



# INVESTING IN HEALTH

## The OECD perspective

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# Outline

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- Demonstrating the benefits of health spending
- Fiscal sustainability constraints
- Solutions for sustainable UHC
- Health-in-all policies



# DEMONSTRATING THE **BENEFITS** OF HEALTH SPENDING



## Increase efficiency, reduce waste

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***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



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

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- Investing in health crucial for **economic development**
- Yet many LAC countries could **spend more on health**
- Countries' push for **UHC** is commendable, but **value-for-money** needs to be demonstrated



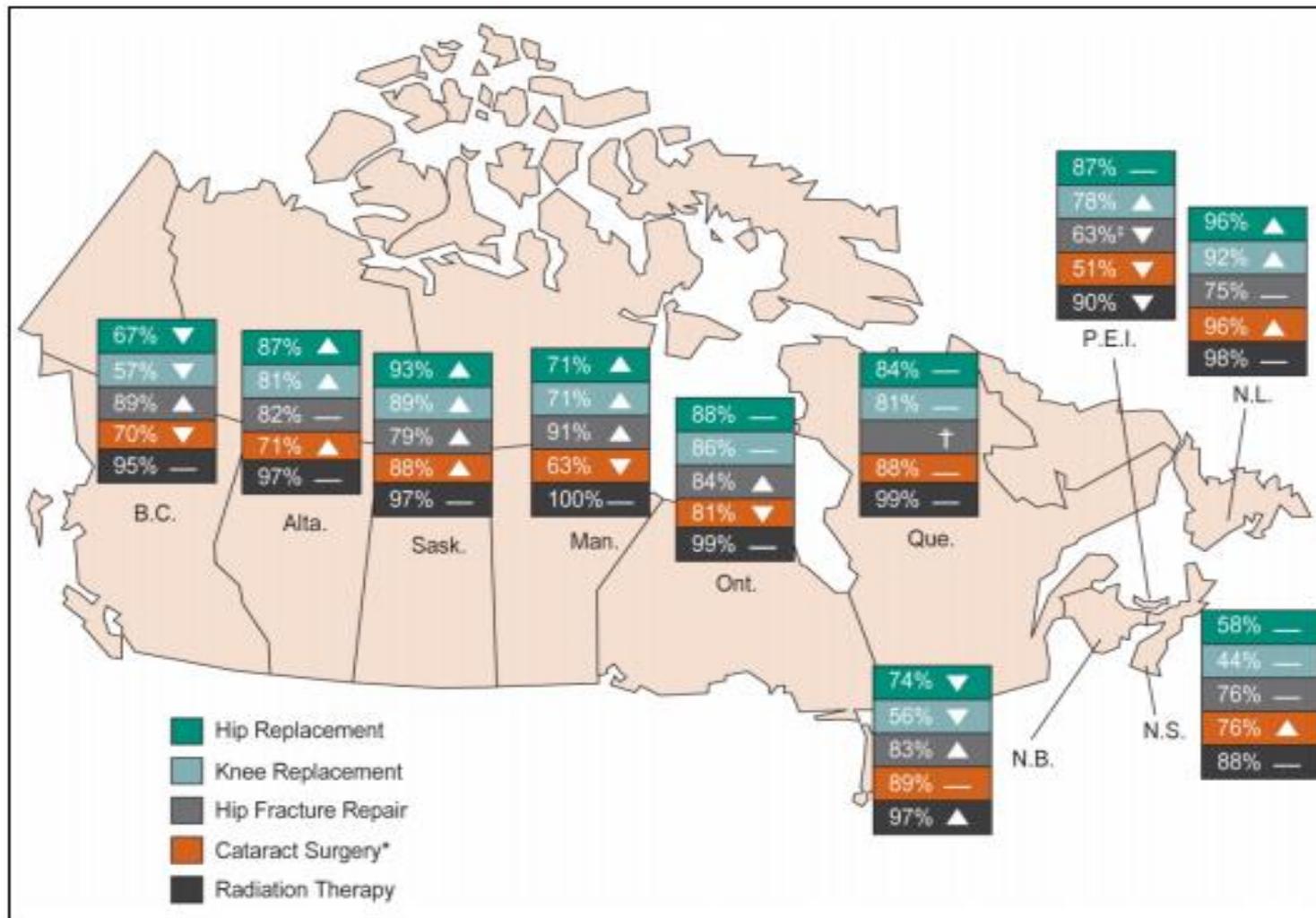
## Monitoring and incentives for improved accountability

