Health Sector Budget Financing

An analysis of health financing and expenditure; are the current health sector sources of funding sustainable to deliver universal health coverage?

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Introduction

- Health care financing provides the resources and economic incentives for operating health systems and is a key determinant of health system performance.
- Common objective of all countries to develop strong and sustainable health financing systems.
- 44% of current health expenditures in Africa is financed through domestic government funds.
- More than 46% of all of Africa's health spending came from out-of-pocket payments.
- At least 11% of Africans experience catastrophic spending for health care every year, while as many as 38% delay or forgo health care due to high costs.
- In Africa, 9% Development assistance for health has been more or less stagnant since around 2008.

Intro cont'd

- Increased donor funding to the health sector is still not sufficient enough to improve financing needed to attain universal health coverage.
- Uganda has achieved remarkable success in health care service delivery even with a low per capita health expenditure.
- Progress has been made in promoting prudent fiscal management and governance so as reduce inefficiencies and wastage that still plaque the health system.
- However, key areas of inefficiencies are: human resources, pharmaceuticals and health supplies, procurement and management, infrastructure and equipment.
- Uganda now faces the challenge of increasing health care allocation due to the increasing population and health care costs.

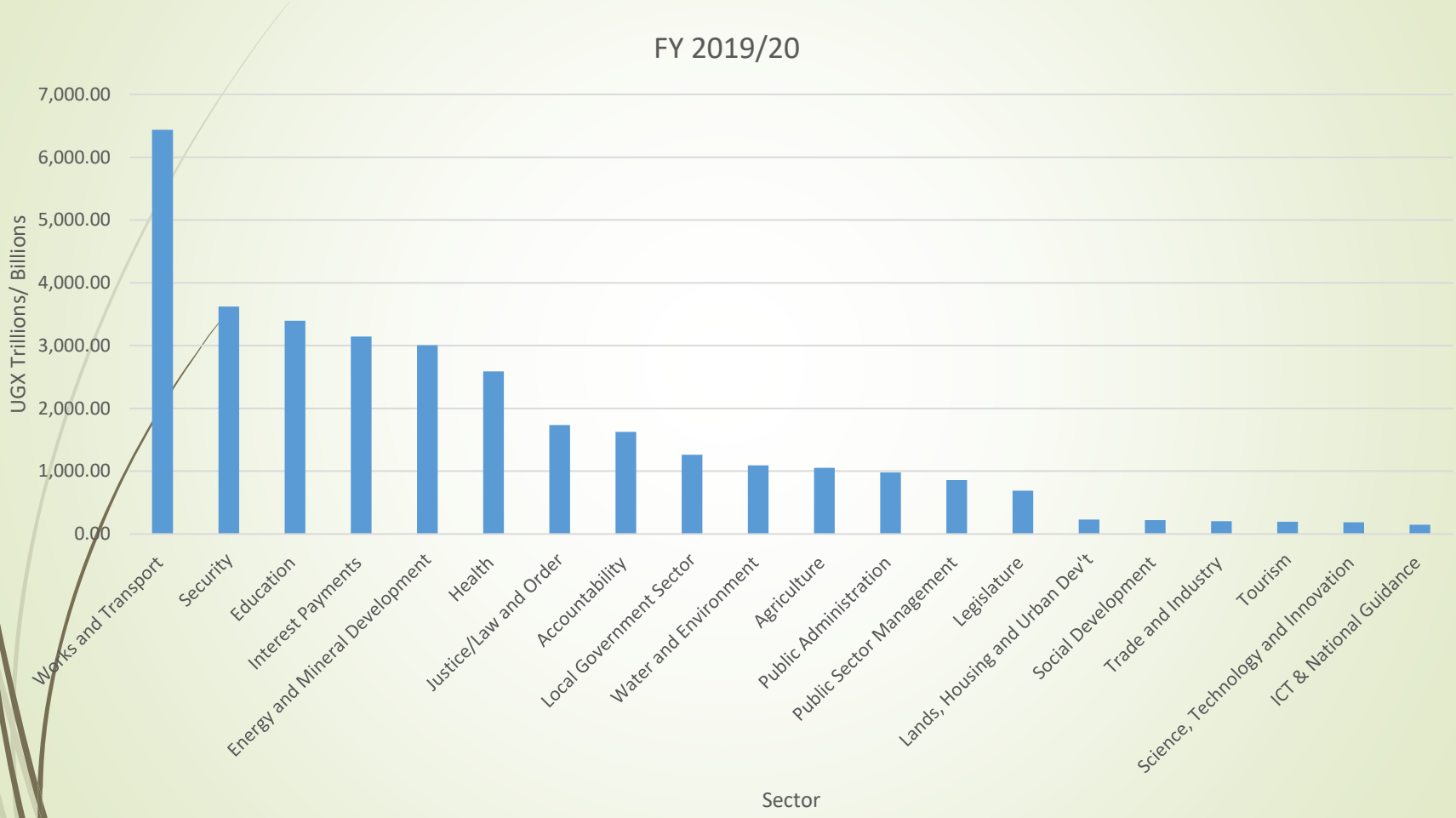
Intro cont'd

- Increase in the budget allocations to the health sector currently at about 8%, but this is still below the 15 % target specified under the Abuja Declaration
- External financing i.e. loans has increased from 903.1 Billion in FY 2016/17 to 1069.964 billion in 2018/19.
- Currently, over 41% of expenditure on health services is out-of-pocket expenditure by households.
- About 42% is external financing.
- Government contribution is 15 % of the total expenditure. It also spends about 7.4 percent of its GDP on health care.
- The health sector had an increment of UGX 279.83 billion, representing an increment of 12% from the previous FY.

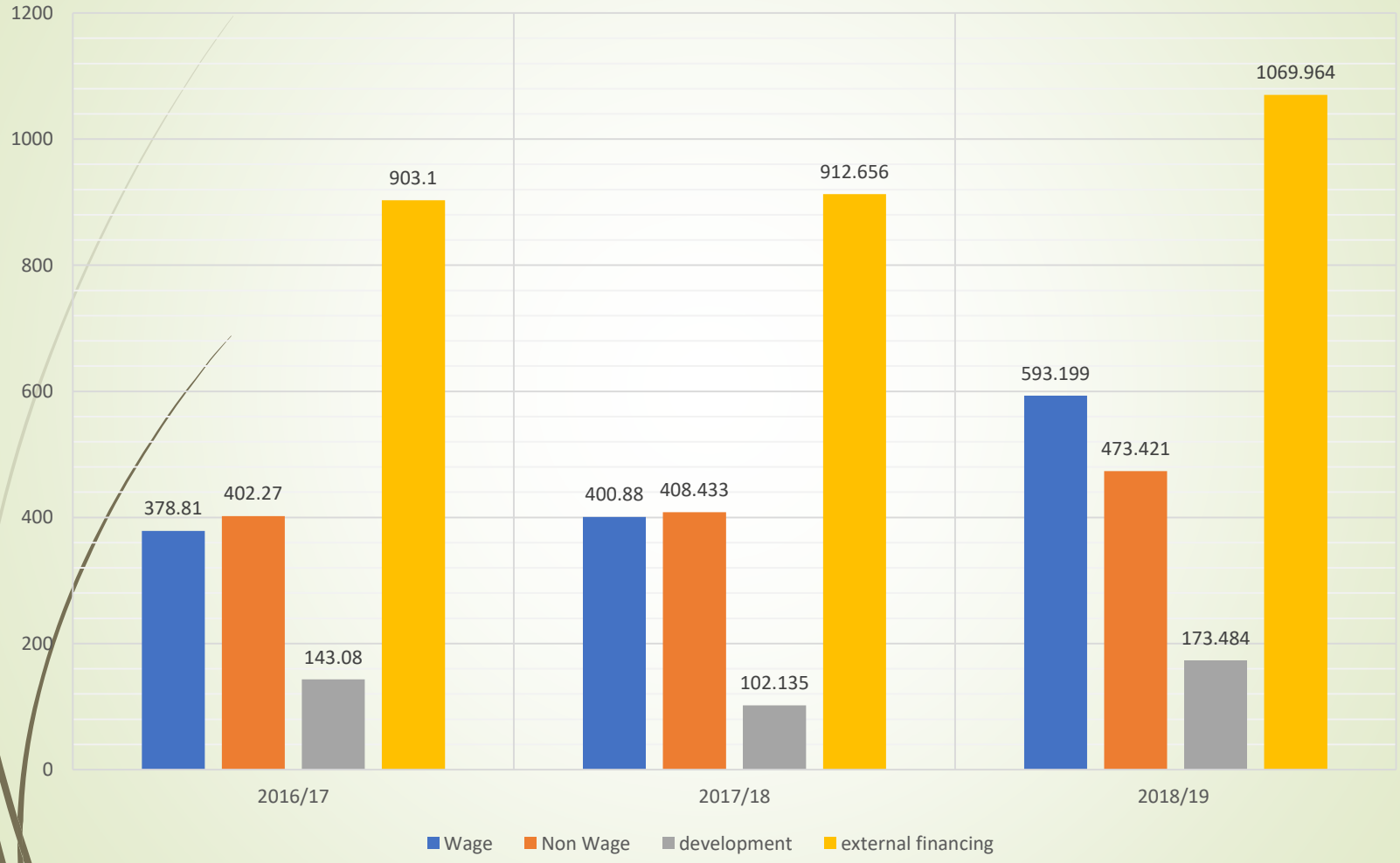
Some key Challenges for health system financing

