Closing the Funding Gap using Domestic Financing Mechanisms

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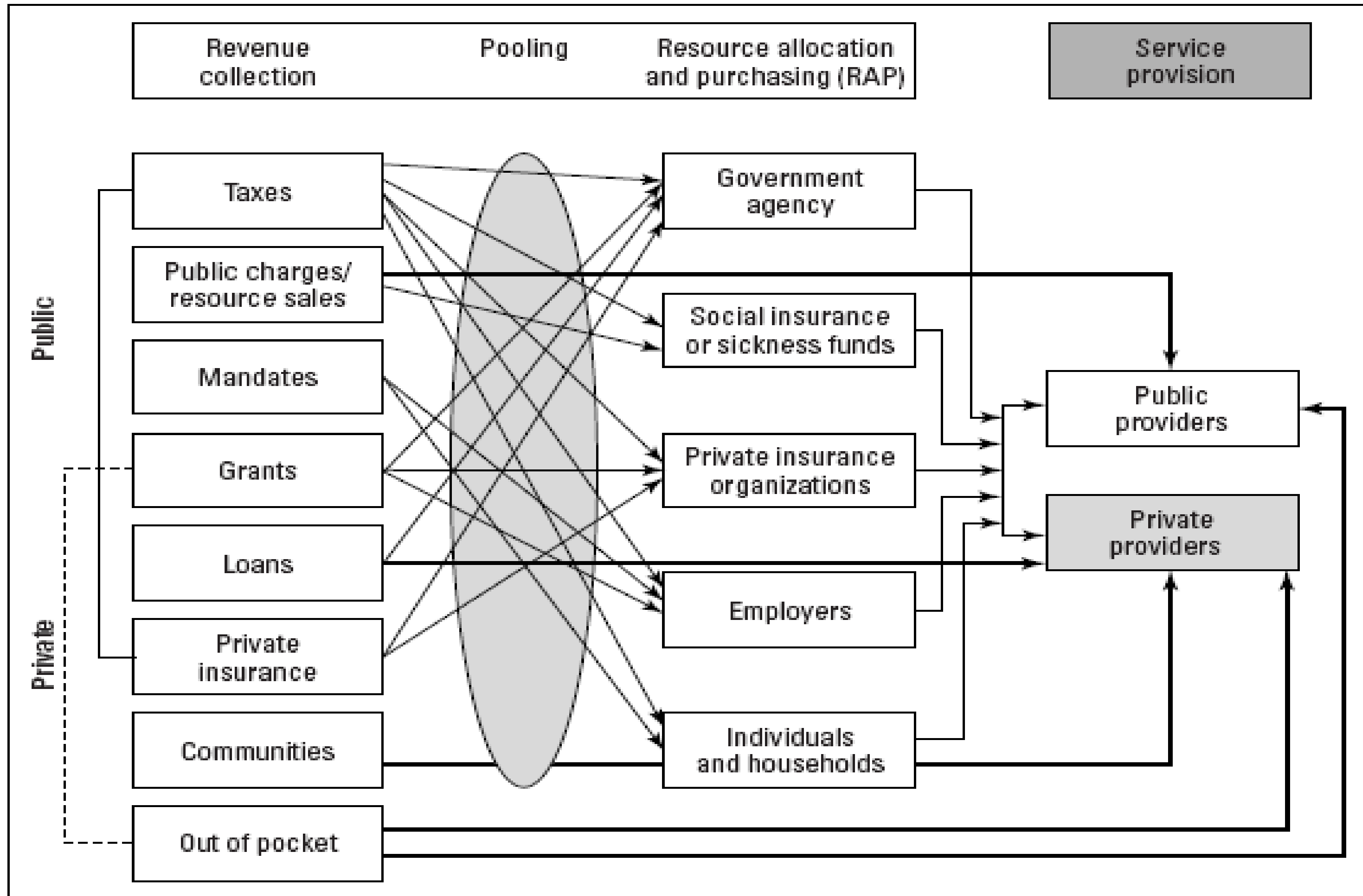
How a Health Financing System Works



What does the constitution of South Sudan say about health financing?

