

Health Financing Experience and Lessons Finding Paths to Universal Coverage

East Asia and Pacific (EAP) Region

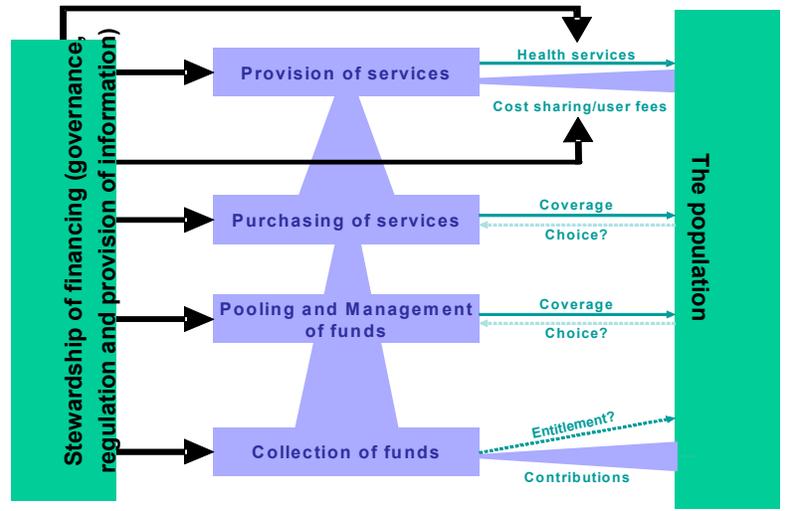
J. Langenbrunner and A. Tandon



Outline

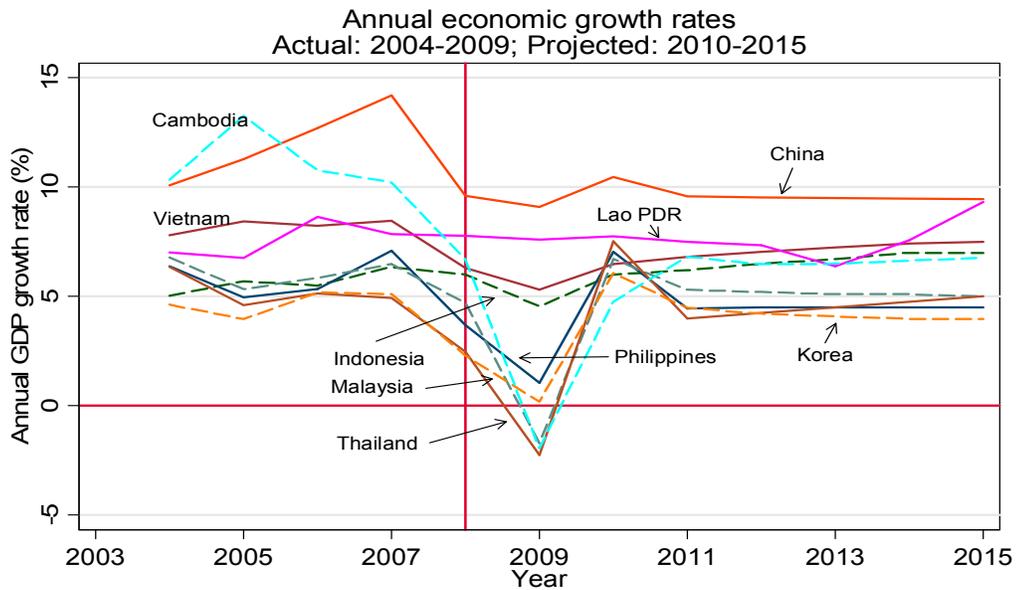
- Framework
- Establishing the Baseline: Health Outcomes and Current Expenditures
- Challenges: Changing Demographics & Disease Profile, Inequality and Poor Financial Protection
- Sources of Revenues
- Pooling and Management of Funds
- Resource Allocation and Purchasing
 - Coverage/Targeting, Benefits Package, Contracting, Payment Methods
- What is Ahead: Fiscal Space and Universal Coverage

Investing in Health and Thinking about HF



Source: WHO, 2006.

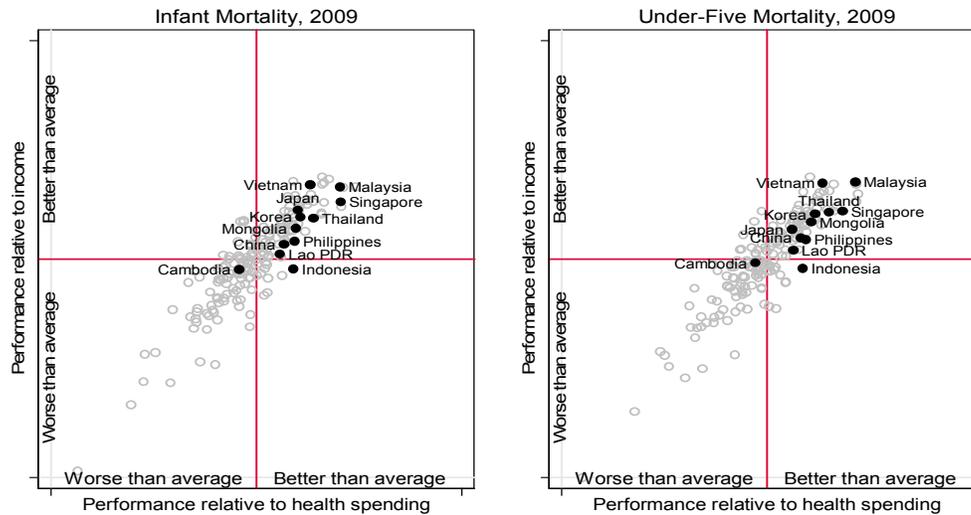
A Dynamic Region Annual Economic Growth Rates in EAP countries: 2004-15



Source: IMF World Economic Outlook

Outcomes Good Relative to Level of Economic Development

Performance relative to income and health spending

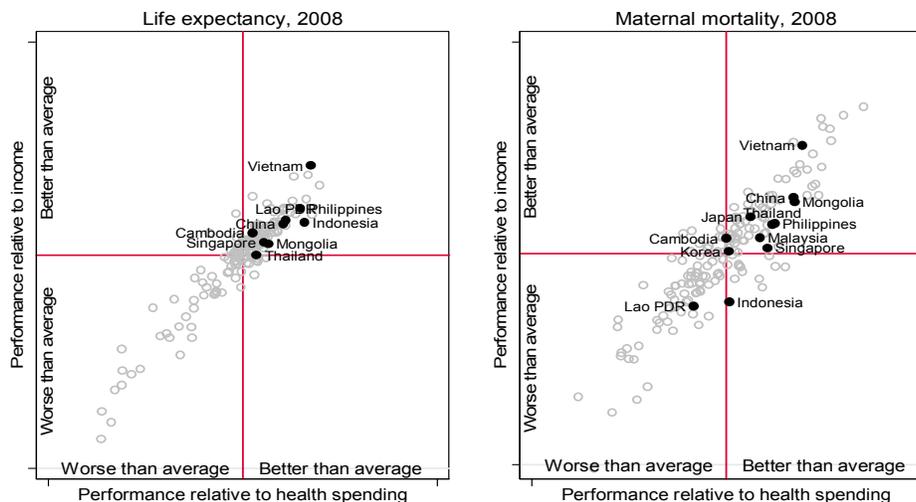


Source: WBI & WHO

Note: Plots are residuals of regressions of outcome on income and health spending separately

