcohol advertising bans	83%	49%	44%	41%	42%	12%	35%	33%	35%	26%
Alcohol tax	63%	43%	35%	37%	33%	45%	40%	47%	47%	48%
Salt policies	50%	68%	67%	64%	92%	13%	59%	33%	17%	0%
Fat policies	77%	92%	100%	88%	100%	11%	75%	29%	16%	0%
Child food marketing	67%	86%	78%	70%	33%	11%	60%	32%	13%	3%
Breastmilk code	53%	42%	50%	49%	58%	24%	42%	43%	47%	47%
Physical activity mass media	87%	94%	100%	95%	75%	63%	88%	70%	33%	18%
Clinical guidelines	93%	82%	78%	81%	92%	51%	72%	66%	62%	45%
Cardiovascular therapies	60%	76%	76%	69%	83%	37%	69%	43%	13%	2%
Total	69%	67%	66%	65%	64%	37%	60%	50%	40%	29%

Note: In the figure, on the color-coded spectrum, green indicates higher values and red indicates lower values.

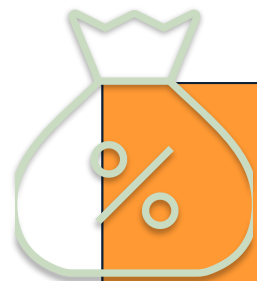
Source: 2021 Lancet Report

POLICY RESPONSES: THREE MAIN CHANNELS

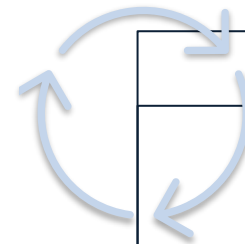


1. The most direct policy areas include **nutrition, public health, and healthcare services.**

The economic and social returns to such investments are high. Affordable packages of essential NCD interventions are available.



3. Improvements needed in taxation policies (health taxes) to shift risky behaviors and raise revenue.



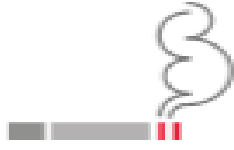
2. Life-course policy approach is needed from before birth to the end of life.

This requires a **coordinated and targeted multisectoral interventions.**

- Health, Education, Social Protection, Agriculture, Sports & Youth, Finance, etc.

NCD BEST BUYS: RISK REDUCTION

5 RISK FACTORS



Tobacco Use



Harmful use
of alcohol



Physical
inactivity



Unhealthy
diet



Air
pollution



REDUCE TOBACCO USE

- Increase excise tax
- Plain packaging
- Ban advertisement and sponsorship
- Ban smoking in public places
- Mass media on smoking risks



PROMOTE HEALTHY DIET

- Tax and pricing policies (tax sugar-sweetened beverages and subsidize healthy options)
- Regulatory measures
- Public awareness (national campaigns, food labeling)



REDUCE HARMFUL USE OF ALCOHOL

- Increase excise tax
- Ban or restrict advertisement
- Restrict physical availability
- Enact and enforce drink-driving laws



PROMOTE PHYSICAL ACTIVITY

- Mass media and community-based campaigns
- Counseling as part of routine primary care

Health Taxes: Opportunities



Almost all CARICOM countries apply excise taxes on tobacco, but the rates are low, and no country meets the 75% tax share threshold set by WHO (tax shares range from 15%-54%).



Almost all CARICOM countries apply excise taxes on alcohol, but excise tax shares for spirits vary widely, ranging from 0% (Antigua) to 66% (Belize, Suriname) and are applied at varied rates for different products, introducing market distortions.



Excise tax shares for beer are low and range from 0%-16%.



Only six CARICOM countries apply excise taxes on SSBs, with excise tax shares ranging from 1.3% (St. Kitts and Nevis) to 12.2% (Barbados).



There are opportunities to strengthen tax designs, e.g. by shifting towards specific tax designs, introducing automatic adjustments for inflation/income growth, improving the definition of taxable products, and simplifying differentiated rates.



Revenues from health taxes can be invested in health sector, in NCD “best buys” and strengthen PHC.

INVESTMENT IN NCD PREVENTION PAYS OFF

Primary Health Care (PHC) is the most cost-effective solution to improve NCD



Every \$1 invested in NCD PREVENTION, can result in a return of at least \$7 in economic benefits (WHO)



Countries with STRONG PRIMARY HEALTHCARE (PHC) had a 29% lower mortality rate compared to countries with weaker PHC

Invest in prevention: A “best buy”

Invest in strengthening PHC systems

Strengthen NCD policy and regulatory framework

Strengthen patient-centered care models

Strengthen the service continuum and organize healthcare networks

Leverage digital health and data for NCDs



JAMAICA NCD INVESTMENT CASE

For every \$1 spent on NCD prevention, **\$2.1 is returned** in healthcare savings and productivity gains.

Prevention efforts can save J\$77.1 billion or 4.3% of GDP.

5,700 lives saved over 15 years with key interventions.