- All levels of Government in Southern Sudan shall promote public health, establish, rehabilitate and develop basic medical and diagnostic institutions and provide **free** primary health care and emergency services for all citizens.

What criteria should we use when evaluating different mechanisms?

- Is it <u>effective</u>: - does it raise much money?
- Is it <u>efficient</u> - can the funds raised be spent on health sector priorities and are administration costs low ?
- Is it <u>equitable</u> - is the financial burden less for poorer and more vulnerable groups and are the benefits greater for these groups?

User fees

- A consumption tax on health services !

Effective	X	Efficient	X	Equitable	X

- Raise little revenue – perhaps 5% of budget
- No risk pooling
- A proven barrier to poor people
- Taking money off poor people when they are sick is not a good idea
- Contrary to the constitution of South Sudan

Why should we concerned about this?

Elimination of user **fees** could prevent approximately 233 000 (estimate range 153 000-305 000) deaths annually in children aged under 5 in 20 African countries

James C et al BMJ 2005;331:747-749

An emerging consensus on user fees

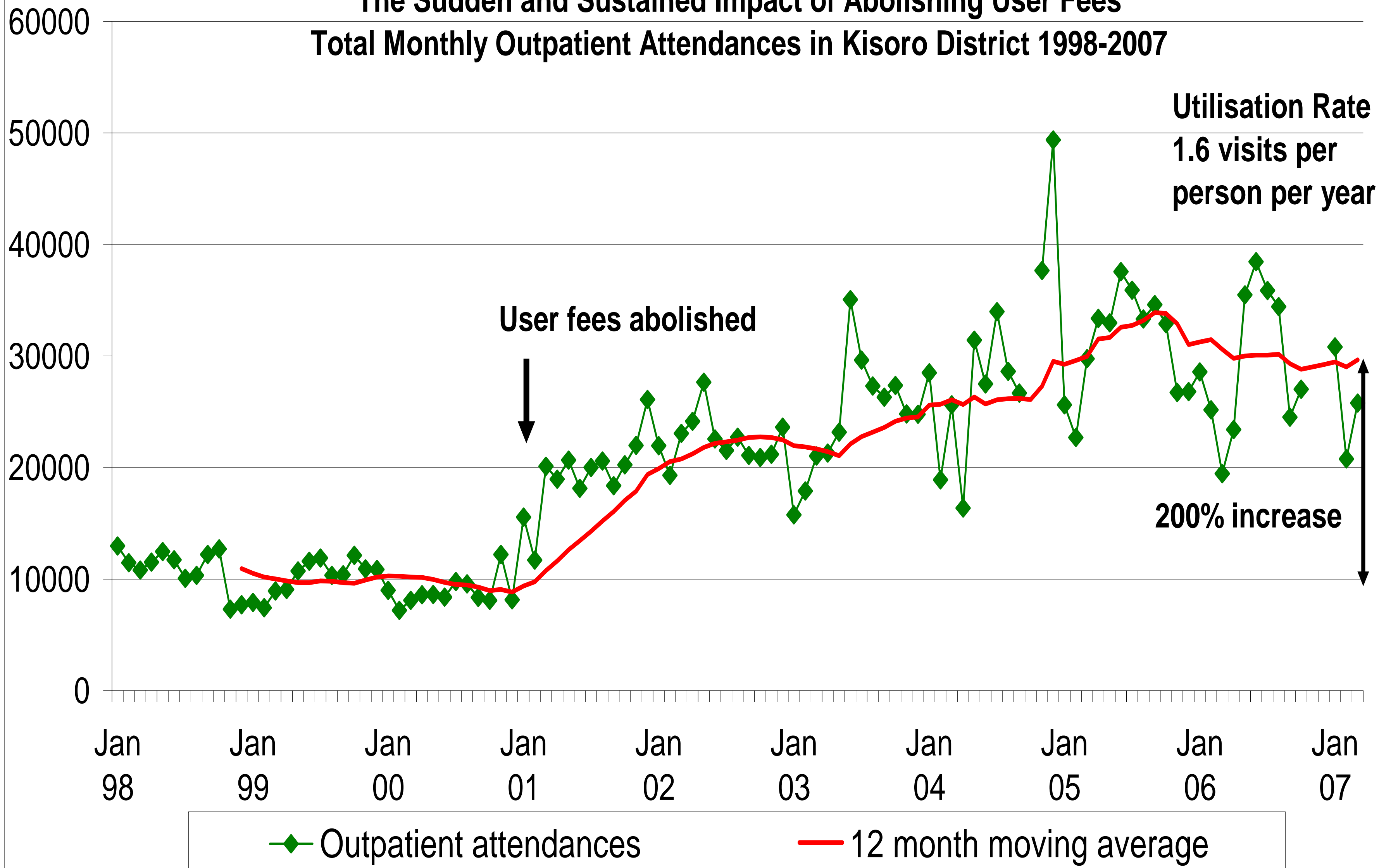
- DFID: “The UK will help partner governments abolish user fees for basic health services, and help them tackle other barriers to access, including discrimination against women”
  DFID White Paper 2006

