INNOVATIVE FUNDING STRATEGIES FOR NCDs and RISK FACTORS

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ORGANISATION OF PRESENTATION

- Review of Costs of NCDs in the Caribbean
- Current Funding Arrangements
- Defining Innovative Strategies
- Range of Options: Public, Private and Community
- Key Research Areas to Support Policy Action
- Concluding Comments

REVIEW OF COSTS OF NCDs (1)

1. In a study on diabetes in the Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago, Barcelo et al. (2003) found that:

a) Direct (treatment) and indirect (foregone earnings) costs for these countries amounted to US$1 Billion or 3% GDP
b) Per capita direct cost was US$687 or more than twice total health spending per capita (US$302).

2. Similarly in a regional study on the economic burden of diabetes and hypertension, Abdulkadri et.al (2009) found that:

Direct and indirect costs stood at US$1.4 billion, or 5.2% GDP

REVIEW OF COSTS OF NCDs (2)

3. In a World Bank study on the EC countries (2011) and on Jamaica (2012) it was found that

- In EC States, average per cap. health expend. on diabetics (US$536) was 1.3 times total per cap. health expend. (US$435)
- In Jamaica, households with NCD patients spent US$742 per capita on health bills vs average population spending of US$200
- In St Lucia, 36% of out of pocket health spending by households was incurred for NCDs treatment

4. In an Economist Intelligence Unit (2009) study of 8 countries it was seen that for 5 leading cancers (lung, breast, colorectal, prostate and cervical) total direct and indirect costs of ranged from US$1.4 million in Guyana to US$17.6 million in Trinidad and Tobago

CURRENT FUNDING ARRANGEMENTS (1)

A. Public Measures:

- Budget allocations to Ministries of Health for programs incl. NCDs
- Prescription drug plans in Barbados (1980); Jamaica (2003); Trinidad and Tobago (2003); the Bahamas (2010)
- Income replacement- grant funds by Social Security Orgs. to members for sickness, disability, invalidity and early retirement

B. Private Measures:

- Direct Out-of-pocket spending
- Private insurance payments—general and 'critical illness' insurance
- Business spending on workplace health as well as grants/donations for community health-wellness activities

CURRENT FUNDING STRATEGIES (2)

C. Community Measures:

- Spending by national NGOs-CSOs eg Cancer Societies
- Spending by regional bodies including -
  - Healthy Caribbean Coalition
  - University of the West Indies, incl TMRI,CDRC

D. Regional-Subregional Measures:

- Spending by multi-national organisations -
  - The Caribbean Public Health Agency (CARPHA)
  - The Organization of Eastern Caribbean States (OECS) Secretariat
  - CARICOM Secretariat

CONTEXT OF FUNDING REQUIREMENTS

Present context characterized by :-

- Resource-constrained Caribbean economies—
  - *fiscal space constraints (low or negative growth; high debt);*
  - *general double-digit unemployment and poverty levels*
  - *Reduced access to concessionary funds: some countries classified by the World Bank as 'high-income'*
  - *Competition for resources, inter-ministerial and intra-health*
- Adoption of goals of Universal Health Access and Coverage
- Introduction of National Strategic Action Plans for NCDs

INNOVATIVE FUNDING STRATEGIES

For this presentation INNOVATIVE FUNDING STRATEGIES can therefore be considered in terms of –

1. Modification of current measures and priorities, mainly strengthening the primary level of care
2. Improved efficiency of current fiscal spending, including reallocation of public resources (fiscal priority for health)
3. Adoption of new funding measures for the health system
4. Measures aimed at improved revenue collection

Cost impact of Primary Care

- In context of modification of current priorities, one study by Lu et al. (2010) has shown that strengthening primary care in the USA "will make a major contribution toward bolstering the capacity of the nation's primary care system and reducing the long term growth in health care costs."
- This rings a bell a context where recent USAID-supported work on the Eastern Caribbean has highlighted a number of areas where the health systems in the different countries will be much stronger if more emphasis is placed on primary care.
- Strengthening the health system seems to go hand in hand with making the system more efficient.