Maternal Mortality and Life Expectancy

Performance relative to income and health spending



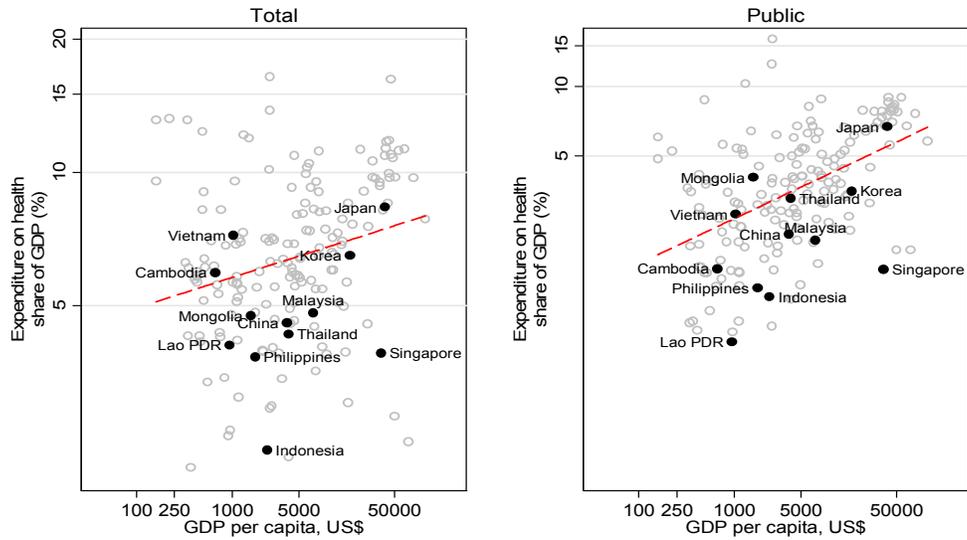
Source: WBI & WHO

Note: Plots are residuals of regressions of outcome on income and health spending separately

Not "Big Spenders" Expenditures Modest Relative to Income

Governments: Health Not High Priority (in part due to low revenue base)

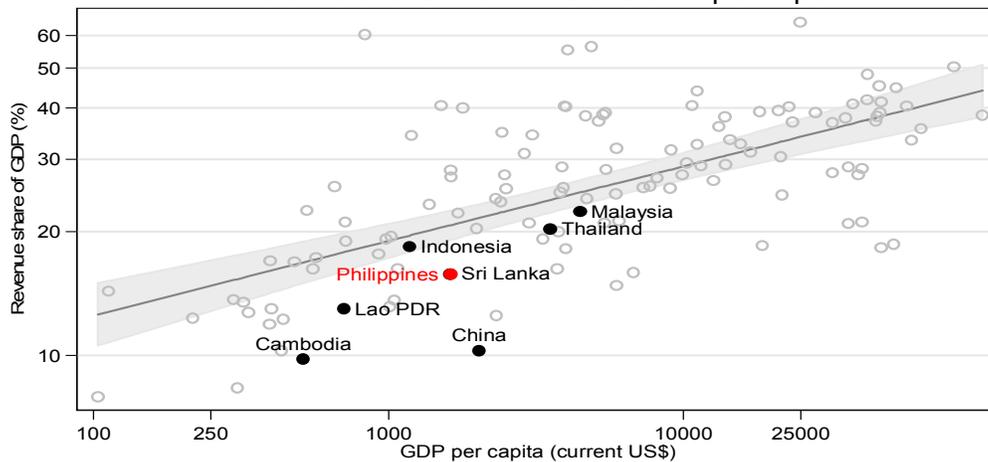
Health expenditure vs income, 2009



Source: WDI & WHO

Revenue Effort Limited

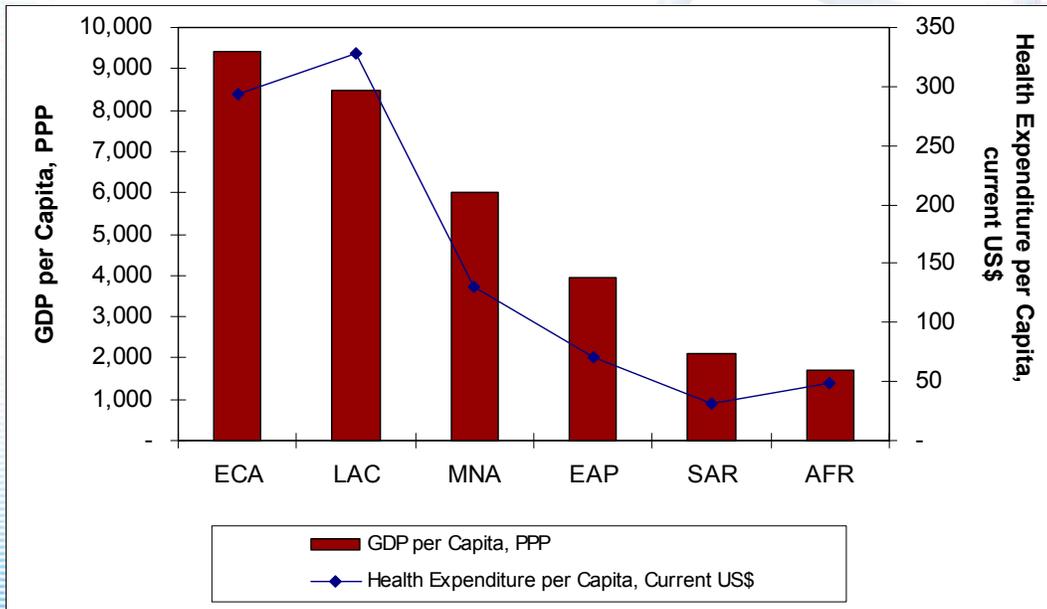
Revenue share of GDP versus GDP per capita