- WHO: “If you want to reduce poverty, it makes sense to help governments abolish user fees”
  Dr Margaret Chan, WHO DG, 5 June 2007

An emerging consensus on user fees

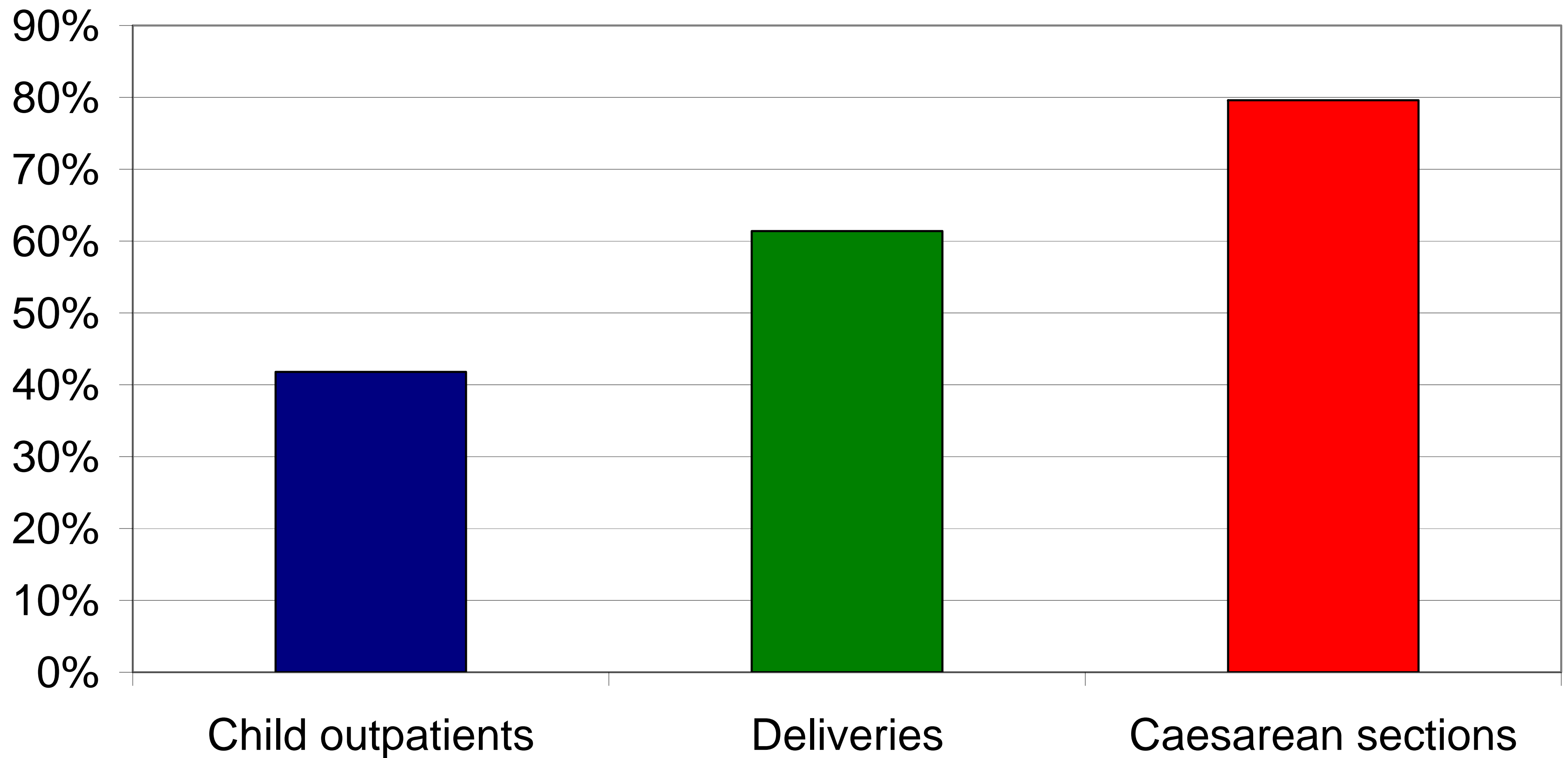
- The World Bank: “Upon client-country demand, the Bank stands ready to support countries that want to remove user fees from public facilities ***if***……..”

