Diagnostics on PFM and Health Financing Alignment – the OECD perspective

WHO Collaborative Agenda on Fiscal Space, PFM and Health Financing

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Outline

• The OECD Joint Network on Fiscal Sustainability of Health Systems

• Improving budgeting practices for health in LMICs – preliminary insights from survey of Latin American and Caribbean countries
The OECD Joint Network on Fiscal Sustainability of Health Systems
Getting better value for money

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
Extension of network beyond OECD countries

- Budgeting practices survey in LAC & Africa
- Case studies in Peru & South Africa
- Joint meetings of Health and Finance Officials

www.oecd.org/health/health-systems/fiscal-sustainability-of-health-systems
Developing Regional Networks
(in partnership with GF & WHO)

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<tr>
<th>Latin America and the Caribbean</th>
<th>Central &amp; Eastern Europe</th>
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<td>- Budgeting for health survey</td>
<td>- Health and budget officials joint meeting</td>
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<td>- Case study: Peru</td>
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**Objective:**
Benchmark good practices and identify bottlenecks to ensure universal health care

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<th>Africa (together with CABRI)</th>
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Fiscal sustainability of health systems framework

**Diagnosis: Information needs**
- Long-term forecasts
- Medium-term requirements
- Timely information on spending
- Linking spending projections to estimated revenues

**Risk factors: Political and Institutional context**
- Political agreement on targets
- Coordination mechanisms amongst key stakeholders
- Degree of decentralisation
- Boundaries between public and private spending

**Treatments: Policy levers**

**Supply-side**
- Provider payment methods
- Provider competition
- Generic substitution
- Joint purchasing
- Budget caps

**Demand-side**
- Gatekeeping
- Preferred drug lists
- Cost sharing?

**Public management, coordination and financing**
- Controls on pharmaceutical prices / profits
- HTA
- Monitoring and evaluation
Working together towards sustainable UHC

Survey

Case studies

Annual meetings

Analytical research

Document health budget tools and practices

Benchmark good practices and identify bottlenecks

Catalyze processes for better alignment between budgeting and health

More effective and efficient use of financial resources

Increase coverage and improve service quality

Reduce morbidity and increase life expectancy

Reduce poverty and increase economic growth

Improve capacity and create dialogue
Improving budgeting practices for health in LMICs – preliminary insights from survey of LAC countries
Health expenditure as a percentage of GDP (2013)

- Honduras
- Paraguay
- OECD Average (34)
- Uruguay
- Chile
- Ecuador
- Argentina
- LAC Average (11)
- Colombia
- Guatemala
- Mexico
- Belize
- Peru

Source: WHO database and OECD Health Statistics 2015
Health systems and percentage of population covered

Population covered per type of health system in LAC

Initial budgeted expenditure Vs. actual expenditure

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<th>No. of years</th>
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Variation below 5%

Years of last 10 with underspending

Years of last 10 with overspending

Main causes of budget under-execution

- Insufficient capacity of executive units
- Difficulties attracting professional staff (doctors, nurses) in some areas of the countries
- Late transfer of resources to the spending units
CONCLUDING THOUGHTS
Spending more on health a worthwhile investment, but value-for-money is crucial

- Investing in health crucial for **economic development**
- Many low- and middle-income countries could find **additional resources for health**
  - *Improving* **budgeting practices** as first step
- Countries’ push for **UHC** is commendable, but **value-for-money** needs to be ensured
THANK YOU

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