The missing link? How good financial governance helps strengthen health systems

*The OECD perspective*

GIZ/BMZ
20 April 2016

Chris James (Health)
Camila Vammalle (Budgeting & Public Expenditures)
Outline

• Fiscal sustainability, fiscal space & universal health coverage
• Understanding and improving budgeting practices for health in LMICs
Extension of network beyond OECD countries

- Budgeting practices survey in LAC & Africa
- Case studies in Peru & South Africa
## Regional networks

### Latin America and the Caribbean
- Implementation of budgeting for health survey (Nov 15 - Apr 16)
- Case study: Peru (Mar - Jun 16)
- Health and budget officials joint meeting (7-8 July 2016, Bogotá)

### Central & Eastern Europe
- Health and budget officials joint meeting (Oct 16, Estonia)

### Objective:
**Benchmark good practices and identify bottlenecks to ensure universal health care**

### Africa
- Health and budget officials joint meeting (Oct 2015, Tanzania)
- Case study: South Arica (Aug-Oct 2016)
- Budgeting for health survey (May-Dec 2016)

### Asia
- Health and budget officials joint meeting (Dec 2016, TBC)
Fiscal sustainability of health systems in the OECD

*Insights for low- and middle-income countries*
Spending more on health can add value…

But some health spending is wasteful

**WASTE**

- **$690 billion**
  - wasted per year in the US
  - IoM (USA), 2012

- **$300 billion**
  - lost to mistakes or corruption worldwide per year
  - European health care fraud and corruption network, 2010

- **20-40%**
  - of total health spending could be saved
  - World Health Organization, 2010
Fiscal space and fiscal sustainability

- **Fiscal space**… availability of *budgetary room* that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government’s financial position [IMF].

  **What about donor funding?**

- **Fiscal sustainability**… ability of a government to *maintain public finances* at a credible and serviceable position over the long term. High and increasing debt levels as main red flag [~EC, IMF, OECD].
OECD experience demonstrates a sustainable UHC strategy includes

1. Improving **revenue collection** & broadening **tax base** for funding health care

2. Finding a **better way to share costs** and define the **benefit basket**

3. Securing **value for money** from spending
Finding a better way to share cost: Focus spending on cost-effective interventions

• Avoid unsustainable capital investments

• Be more specific and selective in defining the range of services covered
Financing expansion in a federal context: Mexico’s Seguro Popular

Central level funding transparent and tied to demand
• Costed benefit package as quality assurance mechanism

Federal-state negotiation helped target funds to state needs
• State transfer has fixed and per person components
Chile: universal and full coverage for limited **essential** package

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<tr>
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<th>Mandatory contribution</th>
<th>Additional Premiums</th>
<th>AUGE health services</th>
<th>Primary health services (non-AUGE)</th>
<th>Other medical and dental</th>
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% of THE financed by all health coverage schemes (2012)
The challenge of budgeting for health
Why is controlling expenditure on health care such a challenge?

- Very high priority for citizens
- Many stakeholders involved
- Great institutional variation across countries
Great international variety of public health systems

• All systems must address the following issues:
Survey for budgeting practices in LAC countries – Preliminary results
Health expenditure as a percentage of GDP (2013)

Source: WHO database and OECD Health Statistics 2015
Health systems and percentage of population covered

Population covered per type of health system in LAC

Initial budgeted expenditure Vs. actual expenditure

Variation below 5%
Years of last 10 with underspending
Years of last 10 with overspending

What type of influence does the CG have over overall health spending by SNG?

- CG has ultimate responsibility for health financing: PER, URY, COL, MEX, BLZ
- CG requires sub-national governments to set their own performance or health spending targets: PER, HND, ECU
- None: ARG, GTM, PRY
- CG establishes performance targets for sub-national governments: COL, CHL
- CG sets health spending targets for sub-national governments: COL

CONCLUDING THOUGHTS
Spending more on health a worthwhile investment, but value-for-money is crucial

- Investing in health crucial for **economic development**
- Many low- and middle-income countries could find **additional resources for health**
  - *Improving budgeting practices* as first step
- Countries’ push for **UHC** is commendable, but **value-for-money** needs to be ensured
Working together towards sustainable UHC

Survey

Case studies

Annual meetings

Analytical research

Document health budget tools and practices

Benchmark good practices and identify bottlenecks

Catalyze processes for better alignment between budgeting and health

More effective and efficient use of financial resources

Increase coverage and improve service quality

Reduce morbidity and increase life expectancy

Reduce poverty and increase economic growth

Improve capacity and create dialogue
THANK YOU

camila.vammalle@oecd.org
chris.james@oecd.org