Fiscal Space for Health in the Region of the Americas

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PAHO Strategy for Universal Health – Strategic Line 3:

“Increasing and improving financing, with Equity and Efficiency, and advancing toward the Elimination of Direct Payment that constitutes a barrier to access at the point of service”

- **Equity** implies:
  - Financial protection:
    - Increase and optimize public financing for health, considering 6% GDP as a useful reference, and advance to eliminate direct out-of-pocket payments
  - Advancing toward pooling mechanisms based on solidarity
    - Distributing financial risk and allowing cross-subsidization
  - Access to comprehensive, quality health services for all:
    - Define comprehensive benefits package with the same quality, for all
    - Direct resources to the first level of care

- **Efficiency** implies:
  - Align payment mechanisms with health objectives of people and community centered care models.

Rationalize the introduction and use of medicines and other health technologies; improve supply mechanisms; optimize supply management
Public and private health expenditure, 2014 (%GDP)

OECD: 6.7%

Source: WHO, Global Health Expenditure Database
Sources of fiscal space for health:

1. Economic Growth
2. Fiscal priority for health
3. Tax burden:
   - Changes to general taxation
   - New taxes
   - On specific goods
   - On natural resources
   - Social security contributions
4. External financing:
   - Debt
   - ODA
5. Efficiency in public health expenditure
6. Tax collection efficiency

From an increase on fiscal revenue for health

Source: Adapted from Morales C, 2015 and Bascolo et al, 2015
<table>
<thead>
<tr>
<th>Source</th>
<th>Source Size</th>
<th>Political Feasibility</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steady growth macroeconomic conditions</td>
<td>Up to 1.03% GDP in optimistic scenario&lt;br&gt;Up to 0.56% GDP in neutral scenario</td>
<td>High</td>
<td>Good</td>
</tr>
<tr>
<td>Increasing tax collection relative to GDP</td>
<td>Gap of 4.1% GDP with OECD&lt;br&gt;Up to 1 percentage point of GDP, reducing margin by 25% relative to OECD</td>
<td>High for income tax&lt;br&gt;Low for corporate tax</td>
<td>Limited</td>
</tr>
<tr>
<td>Income and corporate tax</td>
<td>Up to 0.02% GDP, increasing price of cigarettes to average in Latin American countries</td>
<td>High</td>
<td>Good</td>
</tr>
<tr>
<td>Tax on tobacco</td>
<td>Up to 1.9% GDP&lt;br&gt;Up to 0.48% GDP, with 25% reduction</td>
<td>Average</td>
<td>Good</td>
</tr>
<tr>
<td>Tax-related expenditures</td>
<td>Up to 1.5% GDP&lt;br&gt;Up to 0.28 points of GDP, reducing informal sector a rate of 3.5 points annually</td>
<td>Average</td>
<td>Moderate</td>
</tr>
<tr>
<td>Social contributions</td>
<td>Up to 0.16 points of GDP, with 0.5% annual increase</td>
<td>High</td>
<td>Limited</td>
</tr>
<tr>
<td>Improving public spending efficiency</td>
<td>Relative to marginal increases in public budget</td>
<td>Low</td>
<td>Limited</td>
</tr>
<tr>
<td>Re-prioritizing health expenditure</td>
<td>NA</td>
<td>None</td>
<td>Non-feasible</td>
</tr>
</tbody>
</table>

GDP: Gross domestic product; OECD: Organization for Economic Cooperation and Development; NA: Not applicable.

Source: Evaluating Fiscal Space for Health in Peru. PAHO, 2015
Key messages:

- Increasing fiscal space for health requires:
  - Strong advocacy along with detailed and objective analysis of potential sources, according to national context.
  - Strong political will and institutional efforts for sustainability
  - …and also a clever analysis of the political economy of the process to manage potential conflict of interests.
- Expanded (and informed) social dialogue will play a key role in consensus building, also for sustainability.
- Fiscal space studies can be a valuable instrument (along with others) for advocacy and to inform decision-making toward universal health:
  - …to “seize the moment” when political opportunities are present, but they can also be useful to “prepare the ambience”

Potential role of regional networks: advocacy and capacity building to facilitate the dialogue (i.e. with Min of Finance) and to better align PFM and health financing.
Thank you!

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