DOCUMENTARY: **DYING YOUNG: LIFESTYLE CHOICES (2024)**

NCD BEST BUYS: DISEASE-SPECIFIC

Menu of cost-effective interventions



DIABETES

- Blood sugar control
- Preventive foot care
- Preventive eye care



CANCER

- Cervical cancer: vaccine 9-13 | Pap Smear 30-49
- Mammogram 50-69
- Surgical, chemo, radiotherapy



CARDIOVASCULAR DISEASE

- Pharmacological treatment of infarction
- Stroke IV therapy



CHRONIC RESPIRATORY DISEASE

- Inhaler for asthma

World Bank Ongoing Support

Development Policy Operations

- Grenada Second Recovery and Resilience Programmatic DPC
- **Saint Lucia Sustainable Recovery Development Policy Credit**

Investment Project Financing

- **Saint Lucia Health System Strengthening Project**
- OECS Regional Health Project

Advisory Services & Analytics

- Caribbean Regional ASA: Accelerating UHC in the Era of COVID-19
 - **Health Taxes in the Caribbean**
- Assessments of NCDs in PHC in the Caribbean: Dominica, Grenada, and Saint Lucia
- Jamaica Health Public Expenditure Review
- **St Lucia: Strengthening Tax Policy for Climate Resilient Growth**





Saint Lucia | Ongoing Reforms & Opportunities

10th highest probability of premature mortality from NCDs in LAC (17.7%). Alcohol & SSB consumption is v. high.

Ongoing Reforms

Sustainable Recovery DPC: Launched in Aug-2023, includes prior actions for increasing cigarette excise tax. Simulation model provided to support tax rate increase.

Health System Strengthening Project:

- **PER** finds low primary care performance and underfinanced PHC (12.8% of sector budget and 0.26% of GDP)
- **PBF Pilot** tests impact of investing at PHC level.
- **Health Financing Policy & Strategy** aims to gradually shift financing to the sector to strengthen PHC.

- Health taxes can provide **additional revenue** and **change consumption of health-harming products**, reducing NCD risk.
- Revenues from health taxes can be invested in NCD “best buys”, including strengthening primary health care services.

Opportunities

Strengthen Tax Policy for Climate Resilient Growth: Simplify the alcohol excise tax system and remove tax rate differentials over similar products. Introduce a SSB excise tax.

Health Financing: Consider opportunities to support revenue use of **Health & Security Levy (HSL)** for PHC, especially based on initial positive results from the PBF pilot study (ongoing).

Saint Lucia's Performance-based Financing (PBF) Pilot



Click here for [Feature story and video](#)



Who We Are / News

FEATURE STORY | FEBRUARY 9, 2024

Saint Lucia's Quest to Reduce Hypertension and Diabetes through Performance-Based Financing



<https://twitter.com/WBCaribbean/status/1756678285075845437?s=20>
<https://www.facebook.com/worldbankcaribbean/videos/718396687094634>

1. THE INTERVENTION

PHC facilities (Wellness Centers) receive budgetary allocations to enhance facilities and care quality for NCDs. Funds are allocated based on **key performance indicators**, which promote

- quality service provision
- client-centric approach
- collection of data

Basic Package of Services

- Screening for HTN (RMI1) 
- Screening for DM (RMI3) 
- Treatment for HTN (RMI2) 
- Treatment for DM (RMI4) 

The introduction of the PBF Pilot, under the HSSP, marks a significant stride in the ongoing battle against chronic NCDs.

PBF pilot was **launched** in July 2023. → In May 2024, the pilot was **scaled** from 8 to 17 WCs. → **Nationwide expansion** to all 34 WCs, planned for 2025.

2. FINANCING UHC EXPANSION

PBF advances Saint Lucia on its **UHC journey**, with focus on **PHC**. Dialogue on PBF institutionalization and **budgeting for UHC scale-up** is ongoing, including consideration of **use of health taxes (Health Levy) with focus on financing primary care (PHC)**.

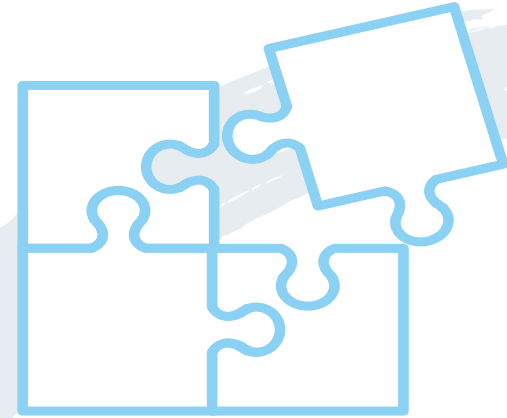
FISCAL RESPONSIBILITY: ROLE OF FINANCE MINISTERS



Mobilizing health taxes
(e.g., on tobacco, alcohol, sugary drinks) can generate significant revenue while reducing NCD prevalence.



Allocating budget for prevention programs and investments in primary care (PHC) will reduce long-term healthcare costs and save lives.



Cross-sectoral policy support for health improvements
(e.g., agricultural subsidies for healthy food, school nutrition policy, etc.).

URGENT ACTION NEEDED TO COMBAT NCDs

- The future of health in the Caribbean is a **future dominated by NCDs**, with significant economic consequences.
- The discourse around NCD priorities must **shift away from “quick wins” and siloed thinking**: the **NCD agenda is an integral part of sustainable development**.
- **Effective NCD prevention and care strategies can strengthen the health systems of tomorrow**, and they can yield high returns during the SDG period and beyond.
- NCDs is an enormous development challenge, which **requires concerted actions with partners**.
- **Health taxes are central to changing the future of NCDs**.
- **By investing now in cost-effective health systems and intersectoral policies**, countries can get better value for money and enhance the health of working-age adults and save scarce public resources.

HOW THE WORLD BANK CAN HELP



Convener & Partnerships



Provide resources to support reform design and implementation



Help **develop and test scalable models** and solutions, incl. through knowledge exchanges, hands-on TA, and lending operations



Multisectoral engagement for impact



Drive innovation for efficiency and scale



World Bank Global Tax Program



Thank you