Implications of Macroeconomic and Fiscal Space for Health Financing in the Caribbean

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1.TYPOLOGY OF HEALTH FINANCING SYSTEMS IN CARIBBEAN

Tax/Budget Financing (60%++ of health exp.)	Social Health Insurance (60%++ of health exp)	Hybrid (taxes, SHI and private health insurance)
Anguilla	Aruba	Antigua
Barbados	Bermuda	Bahamas
Belize	Cayman Is	BVI
Dominica	Curacao	Jamaica
Grenada	St Maarten	T'dad and T'bgo
Montserrat	Surinam	
St Kitts	Turks and Caicos Is.	
St Lucia		
St Vincent		
IN ALL COUNTRIES, FAIRLY HIGH LEVELS OF OUT OF POCKET PAYMENTS (mean--33%)		

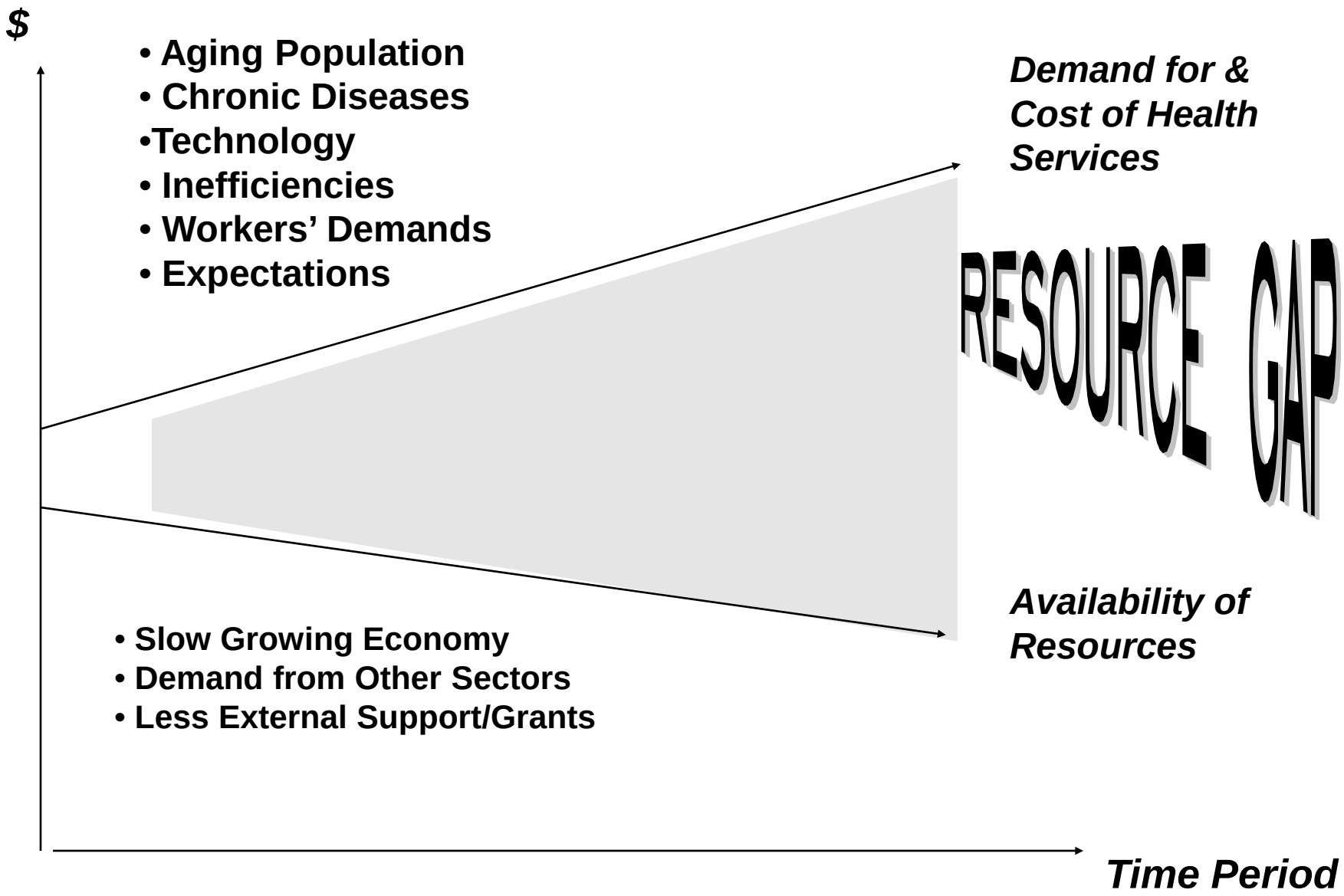
2.Health Spending Patterns (latest 3 years—PAHO, WHO, WB)