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- **Open comparison of health-related data** a powerful tool to monitor quality of care
- **Financial incentives and sanctions** can incentivise performance across localities
- Consolidated national **information infrastructure** required



# The Performance Measurement Framework in Canada





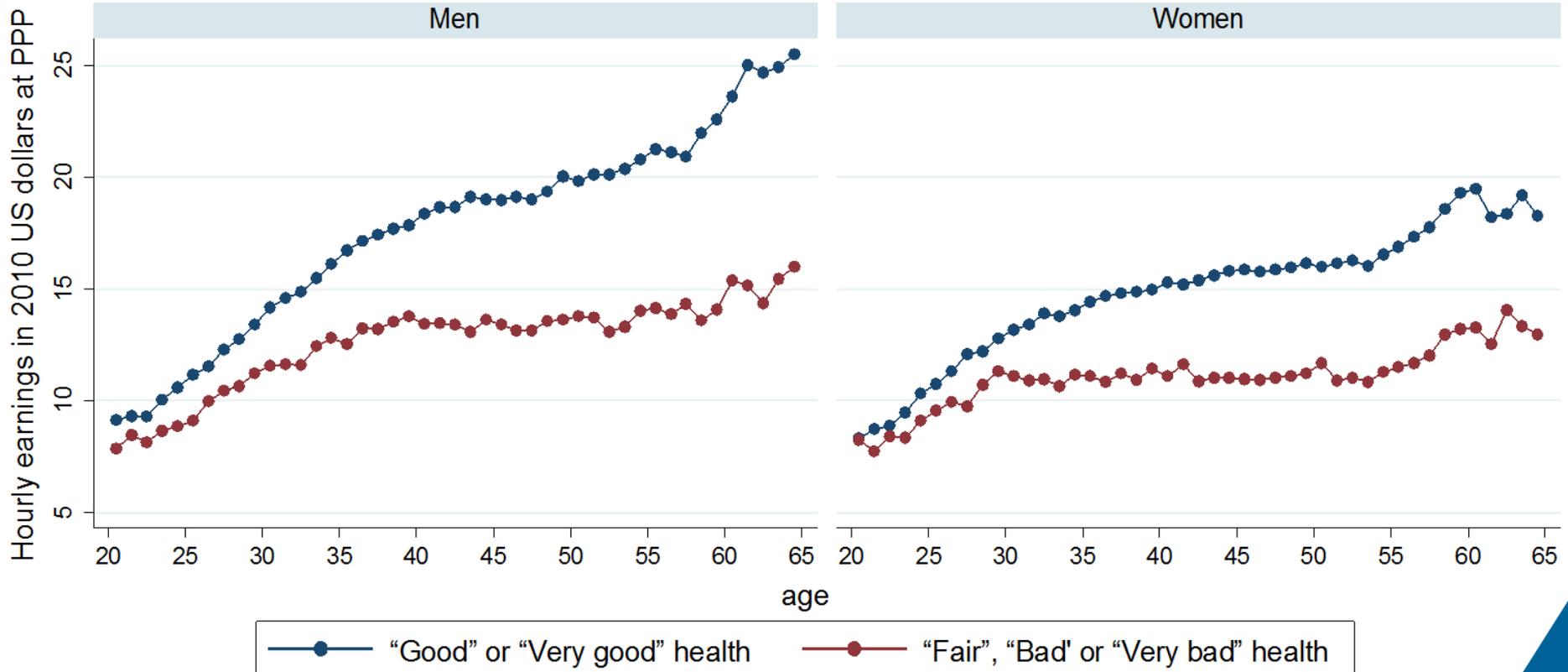
## Benefits go beyond health sector: *e.g. labour market impacts*

