Rich-Poor Differences in Health Care Financing

Role of Communities and the Private Sector

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Flow of Funds Through the System

- Revenue Collection
- Pooling
- Resource Allocation or Purchasing (RAP)

Public:
- Taxes
- Public Charges
- Mandates
- Grants
- Loans
- Private Insurance
- Communities
- Out-of-Pocket

Private:
- Government Agency
- Social Insurance or Sickness Funds
- Private Insurance Organizations
- Employers
- Individuals And Households

Service Provision:
- Public Providers
- Private Providers
Origins of Rich-Poor Differences In Financing Child Health

- Collecting Pre-Paid Revenues
- Pooling of Funds and Sharing of Risks
- Allocating Resources and Purchasing
Origin of Rich-Poor Differences
In Financing Child Health

• Collecting Pre-Paid Revenues
• Pooling of Funds and Sharing of Risks
• Allocating Resources and Purchasing
Low-Income Countries Have Weak Capacity to Raise Revenues

- Governments in many countries often raise less than 5% of GDP in public revenues; and
- The tax structure in many low-income countries is often regressive.
Low Income Pattern: Direct Charges

- Revenue Collection
- Pooling
- Resource Allocation or Purchasing (RAP)

- Service Provision

- Public
  - Taxes
  - Grants

- Private
  - Out-of-Pocket
Total Expenditure on Health Care
Percent of GDP
Public Expenditure on Health Care
Percentage of Total Public Expenditure
Origins of Rich-Poor Differences In Financing Child Health

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What do We Mean by Pooling?

- Cross-subsidy from low-risk to high-risk
- Cross-subsidy from rich to poor
- Cross subsidy from productive to non-productive part of the life cycle
Low Income Patterns: Fragmentation

Revenue Collection | Pooling | Resource Allocation or Purchasing (RAP) | Service Provision

Public Providers

Private Providers
Less Pooling of Revenues in Low Income Countries

Share of world’s 1.3 billion living on less than US$1 day indicated by size of blue bubbles.
Out-Of-Pocket (OOPs) Expenditure And Poverty Without Risk Sharing

HH expenditure as multiple of PL

Pov line = 1789870 dongs/day
Pre OOP HH income
Post OOP HH income
Hospitalization Causes Impoverishment
Supply Side Subsidies are not Enough

Percent Falling Into Poverty

- BIHAR
- UTTAR PRADESH
- PUNJAB
- RAJASTHAN
- GUJARAT
- MADHYA PRADESH
- WEST BENGAL
- NORTH EAST
- ALL INDIA
- MAHARASHTRA
- ORISSA
- HARYANA
- ANDHRA PRADESH
- KARNATAKA
- TAMIL NADU
- KERALA
Origins of Rich-Poor Differences In Financing Child Health

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Benefit Incidence: The Rich Get More Public Benefits
(All India, 1995-96)
The Private Sector is Important

- It provides financing
- It provides access to quality services
- It increases consumer satisfaction
Who Pays for Health in India?

Private Insurance: 0%
Private Investment: 3%
Public-States: 14%
Public-Centre: 4%
Private Out-of-pocket: 79%

Source: NSSO; CSO; 1995-96 Data
Out-of-Pocket Health Payments and Household Income
All India (1995-96): **The Poor Contribute Significantly**

![Graph showing per capita private spending (Rs.) for different income groups: The poorest 20%, 20%-40%, middle 20%, 60%-80%, and richest 20%. The graph indicates that the poorest 20% contribute a significant amount to both public and private facilities, whereas the richest 20% contribute more to public facilities.]
Service Delivery: People Use Public and Private Sectors
(All India, 1995-96)

Public-Private Sector Shares

Public
Private
Responsiveness: Little Satisfaction in Andhra Pradesh (2000) But Private Sector Outperforms Public Sector

![Chart showing responsiveness in the private sector outperforming the public sector in various aspects such as doctor's manner, nurse's skills, nurse's manner, doctor's skills, doctor's manner, and waiting time. The chart compares the percent satisfied or very satisfied between the public and private sectors across these dimensions.]
But Without Subsides the Poor Get Less:
Proportion of Institutional Deliveries, All India (1995-96)

Percent of Births Delivered at Health Facilities

- Richest 20%
  - Public: 36%
  - Private: 64%
- 60%-80%
  - Public: 53%
  - Private: 47%
- Middle 20%
  - Public: 63%
  - Private: 37%
- 20%-40%
  - Public: 68%
  - Private: 32%
- Poorest 20%
  - Public: 73%
  - Private: 27%
Urgent Need for Change
At the Global Level

- Increased Targeting of Public Resources
- Increased Private Sector Participation
- Increased Financial Protection
- Increased Subsides for the Poor
- Communities often Play an Important Role
The End