Indicator	Range (%)	Mean (%)
Tot. Health Ex. Per capita (US$)	$122--$2580	$450
Tot. Health Ex.%GDP	4.3—9.8	6.0 (n=16)
Gov.Health Ex.% THE	45---83	62 (n=16)
Priv.Health Ex.% THE	17-55	38 (n=16)
OOP Ex. % THE	15--48	33 (n=16)
Gov. Health Ex.% Tot. Gov. Ex. (budget)	5.5—18.7	10.7 (n=16)

Health Spending vs. Outcomes (PAHO & WHO..2009/10)

Country	THE per cap. (US$)	THE%GDP	Life Expec-tancy (Yrs)	Probability of Dying < 5 Yrs (per 1000)	Probability Of Dying 15—60 Yrs (per 1000)
LMIC ($1026 - $4035 per capita)					
Guyana	122	8.1	67	35	257
Belize	202	4.5	73	18	166
UMIC ($ 4036 - $12475 per capita)					
Antigua	651	4.7	74	12	177
Dominica	337	6.0	74	10	147
Grenada	438	6.7	73	14	197
Jamaica	256	4.8	71	31	177
St Lucia	407	7.0	74	20	139
St Vincent	279	5.2	73	12	160
Surinam	423	7.2	72	26	172
HIC ($12476++ per capita)					
Anguilla	800e*	5.7	81	NA	NA
Bahamas	1481	7.2	76	12	164
Barbados	974	6.7	76	11	108
BVI	2581*	8.5*	79*	NA	NA
Montserrat	990*	9.8	74	NA	NA
St Kitts/Nevis	651	5.8	74	15	138
T&T	908	4.7	70	35	172