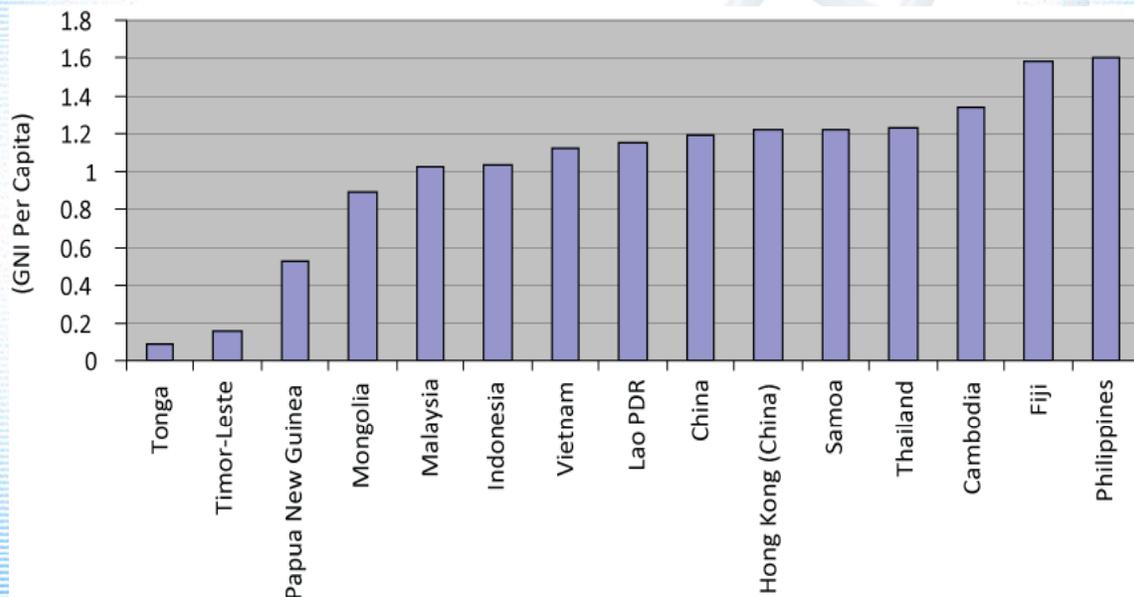
Sources: WDI; WHO
Note: x-axis log scale
Data are for latest available year 2000-2007

Expenditures Modest by Global Comparators

GDP per Capita and Health Expenditure per Capita, 2005



Better News: Nominal Elasticity of Health Spending (1989-2004)



Challenges

Aging Population and Changing Disease Profile

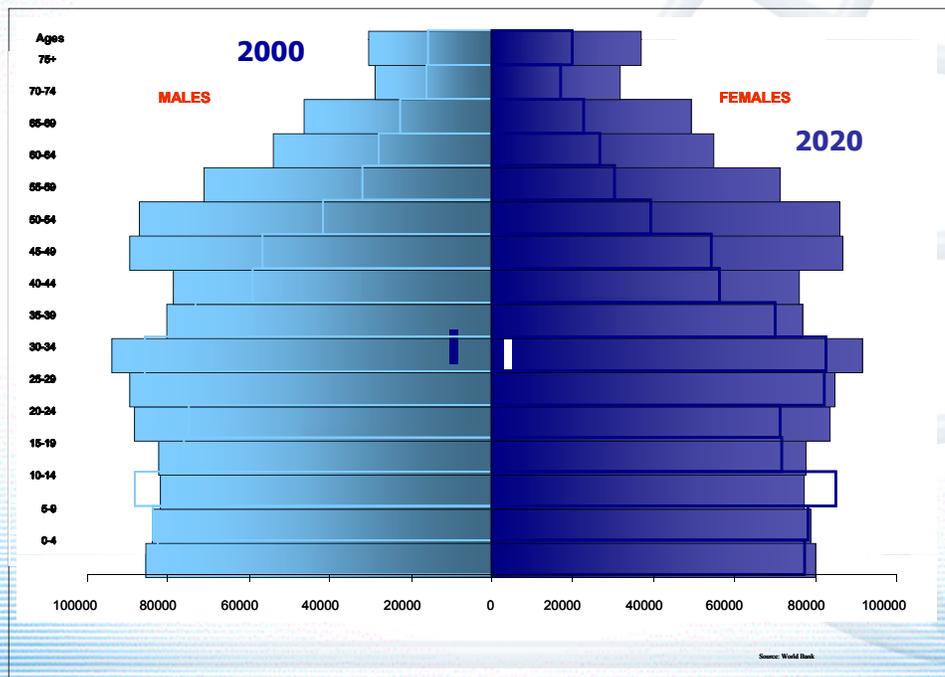
Equity

Financial Protection

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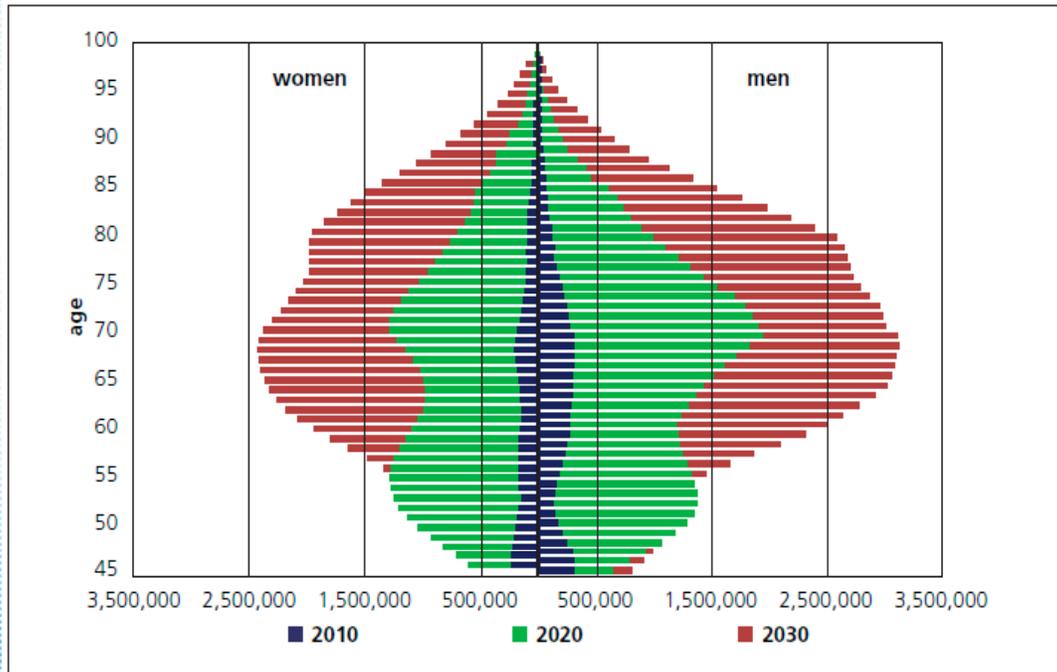


Changing Demographic and Disease Profile ST Demographic Dividend; LT Aging and NCDs



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New Epidemic of Chronic Diseases China