Para 105 The World Bank HNP strategy 2007

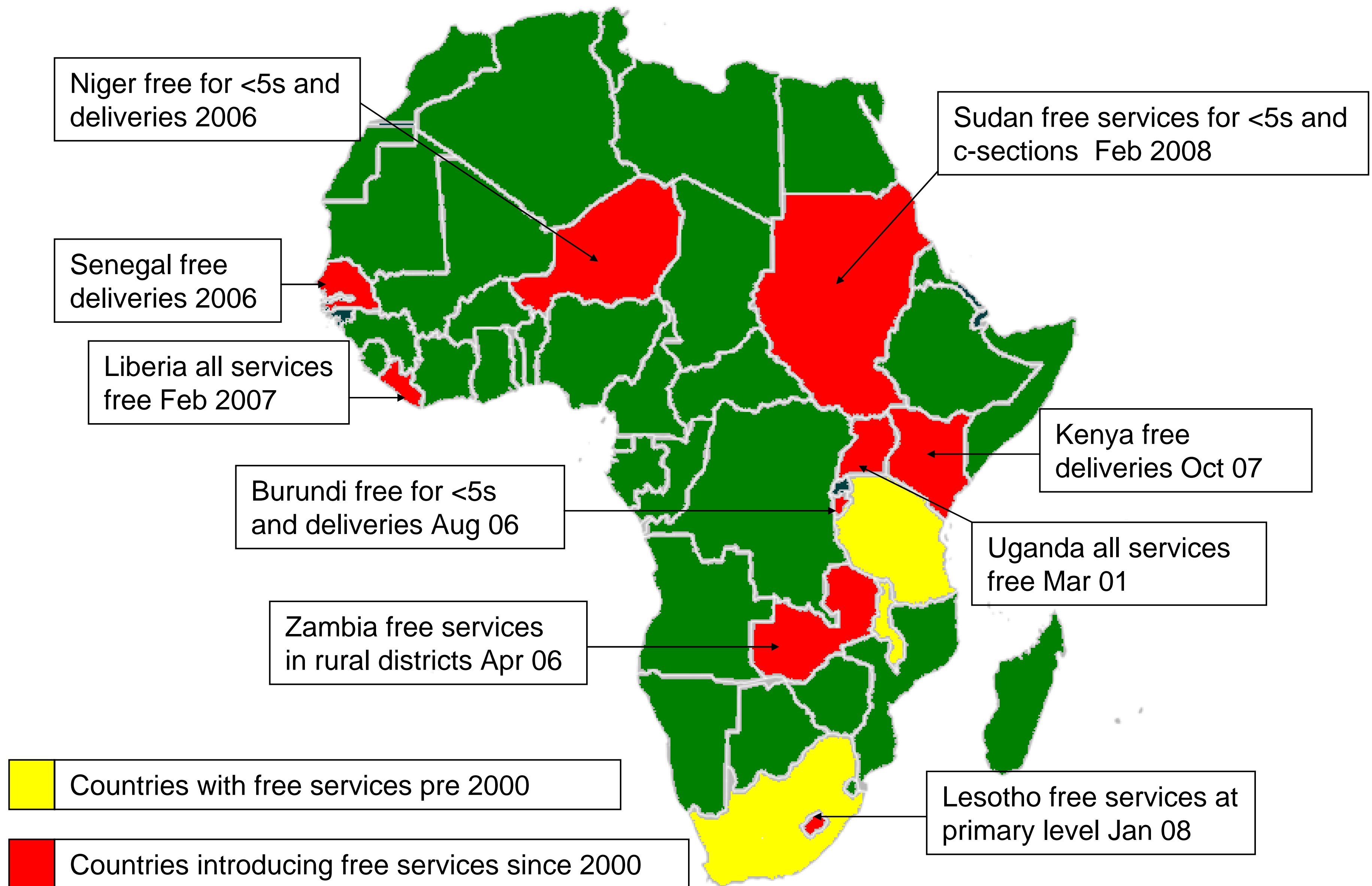


The Sudden and Sustained Impact of Abolishing User Fees
Total Monthly Outpatient Attendances in Kisoro District 1998-2007
60000
50000
40000
30000
20000
10000
0
Utilisation Rate
1.6 visits per
person per year
User fees abolished
200% increase
Jan 98
Jan 99
Jan 00
Jan 01
Jan 02
Jan 03
Jan 04
Jan 05
Jan 06
Jan 07
Outpatient attendances
12 month moving average

Increases in Hospital Services in Burundi 3 months After Fees Were Abolished for Maternity and Children's Services



The Rapid Removal of Health User Fees in Africa since 2000



Private / Community Health Insurance

- Voluntary contributions either flat rate premium or linked to individual risk

Effective	X	Efficient	X	Equitable	X

- Adverse selection – the healthy wealthy leave
- Little scope for cross subsidisation
- Community health insurance has the same disadvantages
- Poor performance in SSA – low coverage, high drop out, inequitable, often subsidised

Social Health Insurance

- Compulsory insurance schemes with payments linked to ability to pay

Effective	?	Efficient	?	Equitable	?

- Only really works for the formal sector
- Better for middle income countries
- Some scope for cross-subsidisation
- No successful SHI yet in low income countries

Domestic Tax Revenues

- Income tax, trade taxes, taxes on extracting natural resources and consumption taxes (on appropriate goods and services)
- Funds allocated through Government budgets

Effective	✓	Efficient	✓	Equitable	✓

- Macroeconomic and fiscal constraints
- Competition from other sectors
- Potential to allocate efficiently and equitably