IMPROVING EFFICIENCY

- WHO estimate of waste in health spending: 20 – 40 %
- For the region this would be 20-40% of almost $5 billion. i.e. between $1 billion and $2 billion
- We cannot seriously undertake new funding without first addressing this possible waste
- However, we need to complement waste reduction with an improved collection of revenues
- Recent reviews seem to paint the current environment as being characterized by
  - Weak governance and stewardship
  - Fragmentation and poor quality of services
  - Fragmented, disjointed NCDs programs in public and private spheres;
  - Emphasis on medication and treatment vs prevention, early detection and community-based measures
  - Weak target-setting, monitoring and evaluation.

A sound public health approach

Building a culture of efficiency has to be seen as one of the keys to strengthening the approach to public health in the region. Although we now accept that the vertical approach to the HIV/AIDS response was not appropriate, there was one efficiency aspect of the HIV/AIDS approach from which the NCD response could benefit. For this approach requires:

1. Clear identification of disease targets – prevention and treatment
2. Clear identification of those responsible for delivering on the targets
3. Provision of adequate funding for programmes
4. Periodic (annual?) reporting on achievements
5. Post-evaluation modification of procedures, if necessary

NEW FUNDING FOR HEALTH: PUBLIC OPTIONS (1)

Seven measures suggested:

1. As suggested in the POS Declaration, increase the tax-take from sales of tobacco and alcohol products
   - Average tax take from tobacco products in Caribbean is about 30% of retail prices vs recommended 70% in WHO Framework Convention
   - Also average VAT on alcohol products in Caribbean is 15% compared to around 60% in UK and other developed countries.

2. Impose additional levies on betting, gambling and lottery games
   - Example is CHASE (culture, health, arts, sports, education) Fund in Jamaica which allocates 20% of lottery proceeds to health

3. New levies to curtail salt, sugar, trans-fats in processed and other obesogenic foods: majority of these products attract zero or minimal duties when imported and normal sales taxes when produced locally

NEW FUNDING FOR HEALTH: PUBLIC OPTIONS (2)

4. Expand covered services beyond prescription drug plans, to include:-

- Health promotion-preventive activities (as in the National Health Fund in Jamaica and the National Drug Plan in the Bahamas)
- Coverage of consultations and diagnostic services in accordance with treatment protocols for diseases including hypertension, diabetes and asthma

5. Enlist support from Social Security Orgs (SSO) to strengthen the national capacity to respond to major health challenges including NCDs

- A modest increase in the SS contribution rate, dedicated to health
- Multi-year commitments of funds from SSO reserves-investment pool
- Support for insurance coverage of retired SS members (as in NI Gold in Jamaica)

NEW FUNDING FOR HEALTH: PUBLIC OPTIONS (3)

6. More Performance-based funding for NCD activities using Results-based criteria. Examples include:

a) Paying providers for performance in relation to NCD protocols, as is the case with Belize's National Health Insurance

b) Proposed conditional cash transfer for illness management to NCD patients, as is the case in the Bahamas

c) Proposed World Bank-funded pilot community NCD programs, as is the case in St Lucia and Dominica

7. Debt-health swaps as done for environment protection activities in Jamaica and Guyana in the 1990's, - given 70% and more debt to GDP ratios in 7 of 13 CARICOM States -

NEW FUNDING FOR HEALTH: PRIVATE OPTIONS

Four measures suggested:

1. Re-formulation of insurance benefit packages to emphasise illness prevention and wellness
2. Regulations to outlaw cherry-picking by insurance companies
   - Admittedly these may induce premium adjustments in group and individual policies
3. Also, increase scope for multi-year commitments to community and workplace wellness promotion activities

4. Project increased investment in workplace wellness as good for business and foster development of business trust funds/foundations with multi-year funding for selected health programmes

NEW FUNDING FOR HEALTH: COMMUNITY-BASED OPTIONS

One measure suggested:

- More public or external funding for public-private-NGO partnerships against NCDs, in cases where this is more efficient than simply increasing public sector spending
- As with some existing programs, these partnerships should build on expertise of NGOs and emphasise results-based financing approaches.
- School-based and adolescent NCDs programs could feature prominently in these partnerships

NEW FUNDING FOR HEALTH: REGIONAL OPTIONS

Three measures suggested:

1. Regional fund for Public Health from a **Human Resource Protection** (HRP) Tax

The HRP tax will be dedicated to fund some of the prevention and health promotion activities of the Caribbean Public Health Agency (CARPHA) and of the CARICOM Health Desk.