- Low tax-or revenue base for raising domestic funds to fund health care provision
- Insufficient, volatile external funding – increase for selected activities and sudden decreases for a variety of reasons.
- Limited accountability or transparency in financing systems contributing to the prevalence of informal payments and creating scope for resource mismanagement.
- Weak costing, budgeting, financial management, expenditure tracking and auditing systems and weak capacity to use them all levels of government.
- Limited prepayment schemes; an average 0.13% contribution by private health insurance schemes in the absence of a national health insurance scheme. Financing for Uganda's health sector is largely not pre-paid
- Existing inefficiencies which consume up to 13% of total health expenditure.

FY 2019/20 National Budget Allocation

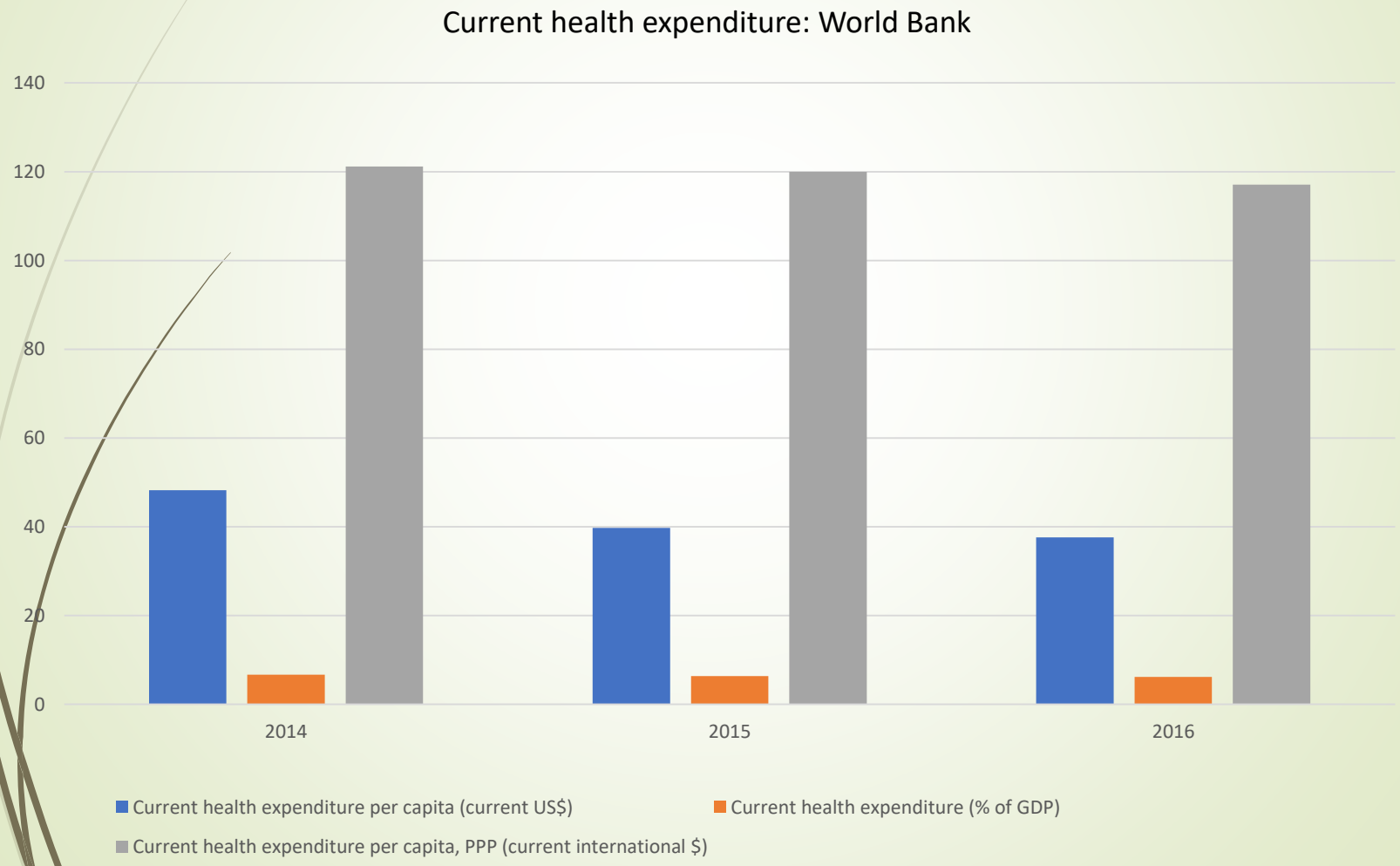


Health sector budget financing; MOFPED



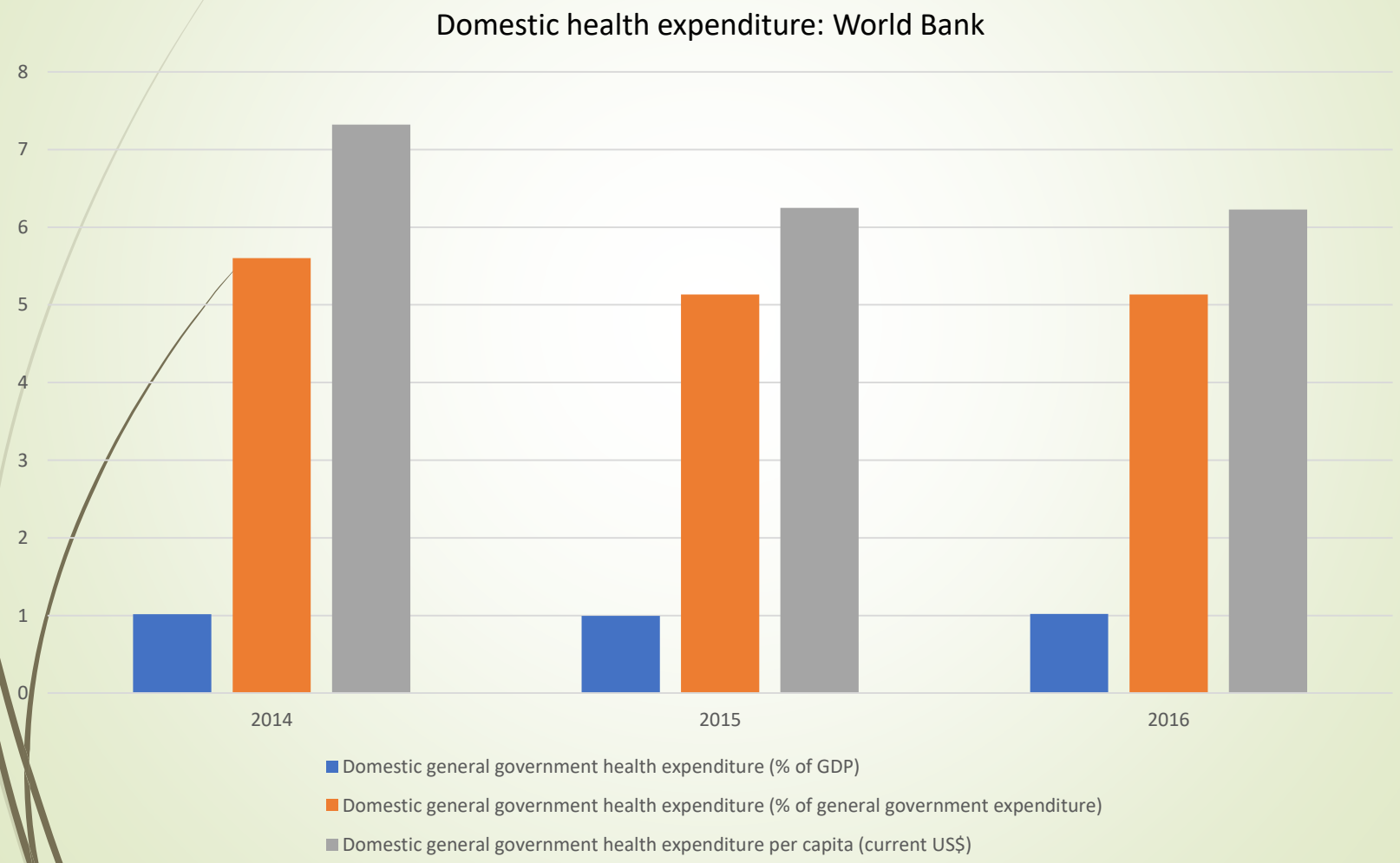
Health expenditure per capita (current US$); sum of public and private health expenditures as a ratio of total population. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health.

