External Financing for Health Care: Takemi Working Group Recommendations to G8

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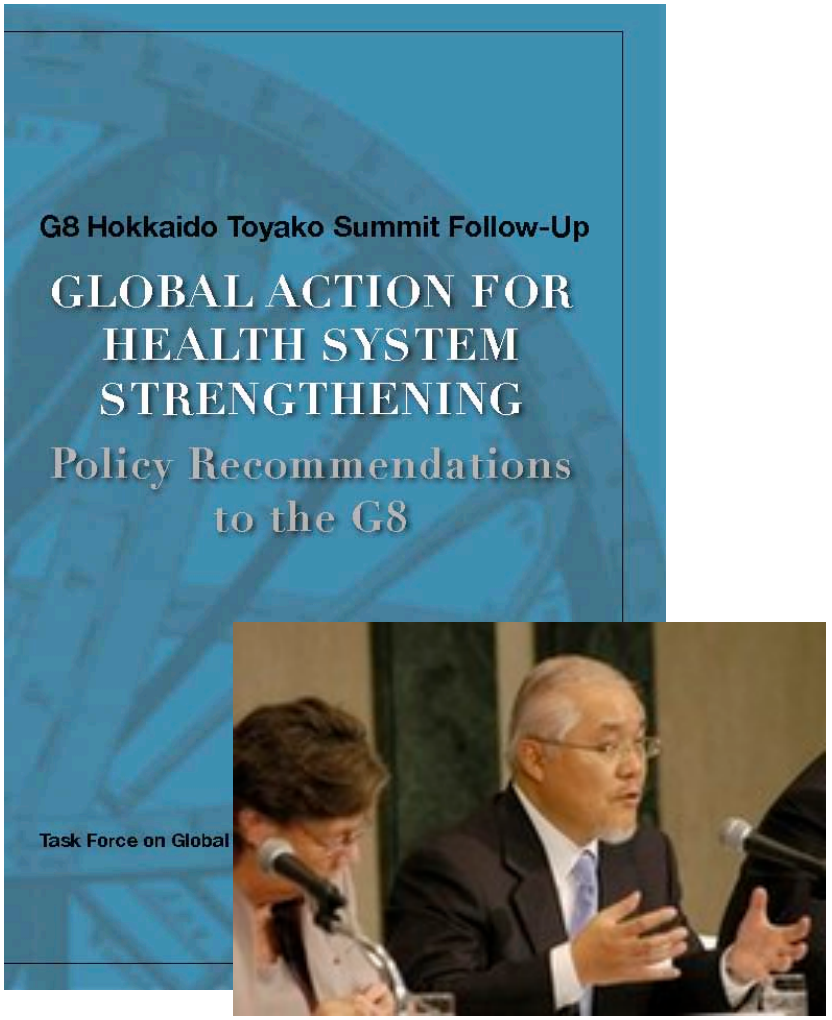
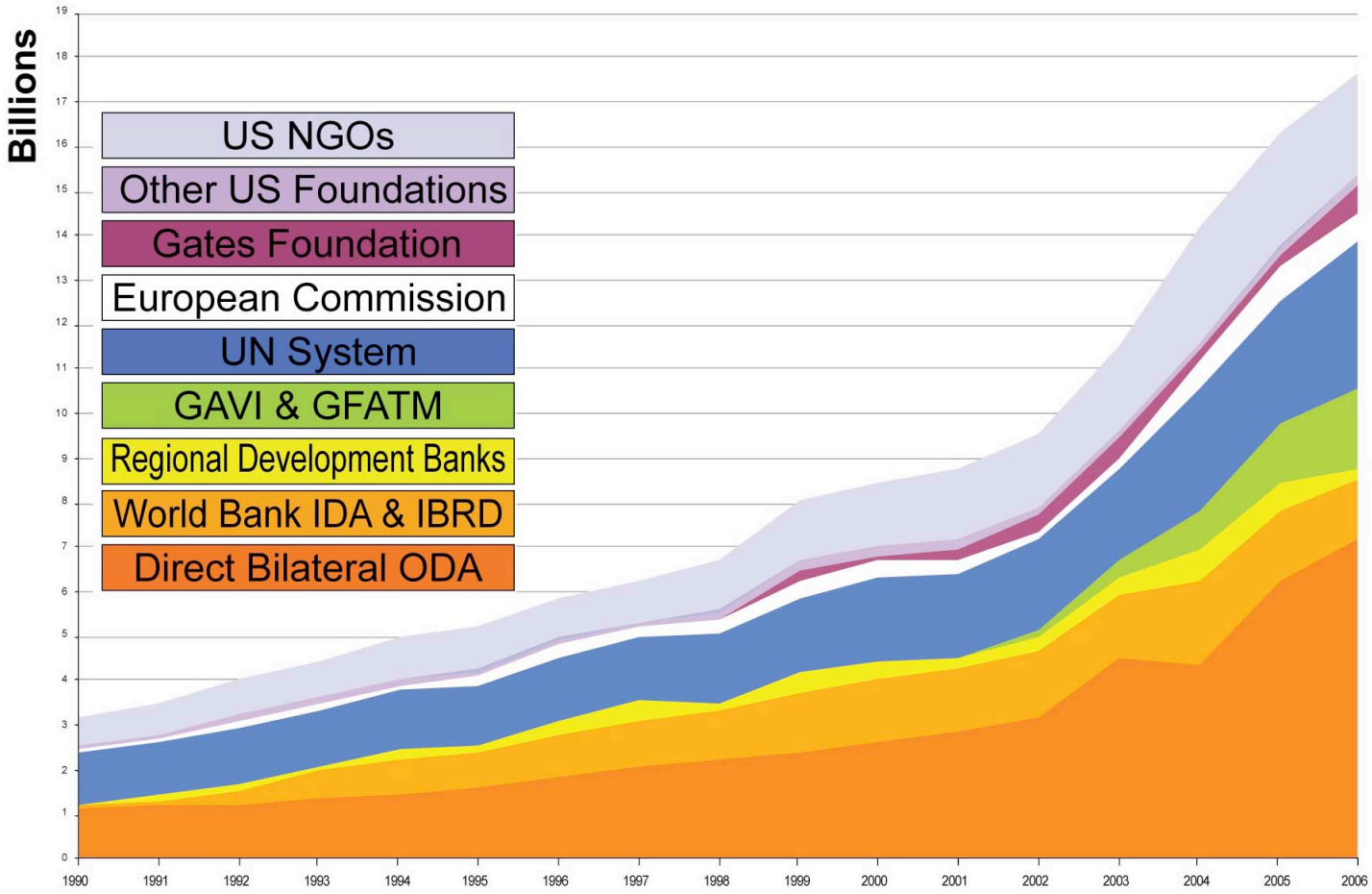
Why global health should be a priority for the G8