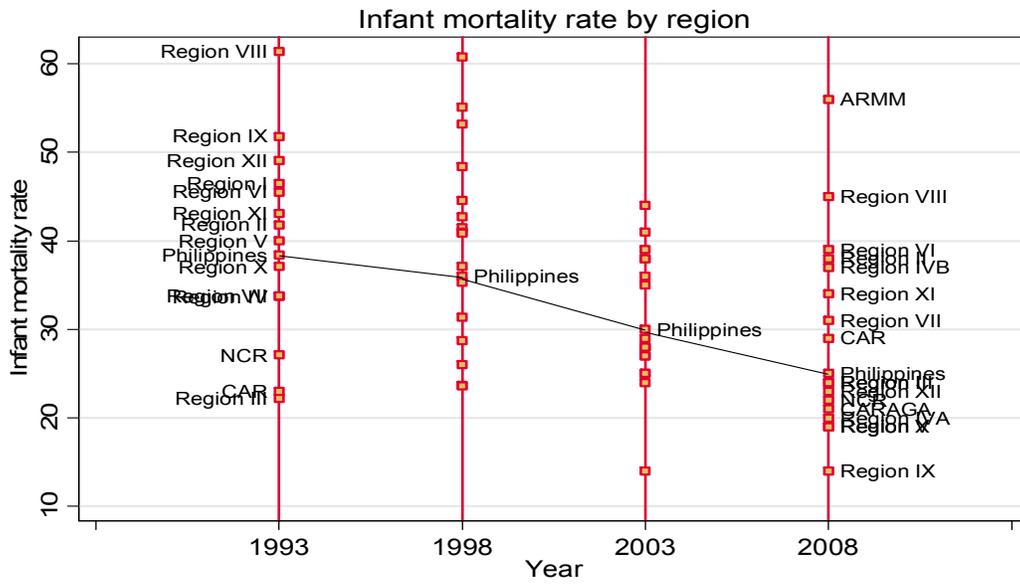


High...and Rising...Inequality

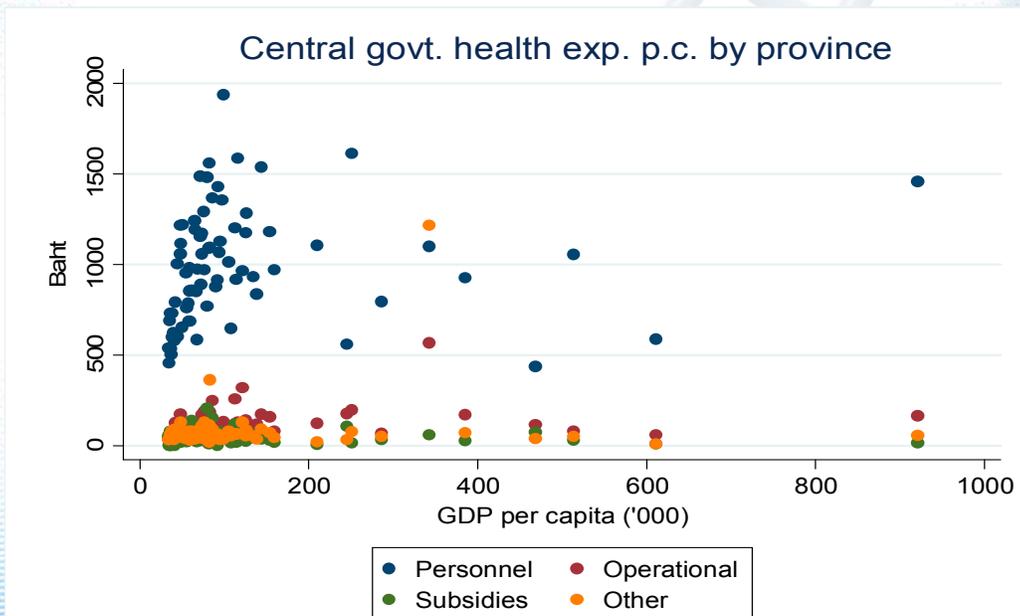
Country	Year	Under-Five Mortality Rate	Ratio Between Lowest and Highest Economic Quintiles	Rural-Urban Ratio
Cambodia	2005	106	3.0	1.5
Indonesia	2007	51	2.4	1.6
Philippines	2008	37	3.4	1.7
Vietnam	2007	33	3.3	2.2

Source: Demographic and Health Surveys

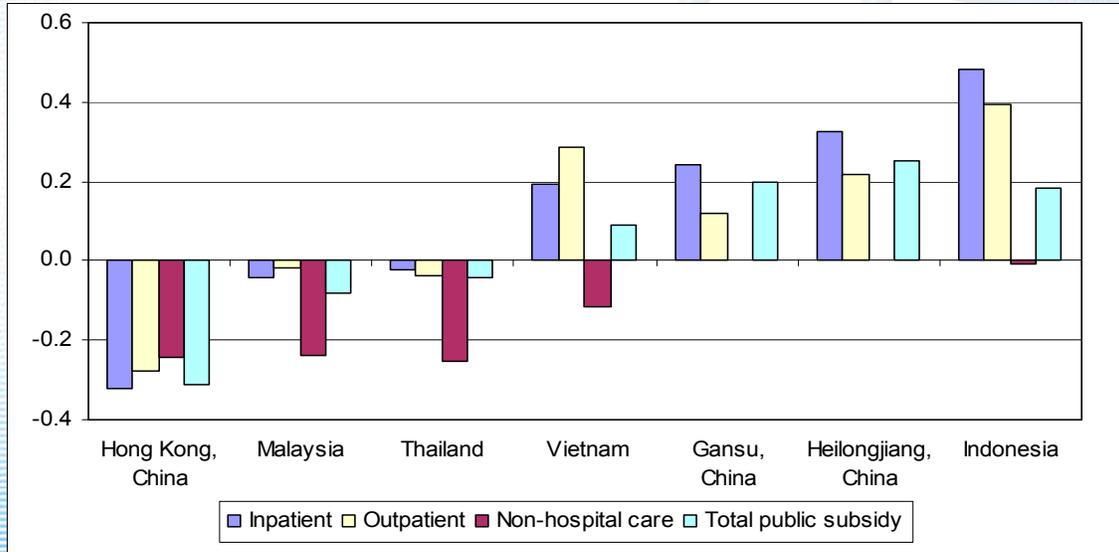
Philippines: Regional Inequities Are Persistent Despite Economic Growth



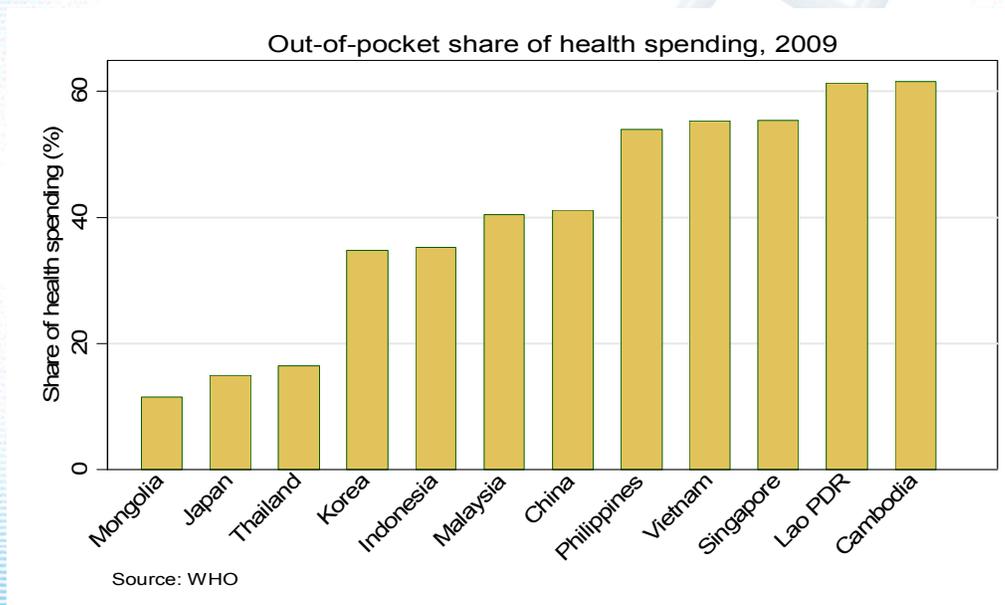
Thailand: Variations in Per Capita Expenditure by Province