3. *Health Financing Dilemma*



Leading Causes of Death in CARICOM Countries by Sex, 2011

MALE

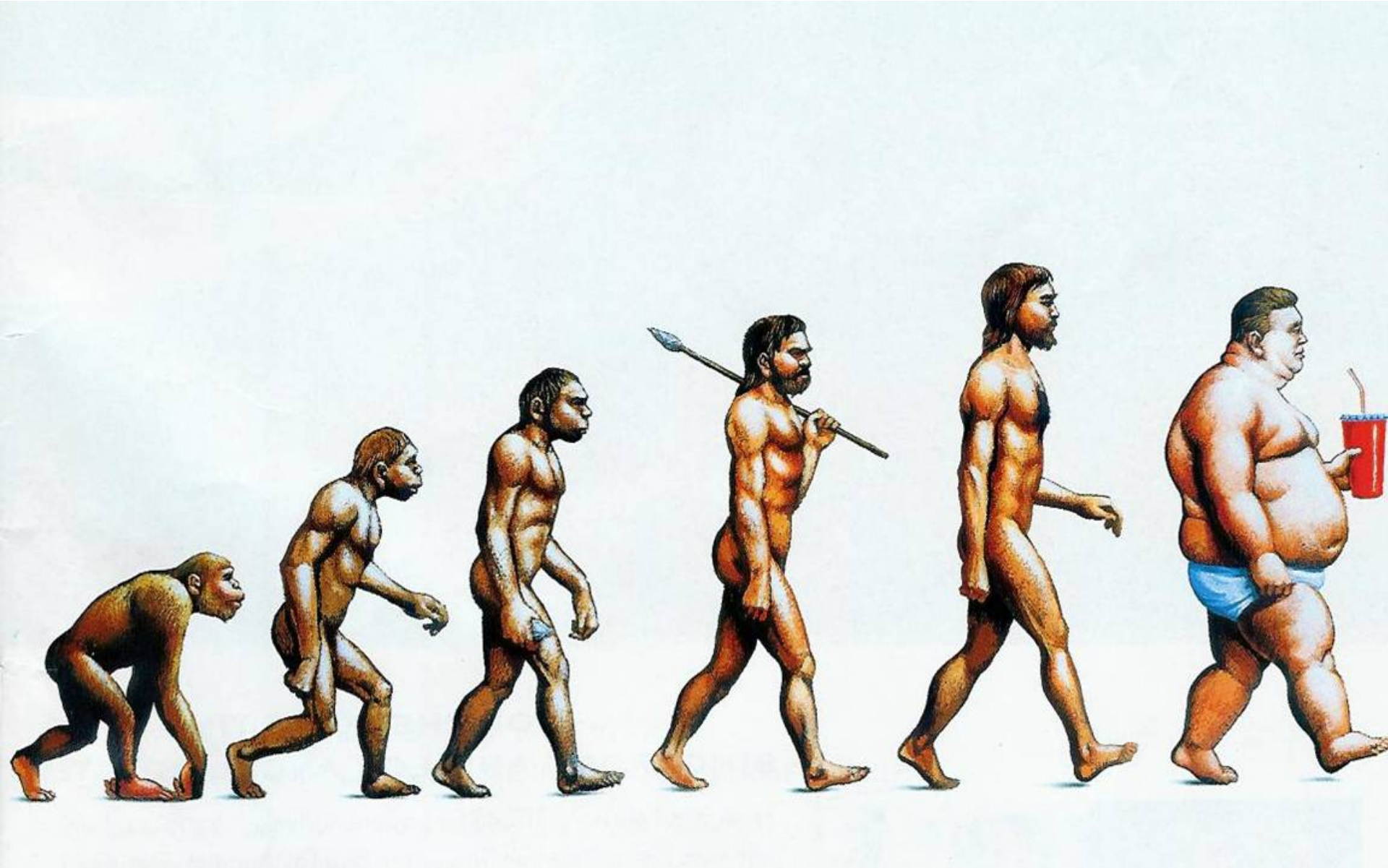
1. Heart Disease
2. Cancers
3. Injuries and violence
4. Stroke
5. Diabetes
6. HIV/AIDS
7. Hypertension
8. Influenza/pneumonia

FEMALE

1. Heart Disease
2. Cancers
3. Diabetes
4. Stroke
5. Hypertension
6. HIV/AIDS
7. Influenza/pneumonia
8. Injuries and violence

The shape of things to come

The Economist, Dec. 2003



4. KEY HEALTH FINANCING ISSUES FOR FISCAL SPACE AGENDA

i) Significant progress made in health but benefits are unevenly distributed due to differential access across groups (re: SLC data from Jamaica).

