Shaping of a new era for health financing

At the Annual Universal Health Coverage (UHC) Financing Forum in Washington, DC, USA, on April 14–15, 2016, governments and development partners will debate how to raise and organise public and private resources needed for low-income and lower-middle-income countries to assure affordable, quality health care to all of their people by 2030.

The health financing challenge to reach UHC and the health-related Sustainable Development Goals is daunting. The Lancet Commission* on investing in health estimated in 2013 that an additional US$70 billion to $90 billion is needed annually to make basic services universally available, which corresponded to a third of low-income and lower-middle income countries’ total health spending in 2013. But as Joseph Dieleman and colleagues show in The Lancet,2 health expenditure growth will be insufficient to meet this financing gap based on current trend projections of government health expenditure: 27 (79%) of 34 low-income countries will still spend less than $86 per capita (a commonly accepted benchmark for provision of a basic package of services in low-income and lower-middle income countries). Moreover, although development assistance will be crucial to help bridge this gap, it will not be sufficient. To put these countries on a more ambitious trajectory than at present therefore requires a transformation of domestic and development financing for health in line with the Sustainable Development Goal financing agenda endorsed by the UN member states at the Third International Conference of Financing for Development in Addis Ababa, Ethiopia, in 2015.1

Domestic financing for health in low-income and lower-middle-income countries requires concerted strategies within strengthened public finance systems. Resources for health can be raised by growing of government revenues through effective tax collection and combating of tax evasion.4 Use of indirect or so-called sin taxes on consumables such as cigarettes and high-sugar drinks are also growing, which can help generate revenue and promote healthy behaviours.5 Prohealth subsidies targeted to the poor, such as conditional cash transfers, should be promoted,4 whereas ineffective subsidies (eg, for fuel), which can exceed a country’s spending on health,7 should be eliminated. Likewise, optimisation of the health-enhancing effect of other sectors, such as water and sanitation, education, and transport, makes good health and fiscal policy.

But governments should also give health a larger share of the public resource envelope than at present. Twelve (35%) of 34 low-income countries’ governments allocate less than 8% of total spending to health,4 roughly half of the Abuja target endorsed by many African countries in 2001 (several sub-Saharan governments made a commitment to allocate at least 15% of their budgets to the health sector as signatories of the Abuja Declaration).8 This spending equates, on average, to $12 per capita—far too little to provide even the most basic services to the 360 million people in these countries. Strategic planning, effective budget execution, and demonstrable results help to convince ministers of finance to create fiscal space for investment in health.

As governments increase health expenditures, they and their partners cannot ignore the large share of private spending and must effectively harness it for the needs of the health system. Most importantly, high out-of-pocket spending among those who fall ill continue to make up the largest share of health expenditure in most low-income and lower-middle income countries, with millions of people falling into or remaining trapped in poverty or foregoing care because of its prohibitive costs.10 Given the size of the informal economy in low-income and lower-middle-income countries, an urgent need exists for innovations that direct private expenditure into prepaid pools; for example, through expansion of

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social health insurance towards informal sector workers and their families. Governments need to be much more strategic in interacting with the private sector in health (inclusive of foreign and local commercial interests as well as non-governmental organisations and faith-based organisations) in key areas such as service delivery, health worker training, pharmaceutical procurement, and management of supply chains.

As domestic financing grows, the role of development assistance for health must also evolve to accelerate progress toward UHC. Over the last two decades, development assistance for health has seen dramatic increases, predominantly supporting infectious disease programmes. While infection rates start to fall, international support needs to be sustained to reach all affected people, catalyse similar advancements in maternal and child health, curb non-communicable diseases, and promote global public goods, such as research and development and emergency preparedness.

Partners should also ensure that their investments are sustainable. Confronted with specific emergencies, large amounts of assistance have been funneled through programmes established for quick results outside of country systems, often prompting governments to reduce their spending on health. This approach is no longer tenable. Development assistance for health has to be better coordinated among partners than at present, flow increasingly through country systems, and be linked to increases in government spending on health. The recent slowdown in development assistance for health growth also highlights the need to prioritise institutional capacity building and to develop plans that help countries ease the transition from grant to concessional and eventually self-financing. The Global Financing Facility in Support of Every Woman Every Child will spearhead these changes with its focus on national leadership, alignment of financing behind strategic investments, and improvements in local health financing systems.

While the challenge is daunting, attaining UHC and its sustainable financing by 2030 is feasible for most countries. Success will depend on governments and partners aligning their objectives into a coordinated strategic effort. Together, we can rise to this challenge and shape a new era of global health financing.

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We declare no competing interests.