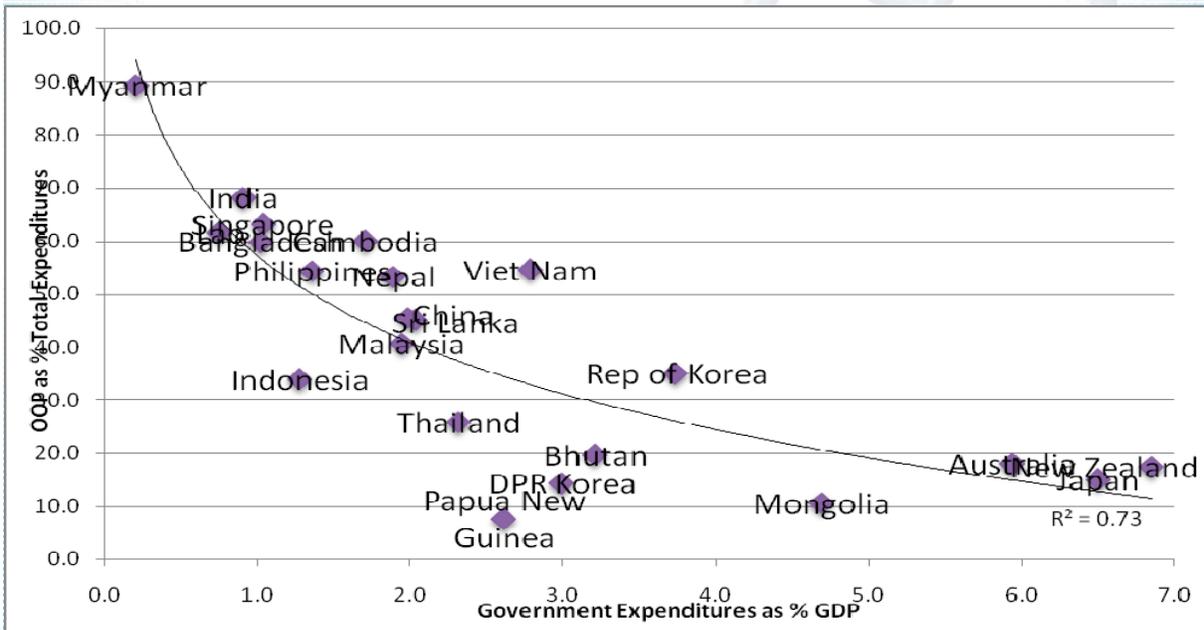
Distribution of Public Subsidies for Hospital and Non-hospital Care (Concentration Indices)



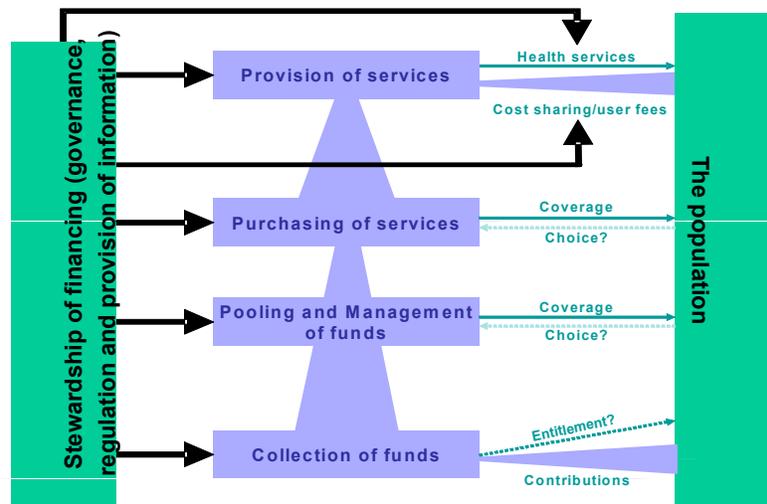
Poor Financial Protection



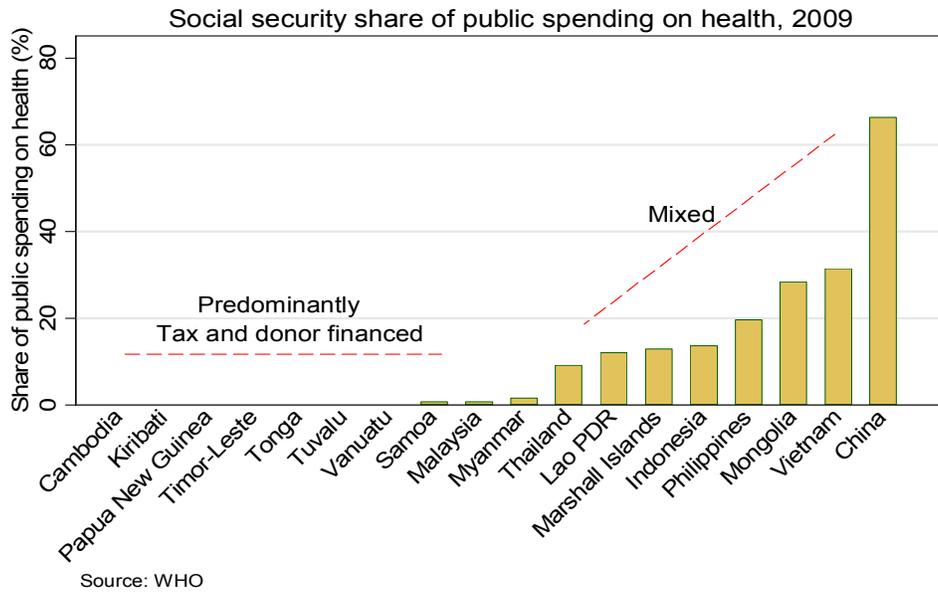
Government Health Spending and OOPs in Asia (2007)