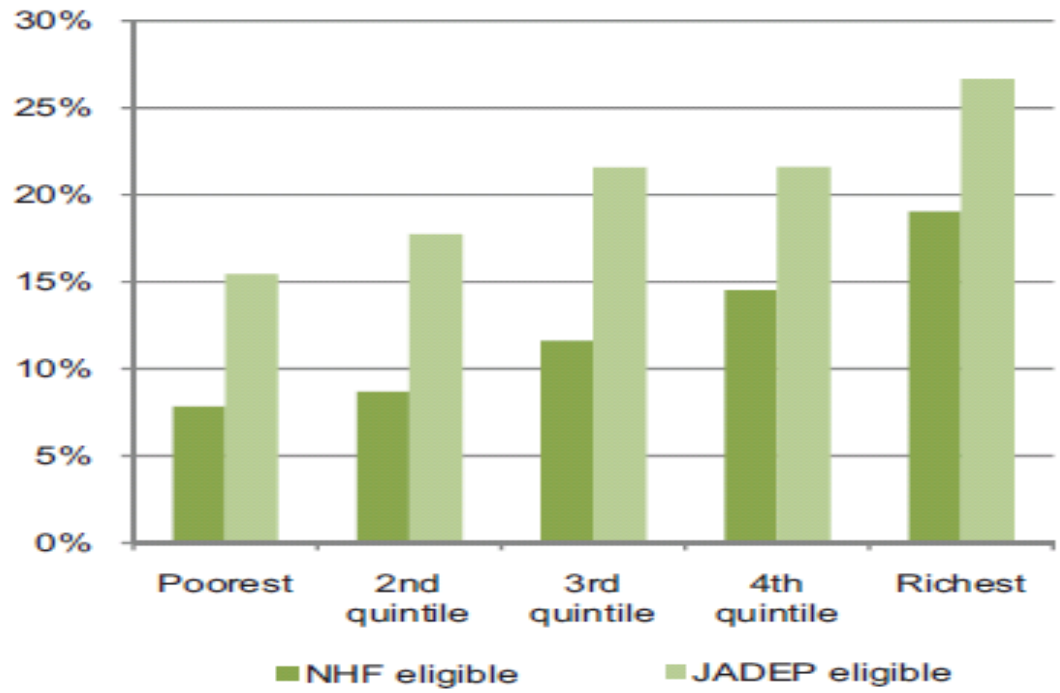
ii) Current health financing arrangements are inadequate and unsustainable.

iii) Need for a mix of:--

- More resources;
- Better and targeted spending (efficiency and access considerations);
- More prepaid health and risk sharing approaches which limit out of pocket payments.

Case Study of Access Gap (Jamaica)

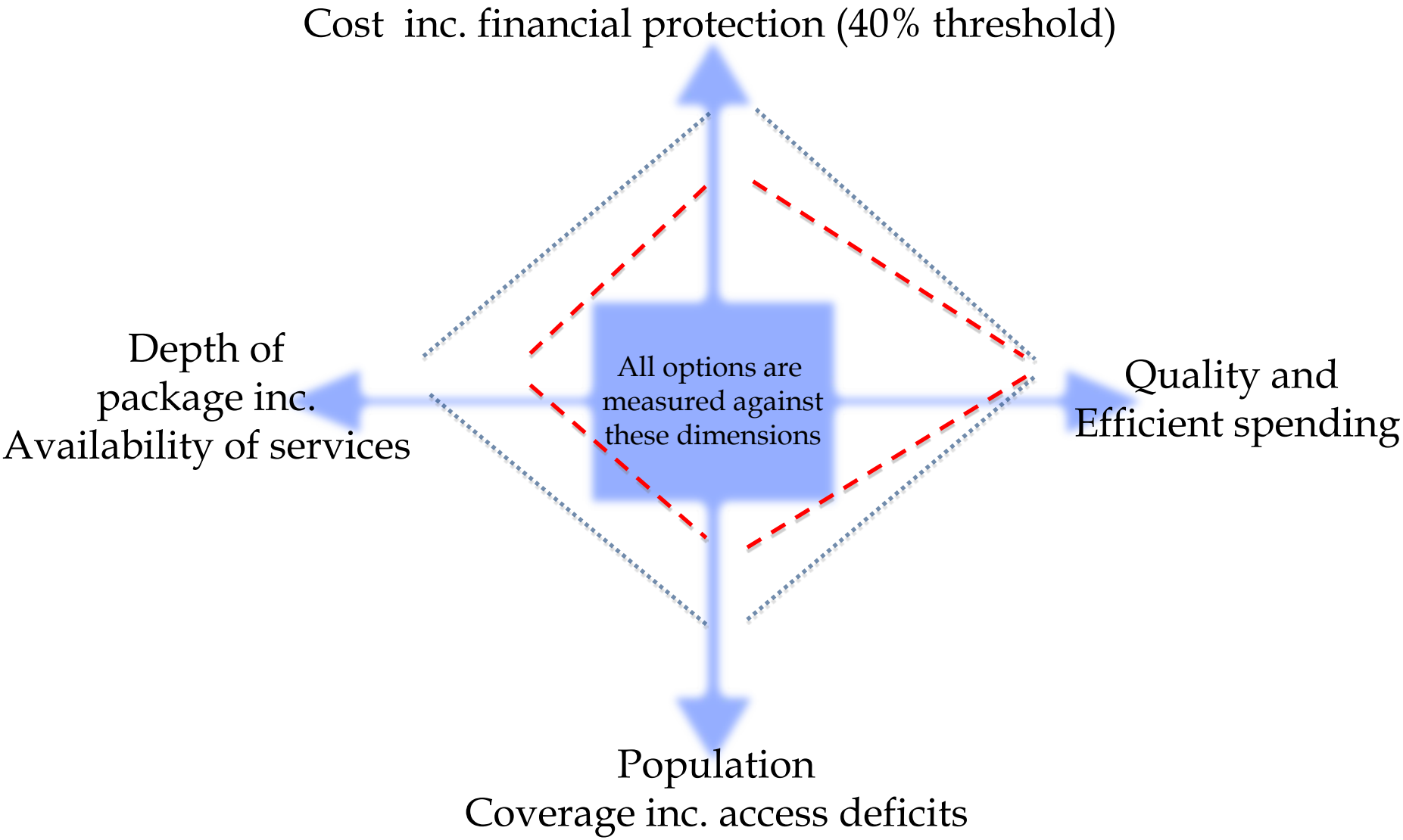
FIGURE 34. PROBABILITY OF NHF AND JADEP ENROLLMENT AMONG ELIGIBLE POPULATION BY EXPENDITURE QUINTILES