Current health expenditure as % of GDP; level of current health expenditure expressed as a percentage of GDP. Estimates of current health expenditures include healthcare goods and services consumed during each year.



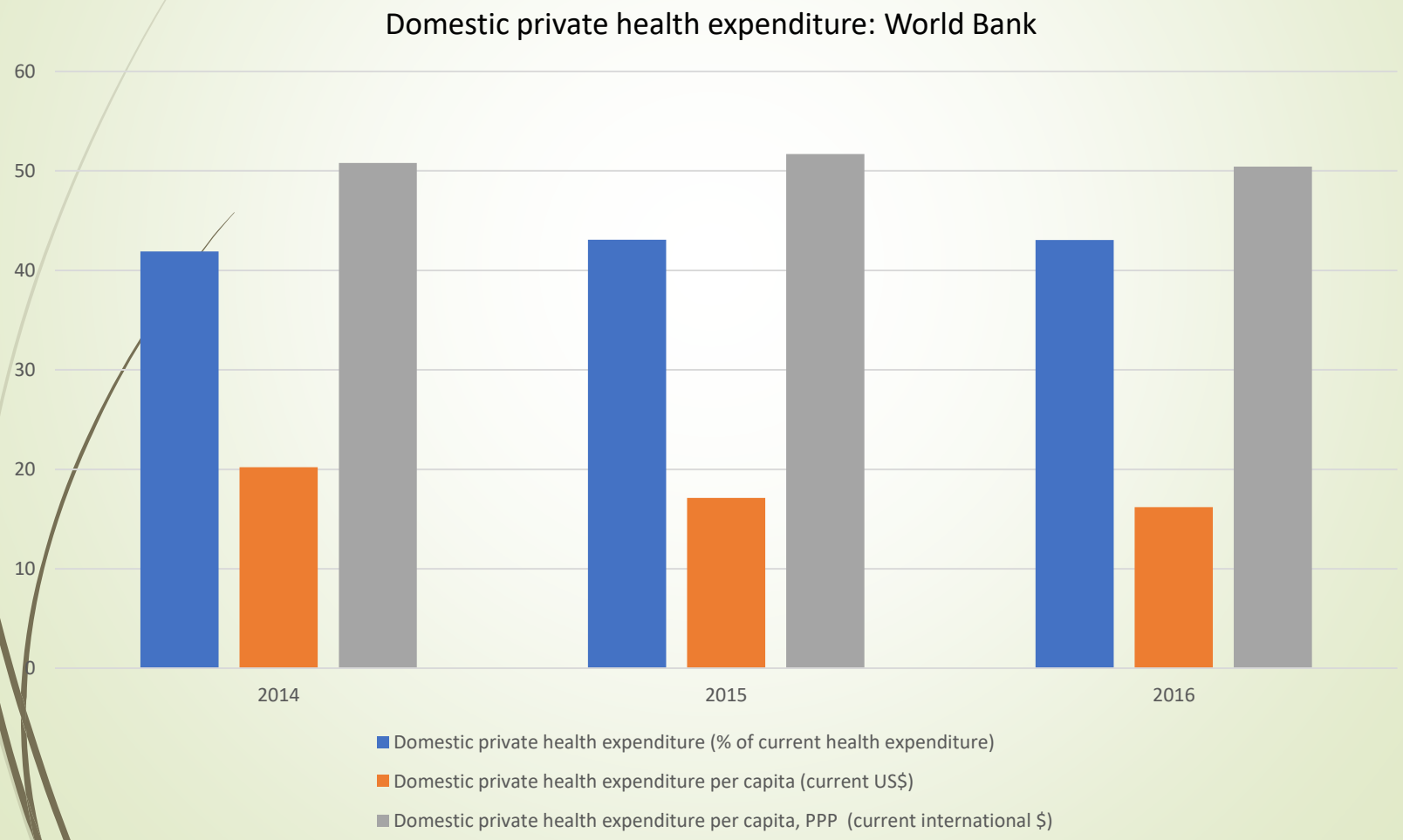
Domestic general government health expenditure as % of GDP; Share of general government expenditures on health from domestic sources of GDP.