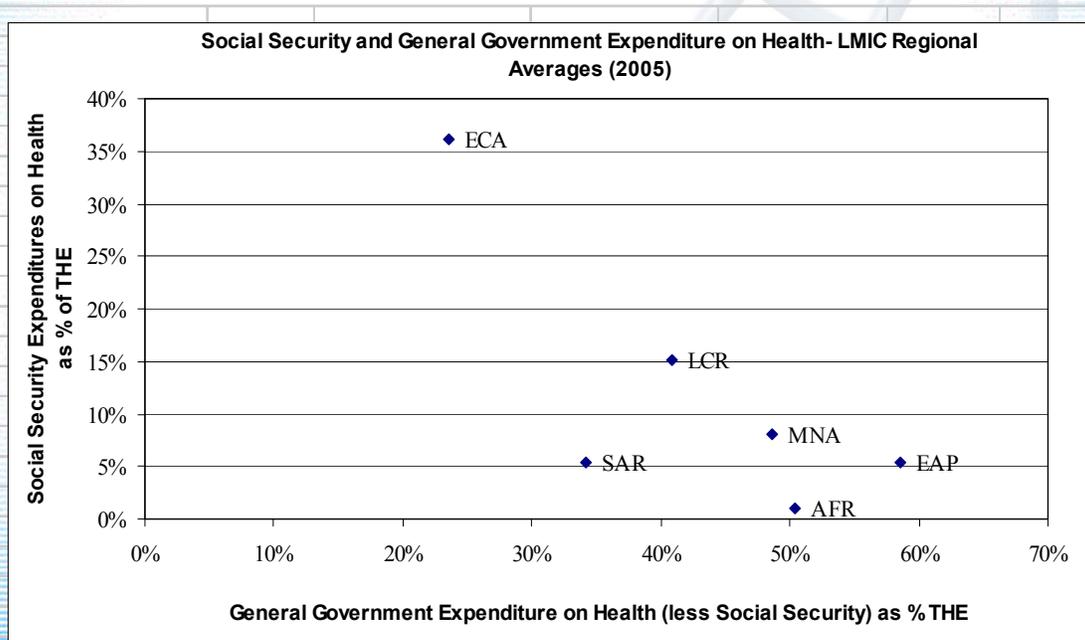
Investing in Health and Thinking about HF



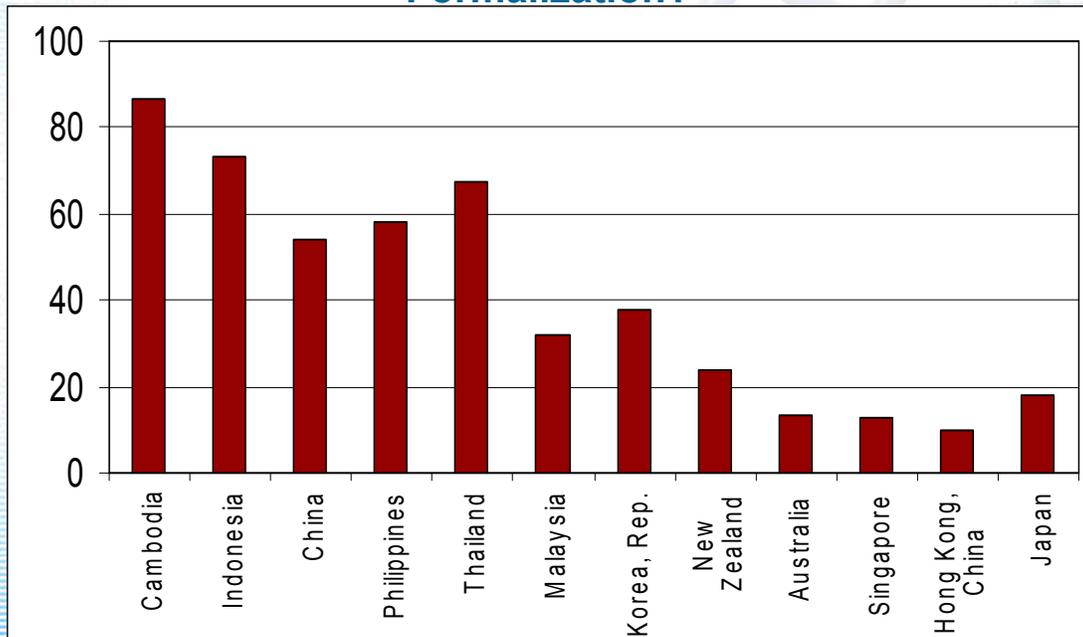
Share of Tax and Donor Financing vs. Social Insurance in Public Spending on Health



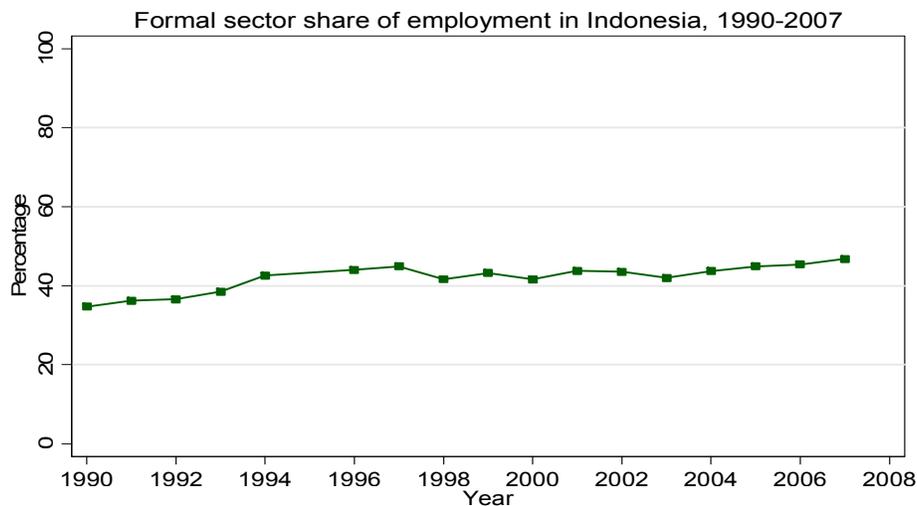
Use of HI: Less than Other Regions of World



But... Formal Employment = Insurance Coverage Will New premiums Hurt Economic Growth and Discourage Formalization?

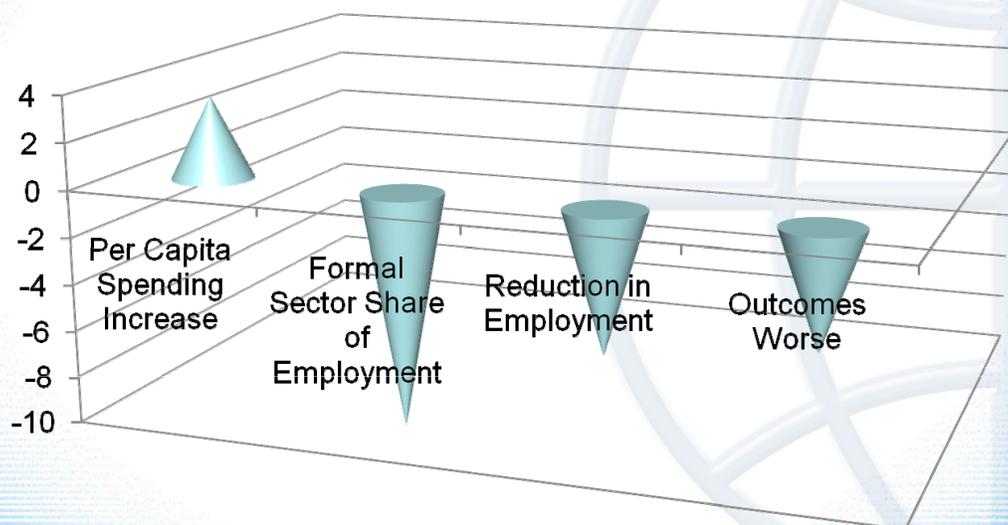


Formal Share of Employment in Indonesia, 1990-2007



Wagstaff

Social Insurance Transition Evidence in the OECD 1980-2006



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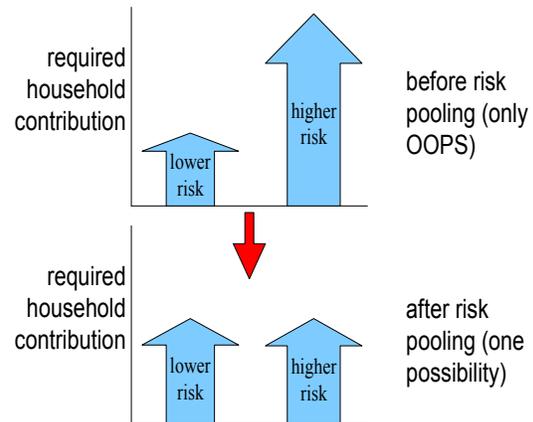
Comparison of Smokers (%) and Tobacco Tax Rates in the EAP Region and EU-15