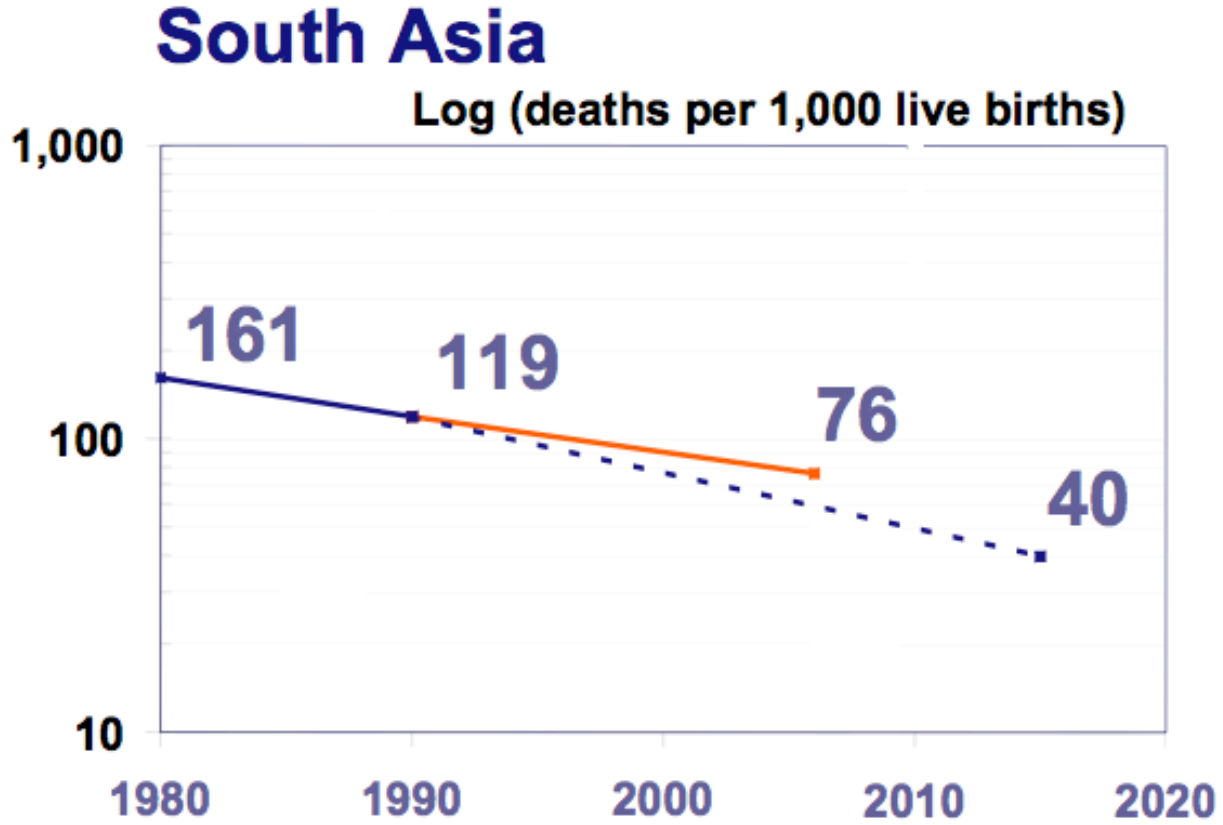


- **MDGs**
  - Progress least for health MDGs
- **Convergence of health agenda with human security and social protection agendas of Japan, EU and USA**
  - Financial risks of ill-health
- **Transnational risks to health in interconnected world from failures in public health**
  - Avian flu, melamine

G8 and developing countries have increased spending



. . .but no improvement in MDGs 4, 5



Three critical issues remain

- **Failure to translate more money into better health progress**
  - More money does not mean more health
- **Impoverishing impact of out-of-pocket payments for health**
  - 100 million pushed into poverty each year
  - Directly linked to reliance on out-of-pocket financing
- **Potential constraint of large funding gap**
  - Global targets of $30 per capita unlikely
  - Shortfall does not mean MDGs/universal coverage cannot be achieved

Funding gaps should not be cause of pessimism

- **Funding targets unlikely to be achieved**
- **This should not mean that MDGs and universal coverage cannot be reached**
  - Global estimates make no allowance for efficiency gains
  - Country evidence that MDGs and universal coverage are feasible in LICs for less than $10 per capita in public spending
  - Historical evidence from Africa and Asia that service coverage can be doubled without increases in level of public financing effort

To move forward domestic health financing policies must be central

Must achieve three objectives:

- ↑ Risk protection
- ↑ Coverage of services - Health outcomes & Equity
- ↑ Efficiency of service delivery

Approaches that have not worked

1. **Targeting of public services through means testing**
   - Repeatedly proven impossible to cheaply and reliably target the poor or to reduce inequalities in access

2. **Voluntary community health insurance**
   - No success in scaling-up (>10% of population)
   - Works least well in the poorest communities with low levels of social capital, with limited protection because of low incomes

3. **Social health insurance without tax funding**
   - Consistently failed to extend coverage to poor, informal workers, owing to poor capacity to pay and difficulties in collection

4. **Private health insurance**
   - Fails to cover informal sector workers, the poor
   - No success in extending core coverage beyond 2-3%

What has worked?

- **Public financing**
  - Tax financing
  - Social health insurance *plus* tax financing