Domestic general government health expenditure per capita current US$; Per capita current general government expenditures on health PPP USD.



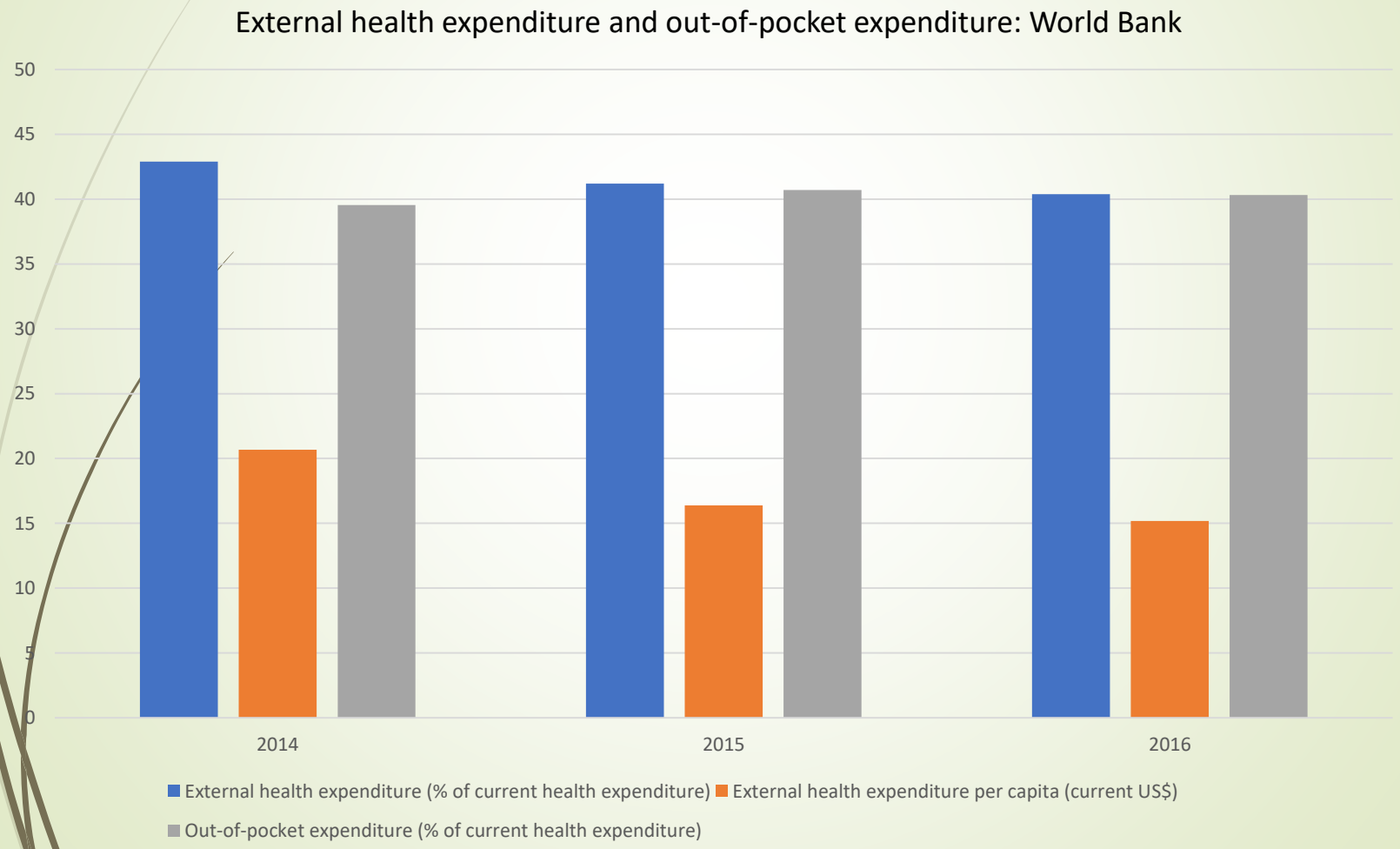
Domestic Private Health Expenditure per Capita in US$; Per capita current private expenditures on health expressed in respective currency. This indicator represents the relative amount spent by the private sector on health care in each country per person in USD to voluntary health insurance or paid directly to healthcare providers.