	<b>Employment</b>	<b>Wages</b>	<b>Absenteeism</b>
<b>Obesity</b>	Lower probability of employment (causal)	Larger wage penalties (causal)	More sickness absences, esp. for women (causal)
<b>Alcohol</b>	Long-term light drinkers have better employment opportunities	Moderate drinking positively associated with wages	Absences 20% higher among abstainers, former and heavy drinkers (causal)
<b>Smoking</b>	Heavy smokers more likely to be unemployed (causal)	Smokers earn 4-8% less than non-smokers (causal)	Smokers 33% more likely to be absent from work than non-smokers (causal)



# Poor health status leads to lower wage gaps at all ages

## Gross hourly earnings by age and health status



Source: EU-SILC 2004-2012



# UNDERSTANDING **FISCAL** **SUSTAINABILITY** CONSTRAINTS



# Fiscal space and fiscal sustainability

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- **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].
- **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].



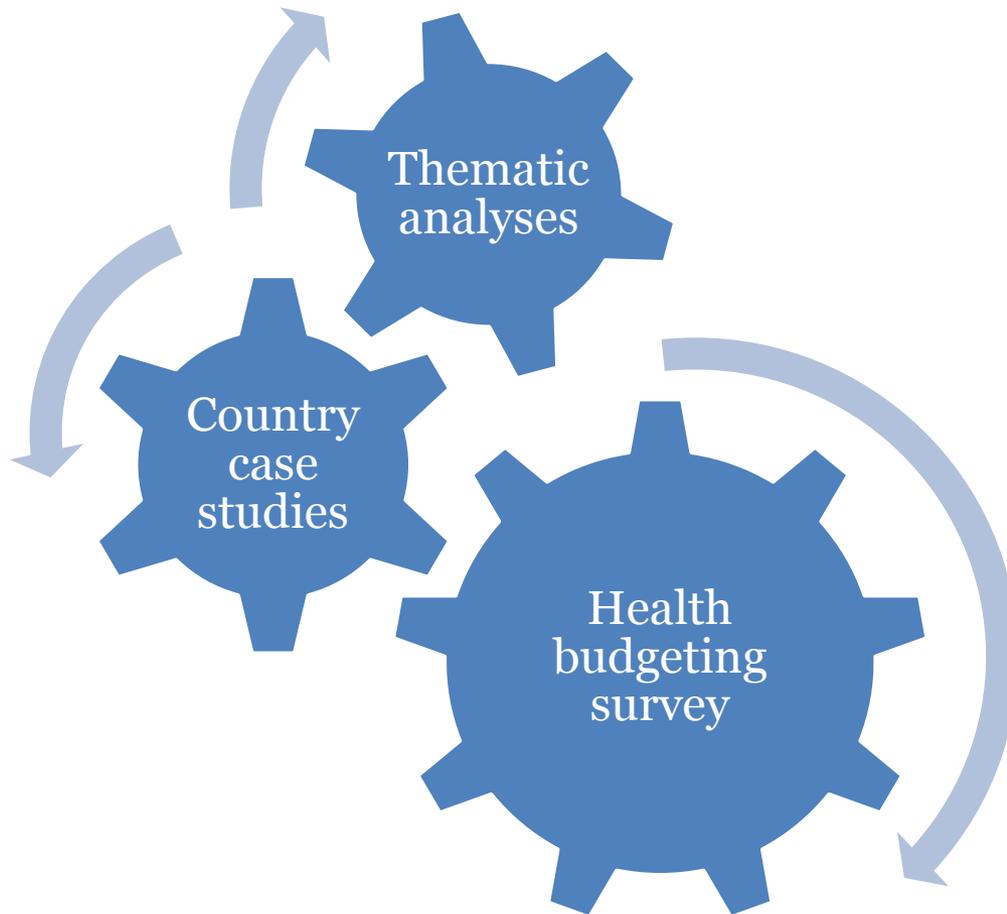
## *3 broad policy options*

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1. **Reallocate** public funds from other areas; **raise more revenues** for health
2. Deliver better **value for money** and eliminate waste
3. **Reassess the boundaries** between public and private spending



