Alignment Between PFM and Health Financing to sustain progress toward UHC

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Implementation of the Collaborative Agenda on Fiscal Space, Public Financial Management (PFM), and Health Financing

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What does progress toward sustainable UHC mean?

Sufficient resources are available within the country’s macroeconomic and fiscal realities to make continuous progress toward UHC objectives.

That can be used efficiently and equitably to reach to priority populations, programs, and services.

And accounted for against UHC objectives.
Health Financing Policy and PFM Systems: Common Objectives

PFM System
- Budget Formulation
- Budget Execution
- Budget Monitoring and Reporting

Health Financing System
- Generation of Health Revenue
- Pooling of Health Funds
- Purchasing of Health Services

Efficiency
Equity
Service Delivery
Accountability
Misalignments can occur because of different views of what services are and how they get delivered.
Health services are complex with complex delivery challenges

**UNCERTAINTY**

**NEEDS:** Health needs vary across individuals, geography, and through time.

**COSTS:** Service utilization is determined by choices of individuals.

**ROLE OF THE PRIVATE SECTOR**

A large share of health service utilization and the purchase of medicines takes place in the private sector.

**THE AGENCY PROBLEM**

The health services that are delivered and the inputs used to produce them are greatly influenced by providers—who may have a financial interest.
Health financing policy addresses the unique challenges of the health sector

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## Areas for improving alignment between health financing functions and PFM: REVENUE COLLECTION

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<thead>
<tr>
<th>Financing Function</th>
<th>Implementation Conditions</th>
<th>PFM Functions</th>
<th>PFM Challenges</th>
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</table>
| Revenue collection | Sufficient and stable resources to meet stated objectives | • Revenue forecasting  
• Budget formulation | • Unpredictable resource envelopes  
• Budget classification by inputs rather than objectives, activities, and outputs  
• Budget allocations separate from objectives and planning |
Areas for improving alignment between health financing functions and PFM: **POOLING**

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<td>Pooling</td>
<td>Mandate and mechanism to accumulate and redistribute funds</td>
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<td>• Fiscal decentralization</td>
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FINANCING

Function

Pooling

Implementation

Conditions

PFM Challenges

• Fiscal decentralization

• Fragmented revenue streams, input budgets, donor funds

• With no mandate or mechanism to accumulate and redistribute
Areas for improving alignment between health financing functions and PFM: **PURCHASING**

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| Purchasing         | Mandate to purchase services for the population (benefits package, essential services, etc.) | • Budget classification  
• Budget formulation | • Difficult to match health spending to needs and priorities  
• Different purchasing arrangements and accounting for different revenue streams  
• Challenges to engagement with the private sector  
• Delays in the release of funds  
• Lack of provider autonomy  
• Poor information systems and monitoring capacity |
What does good alignment between PFM and Health Financing look like?

**Because of weaknesses here**

**ACCOUNTABILITY:** Funds can be traced and linked to expenditure on populations, programs, and services with accountability measures.

**Challenges here**

**PURCHASING:** Funds are disbursed to programs, services and interventions according to health need and through output-oriented payment systems.

**AUTONOMY:** The units of service delivery (health care providers) have the flexibility to allocate funds in a way that produces health services most efficiently and they are rewarded for doing so.

**REVENUE PROJECTIONS:** Based on needs, based requests, adequate funding streams are identified and planned against to meet current and future health system needs.

**REVENUE GENERATION:** Health sector ceilings set based on strategic planning and transparent priority-setting across sectors.

**POOLING:** Funds are pooled then allocated across populations according to health needs.

**BUDGET FORMATION:** Budgets formed and classified based on population health needs and the resources required to meet those needs.
Alignment Benchmark 1: Budget Formulation
POLICIES AND PRIORITIES ARE REFLECTED IN THE BUDGET

**Definition of what the government promises to buy with public funds**

**Benchmarks**
- Health services, goods, and interventions
- Financial protection

**Examples**
- Defined benefits package or essential services package

**Budget targets or ceilings set to reflect government priorities**

**Budgets based on strategies and priorities**

**Realistic resource requirement estimates MTEF**
Alignment Benchmark 2: Budget Formulation and Execution

**FUNDS ARE DIRECTED TO PRIORITIES**

**Budgets formed so funds can flow to what the government promises to buy**

**Benchmarks**
- Funds are pooled then allocated across populations according to health need
- Budgets formed based on population health need

**Examples**
- Needs-based resource allocation formulas
- Program-based budgeting

**Funds released based on what the government is promising to buy**

**Output-based payment for health services**

**Payment for activity, output, or performance**
Alignment Benchmark 3: Budget Formulation and Execution
FUNDS ARE USED EFFICIENTLY

**Benchmarks**
Funds are allocated to the populations, programs and services that bring the most value.

Health care providers have the flexibility to allocate funds in a way that produces health services most efficiently and they are rewarded for doing so.

**Examples**
Specific allocation across primary health care, inpatient services, and other.

Autonomous public providers
Contracts with private providers.
Alignment Benchmark 4: Accountability
FUNDS ARE ACCOUNTED FOR AGAINST PRIORITIES

The government can track public funds and demonstrate they were used to purchase what the government promised to buy.

**Benchmarks**
Funds can be traced and linked to expenditure on populations, programs, and services with accountability measures.

**Examples**
Accountability on all sides for achieving coverage, service utilization, health outcomes, and financial protection.
How can benchmarks be useful?

• Support *consensus-building* between health and finance policymakers on what their shared objectives mean in practice, given the complexities of the health sector.

• Help to make *in-country diagnostics* of PFM-HF bottlenecks concrete.

• Provide *criteria for assessing options* for improving PFM-HF alignment

The most common approaches fall into four main categories:
• Making better use existing flexibility in the PFM system
• General improvements in the PFM system
• Specific PFM mechanisms for the health sector
• Off-budget funds
Thank you.