Taxation Policy within the context of Health Financing
Caribbean Workshop on Health Taxes
Barbados
1-3 November 2023

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**Context and Background**

**WHAT IS HEALTH FINANCING?**

- An essential function to support the development and ongoing functioning of a health system
- Attempts to organize complex mechanisms involving *sources of revenues, pooling of funds, and payment or purchasing* systems across the health system (flow and arrangement on funds)

**CRITICAL SUCCESS FACTORS (HEALTH FINANCING REFORMS)**

- Guided by a country vision and objectives
- Focus on the *entire population*
- Solid diagnosis of performance issues within the health system, including population *health needs*
- NOT a model – rather a *coordinated health system transformation*
- Iterative, phased approach (take years...)
- Multi-stakeholder approach (including MOF)
- Dedicated staff (e.g. working group)
- Good data and information
- Public engagement
- Simplicity key to policy design and implementation

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**PAHO**

Pan American Health Organization

World Health Organization

#UniversalHealth
Revenue Raising

- Public sources key to UHC
- Budgetary space for health – policymakers have active role
- Out-of-pocket payments regressive
- Direct taxes progressive, and indirect taxes regressive
- New taxes – work if earmarked
- Beyond earmarking political commitment key to fund the health sector

Pooling Revenues

- Maximize the redistributive capacity of prepaid funds
- Best if pools are large, diverse in risk mix, compulsory
- Fragmentation a barrier to redistribution, inefficient
- Best to pooling together general budget revenues and compulsory insurance contributions
- Reducing fragmentation is not enough – supply side inequalities, alignment with purchasing arrangements, and mitigation strategies all essential

Purchasing Services

- Strategic purchasing critical and information-intensive activity
- Effective strategic purchasing requires (a) appropriate (and clear) institutional structure, (b) well-designed and implemented operational systems to carry out purchasing functions, (c) provider autonomy, (d) evolving institutional and technical capacity, and (e) political will
- Health provider payment systems – match objectives, incentives, unintended consequences, and capacity of providers

Benefit Design

- Includes services and population groups, and conditions of access (including rationing)
- With multiple schemes, critical to minimize duplication
- Policies on benefit design – aligned and coordinated with other polices e.g. payment mechanisms
- Unfunded mandates and benefits not available impact population trust
- User charges and co-payments disproportionately affect the poor and patients with (multiple) chronic conditions

WHO advanced course on health financing for UHC 2023.
Key challenges/issues that constraint progress in health financing and UHC

• Small economies, remote geography, and size of population (implications for efficiencies, economies of scale, quality of care, distribution and retention of providers, incentives, supply chain management/prices, access to capital, borrowing)

• Demand pressures (e.g. high burden of NCDs, aging)

• Relatively fragmented and uncoordinated financing and delivery (inefficiencies)

• High out-of-pocket expenditure (avg. 31% of health expenditure; some 55%)

• Public debt (~88% of GDP) and informal employment rate (~ 50%)

• Limited supply of services ➔ limited expertise and capacity in certain medical specialties ➔ out-of-country care services ➔ out-of-pocket spending

• Migration of health professionals

• Gaps in data and research needed to design and implement health financing reforms (e.g. private sector costs and utilization, demand for out-of-country services, unmet demand)
Two key indicators - health financing

Out-of-pocket expenditure (as % of total health expenditure) – simple average

Public spending in health (as % of GDP) – simple average

Source: WHO, Global Health Expenditure Database

*66th SESSION OF THE REGIONAL COMMITTEE OF WHO FOR THE AMERICAS, 2014
OOP and public spending on health

Out-of-pocket spending vs. public spending – 192 countries

Source: World Health Organization. Each dot represents a country’s 21-year average (from 2000 to 2020)
Government Health Expenditure as % General Government Expenditure, 2020

Source: WHO, Global Health Expenditure Database
## Public debt: a constraint to development

### Average service of total debt, 2010-2019
(percentage of government income)

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Service of Total Debt (2010-2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamaica</td>
<td>61.1%</td>
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<tr>
<td>Bahamas</td>
<td>48.8%</td>
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<tr>
<td>Barbados</td>
<td>48.0%</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>46.3%</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>34.0%</td>
</tr>
<tr>
<td>Grenada</td>
<td>28.7%</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>27.5%</td>
</tr>
<tr>
<td>Suriname</td>
<td>25.6%</td>
</tr>
<tr>
<td>Anguilla</td>
<td>23.3%</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>21.1%</td>
</tr>
<tr>
<td>Belize</td>
<td>20.1%</td>
</tr>
<tr>
<td>Dominica</td>
<td>12.7%</td>
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<tr>
<td>Trinidad and Tobago</td>
<td>12.3%</td>
</tr>
<tr>
<td>Guyana</td>
<td>11.6%</td>
</tr>
<tr>
<td>Montserrat</td>
<td>0.1%</td>
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Source: ECLAC – on the basis of official figures
Public debt service and spending on health