The case for this tax will benefit from

a) evidence highlighting the contribution of human resources to private sector production and profits
b) Demonstrating current low funding of public health
c) Responding to gap between regional (6.1%) and world (6.9%)health spending.

With a regional income estimate of close to $70 billion, with the economic impact figures shown earlier(between 3% and 5%of GDP) and with the HRP tax costing less than 1% of GDP, the case should be a difficult one to make.

NEW FUNDING FOR HEALTH: REGIONAL OPTIONS

2. From experience of other countries, funding may also be derived

from regionally-agreed levies on

a) cruise ship arrivals

b) telecommunications and

c) financial transactions

3. Expanded use of PAHO's Strategic (Revolving) Fund for medicines and equipment: possible greater use of the Fund for cancer, diabetes, hypertension medications-supplies than at present, and for other conditions, as agreed.

TWO DIMENSIONS OF THE HEALTH FINANCING CHALLENGE

- First is the **efficiency** dimension which amounts to keeping the financing requirement as low as possible, thereby creating more financing space
- Second is the **resource mobilization** dimension which is seen as responding to reduced fiscal space by exploring new public sector revenue opportunities and using a combination of regulations and incentives to increase contributions from the private sector

ONE SUGGESTED STRATEGY

- Fifteen (15) financing options presented but a need to put as much emphasis on the efficiency dimension of financing as we put on resource mobilization.
- To try a different approach to new expenditure.
- One known approach to strengthening the drive for efficiency is to take a stand that ***whenever new areas of expenditure are identified, we should seek to find areas where existing expenditure can be cut***. In other words, new expenditure should only take place after some expenditure adjustment has taken place.
- This is a mindset which can help us arrive at a level of expenditure which is both the lowest that is necessary, and one which gives us value for money. Not a simple strategy to adopt but one that may have become an imperative.

MAKING EFFICIENCY HAPPEN

To get the health system to move into efficiency mode, thereby making new resources available, a number of steps are required:

a) Ascertain the relevant morbidity baselines
b) Set specific measurable period targets
c) Assign specific responsibility for attaining targets
d) Provide needed resources
e) Generate data to provide evidence needed to motivate changes that might be necessary
f) Employ an M&E team to carry out timely assessments
g) Make the changes that become warranted, including personnel changes,
h) Set new period targets

RESEARCH UNDERPINNING EFFICIENCY

1. Economic costing of an expanded list of NCDs (beyond diabetes, hypertension and cancers): getting closer to the full cost
2. Micro-costing studies of economic burden of NCDs at household and firm levels
3. Cost effectiveness studies of screening and prevention programs
4. Using National Health Accounts to arrive at a comprehensive picture of sources and uses of funds (public and private) in NCDs programs
5. Using the OneHealth Tool to link strategic objectives and targets of disease control and prevention programmes to the required investments in health systems. The Tool can thus be used to inform sector wide national strategic health plans and policies.

LOOKING AHEAD

Recognizing that NCDs have deep roots in social determinants (lifestyles-behaviour) the imperative now is to

a) Strengthen intersectoral action and adopt a 'health in all policies' approach, and
b) Develop more prevention approaches which empower and incentivise individuals, families and communities to take the right actions

2. There is also a need to carry out the research that will enable *monitoring and evaluation* and provide familiarity with *best practices*.

LOOKING AHEAD

3. Resource constraints in the countries of the region emphasise the need for:-

a) Evidence to highlight the economic case for securing new public funds toward strengthening the health systems of the region; by causing GDP to shrink, disease incidence also causes government revenues to fall

b) Enhancing partnerships with private sector, Social Security and NGOs, under enhanced regulation from the national health authority

c) Increasing use of 'results-based' management strategies

d) Emphasizing the adoption of an efficiency-oriented management style; a need to identify persons who can carry out the expenditure reallocations required without compromising the reach and the quality of the services provided to the population.

THREE TAKE-AWAYS

1. Need to acknowledge the significant impact of the NCDs on the economy, and by extension, government revenues.
2. Need to adopt systems which will boost efficiency and increase revenue collection
3. Decide on time frame for introducing new revenue measures to bridge gap between regional commitment and global commitment to health, possibly starting with:

a) **Human Resource Protection** Tax
b) **Levies** on cruise ships, telecomm and financial transactions
c) **Increased taxation** of alcohol, tobacco and obesogenic foods

THANK YOU