Country/Region	Year	% of Smokers	% of Tobacco Taxes in the Price of Cigarettes
Cambodia	2004	21.7	9
China	2002	31.4	21
Fiji	2002	15.0	—
Indonesia	2001	28.7	22
Japan	2006	27.0	5
Korea, Republic of	2005	29.1	10
Lao PDR	2003	35.7	32
Malaysia	2006	21.2	39
Mongolia	2005	24.2	31
Philippines	2003	23.6	41
Singapore	2004	12.6	69
Sri Lanka	2003	13.6	54
Thailand	2004	21.1	79
Vietnam	2003	17.5	32
EU 15 average	*	24.2	58

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Pooling

- Big challenge in the region
- Multiple pools
 - China, Indonesia, Lao, Cambodia, Thailand, Vietnam, Mongolia
- Lowers Spreading of Risks (Equity)
- Lowers Leverage of Purchasers (Efficiency)
- Increases Administrative Costs (Efficiency)

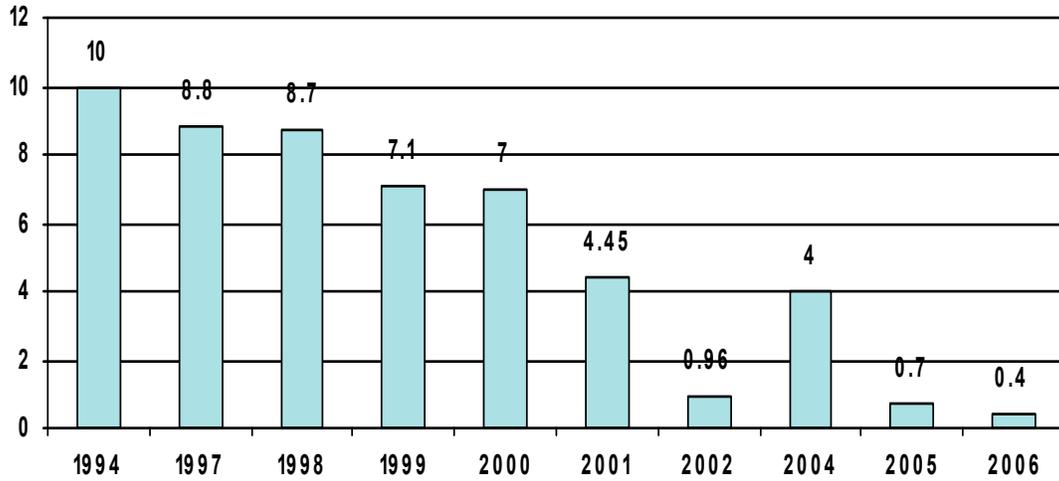


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Decentralization is a Special Challenge for Pooling of Funds

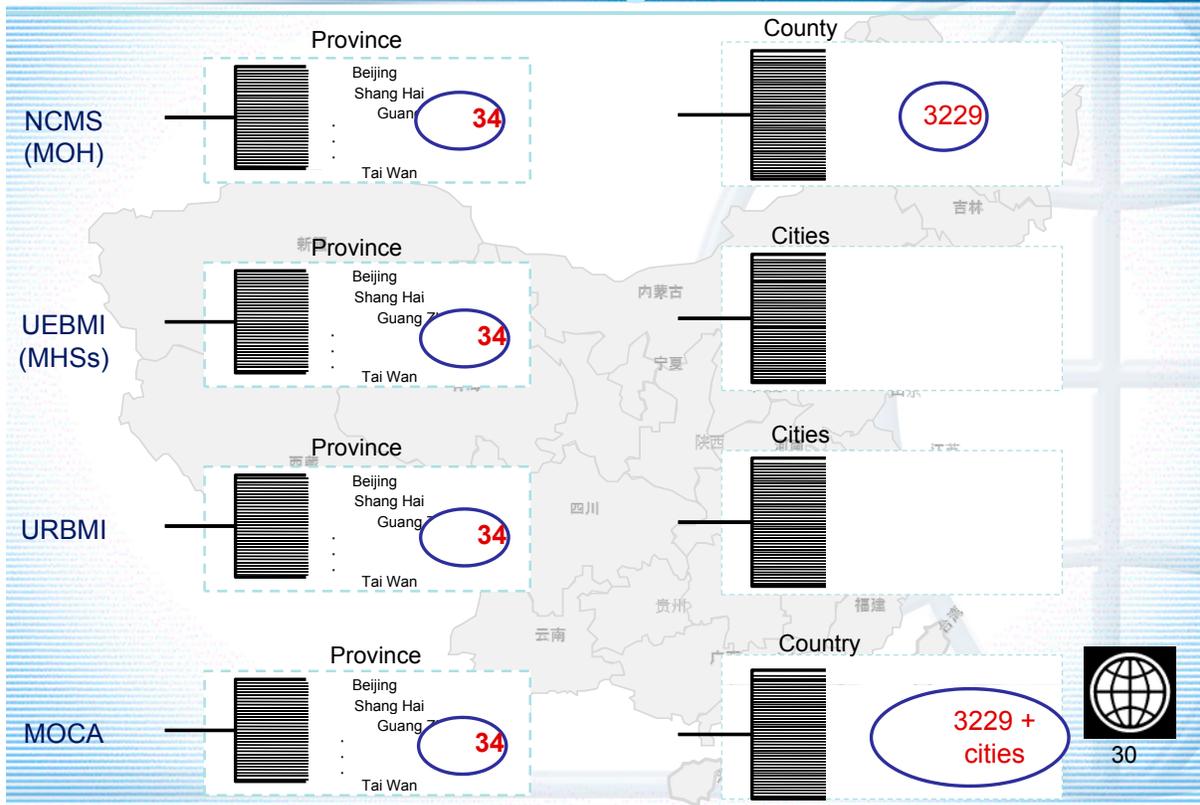
- Philippines
- Viet Nam
- Indonesia
- China
-Thailand
-
- In most East Asian and Pacific region countries, decentralization done for other reasons outside of health sector
 - Results to date not positive for Health sector
 - Ambiguity about responsibilities
 - Inequities and variation in efficiencies
 - Lack of innovation, not more...
 - Way forward:
 - Decentralization at the service delivery level not financing level

Pooling: Model from South Korea: 380 to 1: Admin Costs as % of Payments



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China: Severe Fragmentation of Risk Pools