# The OECD Joint Network on Fiscal Sustainability of Health Systems



[www.oecd.org/health/health-systems/fiscal-sustainability-of-health-systems](http://www.oecd.org/health/health-systems/fiscal-sustainability-of-health-systems)



# FINDING SOLUTIONS FOR **SUSTAINABLE UHC**



## Prioritise spending on cost-effective interventions

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- Avoid unsustainable capital investments
- Better to focus spending on core services
  - Define **limited set of essential services**
  - **Transparency**: ensure population well informed of this benefit package



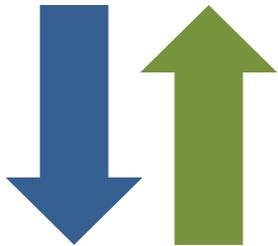
# Financing expansion in a federal context: Mexico's Seguro Popular



National

**Central level funding transparent and tied to demand**

- Costed benefit package as quality assurance mechanism



Regional

**Federal-state negotiation helped target funds to state needs**

- State transfer has fixed and per person components



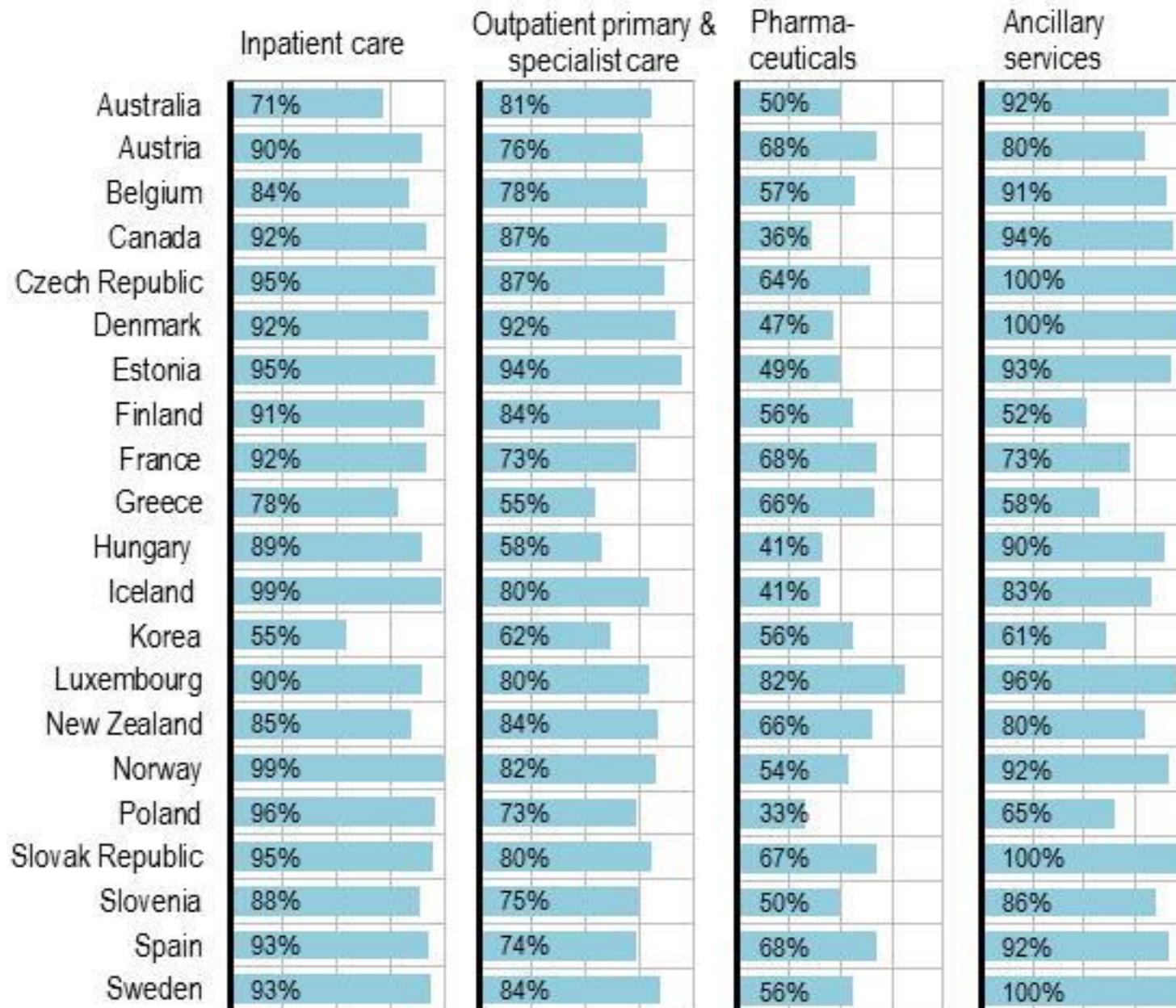
# Chile: universal and full coverage for limited **essential** package