Source: International Monetary Fund, World Bank, World Health Organization
Public debt and health financing

External debt service and public spending on health – all SIDS

\[ y = -0.4714x^2 + 2.8474x - 0.294 \]
\[ R^2 = 0.3253 \]

External debt service and public spending on health – Caribbean

\[ y = 0.0576x^2 - 0.759x + 4.9484 \]
\[ R^2 = 0.2886 \]

Informal economy and health financing

**Informal economy and public spending on health – all SIDS**

- Equation: $y = 0.0017x^2 - 0.2217x + 10.835$
- $R^2 = 0.5498$

**Informal economy and out-of-pocket spending – all SIDS**

- Equation: $y = 0.0837x + 19.041$
- $R^2 = 0.4397$

Source: International Labor Organization, World Health Organization. Each dot represents the average of SIDS/year.
Scope of health financing activities

<table>
<thead>
<tr>
<th>01. Health system organization and structure</th>
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<tbody>
<tr>
<td>• Scalability of Caribbean Island/State health systems (e.g. health care beyond borders, distribution of providers)</td>
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<td>• Health financing gap (i.e. demand for health and availability of resources)</td>
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<td>• Health infrastructure investment models</td>
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<th>02. Revenue raising</th>
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<tbody>
<tr>
<td>• Sources of health financing</td>
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<tr>
<td>• Social security contributions</td>
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<tr>
<td>• Tax-related reforms and initiatives, including tax collection reforms (fiscal space)</td>
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<tr>
<td>• Re-prioritization of health within the government budget (fiscal space)</td>
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<th>03. Pooling revenues</th>
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<td>• Pooling arrangements and design (e.g. size, diversity, compulsory models)</td>
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<td>• Pooling fragmentation</td>
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<td>• Models for public-private cross-subsidies</td>
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<th>04. Purchasing health services</th>
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<tr>
<td>• Provider payment and incentive schemes and models (e.g. capitation)</td>
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<td>• Supply mechanisms and management of medical technologies (e.g. strategic procurement and purchasing systems)</td>
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<th>05. Benefit design</th>
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<td>• Benefits entitlements and conditions of access (e.g. co-payments)</td>
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<td>• Cost-effectiveness analysis</td>
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<td>• Measures to make direct co-payments and user charges more equitable</td>
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<th>06. Public financial management</th>
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<tr>
<td>• Budget formulation and expenditure management systems, including priority setting processes, output-based budgeting, and execution and reporting systems</td>
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Thematic EXAMPLES (of scope)
Streamlined model

- Taxes
  - MOHW
- Employment
  - Social Security System
- Subsidies
  - Informal Sector
- Employment/voluntary
  - Private Insurance
- Pooling and Purchasing Functions
  - Out of Country
  - Public Providers
  - Private Providers
Approach to Technical Cooperation:

Policy Development Process

A SIMPLIFIED VIEW OF THE POLICY PROCESS

Source: Harvard Catalyst
Technical cooperation: sources of revenues/pooling

• Review of current revenue sources, and the mechanisms (e.g. premiums/contributions) and operational processes through which these resources are directed toward the delivery of services (e.g. state health insurance)

• Innovating financing

• Pandemic response financing (contingent and non-contingent)
Technical cooperation: purchasing

• Assessment of all **provider payment and incentives models** and mechanisms used across the system (e.g. NHI) and the operational processes involved (e.g. claims processing protocols, payments, processing)
  – Fee for service
  – Capitation
  – Budget
  – Performance-based incentives
  – Case-mix payments
Technical cooperation: benefits

- **Costing analysis of service delivery** across health care providers, alongside an analysis of providers’ budgets and sources of revenues.
- Review of the **different packages of benefits** used across the system (public and private).
- Assessment of **current procurement models** used in the country for medicines, medical supplies and other commodities.
- Review of the current **model and processes involved in the acquisition of medical technologies** and equipment.
Technical cooperation: health system organization

• Estimation of the **current demand for healthcare services**, including unmet demand

• A **system-level mapping** of health financing schemes/arrangements and delivery of healthcare services, alongside **patient utilization patterns** (public and private)

• **Development of care protocols and implementation of evidence-based clinical guidelines** to support improvements in the quality of care provided (e.g. HEARTS initiative)

• Establishing a comprehensive **national database** for planning and performance assessment – encompassing utilization, costing, and epidemiology

• **Local healthcare capacity** and out-of-country services
Technical cooperation: public financial management

• Review and enhance the financial budget planning system within the health sector
Take home messages

• Caribbean struggles to make progress towards UHC
• Health taxes, NCDs and health financing are related in multiple ways and dimensions
• Health taxes smart intervention in the short and long-term (revenues and relieved pressure system financing/UHC)
Thank you!