Situation in South Sudan

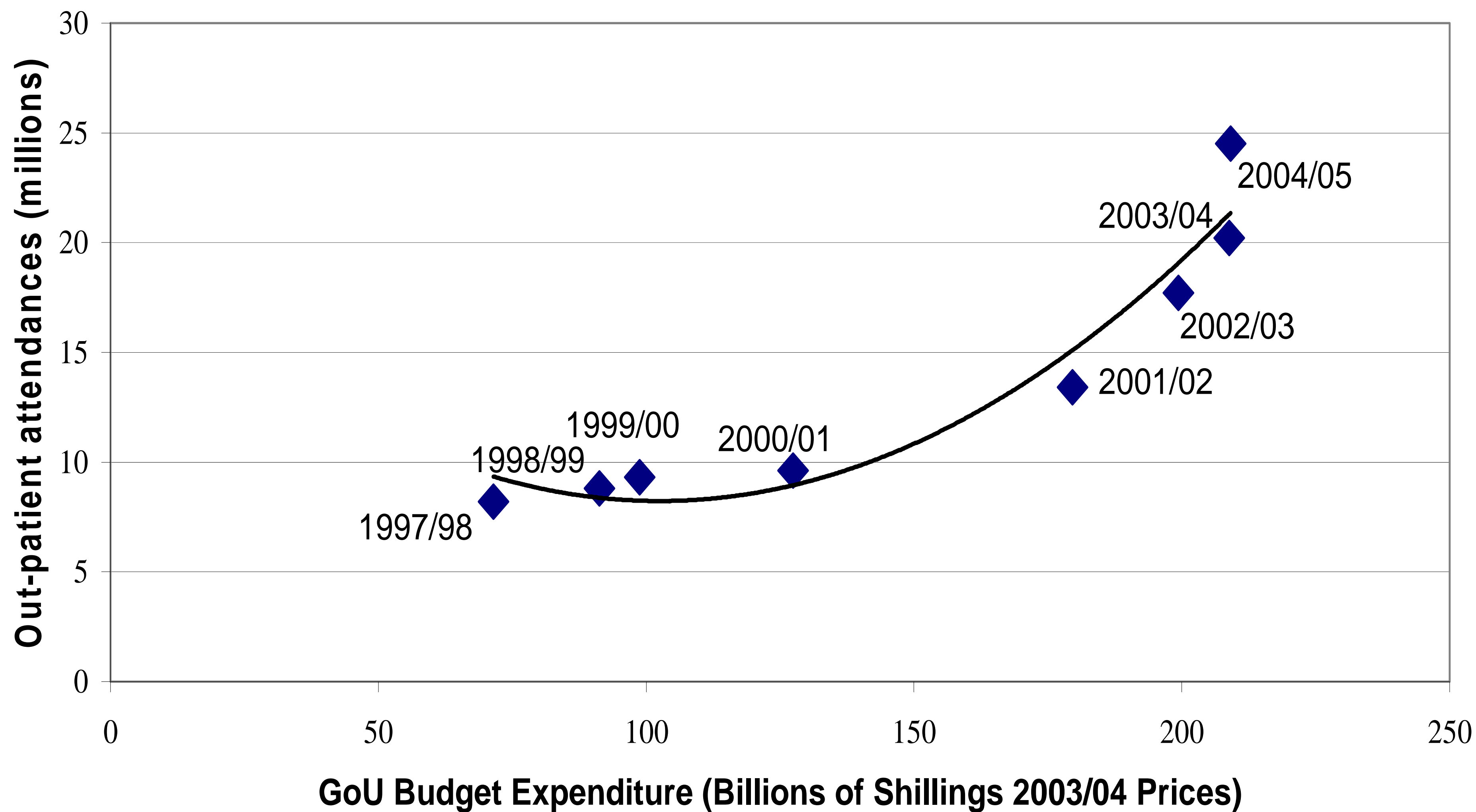
- Large poor rural population with very limited ability to pay
- Limited role for explicit health insurance
- Good news is that public financing levels are <u>relatively</u> high - $7.1 per capita
- Scope to increase budget share to meet Abuja target of 15% of budget
- Need to spend collective public finances better on priority inputs