Source: Studies estimates based on JSLC 2008

5. Financing Health Care Implications

All options stretch the policy blanket across these 4 dimensions…



6. CREATING FISCAL SPACE

What Is Fiscal Space?

‘The availability of budgetary room that allows a gov’t to provide resources for a desired purpose without any prejudice to the sustainability of that gov’t financial position’ (Heller, 2005)

7.FACTORS INFLUENCING FISCAL SPACE

FACTORS	INFLUENCE
1. Ideology/Policy of gov't	* 'Welfare' state vs 'free market' vs Hybrid * Policy-'health as human right' and 'no one denied care' vs 'health as individual responsibility' and 'free choice'
2. Macroeconomic growth	* 'Rising tide lifts all boats' (more income and opportunities for gov't, businesses, households)
3. Scope of Gov't activities	* Sources and pattern of growth of revenue * Pattern of expenditure * These are largely reflected in annual budgets.
4. Scope of Social Security including health security (NHI/SHI)	* Range of benefits to be covered * Financing requirements –percentage payroll tax deductions and contribution floor-ceilings
5. Efficiency in allocation & spending given resource limits	* Optimal choices and evidence-based priorities * Value for money spending with minimal waste

8. **Macroeconomic Environment (a)**

Select Macro Indicators	**Value (R=Range)**
i) Real GDP per capita growth rates per annum(1970-2010…WB)	All positive--6 countries above 1.5%; 8 below (n=14) However, latest 3 years----6 countries with negative rates; 8 countries with positive rates within 0.1% to 2%
ii) Unemployment (latest 3 years)	4%--20% (n=14)
iii) Poverty (latest years)	4%--25% (n=14)

8. Fiscal Environment (b)

Select Fiscal Indicators	Value (R=range; M=mean)
i) Total tax rev.% GDP	R:14.5--33.2; M: 23.9 (n=18)
ii) Corporate income tax rates (CYT)	R: 0%--50% (4 states with 0%) (n=16)
iii) Personal Income tax rates (PYT)	R: 0%--59% (5 states with 0%) (n=16)
iv) Countries with VAT Countries with sales and/or other consumption taxes	7; with rates from 0%--17.5% (n=16) 9; with rates from 0%--40% (n=16)
v) Import duties/external tariffs	0—30% (CARICOM obligations) …can be 150% on some goods
vi) Current account (fiscal)-latest 3 yrs	10 countries with negative balances; 3 positive balances (n=13)
vii) Public debt % GDP	R: 10%--140% (60% benchmark..EU)
viii) Debt repayments % budget	R: 11%--60% (N=13) (see Jamaica data)
ix) External aid	R: 0—10% (N=13)