	Mandatory contribution	Additional Premiums	AUGE health services	Primary health services (non-AUGE)	Other medical and dental					
Fonasa										
Group A						None	None	100% covered with public providers	100% covered with public providers	
Group B						7% up to a maximum contribution of US\$140/month		100% covered with public providers	100% covered with public providers / Covered at 50-75% for private providers	Varying Co-payments with public providers / Covered at 50-75% for private providers
Group C										
Group D										
Isapres	Private premium + AUGE premium	100% covered with public providers	Varies by health plan	Varies by health plan						

Source: Fonasa, Health Plan Coverage. <http://www.fonasa.cl/>

## Basic primary health coverage in OECD countries, % of THE





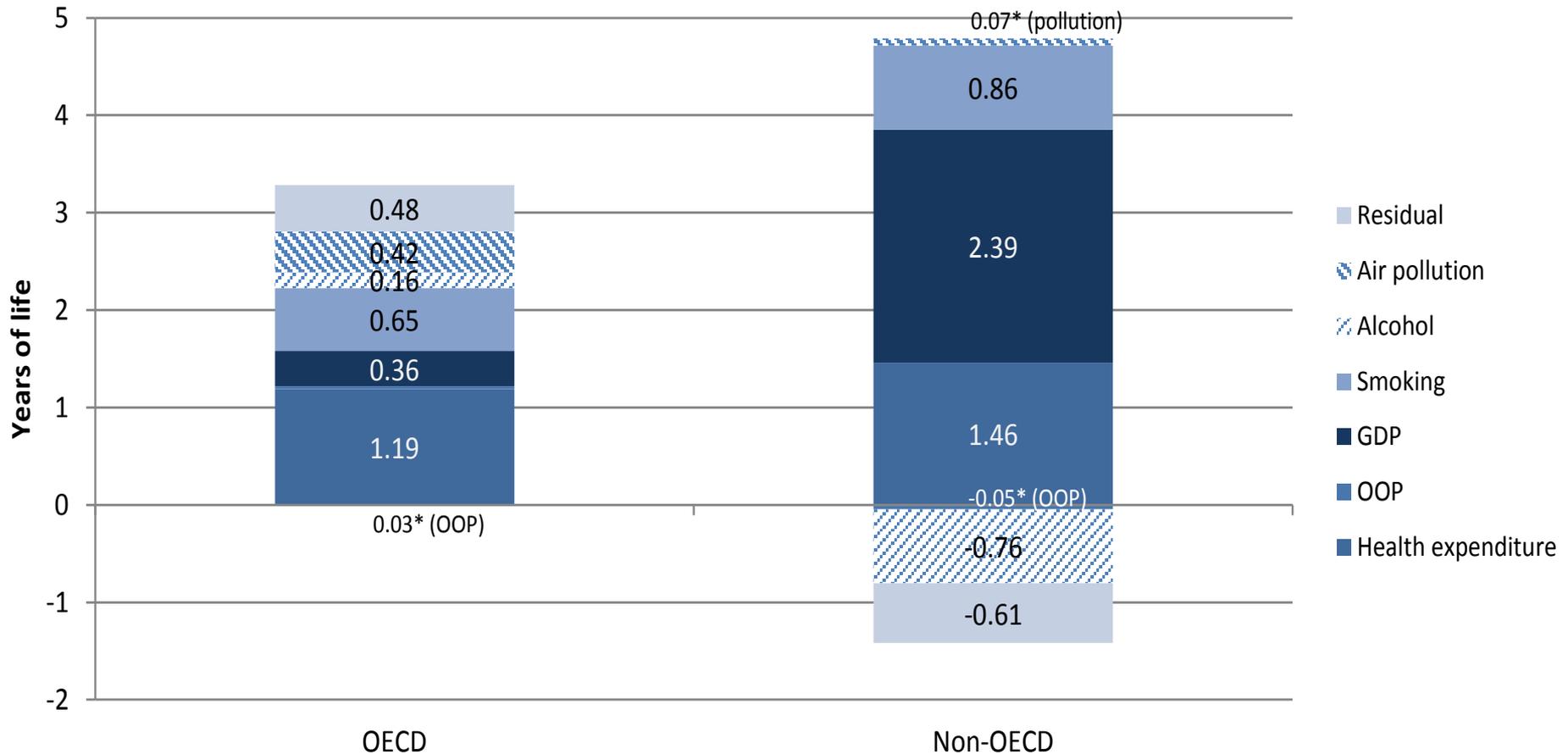