Proposed priorities

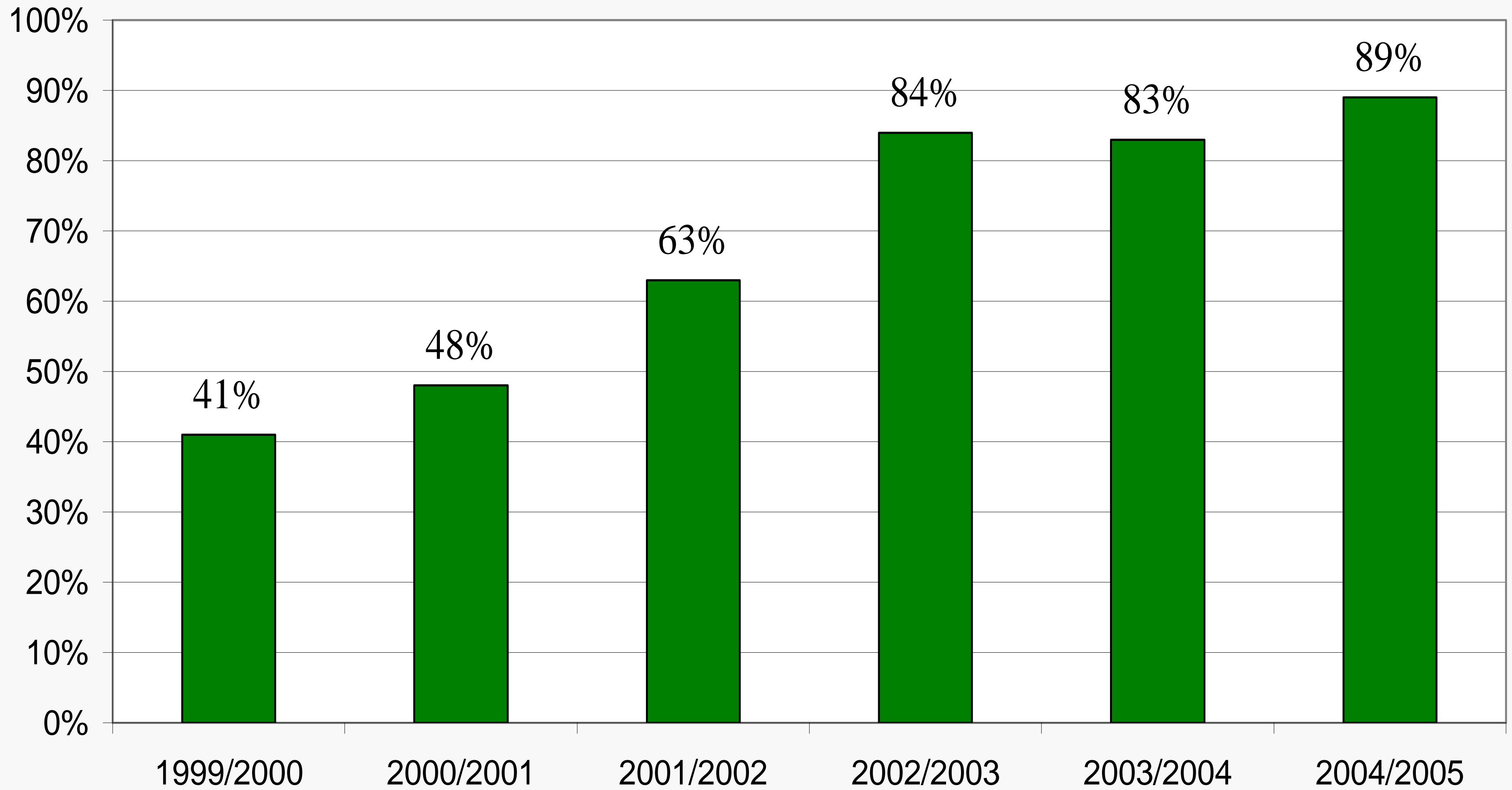
- Improve budget performance (2006 43% underspend 2007 62% underspend)
- Increase disbursements and expenditures
- Increase allocations to priority inputs: human resources, pharmaceuticals and essential infrastructure
- Demonstrate improved output and outcome performance
- Present case for a higher health budget (only 4.2% of GoSS Budget)and allocate additional funds efficiently and equitably

Case Study: The Ugandan Health Budget Improved Efficiency and Equity

- Improved allocative efficiency. District PHC funding up from 33% to 54% of health budget
- Massive increase in basic inputs – per capita drug funding up 88%, proportion of posts filled with trained health workers up from 33% to 68%, 800 health units built or rehabilitated
- Ring-fencing of funds for essential inputs eg drugs
- Improved equity – neediest district receives 44% more PHC funding per capita than Kampala