Domestic Private Health Expenditure per Capita in PPP; This indicator suggests the relative amount spent by the private sector on health care in each country per person in USD PPP.



External Health Expenditure per Capita in US$; the relative amount spent by the external sources, foreign aid, on health care in each country per person in USD. Development assistance for health includes external revenues of the national health system to fund its spending.

Out-of-pocket health expenditure (% of total expenditure on health); defined as direct payments made by individuals to health care providers at the time of service use. This excludes any prepayment for health services



Alternative Health Financing Models

Model	Revenue Source	Groups Covered	Pooling Organization	Care Provision
National Health Insurance	General revenues	Entire population	Central government	Public providers
Social Health Insurance	Payroll taxes	Specific groups	Semi-autonomous organizations	Own, public, or private facilities
Community-based Health Insurance	Private voluntary contributions	Contributing members	Non-profit plans	NGOs or private facilities
Voluntary Health Insurance	Private voluntary contributions	Contributing members	For- and non-profit insurance organizations	Private and public facilities
Out-of-Pocket Payments (including public user fees)	Individual payments to providers		None	Public and private facilities (public facilities)

National Health Insurance

Systems financed through general revenues, covering whole population, care provided through public providers

Strengths

- Pools risks for whole population
- Relies on many different revenue sources
- Single centralized governance system has the potential for administrative efficiency and cost control

Weaknesses

- Unstable funding due to nuances of annual budget process
- Often disproportionately benefits the rich
- Potentially inefficient due to lack of incentives and effective public sector management

Social Health Insurance

Systems with publicly mandated coverage for designated groups, financed through payroll contributions, semi-autonomous administration, care provided through own, public, or private facilities

Strengths

- As a 'benefit' tax, there may be more 'willingness to pay'
- Removes financing from annual general government appropriations process
- Generally provides covered population with access to a broad package of services

Weaknesses

- Poor are often excluded unless subsidized by government
- Payroll contributions can reduce competitiveness, earmarking removes flexibility
- Can be complex and expensive to manage
- Can lead to cost escalation unless effective contracting mechanisms are in place
- Often provides poor coverage for preventive services and chronic conditions

Strengthening revenue collection efforts and improving allocation of existing public resources to the health sector can be done through;

- ***one;*** strengthening tax capacity to allow for "fair space" for financing health and social sectors that influence health outcomes,
- ***two;*** as national income and domestic revenues increase, the allocation of public funds to health should be better prioritized within existing annual fiscal frameworks,
- ***three;*** strengthening high-level leadership to encourage greater engagement between health and finance authorities in determining the level and allocation of health public budgets,
- ***four***; improving predictability in both domestic and external resources as a key to allowing effective planning and implementation of health sector activities

Cont'd

- ***five;*** prioritizing and strengthening better documentation in the use and benefits of public funds committed to health to ensure that all levels of health financing systems are more accountable and transparent such that "no one is left behind" is not just a slogan,
- ***six;*** defining packages of essential services to be purchased in alignment with adequately designed service provider incentives which could help direct public financing into more effective delivery of health services to all populations.

Conclusion

- Improving health financing will depend on adopting the national health insurance scheme, strengthening revenue collection efforts and improving allocation of existing public resources.

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