# HEALTH IN ALL POLICIES





# Importance of *health spending* to life expectancy in OECD countries, and *income* in non-OECD countries

*Contribution of factors to changes in life expectancy from 2000 to 2013*



\* Indicates variable did not have a statistically significant effect



# CONCLUDING THOUGHTS



## Conclusions

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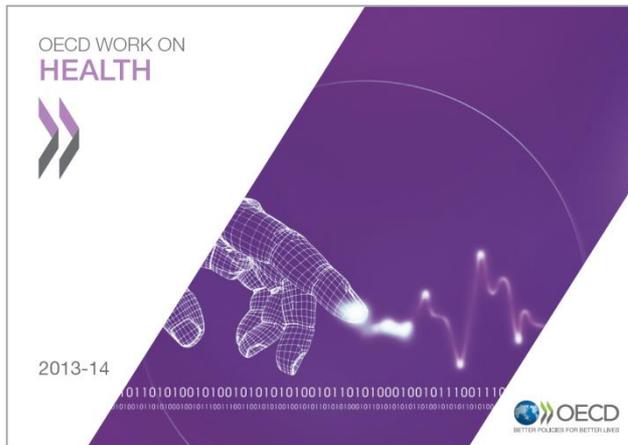
- Demonstrate **value-for money**
- Adapt to **fiscal sustainability** constraints
- **Prioritise** spending on limited set of cost-effective interventions
- Take a **wider perspective** on health investments



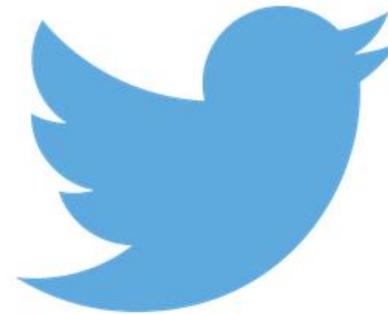
Thank you

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