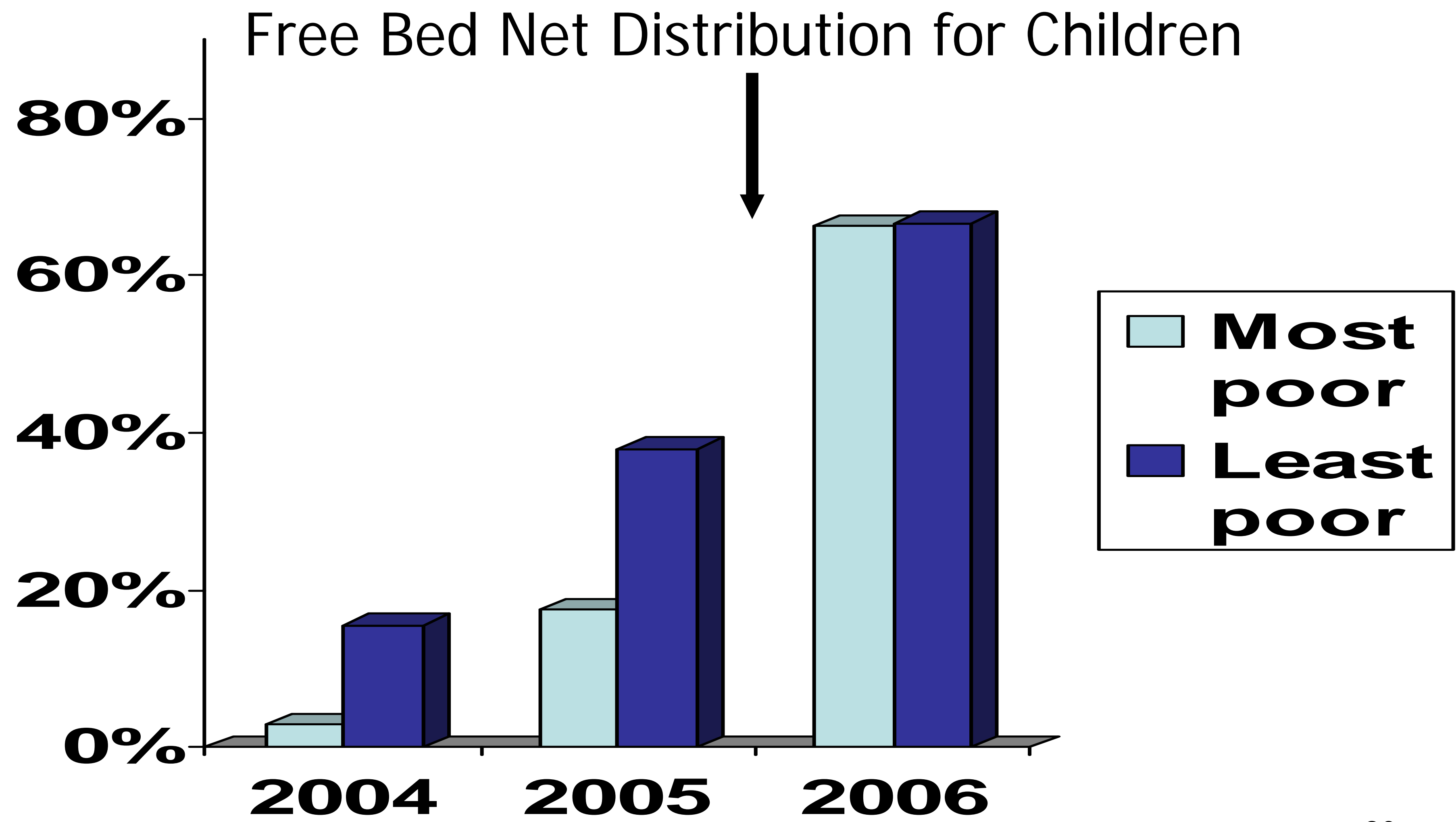


GoU budget expenditure and total outpatient attendances
Out-patient attendances (millions)
30
25
20
15
10
5
0
0
50
100
150
200
250
GoU Budget Expenditure (Billions of Shillings 2003/04 Prices)
1997/98
1998/99
1999/00
2000/01
2001/02
2002/03
2003/04
2004/05


DPT3 immunisation rates for children under one year
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
41%
48%
63%
84%
83%
89%
1999/2000
2000/2001
2001/2002
2002/2003
2003/2004
2004/2005

DFID Department for International Development

ITN Coverage in Kenya



Some lessons from Asia

Equitap Study of 14 Asian Countries including Nepal:

- "Countries where the poor are most effectively reached by services, are the countries where national policies stress **universalism** (Sri Lanka, Thailand post-2000, Malaysia)."
- "The only poor countries where the poor are effectively reached are those where policies do not explicitly target the poor, either through user fee exemptions or specially-targeted programmes".

Key Messages

- Devise health financing strategies to achieve universal coverage of health services
- We need to raise more finances to close the financing gap and this must be done effectively, efficiently and equitably
- Public financing mechanisms perform better than private ones

Key Messages

- Priority should be given to increasing the Government budget and improving the performance of this mechanism
- Through a SWAp the GoSS and development partners can improve the performance of health financing and hence improve health outcomes for all