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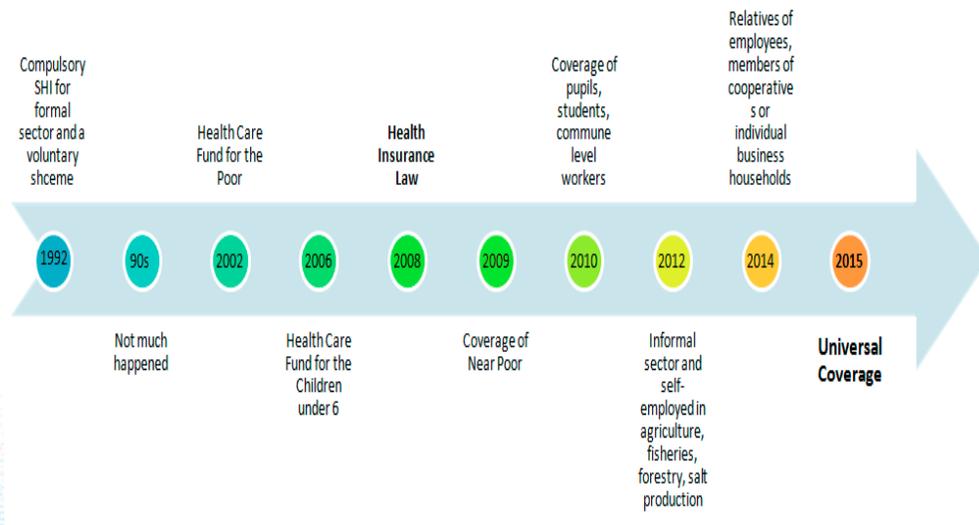
Strategic Purchasing

- **“Who” Coverage and targeting** – how to cover poor households, and the informal sector
 - Korea, Japan, Singapore, China Taiwan, Thailand, > 90%
 - Mongolia < 80%
 - China > 75%
 - Indonesia < 70%
 - Viet Nam < 50%
- **“What” Benefits Package**
 - Great variation across region and within countries
 - Explicit with SHI programs
 - Question: does it provide financial protection, does it address the changing burden of disease in the country, is it a dynamic instrument used to manage SHI?
- **“With Whom” Contracting**
 - Every country does it, but “relational” not selective
 - Challenge: bringing in the private sector and creating a level playing field for public and private sector
- **“How” Payment rates and incentives for providers**
 - Mostly FFS, but reform initiatives in Indonesia, Philippines, China, Vietnam, Taiwan...
 - Do payment systems encourage quality, cost-effectiveness, efficiency, consumer satisfaction?

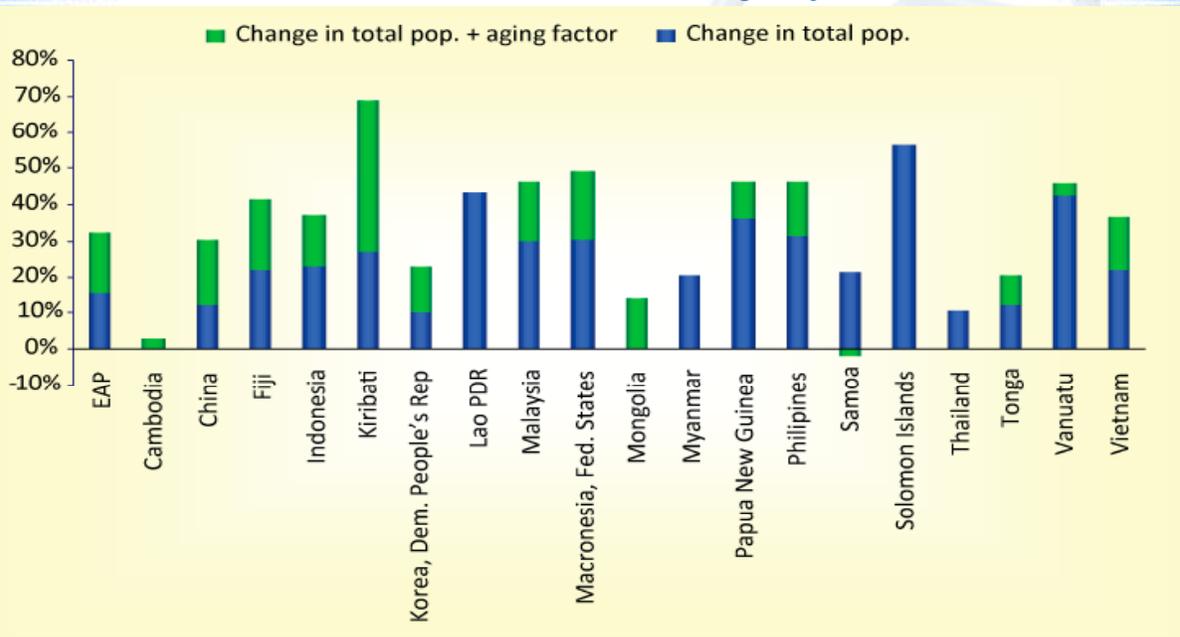
Looking Ahead

The Path to Universal Coverage:

... Indonesia, Philippines, Vietnam, China, Cambodia



Increased Demand & Expected Increases in Health Expenditures from Years 2000-2020 Due to Population and Epidemiologic Dynamics



Envelope for Health?

Fiscal Consolidation and Reductions in Deficits: General Government Balance and Expenditure, 2010 and 2015

Country	General Government Balance (Percent of GDP)		General Government Expenditure (Percent of GDP)	
	2010	2015	2010	2015
<i>China</i>	-2.9%	0.1%	22.3%	21.9%
<i>Indonesia</i>	-1.5%	-1.4%	17.3%	18.1%
<i>Malaysia</i>	-4.6%	-4.6%	30.5%	30.4%
<i>Philippines</i>	-3.9%	-1.9%	18.9%	19.4%

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Conclusions

- **Gains to Date in EAP Impressive** – Outcomes are good relative to expenditures
- **But, Epidemiologic Profile Now Changing**...NCDs and more Chronic Diseases requiring more sophisticated medical care and health systems, which will be more costly
- **System public financing may need to increase and must be sustainable** -- Future economic growth generates sufficient levels of revenues for decent living standards and external debt solvency. Still, choices will need to be made to balance financing essential services and providing **financial risk protection**.
- **Most countries in the region are challenged** to provide universal coverage, reduce **fragmentation among risk pools, and improve purchasing efficiency through benefit packages, contracting and new payment systems**.
- **How Fast?** The critical condition regarding the speed of evolution to universal coverage is the **level of income and its rate of growth** (Korea, China, Thailand). **ST Fiscal consolidation and debt reduction in some countries**. Evidence also suggests that administrative capacity is a key enabling factor for success, especially for institutions as Health Insurance Funds.
- **Context Important:** Models need to be tailored to individual country circumstances.
- **Other Trends to Watch in the Region** – **Hospital Management Autonomy** and Reform, **rebalancing of decentralization**, growth of **medical tourism** (Philippines, Thailand, Singapore, Malaysia and Thailand)