    - *Does not imply that private financing will not contribute, but only that it cannot be the core mechanism*
- **Shift from out-of-pocket to public financing critical to improve risk protection and coverage of the poor**
- **Only tax-financed, public delivery has worked at low income - SHI only successful in middle or high-income countries**
  - But we often don't know the details of how

Challenges for G8

- **ODA is only effective when countries have sound policies and institutions**
  - Conditionality only works if govts are committed to policies
  - Donors cannot impose good financing policy, but most countries still lack capacity to develop and own policies
- **Technical consensus that public financing is key, but confusion in G8 messages**
  - Lack of clarity on the centrality of public financing
  - Conflict over SHI and taxation, particularly amongst EU partners
- **Harmonizing vertical funds with HSS strategies**

Country ownership of better policy

- **Global evidence not effective if countries lack ownership over process of acquiring knowledge**

- **Politics and leadership are critical, but national technical capacity is necessary**
  - Capacity to learn and analyze
  - Capacity to assess policy options and evidence

Recommendations for G8

1. Complement support for *increasing money for health* with added support for *improving the value of health spending through support for better country-led health financing and systems policies.*

2. Translate technical consensus on public financing into commitment by G8 to prioritize support to countries that prioritize public financing
   - **Support for countries that abolish user fees, starting with MDG 4, 5 and 6 services**
   - **Coherent message through IHP+ and P4H**

3. Invest in the ability of developing country partners to make better health financing policy through investing in national policy capacity, supporting countries to share best practices

Final word on the financial crisis

- **2008 crisis different to the 1980s**
  - Requires boosting consumption and spending globally
  - Need for structural shift from savings to consumption in many developing Asian countries

- **Mutual interest of G8 and developing country partners in an open global economy**
  - At a time of crisis, effective social protection for workers depends on public financing

- **Crisis in market institutions often generates the political and intellectual window for better health financing**
  - Japan, Sri Lanka (1930s), Thailand/Indonesia (1990s), USA (2009)