Q: How do most people in the world’s poorest countries pay for health care?
In most low-income countries, people pay a high proportion of their health costs directly to health care providers out of their own pockets. In 47 low-income countries, out-of-pocket payments represent more than half of total health expenditures. The remainder is largely funded by governments.

Q: How does out-of-pocket spending for health care compare in rich countries versus poor countries?
In most of the world’s wealthiest countries, individuals pay few health care costs directly. In Germany, for example, where the GDP is US$ 32,860 per capita, 11.3% of all medical expenses are borne by households and the rest by social health insurance or by the government. In the Democratic Republic of the Congo, by contrast, where GDP per capita is only US$ 120, about 90% of the money spent on health care is paid directly by households to providers.

Q: What impact does high out-of-pocket spending have on people’s health and overall welfare?
High levels of out-of-pocket spending for health care have a variety of harmful effects. Some people are deterred from using health services or from continuing treatment because they cannot afford to pay. People who use services may need to cut spending on basic needs such as food, clothing, housing and children’s education to meet health costs. Each year, approximately 150 million people experience financial catastrophe, meaning they are obliged to spend on health care more than 40% of the income available to them after meeting their basic needs. And 100 million of those people are driven below the poverty line.

Q: How can people be better protected against financial catastrophe or impoverishment related to health care payments?
The best approach is to develop a system through which people contribute to the health system before they need health care - through taxes, some form of insurance or a combination of the two - then draw on services funded by these sources when they need them rather than paying out of pocket for them. In general, the greater the proportion of prepayment in overall health financing, the more households are protected from financial catastrophe and impoverishment.

Q: What would it cost to finance pre-payment plans that could provide a basic package of health services in poor countries?
A recent paper suggested that in low- and middle-income countries, governments and individuals would have to jointly contribute US$ 34 per person per year for essential preventive and curative services. US$ 11 to US$ 25 would have to come from international donors.

Q: What is WHO doing to help countries develop their health financing systems?
WHO works with countries to help identify ways of moving away from a heavy reliance on out-of-pocket payments and towards prepayment. WHO provides information on best practices and technical support to countries engaged in this process. It also works with the international community to encourage support for recipient countries in developing and strengthening financial institutions and capacities that will allow prepayment mechanisms to be successful.

¹Macroeconomics and Health: Investing in Health for Economic Development, World Health Organization 2001
SOCIAL HEALTH PROTECTION

There are different approaches to social health protection, but all have one thing in common: they create a system, called a *risk pool*, that allows a large group of people to share the risk that they may need expensive health care. That means funds dedicated for health care are collected through prepayment, and managed in such a way as to ensure that the risk of having to pay for health care is borne by all the members of a pool and not by each contributor individually. In a risk pool, at any given time healthy people who only need limited health care are subsidizing the sick, who will draw more heavily on available health resources.

There are three main categories of social health protection systems:

**Tax-funded health financing.** In this system a government makes use of general tax revenue to finance health care. All citizens (and sometimes residents and even visitors) are entitled to services.

**Social health insurance.** With this second approach, contributions targeted specifically for health care are collected from workers, self-employed people, businesses and the government. These monies are pooled into a *social health insurance fund or funds*. Universal coverage can be achieved with this type of financing scheme only if contributions are made on behalf of each member of the population. For this reason, most social health insurance schemes combine different sources of funds, with the government often contributing on behalf of people who cannot afford to pay themselves.

**Mixed systems.** In some countries, part of the population is covered directly through general taxes, while others are required to make contributions to a social health insurance fund or another type of health insurance, which may be private.

For more information, visit: www.who.int/health_financing

COMPONENT OF HEALTH EXPENDITURE MEASURED IN US$ 2003

<table>
<thead>
<tr>
<th>Category</th>
<th>High</th>
<th>Upper-Middle</th>
<th>Low-Middle</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Private</td>
<td>0%</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Out-of-Pocket</td>
<td>80%</td>
<td>60%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Private Pre-paid plans</td>
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<td>0%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Social Security</td>
<td>100%</td>
<td>80%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Territorial Government</td>
<td>0%</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Incomes categories by GDP/capita*:

- High income: US$ 10,066 or more
- Upper middle income: US$ 3,256 - US$ 10,065
- Low middle income: US$ 826 - US$ 3,255
- Low income: US$ 825 or less

Source: national Health Accounts unit, Health System Financing, EIP, World Health Organization, www.who.int/nha
*World Development Indicators 2006, The World Bank