8b*. Pattern of Public Health Financing in Jamaica, 1962--2012

- Gov't health expenditure (budget) accounted for approx. 50% of total health expend. over period
- Gov't Health Expenditure as % total budget:--
- 1960's---10%
- 1970's---8.5%
- 1980's---6.8%
- 1990's---5.8%
- 2000's---5.6%
- Real Gov't health expend. has increased slightly over the period ----approx. 12% over 50 years
- Real per capita gov't health expend. only had a marginal increase over the time period---approx. 3% over 50 yrs

8. Social Security Environment (c)

Payroll Deductions (% insurable wage)	Number of Countries
A. Social Security/National Insurance only	n=16
i) 5%--8%	4
ii) 8.1%--10.0%	7
iii)10.1%--16.25%	5
B. SHI/NHI-related only:- 1.0%--11.0%	8 (n=8)

9.Outlook-Macro, Fiscal, Social Security Environment (a)

Key Fiscal Space Factors	General Outlook
i) Real GDP growth	Moderate growth over last 4 decades; Slightly higher in future but uneven income distribution.
ii) Direct taxes	Trend to stabilisation and reduction. More efficient collections needed.
iii) VAT/Sales taxes	Some scope for increase or introduction. More efficient collections needed.
iv) Import duties	Trend to stabilisation OR reduction re: regional & int'l obligations (CSME,WTO, EPA).
v) Other taxes eg property; sin taxes	Some scope. More efficient collections needed.

9.Outlook-Macro, Fiscal and Social Security Environment (b)

Key Fiscal Space Factors	General Outlook
vi) External Aid	Limited scope given 'graduation' of most states. (LIC-1; LMIC's-2; UMIC's-7; HIC's-9…World Bank) Only HIV program receives significant aid…and this is under review.
vii) Public Debt	Cautious approach to foreign debt and credit rating risk. Some scope for internal borrowing and debt-health swaps.
viii) Social security-payroll taxes (5—16.25%)	Some scope. But concerns-secure pension obligations & business viability issues if 'payroll' taxes are onerous.

10. **LIKELY FISCAL SPACE OPTIONS**

OPTIONS	LIKELIHOOD
a) Raising more revenue from taxes	➢New sources can be explored eg higher taxes on telecoms; banks; travel; remittances; property; 'sinners'—alcohol; tobacco; fast foods; gambling ➢Emphasis on more efficient collection
b) Reallocation of budget within sectors	> Limited scope given debt repayments as priority; education; national security
c) Debt-health swaps (as done for environment)	> Some scope on case by case basis eg Jamaica, Belize, St Kitts, Grenada
d) More efficient spending	> Main area for direct health activism (see 11 A & 11B)
e) Increase role of Social security	Some scope to raise contribution rate and /or ceiling to accommodate NHI or health activities

11. EFFICIENT SPENDING STRATEGIES

A. DEMAND SIDE:-

- **More illness prevention, screening, health promotion**
- **Coalitions to confront social determinants of poor health—education; police; environment, sports and culture, food and nutrition**

- **Greater role for primary care team as gatekeepers**
- **More integrated/coordinated care networks**

- **Selective use of copayments/user fees**
- **More attention to access deficits for certain social groups eg poor and near poor; elderly; migrants (making use of key UHC measurement indicators)**

11. EFFICIENT SPENDING STRATEGIES

B. SUPPLY SIDE:

- **Definition and delivery of essential package of services for all**
- **Less hospitalisation, more day surgery and step-down care facilities**

- **Purchasing efficiencies by financing agencies (MOH's, insurers) in equipment, pharmaceuticals, clinical services (along with quality audits and screening for fraud), pre-authorisation for overseas care;**
- **More pay for performance and innovation not capacity**
- **Targeted ICT solutions—purchasing, EMR's, telemedicine**

- **More public-private partnerships in care delivery and financing**
- **Regional collaboration in sharing services, centres of excellence, purchasing overseas inputs eg care, equipment, pharmaceuticals**
- **Explore other overseas treatment centres eg Costa Rica, Cuba, Panama; Jamaica, T'dad &T'bgo**

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